

# Statement of Intent 2008/11

RETIREMENT COMMISSION

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*Presented to the House of Representatives  
Pursuant to section 149 of the Crown Entities Act 2004*

## PART 1:



# THREE YEAR OUTLOOK



## FOREWORD

This, our third Statement of Intent, sets out the intended direction of the Retirement Commission over the next three years. It describes how we will work towards our goals and carry out our core business.

The 2008/09 year covered by this Statement of Intent will be a busy and significant one for the Commission.

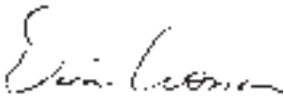
We will be implementing and monitoring the agreed recommendations of the 2007 review of retirement income policy and putting a reporting process in place, implementing the national strategy for financial literacy and continuing the workplace financial education programme. We will be commissioning our second financial knowledge survey, project managing a major teacher development programme in schools for Years 1 to 10 students with funding from New Zealand banks, plus carrying out our usual work on general financial education, our Sorted website, schools and retirement villages.

The 2007 review looks at trends and future developments likely to affect the provision of retirement income. It also includes an independent review of the effectiveness of financial education available to, and used by, New Zealanders. The national strategy identifies what must be done to lift New Zealanders' financial literacy. As a result, there may be an impact on the focus of our future work.

The Government has given additional funding in the 2008 Budget to the Retirement Commission for the next four years to continue our workplace financial education programme around KiwiSaver decision-making. Funding for the 2008/2009 year is \$1.9M.

In writing this statement, we have had regard to Government policy on the priority themes of economic transformation and families young and old.

I am confident that the 2008/11 Statement of Intent will provide a clear and valuable picture of our work and the results we seek.



DIANA CROSSAN  
RETIREMENT COMMISSIONER



## ❖ INTRODUCTION

The Retirement Commission helps New Zealanders prepare financially for retirement, through education, information and promotion.

Our work contributes towards three key elements vital to New Zealand's retirement income framework:

- ~ *Maintaining stable effective government policy.*
- ~ *Developing a more trusted financial services sector.*
- ~ *Creating a financially educated population.*

These three elements need to be in place so that all New Zealanders have the confidence and ability to make informed and lasting decisions about their finances throughout their lives.

New Zealanders' standards of living in retirement will depend largely on what assets and income they have during their retirement years. Their income is likely to come, as it has for many years, from three major sources: government, private savings and investments, and workplace superannuation.

Through its goal of economic transformation, the Government aims to develop a high-income, knowledge-based economy that will lift living standards over time. Therefore New Zealanders' expectations of retirement income are also likely to increase.

A fundamental assumption for any retirement planning or decision making is that the government will continue to supply a basic income to older people. For some years there has been broad political consensus supporting this approach. If individuals want to receive more than this basic retirement income, then they must take action themselves.

New Zealanders are faced with issues of funding education, home ownership, investing in businesses, debt management, and family financial obligations. They need to fit financial preparation for retirement into this framework.

Simply saving some money for retirement may not be possible nor indeed the best financial choice for some individuals and families at certain stages of life. The traditional message that 'you must save for your retirement' is now of less practical use to people functioning in an advanced modern economy and a changing society. Financial decisions involve increasingly complex and subtle considerations about the sources and uses of personal funds throughout life.

It is important that when people make their financial decisions – such as opting in or out of KiwiSaver – they are aware of all their options, and the issues and implications involved.

The Commission is funded to provide information to help people make an informed decision on financial products such as KiwiSaver. All information is impartial and independent.

The Commission takes a lifetime view to educating and informing the public about managing personal finances. Financial attitudes and behaviours start early in life, as do opportunities to build the basic skills of literacy and numeracy needed to make sound financial decisions. So, for example, we are helping to integrate personal financial literacy education programmes into the school curriculum. We are also in the early stages of working with providers and industry training organisations, to investigate the possibility of financial education becoming a core part of many tertiary qualifications.

We are working with financial service industry organisations to help them raise the bar on quality of product, service, information and advice.

In 2007 the Commission conducted its first three-yearly review of retirement income policies. The 2007 review provides a contextual overview of current policy settings and outcomes, followed by more in-depth analysis. It helps widen our shared understanding of current retirement policy and where it is heading.

The national strategy for financial literacy, led by the Retirement Commission, with input from many individuals and organisations across the public, private and voluntary sectors, will be published in June 2008. It sets a direction to link providers of financial education and information, identify any gaps in coverage and avoid duplication.

The Retirement Commission has a role in protecting the interests of residents and intending residents of retirement villages, by monitoring the Retirement Villages Act 2003.



## WHO WE ARE

The Retirement Commissioner is an autonomous Crown entity listed in Schedule 1, Part 2 of the Crown Entities Act 2004. Under legal mandate the Retirement Commissioner is required to fulfil the relevant functions and requirements of the New Zealand Superannuation and Retirement Income Act 2001 and certain functions under the Retirement Villages Act 2003. The Retirement Commission is the office of the Commissioner.

### **Our activities include:**

- ~ *Raising awareness of the need to plan for retirement.*
- ~ *Providing education on financial management and planning tools.*
- ~ *Collecting research on retirement planning behaviour and attitudes.*
- ~ *Providing information that aids development of national policies impacting on retirement.*

### **And under the Retirement Villages Act:**

- ~ *Monitoring the legislation.*
- ~ *Approval of members of disputes panels.*
- ~ *Provide information as required by the Act.*
- ~ *Recommendations to the Minister on any draft codes of practice.*

## ❖ WHAT WE DO AND WHY

People need to make important choices about their finances throughout their lives to ensure adequate provision for retirement. The retirement policy framework relies upon a mix of private and state funding. Therefore there is a need for information, so that people will have the knowledge to make their financial choice within this environment.

The key underlying assumption used in financial planning for retirement is that the current and future governments will continue to support state funding of retirement incomes at a basic level. Successive governments have confirmed this policy stance over many years.

Based on that key assumption, the rationale for the results we seek and the way we do our work, is as follows:

- ~ *To have reasonable expectations of receiving total retirement incomes in excess of the basic level of New Zealand Superannuation, individuals will need additional retirement income from private and non-government sources.*
- ~ *The quality of life of retired New Zealanders will therefore depend significantly on many decisions they make about their personal finances throughout the course of their lives.*
- ~ *Individuals have freedom of financial choice, but will make better financial choices when provided with information and education about financial options and the implications of various courses of action.*

The Retirement Commission provides well-informed and non-directive personal financial education to New Zealanders throughout their lives, and will work with other stakeholders to achieve this.

The main tools that we use to do our job are:

- ~ *Communications (online, print and mass media).*
- ~ *Information and education programmes (online, schools, workplaces).*
- ~ *Relationships with stakeholders.*
- ~ *Partnerships with key organisations.*
- ~ *Liaison with the financial services industry.*
- ~ *Advice to the government and its agencies.*

The Commission can achieve its intended results only through the commitment of other stakeholders to improving New Zealanders' ability to make sound financial decisions. The rationale for our work provides the basis for engaging with our stakeholders, as it makes our purpose clear to others. Our overall effectiveness will be determined by the quality of our working relationships with the public, business, government and community agencies.

## ❖ ENVIRONMENT

Much of the Retirement Commissioner's strategic work takes account of trends and possible long term future scenarios. This section of our Statement of Intent focuses primarily on issues and influences that are relevant to our work over the next three years, but also the longer term. Many of the higher level trends, such as demographic change, are being addressed in specific streams of our work.

### **The wider environment**

New Zealand's society is changing and ageing and there is an opportunity now for the Commission to provide financial education to the large number of working baby boomers, before they retire.

*We are all getting older on average...*

The median age has increased from 26 years in 1971 to 36 in 2006 and is expected to reach 40 in 2027.

*The old will be getting older...*

In 2006 the oldest 10% of the population is 68 and older and in 2050 it will be 80 and older.

*There will be fewer work-aged people compared with older people...*

For every person aged 65 and over, there will be 2.2 people in the working age group (15-64) by 2061 compared with 5.4 people in 2006.

(Source: Statistics New Zealand, *National population projections Series 5, 2006*)

Other relevant trends include the increasing ethnic diversity of the population and the trend towards more people 65 and over who have paid employment.

Already, the number of working Kiwis classed as 'older workers' (aged 50 – 64) has more than doubled between 1991 and 2005.

(Source: Labour Department, *Older People in Work: Key Trends and Patterns 1991 – 2005*)

For many in this age group, the word 'retirement' is outdated. Some will want to stop work earlier, but others will want to keep working well into their 70s or older.

These trends present a wide range of often complex implications for personal, institutional and government decision making about retirement issues. Accordingly the Commission makes a considerable investment in research and analysis to inform our planning for the future and the information we provide to the public and stakeholders.

Other trends and issues that may hold long term implications include:

- ~ *Increasing personal debt levels, such as student loans and credit card debt.*
- ~ *High levels of consumption expenditure.*
- ~ *People buying homes later in life.*
- ~ *International employment opportunities and patterns.*
- ~ *Changes in career patterns and workforce participation.*
- ~ *Individuals taking early retirement and starting part-time or other paid work.*
- ~ *Women having children later.*

The future direction of these trends may also be affected by other factors such as levels of migration and the relative and absolute economic performance of the nation. These factors will in turn be influenced by global policies and events.

The long term concern will be how can New Zealanders – individually and collectively – pay the price necessary to fulfil future retirement aspirations? We expect the range of retirement income sources to remain broadly the same (that is, from the government, privately-funded investments and workplace superannuation), but the balance between these sources might change.

In summary, we can forecast with some confidence that, in the longer term future, New Zealand will have an older and more diverse population that displays more varied patterns of paid work, both in the conventional working age and retirement age groups. People are likely also to have higher expectations of what is an acceptable standard of retirement living.

### **Our immediate operating environment**

The focus of the Retirement Commission's work is on helping New Zealanders become more informed and skilled at managing their personal finances. This is based on the view that the quality of a retired person's life will depend significantly on their standard of living and most significantly, that the retirement income a retired person receives will largely determine this standard.

We make some fundamental and important assumptions about this operating context, and if change did occur (for example, in the government's retirement income policies) then this could have an impact on our work.

Our key operating assumption is that the sources of retirement income and government retirement income policy will continue to be reasonably stable and that a high level of political consensus on this policy will be maintained.

The KiwiSaver scheme, introduced in July 2007, is likely to continue its increase in membership over time. Prospective and existing members will require ongoing information to make informed decisions, at the point of entry and at regular membership anniversaries.

In October 2006 the Retirement Commission launched a three year workplace financial education programme. The objective of the programme is to help New Zealanders make decisions on their participation in KiwiSaver, or other savings options, in the context of their wider personal financial situation. Additional funding from the 2008 Budget for the next four years allows us to continue the workplace programme.

The need to make a personal decision around KiwiSaver provides a compelling incentive for individuals to appreciate the need for, and to, absorb personal financial information and education. The programme reminds New Zealanders that they can and should be making financial preparation for the future.

Future situations or events that could affect our operating environment include:

*Rising personal debt levels:* Concerns have been expressed by the Reserve Bank and others about the sustainability of current levels of consumption and related household debt. While asset values may have risen, the critical issue is whether the wider community retains its tolerance of debt levels relative to income expectations. A sudden reversal of this community tolerance would impose strains on the financial system.

*Fall in house prices and values:* House prices have increased dramatically over the past few years and if values drop, the equity of some households would be reduced or perhaps eliminated and even replaced by debt.

*Loss of the current political consensus about the government's ongoing commitment to funding retirement incomes:* This continuing consensus might not be assured in the future.

*Performance failure in the financial sector:* Commercial failures, such as the recent collapse of several finance companies, or perceived unethical practices could undermine efforts to build the public's trust in the sector.

*Rising living standards:* With economic transformation we expect future generations to have higher retirement income expectations, as standards of living increase. However, there will always be some people on lower incomes who have difficulty reaching the standards of living others enjoy, and difficulty making provision for their own future.

## OUR GOALS AND OUTCOMES

The Retirement Commission's vision is that New Zealanders are financially sorted.<sup>1</sup>

There are two high level goals for New Zealand society that we seek to achieve both through our own work, and through working with many other organisations, groups and individuals. These are:

- ~ *New Zealanders are financially well prepared for retirement.*
- ~ *New Zealanders living in retirement villages have informed choice.*

### Outcomes

We identify four contributing outcomes that the Commission's work is directly aimed at achieving, and which contribute to these higher level goals. The four contributing outcomes of the Commission are:

- 1. New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives.***
- 2. The financial services sector is trusted.***
- 3. Government's retirement income policies are effective and stable.***
- 4. All retirement villages meet societal expectations and current quality standards.***

### Outcome measures

We have found it challenging to identify useful, quantifiable and attributable outcome measures to judge future performance. As many other factors influence outcomes, to suggest that the Commission's activities alone have resulted in a particular outcome is not only misleading, but may take credit (or blame) for the work of other individuals or agencies. Nevertheless, we have described the type of measures we will use and, where possible, included some current numeric indicators and the expected change.

### **Outcome 1: New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives**

#### ***Description:***

This describes a population that has the necessary information and skills to help them make sound decisions about planning and managing their personal finances throughout their lives. Personal financial education includes providing information and decision-making tools, and increasing an individual's skills and understanding of personal financial issues.

#### ***Key impacts sought:***

Increased information and skill levels will shape both financial attitudes and behaviours. We aim to help people become more aware of financial issues and their significance and therefore able to make more confident and effective financial choices. People will have the ability to assess their personal financial situation and make quality decisions about their involvement in KiwiSaver or other savings options as a result of the Commission's workplace financial education programme.

#### ***Activities:***

The main activities are education and information based.

The Commission's Sorted programme with its website, printed information and Your Money Sorted television series are key strategies. The Sorted website's practical content and calculators gives users the opportunity to develop their financial plans and see the consequences of various courses of action.

<sup>1</sup> Our vision and goals complement the government social sector agencies' common outcome of an inclusive New Zealand where all people are able to participate in the social and economic life of their communities.

Extension of the workplace financial education programme (featuring KiwiSaver decision making tools and information), in addition to regular Sorted marketing activities, mean that future Sorted activity will be dominated by:

- ~ *Repositioning the Sorted brand from a financial knowledge source to offering motivational guidance around money matters in general.*
- ~ *Enhancement of both the sorted.org.nz and retirement.org.nz websites to feature wider content and more relevant audience engagement tactics (e.g. allowing user comments on sorted.org.nz).*
- ~ *Providing a wider and targeted range of printed material for specific segments.*
- ~ *Expand face-to-face communication to include community-based seminars and conversations.*
- ~ *Expand the range of KiwiSaver decision making tools and information available for both prospective and existing members.*

The general Sorted and workplace financial education programmes will complement each other to allow key sectors of New Zealand society to have ready access to a range of financial education resources. The products required and communication mediums utilised are different for each sub-audience, but will continue to be segmented as follows:

- ~ *Children.*
- ~ *Students in tertiary education.*
- ~ *Adults in the workplace.*
- ~ *Adults in the community.*
- ~ *Older New Zealanders.*

The Retirement Commission led the development of a national strategy for financial literacy. With input from many individuals and organisations across the public, private and voluntary sectors, the strategy sets a direction to link providers of financial education and information, identify any gaps in coverage and avoid duplication.

The Retirement Commission and the Families Commission are working together on a project looking at 'indebtedness' of New Zealand households.

#### ***How we will measure results:***

The major measures of impact will be changes in attitudes, levels of knowledge and action taken as a result of accessing our education programmes and information. These will be measured through the financial knowledge survey that the Commission conducts in association with ANZ, together with other benchmarked surveys and analyses. We are also looking at developing longitudinal measures of our education programme.

Other indicators of interest levels in personal financial management will be statistical measures of the use of all Sorted resources, brand awareness and brand attribute tracking.

#### ***1. Key financial knowledge measure is:***

- ~ *To reduce the size of the lowest knowledge group from 33% to 25% by 2010.*

#### ***2. Sorted resource use – overall uptake goal:***

- ~ *To increase the percentage of New Zealanders who use Sorted resources from 19% to 30% by 2010 with over half the interaction being through the workplace.*

**3. The workplace financial education programme will also be evaluated to assess the impact of KiwiSaver decision making information and tools:**

- ~ Maintain 2007 levels indicating 28% of 18-65 year olds surveyed had used Sorted resources to help them make a decision about KiwiSaver<sup>2</sup>.

**4. Sorted resource use – monthly average over 12 months:**

- ~ Visits to sorted.org.nz 110,000 – 140,000.
- ~ Calculations made via sorted.org.nz 500,000 – 700,000.
- ~ Sorted booklets distributed 8000 – 10,000.

**Outcome 2: The financial services sector is trusted**

**Description:**

A financial sector that is trusted by the public and whose products, services and charges can be clearly understood.

**Key impacts sought:**

These cover both the performance of the industry and New Zealanders' increasing levels of trust in the industry. The industry is trustworthy when it meets the expectations of clients for the provision of products and services and can assure the quality of these.

New Zealanders dealing with a trustworthy financial sector will find the experience transparent and straightforward. Transparency extends to disclosing to clients the actual costs of products and services and any other relevant factors that could affect a client's decision – such as an adviser's financial interests that could in any possible way be seen to be in conflict with the services being offered.

**Activities:**

The Commission will promote research and debate about ways of improving trust in, and the efficiency of, the retail savings industry. We will also promote the adoption and use of standard forms of disclosure for financial advisers about the actual costs of their services and any related interests. We will watch with interest the progress of the Financial Advisers Bill and look at ways of monitoring it once enacted. We will work with the sector and other government agencies to achieve these goals.

**How we will measure results:**

Evidence of impacts will be provided by various indicators such as the development and use of improved forms of disclosure and industry commitments to improved training processes and standards and to standardised codes of practice and conduct. Public surveys will provide a measure of the public's perception of the industry and its practices.

We would like to see an increase of at least 5 percentage points over the next 3 years in the 32% of adult New Zealanders who agree or strongly agree with the statement '*I trust most financial advisers*'<sup>3</sup>.

Monitoring media commentary on the industry will also provide an indicator of trust and public perception.

**Outcome 3: Government's retirement income policies are effective and stable**

**Description:**

The wide range of government policies that have implications for New Zealanders' financial wellbeing in retirement will be effective in achieving the intended results, and will do so efficiently and fairly. Overall policy

<sup>2</sup> KiwiSaver campaign evaluation – Colmar Brunton, 2008

<sup>3</sup> Sorted, Financial and Retirement Planning in 2005.' AC Nielsen.

directions will be generally stable, and will form a reliable retirement income framework on which individuals may confidently base their personal financial retirement plans.

**Key impacts sought:**

The main impacts sought are that New Zealanders will be able to plan financially for their future with reasonable certainty about the long term intentions of government and that the state funded retirement income will provide a basic income for older people.

**Activities:**

The Commission will provide information and education that describes the purpose and effects of relevant legislation. We will implement and monitor the agreed recommendations of the 2007 review of retirement income policy and put a reporting process in place. Through our research and evaluation work we will identify areas of policy that work well or that may need further consideration, development or adjustment.

**How we will measure results:**

The effectiveness of government policies in achieving intended results will be monitored and, as necessary, reported on. The extent to which the Retirement Commissioner's advice to the government and its agencies is acted on will be a measure of our impact on retirement policies and agencies' practices. Of particular interest will be the Government's response to the 2007 review. Other proxy measures of impact will be the amount of advice given, and research and analysis work undertaken on the operation of current legislation and government policies.

This is a difficult area for which to develop standards and measures that can reasonably be used to judge future performance. The Retirement Commission will continue to work with officials on measuring the effectiveness of the Government's KiwiSaver savings initiative.

#### **Outcome 4: All retirement villages meet societal expectations and current quality standards**

**Description:**

Retirement villages will comply with all relevant legislation and meet both the expectations of society and their residents about the overall fitness of villages' accommodation, facilities and services in meeting contemporary standards of good quality retirement living.

**Key impacts sought:**

The retirement villages sector will be operating well if all villages meet the legal requirements for performance as set out both in the Retirement Villages Act 2003, associated regulations and Code of Practice and more generally, the expectations of residents. Intending residents will be able to make informed choices, and residents understand their rights, as a result of education programmes.

**Activities:**

\* The Commission will maintain and oversee members of disputes panels and provide information on dispute resolution.

\* We are aware of options being considered in terms of implementing a Code of Practice for retirement villages. This may involve the Commission undertaking a consultation process.

\* We will monitor the effects of the Act, regulations and Code of Practice and provide advice to the Minister when requested or required.

How we will measure results:

Measures will include the nature, numbers and trends in complaints and disputes about retirement villages.

## ❖ WHO WE WORK WITH

Our major partners and stakeholders, and areas of collaboration, are as follows:

### **Government agencies**

- ~ Department of Building and Housing (retirement villages)
- ~ Families Commission
- ~ Inland Revenue Department (KiwiSaver, tax)
- ~ Ministry of Consumer Affairs (consumer issues)
- ~ Ministry of Economic Development (regulation, policy and review)
- ~ Ministry of Education (curriculum development)
- ~ Ministry of Social Development (research and policy)
- ~ Ministry of Women's Affairs (women's issues related to retirement income)
- ~ Office for Senior Citizens (issues concerning older people)
- ~ Securities Commission (education on investing)
- ~ Te Puni Kōkiri (Māori issues related to retirement income and financial education)
- ~ Treasury (research, policy and review)
- ~ Department of Labour
- ~ Ministry of Health

### **Private sector**

- ~ Accountants, lawyers (distribution)
- ~ Actuaries, economists (research)
- ~ Banks (distribution, funding of projects)
- ~ Employers (financial education)
- ~ Financial planners (education, distribution)
- ~ Insurance companies (distribution)
- ~ Industry association (policy discussions, standards)
- ~ Unions (workplace financial education)

### **Universities (retirement income research)**

### **Community groups**

- ~ Citizens Advice Bureaux
- ~ Education channels
- ~ New Zealand Federation of Family Budgeting Services
- ~ Interest groups and community organisations – Age Concern, Grey Power, SeniorNet
- ~ Libraries

### **Financial ombudsmen**

### **Media (distribution, public relations)**

## OUR PEOPLE AND SKILLS

The Commission is based in a small office in Wellington with 8 staff.

Our capability comprises our skilled people, resources, systems and relationships with stakeholders. We need the right mix of these to achieve the results we seek.

*People:* We must ensure that staff are skilled in a broad range of competencies with an emphasis upon communications, relationship management and knowledge of the machinery of government. Additionally, staff need to develop a good knowledge of retirement and personal financial issues.

The specific skills required are:

- ~ *Communications and related areas – promotion, public relations and web management.*
- ~ *Education curriculum design and delivery.*
- ~ *Relationship management with government and private sector stakeholders.*
- ~ *Research – market, economic and policy-related.*

*Good employer practices and Equal Opportunities statement:* The Commission encourages the achievement of work life balance and is a family-friendly work place. It takes a flexible approach to part-time work. Technology allows staff to work remotely from home when necessary. Staff turnover is low. The Commission has an Equal Opportunity plan.

*Training and development:* Staff are encouraged to identify required competencies and future training needs and to undertake relevant training. The Commission has a dedicated staff training budget. A personal development policy has been developed and provided to staff. All staff have a personal development plan.

*Organisational design:* The Commission is a small organisation. The Retirement Commissioner is a 'corporation sole' and is 'the board' for the purposes of parts of the Crown Entities Act 2004. The Executive Director manages the operations (see *Appendix – Organisation chart* for details). The intention is to keep the organisation small, adaptive and nimble. Certain functions are contracted out in full or part: such as information technology, web design, research, public relations and advertising and some project and programme management. Institutional knowledge is readily accessible.

*Systems:* Information technology is critical to the success of the Commission because of the high strategic value of its Sorted website. Apart from basic computing hardware, all technology functions are outsourced.

*Resourcing:* The Commission works in a cost effective manner within its current resources. Sorted is an example of achieving a major impact within available resources.

*Relationships:* The Commission must work with many stakeholders and its relationships have to be built on good active communication and the development of mutual trust. The Commissioner meets and speaks with many organisations, groups and individuals from the government, private and community sectors.

*Accommodation:* The present leased accommodation is sufficient.

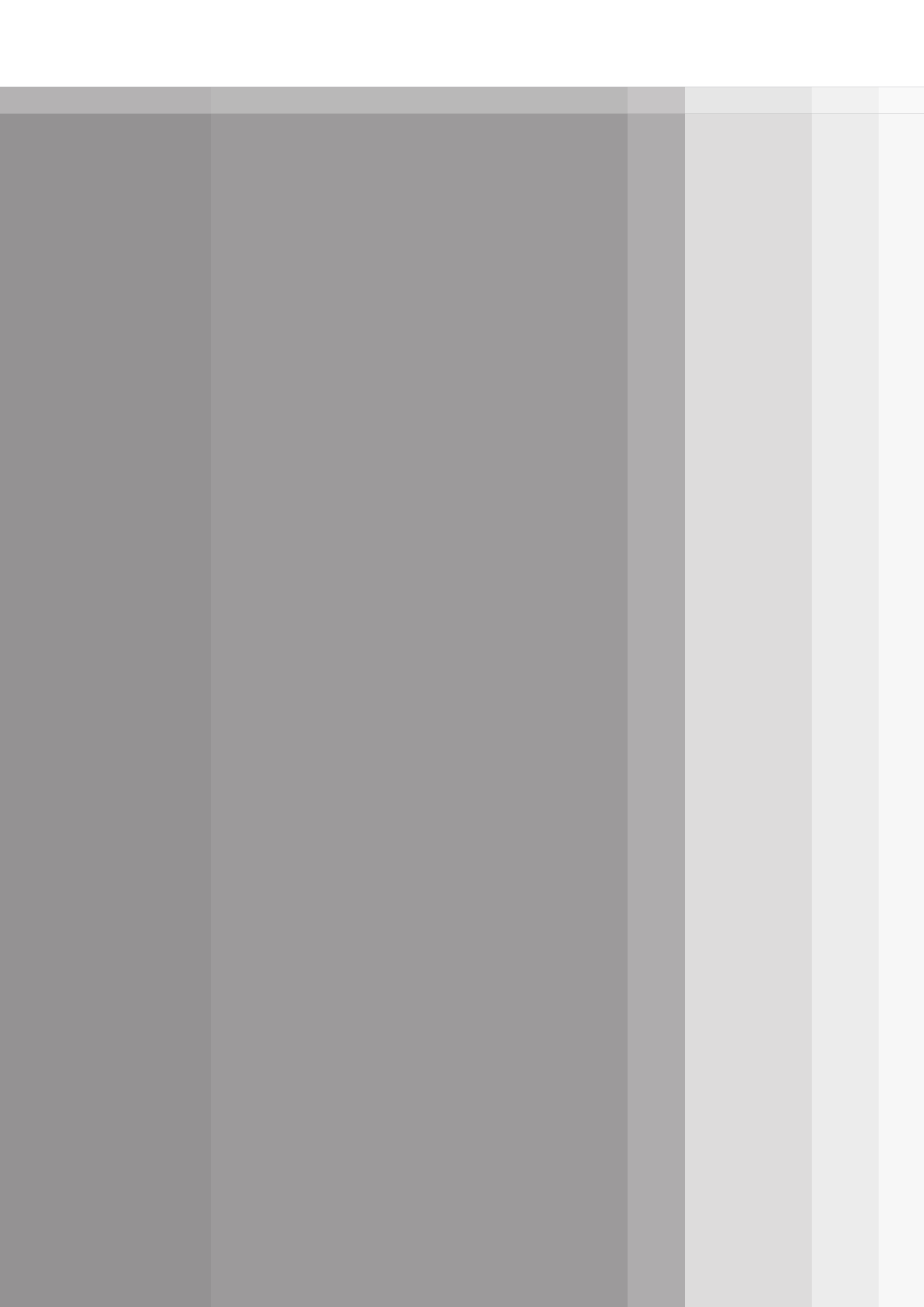
## ❖ RISK MANAGEMENT

The management of risk is a strategic activity and an essential part of ensuring that we meet our performance goals and results. We have identified our exposure to potential vulnerabilities and what could go wrong. We have reduced this exposure by ensuring that we have the skills, capability and strategies to manage these risks and maintain our performance.

RISKS	RESPONSE
<i> Losing credibility as the lead provider of good personal financial planning information.</i>	<p>We will ensure our communications strategies and website are of the highest possible quality (in terms of content and presentation).</p> <p>The accuracy and value of all information will be thoroughly tested before being used.</p> <p>We will monitor and as necessary act in response to trends in public perceptions of our communications and information services.</p>
<i> Loss of focus on priorities</i>	<p>We will base our business planning on managing for the outcomes specified in this Statement of Intent.</p> <p>We will prioritise our work according to its contribution to achieving the impacts we are seeking.</p>
<i> We are not valued by stakeholders</i>	<p>We will maintain good working relationships with stakeholders.</p> <p>We will respect our stakeholders' views and interests and as appropriate assist their relations with central government.</p> <p>We will look to undertake appropriate joint ventures and the like to better integrate public and private sector initiatives aimed at improving personal financial management.</p>
<i> Loss of influence in our advice to government</i>	<p>Our advice to the government will be authoritative and evidence-based.</p> <p>We will ensure that we work effectively with other government agencies to inform and assist their retirement-related policy development.</p> <p>We will initiate and support research and evaluation work, as appropriate, to better inform all aspects of retirement-related financial planning.</p>
<i> Perceptions that we do not meet the needs of particular segments of society due to a strategy that is primarily web-based.</i>	<p>We will monitor and publicise the use of Sorted.</p> <p>We will constantly look at cost effective ways to meet target audience needs. We will balance our strategies to ensure effective communication across society.</p>
<i> Perceptions that the Commission is seen as promoting KiwiSaver rather than providing independent information.</i>	<p>We will ensure that all communications are educational in nature.</p>

#### ❖ CONSULTATION AND REPORTING TO THE RESPONSIBLE MINISTER

The Commission will develop an Output Agreement for 2008/09 with the Minister of Social Development and Employment, setting out details on the way in which it will continue to consult and report on the Government's purchase and ownership interests in the entity.



## PART 2:



# FORECAST FINANCIAL STATEMENTS



## INTRODUCTION

This section contains the following forecast financial statements:

- ~ *Statement of Responsibility*
- ~ *Statement of Forecast Profit and Loss*
- ~ *Statement of Forecast Equity*
- ~ *Statement of Forecast Balance Sheet*
- ~ *Statement of Forecast Cash Flows*
- ~ *Statement of Significant Underlying Assumptions and Accounting Policies to explain the basis on which the Office of the Retirement Commissioner has compiled the forecast financial statements.*

The forecast financial statements comply with NZ IFRS apart from IAS 19 – Employee Benefits where no provision for sick leave has been made. Caution should be taken when reviewing the forecast financial statements as it is likely that the actual financial results will vary from the information presented and the variations may be material. The purpose of these forecast financial statements is to provide a base against which the Retirement Commissioner’s actual performance can be assessed.

### Summary of Output Costs

Output	Output Category	2008/09 Cost \$0.000M	2009/10 Cost \$0.000M	2010/11 Cost \$0.000M
5.1	Research, Monitoring and Advice	0.465	0.479	0.478
5.2	Education and Information	2.860	3.029	3.011
5.3	Retirement Villages	0.215	0.215	0.215
5.4	Workplace Financial Education Programme	2.125	2.234	2.231
<b>Total</b>		<b>5.665</b>	<b>5.957</b>	<b>5.935</b>

NB: Indicative application of costs only. The Retirement Commissioner has a single output expense.



⇨ STATEMENT OF RESPONSIBILITY

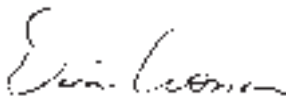
The Retirement Commission is an autonomous Crown entity under the Crown Entities Act 2004 with its role established under the New Zealand Superannuation and Retirement Income Act 2001.

The Commission is responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based.

The prospective financial statements have been prepared in accordance with NZ IFRS. The Retirement Commission does not intend to update and republish the prospective financial statements.

The prospective financial statements have been developed for the purpose of tabling the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the prospective financial statements and the variation may be material.

We have authorised the issue of the financial statements on this day, 30 June 2008.



DIANA CROSSAN  
RETIREMENT COMMISSIONER



## FORECAST STATEMENT OF SERVICE

### *Forecast Statement of Service Performance*

The outputs and performance standards for the Commission in 2008/09 are provided below. They are drawn from, and set out in more detail in, the Commission's work programme for 2008/09.

The Retirement Commission provides services under the following output areas:

- ~ *Advice to its responsible Minister*
- ~ *Research and Monitoring*
- ~ *Education and Information*
- ~ *Retirement Villages*
- ~ *Workplace Financial Education Programme<sup>4</sup>*

### Outputs

#### 5.1 Advice

##### **Description**

The advice part of the output class includes advising and reporting to the Minister on retirement income and related issues.

##### **Key Deliverables**

Advice as may be requested by the Minister, or provided to the Minister by the Commissioner.

##### **Quality**

A letter will be sent to the Minister at the end of each financial year seeking feedback on the quality of any advice provided.

##### **Timeliness**

Any advice is provided on time.

#### 5.2 Research and Monitoring

##### **Description**

The research and monitoring part of this output class includes continuing to develop the Retirement Income Research Centre, monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning. It also includes monitoring the effectiveness of private sector financial ombudsmen.

##### **Key Deliverables**

##### ONGOING ACTIVITIES/PROJECTS

- ~ *Provide research and monitoring programmes that meet the needs of the three yearly reviews of retirement income policy.*
- ~ *Operate and promote the Retirement Income Research Centre and its website [www.retirement.org.nz](http://www.retirement.org.nz). The Centre is available for use by researchers, policy analysts and the financial services industry.*
- ~ *Evaluation of the communications programme: The Commission will regularly monitor the effect its education and information programme on personal financial planning and financial preparation for retirement is having on the awareness, knowledge, attitudes and behaviours of New Zealanders.*

<sup>4</sup>This output is one of a number of initiatives undertaken to coincide with the introduction of KiwiSaver in July 2007. In keeping with the Commissioner's statutory role, the focus will be on generic financial education rather than promoting a particular financial product or range of products.

- ~ *Report on the effectiveness of the Insurance and Savings Ombudsman, the Banking Ombudsman.*

#### RESEARCH PROJECTS

- ~ *Survey of Family Income and Employment (Sofie): In association with Treasury, work will continue on the analysis of the Sofie in 2008/09 to determine the adequacy of private financial provision for retirement.*

#### **Quality**

Independent review panels will assess the appropriateness of the research projects.

#### **Timeliness**

Key dates as specified in the project plans will be met and reflect agreed priorities.

### **5.3 Education and Information**

#### **Description**

The education and information part of the output class includes developing education and information programmes to improve public understanding of lifetime financial management; improve public knowledge of how to go about financial planning; encourage those who can to make voluntary savings; and encourage other organisations to have similar goals.

#### **Key Deliverables**

'SORTED'

- ~ *Resources: the Sorted website will be regularly refreshed and updated. An expanded range of Sorted brochures will be printed to help deliver Sorted information to those without Internet access.*
- ~ *Promotional component: broadcast, online and print advertising and public relations are the ways the Commission draws attention to its education programme and the material on the Sorted website.*

#### OTHER EDUCATIONAL ACTIVITIES

- ~ *Māori programme: based on the evaluation of the Ngāi Tahu-Retirement Commission programme being conducted, the Retirement Commission will provide advice to other iwi wishing to implement financial education programmes for young Māori in schools during 2008/09.*
- ~ *Pathways to Financial Literacy programme: through Enterprise New Zealand Trust provides participating schools with resources aimed at improving the financial literacy of senior secondary school students.*
- ~ *School Financial Curriculum programme: is aimed at providing teaching strategies and resources that can be used within the current curriculum to teach personal financial skills. This will include teacher training.*
- ~ *National strategy: to lead a national strategy for financial education in New Zealand. The strategy, led by the Retirement Commissioner with the assistance of an advisory committee, will identify what must be done to lift New Zealanders' financial literacy.*

#### **Quality**

The effectiveness of all Sorted resources (website, printed resources etc.) is being measured in 2008 and will form a benchmark for future years.

The effectiveness of education programmes will be measured through annual surveys.

#### **Timeliness**

Key dates as specified in the project plans will be met and reflect agreed priorities.

The personal financial education curriculum for schools will be completed by 31 December 2009.

## 5.4 Retirement Villages

### Description

The Retirement Commissioner has advisory, monitoring, education, and appointment of disputes panel functions under the Retirement Villages Act 2003.

### Key Deliverables

- ~ Recommendations to the Minister on any draft codes of practice.
- ~ A monitoring and research programme on the effects of the Act, regulations, and the Code of Practice when in force.
- ~ Advice to the Minister<sup>5</sup> when requested or required by the Act. (Delegated to the Department of Building and Housing, apart from specific advice to our monitoring and Code of Practice functions.)
- ~ An education programme aimed at informing residents and intending residents, operators and advisers as appropriate. (Delegated to the Ministry of Building and Housing.)
- ~ Approving and overseeing suitable people for appointment by operators to disputes panels.

### Quality

Peer review of the work done under the monitoring programme.

## 5.5 Workplace Financial Education Programme

### Description

The 'workplace financial education programme' part of the output class includes the provision of education material to employees including 'at risk' groups, employers, self-employed and information conduits, so that individuals can make informed decisions on participation in KiwiSaver or other savings options in the context of their wider personal financial situation.

### Key Deliverables

- ~ Add specific information, tools and employer resources on KiwiSaver to the Sorted website, to help employees make an informed decision. Provide the same resources in other formats as appropriate.
- ~ Deliver the programme through a mix of printed educational information, workplace and public personal finance seminars, other financial educational information, employer packs and similar programmes.
- ~ Evaluate and monitor through research to inform the development and delivery of this programme.

### Quality

The effectiveness of the workplace education programme will be measured by KiwiSaver evaluation showing at least 50% of employees report that they had enough information to make an informed decision about workplace savings, as measured by 12 and 24 months after July 2007.

### Timeliness

Key dates as specified in the project plans will be met and reflect agreed priorities.

### Performance measures

All outputs will be delivered in accordance with the Output Agreement to be negotiated annually between the Minister for Social Development and Employment and the Retirement Commissioner. More detailed performance and quality measures and reporting requirements will be included in the 2008/09 Output Agreement.

<sup>5</sup> Minister for Building and Construction.

Particular measures will include:

**Quantity**

Sorted resource use – monthly average over 12 months:

- ~ *Visits to sorted.org.nz 110,000 – 140,000.*
- ~ *Calculations made via sorted.org.nz 500,000 – 700,000.*
- ~ *Sorted booklets distributed 8000 – 10,000.*
- ~ *Four major research and monitoring projects.*
- ~ *One financial education programme for the New Zealand workforce.*
- ~ *Retirement village disputes panel members maintained and overseen.*
- ~ *One personal financial education curriculum for schools.*
- ~ *One national strategy for financial education in New Zealand.*

**Cost**

The above output will cost \$5,682,000 (excl GST) in 2008/09.



# FORECAST PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE			
	2008/09 \$	2009/10 \$	2010/11 \$
<i>Income</i>			
Government funding	<b>5,682,000</b>	5,682,000	5,782,000
Interest	<b>96,844</b>	90,000	70,000
<b>Total Income</b>	<b>5,778,844</b>	5,772,000	5,852,000
<i>Expenditure</i>			
Education	<b>2,000,000</b>	2,100,000	2,100,000
Research	<b>250,000</b>	275,000	275,000
Retirement villages	<b>215,000</b>	215,000	215,000
Schools and curriculum	<b>100,000</b>	110,000	100,000
Workplace education programme	<b>1,600,000</b>	1,680,000	1,680,000
Provision for Retirement Income Review	<b>100,000</b>	100,000	100,000
Administration	<b>420,000</b>	451,900	444,883
Audit fee	<b>12,900</b>	15,000	15,000
Depreciation	<b>44,100</b>	44,500	39,500
Amortisation	<b>500</b>	500	500
Rent	<b>62,400</b>	65,000	65,000
Leasing	<b>10,000</b>	10,000	10,000
Personnel	<b>850,000</b>	890,000	890,000
<b>Subtotal</b>	<b>5,664,900</b>	5,956,900	5,934,883
<b>Surplus/ (deficit) for the year</b>	<b>113,944</b>	<b>(184,900)</b>	<b>(82,883)</b>



## FORECAST EQUITY

FOR THE YEAR ENDED 30 JUNE			
	2008/09 \$	2009/10 \$	2010/11 \$
<i>Equity at beginning of period</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	253,839	367,783	182,883
	453,839	567,783	382,883
Surplus (deficit) for year	113,944	(184,900)	(82,883)
<i>Equity at end of period</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	367,783	182,883	100,000
	567,783	382,883	300,000

## FORECAST BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE			
	2008/09 \$	2009/10 \$	2010/11 \$
Total current assets	897,715	779,467	735,208
Total non-current assets	105,507	60,507	20,507
Total assets	1,003,222	839,974	755,715
Total current Liabilities	435,438	457,091	455,715
Total non-current liabilities			
Total public equity	567,783	382,883	300,000
Total public equity and liabilities	1,003,221	839,974	755,715

# FORECAST CASH FLOWS

FOR THE YEAR ENDED 30 JUNE			
	2008/09 \$	2009/10 \$	2010/11 \$
<i>Cash flows from operating activities</i>			
Cash will be provided from:			
Government Grant and other sources	<b>5,682,000</b>	5,682,000	5,782,000
Interest received	<b>131,359</b>	90,000	70,000
Net GST	<b>84,460</b>	(5,319)	344
	<b>5,897,819</b>	5,766,681	5,852,344
Cash will be applied to:			
Payments to suppliers	<b>(5,744,596)</b>	(5,890,248)	(5,896,259)
	<b>(5,744,596)</b>	(5,890,248)	(5,896,259)
<i>Net cash flows (outflows from operating activities)*</i>	<b>153,222</b>	(123,567)	(43,915)
<i>Cash flows from investing activities</i>			
Purchase of fixed assets	<b>(30,000)</b>	–	–
Net increase/ (decrease) in cash held	<b>123,222</b>	(123,567)	(43,915)
Plus opening cash balance	<b>673,892</b>	797,115	673,548
<i>Closing cash balance</i>	<b>797,115</b>	673,548	629,632

## STATEMENT OF UNDERLYING ASSUMPTIONS

### *Significant assumption*

The opening position of the forecasted statements is based on un-audited results for 2007/2008. The actual results for March, April, May, and June 2008 are unavailable, and therefore, the balance as at 30 June 2008 has been estimated using March, April, May, and June 2008 forecast figures.

### *Other assumptions*

These forecast financial statements comply with generally accepted accounting practice. The measurement base applied is historical cost.

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

All revenue and expenditure will remain constant over the three years covered by these statements. The budget reflects the staffing levels of eight FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

The Commission's accumulated surplus is being reduced by operating deficits over the three year period.

## NATURE OF FORECASTED FINANCIAL STATEMENTS

The forecasted financial statements have been prepared as a best efforts indication of Retirement Commission's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

## STATEMENT OF ACCOUNTING POLICIES

### *Reporting Entity*

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001. The Office of the Retirement Commissioner is a Crown Entity under the Crown Entities Act 2004. These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004. The Retirement Commission is a Public Benefit Entity.

### *Measurement System*

The financial statements have been prepared under NZ IFRS. The financial statements have been prepared on an historical cost basis. The presentation currency is New Zealand dollars.

### *Accounting Policies*

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

### *Revenue*

The Retirement Commission derives revenue through the provision of outputs to the Crown, from cost recovery for the provision of services to third parties and from investment income. Such revenue is recognised when earned and is reported in the financial period to which it relates.

### *Goods and Services Tax*

The financial statements are prepared on a GST exclusive basis, except accounts receivable and accounts payable which are stated inclusive of GST.

**Fixed Assets**

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use. All fixed assets are recorded at historical cost less depreciation.

**Depreciation**

Fixed assets are depreciated on a straight line basis at rates that will write off the cost of the assets to their estimated residual value over their useful life.

The useful lives and associated depreciation rates used in the preparation of these statements are as follows.

~ Office equipment	2-13 years	7.8% – 48.0%
~ Furniture and fittings	5-15 years	6.5% – 25.2%
~ Computer equipment	3-6 years	15.5% – 60.0%

**Intangible Assets****SOFTWARE**

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the intangible asset.

The following amortisation rates are used in the calculation of amortisation:

~ Software	30.0% – 48.0%
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**Leases**

The Office of the Retirement Commissioner leases office premises, a photocopier and a car park. As all the risks and ownership are retained by the lessor these leases are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

**Financial Instruments**

The Office of the Retirement Commissioner is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits and creditors. All financial instruments are recognised in the Balance Sheet and all revenues and expenses in relation to financial instruments are recognised in the Profit and Loss.

**Investments**

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the profit and loss in the period in which they occur.

**Taxation**

The Office of the Retirement Commissioner is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from income tax.

**Employee Entitlements**

Provision is made in respect of liability for annual leave. Annual leave is expected to be settled within 12 months (or approval gained to carry forward leave) of reporting date, and is measured at nominal values on an actual entitlement basis at current rate of pay.

No provision has been made for sick leave as the cost of doing so would exceed the benefits of reporting such a provision.

The Office of the Retirement Commissioner does not provide long service leave or retirement leave.

### **Accounts Receivable**

Accounts receivable are stated at net realisable value.

### **Statement of Cash Flows**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Profit and Loss.

### **Definitions of the terms used in the statement of cash flows are:**

"Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the entity as part of its day to day cash management.

"Investing activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

"Financing activities" are those activities relating to changes in equity of the entity.

"Operating activities" include all transactions and other events that are not investing or financing activities.

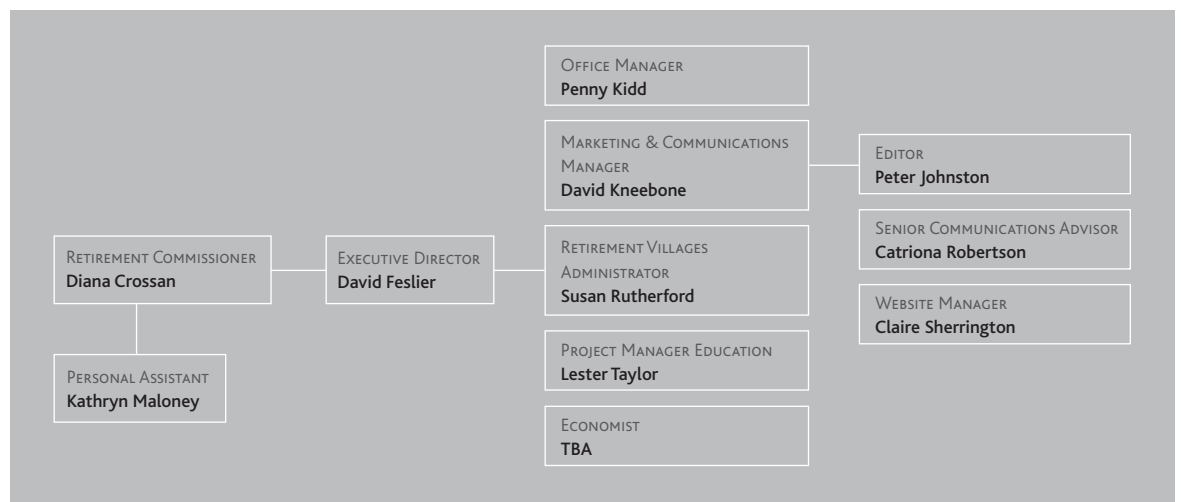
## **CHANGES IN ACCOUNTING POLICIES**

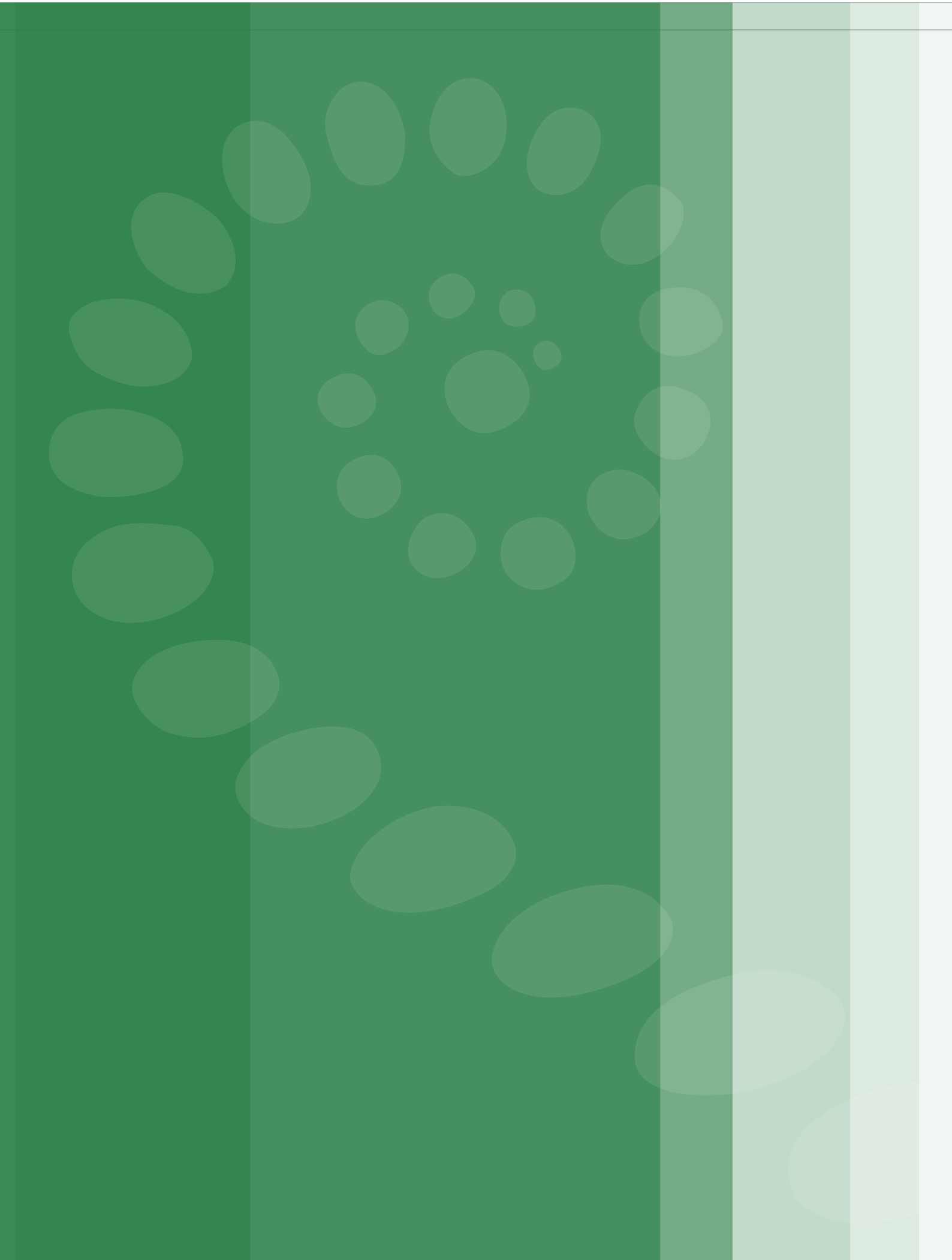
There have been no changes in accounting policies since the date of the last audited financial statements. The policies have been applied on bases consistent with other years.

## ❖ APPENDIX

### **OUR STRUCTURE**

Organisation chart





RETIREMENT COMMISSION  
LEVEL 3, 69-71 THE TERRACE  
PO BOX 12-148  
WELLINGTON, NEW ZEALAND

[www.retirement.org.nz](http://www.retirement.org.nz)  
[www.sorted.org.nz](http://www.sorted.org.nz)