



STATEMENT OF INTENT 2007/08
RETIREMENT COMMISSION

CONTENTS

⇨ PART 1: THREE YEAR OUTLOOK

Foreword	1
Introduction	2
Who we are	4
What we do and why	5
Environment	6
Our goals and outcomes	8
Who we work with	13
Our people and skills	14
Risk management	15
Reporting to responsible Minister	16

⇨ PART 2: FORECAST FINANCIAL STATEMENTS

Introduction	17
Statement of responsibility	18
Forecast profit and loss	19
Forecast equity	20
Forecast balance sheet	20
Forecast cash flows	21
Statement of underlying assumptions	22
Nature of forecasted financial statements	22
Statement of accounting policies	22
Changes in accounting policies	24
Forecast statement of service performance	25

⇨ APPENDIX

Our structure	28
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PART 1:



THREE YEAR OUTLOOK



FOREWORD

This, our second 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 first year covered by this Statement of Intent – 2007/08 – will be busy and a significant one for the Commission: we have the 2007 review of retirement income policies, the development of a national strategy for financial education, the continuation of the workplace financial education programme, plus our usual work on general financial education, our Sorted website, schools and retirement villages.

Much of this work continues and develops the activities described in our 2006/07 Statement of Intent. However, the 2007 review and the national strategy in particular have the potential to adjust our focus in the remaining two years covered by Part 1 of this document.

The 2007 review looks at trends and future developments likely to affect the provision of retirement income. It will also include an independent review of the effectiveness of financial education available to and used by New Zealanders. The national strategy will then identify 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 review will be completed by December 2007, allowing any recommendations that affect the work we do to flow into our Statement of Intent for 2008/09.

The Government has already given additional funding to the Retirement Commission to extend our education programme to help people faced with the 'opt in' or 'opt out' decision around KiwiSaver, when the scheme begins on 1 July 2007.

In conclusion, while there is potentially a time of change ahead for the Commission, I am confident that this document will provide a clear and valuable picture of our work and the results we seek. I look forward to communicating the outcomes of the 2007 review and the national strategy for financial education in our 2008/09 Statement of Intent.



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.

In the 2007 Budget, the Government announced additional incentives through the KiwiSaver scheme to encourage New Zealanders to save for their retirement.

It is important, however, 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 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.

This year the Commission will conduct its first three-yearly review of retirement income policies.

The 2007 review will provide a contextual overview of current policy settings and outcomes, followed by more in-depth analysis and recommendations on specific topics. The review will focus on:

- ~ *Options to enhance employment opportunities for mature and older people who would like to work.*
- ~ *The issues and policy options available to enable older New Zealanders to convert assets to income (technically referred to as decumulation).*
- ~ *An independent assessment of the effectiveness of financial education available to and used by New Zealanders.*

The Retirement Commission has a monitoring role in protecting the interests of residents of retirement villages, under the Retirement Villages Act 2003:

- ~ *Our educative role assists people to make informed choices and understand their rights.*
- ~ *We monitor the effects of the legislation and advise government on issues, codes of practice and policy.*
- ~ *We engage with the industry, the wider sector and the media.*
- ~ *We have a specific statutory function to approve disputes panel members.*



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 responsibilities 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.*
- ~ *Providing information.*
- ~ *Recommendations to the Minister on any variations to the 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.

We are all getting older on average...

The median age has increased from 26 years in 1971 to 35 in 2005 and is expected to reach 40 in 2020.

The old will be getting older...

In 2005 the oldest 10% of the population is 68 and older and in 2051 it will be 81 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 2051 compared with 5.5 people in 2004.

(Source: Statistics New Zealand, *National population projections*, 2004)

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 his or her 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.

Participation in work-based superannuation savings schemes has declined from 22.6% of the workforce in 1990 to 13.89% in 2003 (*Report of the Government Actuary for the year ended 2005*). A major government initiative aimed at reversing this trend is the KiwiSaver scheme announced in the 2005 Budget, and available from 1 July 2007. This is a portable workplace-based savings scheme that is generally intended to provide a lump sum contribution towards retirement and access to funding of a first home deposit.

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.

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 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*.¹

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 that can be used to judge future performance. So many other factors influence outcomes that 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 many other individuals or agencies. Nevertheless, we have described the type of measures we will use (*'How we will measure results'*) and, where possible, included some current numeric indicators and the change we expect.

In her April 2007 paper², former Director of the UK Pensions Policy Unit Alison O'Connell reviews what is being done around the world to measure the effectiveness of many different types of financial education and begins to develop a framework for doing better evaluation. This research will help us identify sensible outcome measures for our next Statement of Intent.

The 2007 review of retirement income policies, and the evaluation programme for KiwiSaver, will also give us an opportunity to consider new outcome measures.

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 (PFE) 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.

¹ 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.

² 'Measuring the effectiveness of financial education', Alison O'Connell, April 2007

Activities:

The main activities are education based.

The Commission's Sorted programme with its website and printed information 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. A new version of the site launched in May 2007 provides the base for additional functionality and personalisation that will be built on in 2007/08.

The three-year workplace financial education programme uses an enhanced Sorted website, printed educational information, and workplace and public personal finance seminars. The programme will be actively promoted through communication media and stakeholder activity.

While the workplace financial education programme has a generic purpose, it is intended to support the introduction of KiwiSaver in July 2007 by enabling people to make quality decisions about whether or not to participate in KiwiSaver, or other savings options, within the context of their wider personal financial situation.

The programme includes development and delivery of education and information programmes that improve people's understanding of lifetime financial management; improve workers' knowledge of how to go about financial planning; encourage workers to consider saving options such as KiwiSaver offered through the workplace and encourage those who can to make voluntary savings; and encourage employers and others to provide financial education in the workplace.

Main activities of the workplace financial education programme are:

- ~ *The Sorted KiwiSaver Decision Guide, available in various formats:*
 - ~ *Online, featuring various calculators to help make an informed KiwiSaver decision.*
 - ~ *Brochures, available in various languages.*
 - ~ *Posters, featuring a summary of the Sorted KiwiSaver Decision Guide.*
 - ~ *KiwiSaver decision-making seminar content (including facilitator's guide and participant's handbook), designed for all literacy levels.*
 - ~ *'Sort Me', an online personal financial check-up, which New Zealanders can use to assess their financial situation by answering simple multi-choice questions.*
- ~ *Communication with low financially literate Kiwis ('at risk' group).*

In this programme and other educational initiatives we need to work effectively with other stakeholders who have interests in promoting New Zealanders' understanding of their personal financial position.

We place particular priority on the need to engage with young people early in their lives when they are forming their attitudes to personal financial management. We have developed information for inclusion in the school curriculum.

A new activity for 2007/08 is the development of a national strategy for financial education – not just for the Retirement Commission but for New Zealand as a whole.

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 the 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 Sorted calculators and information and access to the Commission's website and printed information.

Key measures³ to be maintained are:

- ~ *Revisiting Sorted (mentioned by 60-70% of those responding to the annual Email Action Taken survey) mentioned by 68% in 2006 survey.*
- ~ *Making some new financial goals (45-55% mention) mentioned by 46% in 2006 survey.*
- ~ *Savings plan actions (starting or changing) accounts for 55-65% of mentions mentioned by 58% in 2006 survey.*
- ~ *There is 70-80% mention of actions relating to financial plans (primarily respondents assessing their financial situation and/or updating a plan) mentioned by 82% in 2006 survey.*
- ~ *40-50% mention actions in relation to making or reviewing budgets mentioned by 41% in 2006 survey.*
- ~ *45-55% mention debt reduction (either starting or changing a debt reduction plan) mentioned by 54% in 2006 survey.*

Key financial knowledge measures⁴ are:

- ~ *Maintain 83% knowledge that NZ Superannuation is paid at 65 years.*
- ~ *Increase knowledge that NZ Superannuation is not asset tested from 45% to 50%.*
- ~ *Increase knowledge that NZ Superannuation is not income tested from 38% to 45%.*

The workplace financial education programme will also be evaluated to consider levels of awareness, uptake, effectiveness and cost-effectiveness.

- ~ *KiwiSaver evaluation to show 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.*
- ~ *Increase awareness of the need for financial knowledge (weighted towards the less financially literate and 'at risk' groups).*
- ~ *Increase New Zealanders' desire to seek relevant information on personal financial knowledge.*
- ~ *Increase the levels of financial knowledge of all employees, as measured by the next scheduled financial knowledge survey (2010).*
- ~ *Low financially literacy project – to reduce the size of the lowest knowledge group from 33% to 25% by 2010.*
- ~ *Increase employers' awareness of the need for improved employee financial knowledge as a benefit to their organisation and its staff.*
- ~ *That the stakeholders approached by the Retirement Commission pass on Sorted resources to their members and audiences (measured internally via direct follow up). Base data will be collected over the year as a benchmark to measure increasing levels of uptake.*

³ 'Email Action Taken Survey', September 2002 AC Nielsen. These measures will be reviewed once the 2007 survey data is available.

⁴ ANZ - Retirement Commission Financial Knowledge Survey 2005. Colmar Brunton.

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 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*⁵'.

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 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. Through our research and evaluation work and the 2007 review of retirement income policies, we will identify areas of policy that work well or that may need further consideration, development or adjustment. The Retirement Commissioner will consult with a wide range of stakeholders in the review of policy.

⁵ 'Sorted, Financial and Retirement Planning in 2005.' AC Nielsen.

The 2007 review will itself be the main activity for this outcome in 2007/08. As well as looking at trends and future developments likely to affect the provision of retirement income, the review will also include independent research on the effectiveness of financial education available to and used by New Zealanders.

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. Other proxy measures of impact will be the amount of research and analysis work undertaken on the operation of current legislation and government policies and of advice prepared.

This is a difficult area for which to develop standards and measures that can reasonably be used to judge future performance. Following the 2007 review we will be in a better position to develop measures and standards for the effectiveness of government retirement income policies. The Retirement Commission will also be working 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 the Commission's education programme.

Activities:

- ~ *The Commission will maintain and oversee members of disputes panels and provide information on dispute resolution.*
- ~ *The focus of our education work will be to ensure that residents, intending residents, their families and advisers are well informed about all issues involved with entering, living in and leaving a retirement village.*
- ~ *The Commission will also provide some information to village operators concerning their responsibilities.*
- ~ *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 be the levels of access and use of our information and education resources about villages. Other measures will include the nature, numbers and trends in complaints and disputes about retirement villages. A follow-up survey of residents and operators (by June 2008) will measure customer satisfaction, and how well the Act is achieving its purpose.

❖ 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)
- ~ Inland Revenue Department (KiwiSaver, tax)
- ~ Ministry of Consumer Affairs (consumer issues)
- ~ Ministry of Economic Development (regulation, review)
- ~ Ministry of Education (curriculum development)
- ~ Ministry of Social Development (research, contacts with senior citizens)
- ~ Ministry of Women's Affairs (women's issues related to retirement income)
- ~ Securities Commission (education on scam avoidance)
- ~ Te Puni Kōkiri (Māori issues related to retirement income and financial education)
- ~ Treasury (research, review)

Private sector

- ~ Accountants, lawyers (distribution)
- ~ Actuaries, economists (research)
- ~ Banks (distribution, funding of projects)
- ~ Employers (workplace 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

Financial ombudsmen

Media (distribution, public relations)

OUR PEOPLE AND SKILLS

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. Staff turnover is low and many staff have been with the Commission for at least three years. 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.

Policy advice: A project manager has been appointed to support the 2007 review of retirement income policies.

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.

Systems: Information technology is critical to the success of the Commission, because of the high strategic value of its website Sorted. 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</i> as the lead provider of good personal financial planning information.	<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</i> in our advice to government	<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</i> that we do not meet the needs of particular segments of society due to a strategy that is primarily web-based.	<p>We will monitor and publicise the use of Sorted. 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>

❖ CONSULTATION AND REPORTING TO THE RESPONSIBLE MINISTER

The Commission has agreed to and signed an Output Agreement for 2007/08 with the Minister of Social Development and Employment, setting out details on the way in which it will continue to consult and report to him 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	2007/2008 Output Category	Cost \$M
5.1	Research, Monitoring and Advice	0.452
5.2	Education and Information	2.977
5.3	Retirement Villages	0.268
5.4	Workplace Financial Education Programme	2.567

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



❖ 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 apart from IAS 19 – Employee Benefits where no provision for sick leave has been made. 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 2007.



DIANA CROSSAN
RETIREMENT COMMISSIONER



FORECAST PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	30 June 2008
		\$
<i>Income</i>		
Government grant		5,747,667
Other income		–
Interest		105,171
Total income		5,852,838
<i>Expenditure</i>		
Education		2,195,000
2007 review		262,000
Research		100,000
Retirement villages		215,000
Schools and curriculum		190,000
Workplace education programme		2,056,000
Administration		239,119
Audit fee		12,900
Depreciation		30,581
Rent		62,400
Leasing		10,000
Personnel		891,198
Subtotal		6,264,198
<i>Surplus/(deficit) for year</i>	1	(411,360)



FORECAST EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 \$
<i>Equity at beginning of period</i>	
Taxpayer funds	200,000
Retained earnings	411,395
	611,395
<i>Surplus/(deficit) for year</i>	(411,360)
<i>Equity at end of period</i>	
Taxpayer funds	200,000
Retained earnings	35
	200,035



FORECAST BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 \$
Total current assets	594,687
Total non current assets	76,377
Total assets	671,064
Total current liabilities	471,029
Total non current liabilities	–
Total public equity	200,035
Total public equity & liabilities	671,064



FORECAST CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 \$
<i>Cash flows from operating activities</i>	
Cash will be provided from:	
Government grant and other sources	5,747,667
Interest received	105,171
Net GST	242,460
	6,095,298
Cash will be applied to:	
Payments to suppliers	(7,562,665)
	(7,562,665)
<i>Net cash inflows/(outflows) from operating activities</i>	(1,467,367)
<i>Cash flows from investing activities</i>	
Purchase of fixed assets	(10,000)
<i>Net increase/(decrease) in cash held</i>	(1,477,367)
Plus opening cash balance	1,959,484
<i>Closing cash balance</i>	482,117

STATEMENT OF UNDERLYING ASSUMPTIONS

Significant assumption

The opening position of the forecasted statements is based on unaudited results for 2006/2007. The actual results for April, May and June 2007 are unavailable, and therefore, the balance as at 30 June 2007 has been estimated using April, May and June 2007 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.

NATURE OF FORECASTED FINANCIAL STATEMENTS

The forecasted financial statements have been prepared as a best efforts indication of the 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 Base

The financial statements have been prepared under NZ IFRS apart from IAS 19 – Employee Benefits where no provision for sick leave has been made. The financial statements have been prepared on a 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

These financial statements have been 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% – 18.6%
~ Computer equipment	3-6 years	15.5% – 48.0%

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 1994 and consequently is exempt from income tax.

Employment 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.

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.

NOTES

- 1 The deficit in the Forecast Profit and Loss for the year ending 30 June 2008 will be funded out of the prior year retained surpluses.

FORECAST STATEMENT OF SERVICE PERFORMANCE FOR THE RETIREMENT COMMISSION

Forecast Statement of Service Performance

The outputs and performance standards for the Commission in 2007/2008 are provided below. They are drawn from, and set out in more detail in, the Commission's work programme for 2007/08.

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 Programme⁶*

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

To provide a report to the Minister by 31 December 2007, and at 3-yearly intervals thereafter, on the retirement income policies being implemented by the government in accordance with section 83c of the New Zealand Superannuation and Retirement Income Act. (For more detail, see "Our goals and outcomes" in Part 1 of this Statement.)

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

Quality

The review of retirement income policies meets the requirements of the New Zealand Superannuation and Retirement Income Act 2001, and the requirements of the terms of reference specified by the Minister.

Timeliness

The review of retirement income policies will be completed by 31 December 2007.

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 2007 review.*
- ~ *Operate and promote the Retirement Income Research Centre and its website www.retirement.org.nz. The Centre will be available for use by researchers, policy analysts and the financial services industry.*

⁶This 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.

- ~ *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.*
- ~ *Report on the effectiveness of the Insurance and Savings Ombudsman, the Banking Ombudsman and others by June 2008.*

RESEARCH PROJECTS

- ~ *Survey of Family Income and Employment (Sofie): In association with Treasury, work will continue on the analysis of the Sofie in 2007/08 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'

- ~ *Website: the Sorted website will be regularly refreshed and updated. A new 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 2007/08.*
- ~ *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 develop 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

Maintain or increase percentage (63%) of Sorted visitors who find the website useful to some degree⁷.

⁷'2005 Visitor Perceptions of Sorted Website.' AC Nielsen

The effectiveness of education programmes will be measured through annual surveys. Independent review panels will assess the draft national strategy.

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

- ~ *A monitoring and research programme on the effects of the Act, regulations and Code of Practice when in force.*
- ~ *Advice to the Minister⁸ when requested or required by the Act.*
- ~ *An education programme aimed at informing residents and intending residents, operators and advisers as appropriate.*
- ~ *Approving and overseeing suitable people for appointment by operators to disputes panels.*

Quality

A follow-up survey of retirement villages and their residents will be carried out by June 2008, to measure resident satisfaction and knowledge of their financial and legal arrangements.

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

- ~ *Implement the strategy and workplan for 2007/08 in consultation with relevant interest groups.*
- ~ *Add specific information, tools and employer resources on KiwiSaver to the Sorted website, to help employees make an informed decision.*
- ~ *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

The workplace financial education programme is currently funded to 30 June 2008.

⁸Minister for Building and Construction.

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 2007/08 Output Agreement.

Particular measures will include:

Quantity

- ~ Average number of monthly visits to Sorted website – 80,000 to 120,000.
- ~ Average number of retirement income related calculations made on Sorted each month – 240,000 to 300,000.
- ~ Four major research and monitoring projects, including the review of retirement income policies required under section 83 (c) of the New Zealand Superannuation and Retirement Income Act 2001.
- ~ One financial education programme for the New Zealand workforce as approved by the Minister for Social Development and Employment.
- ~ Retirement village disputes panel members maintained and overseen.
- ~ One personal financial education curriculum for schools.
- ~ One national strategy for financial education in New Zealand.

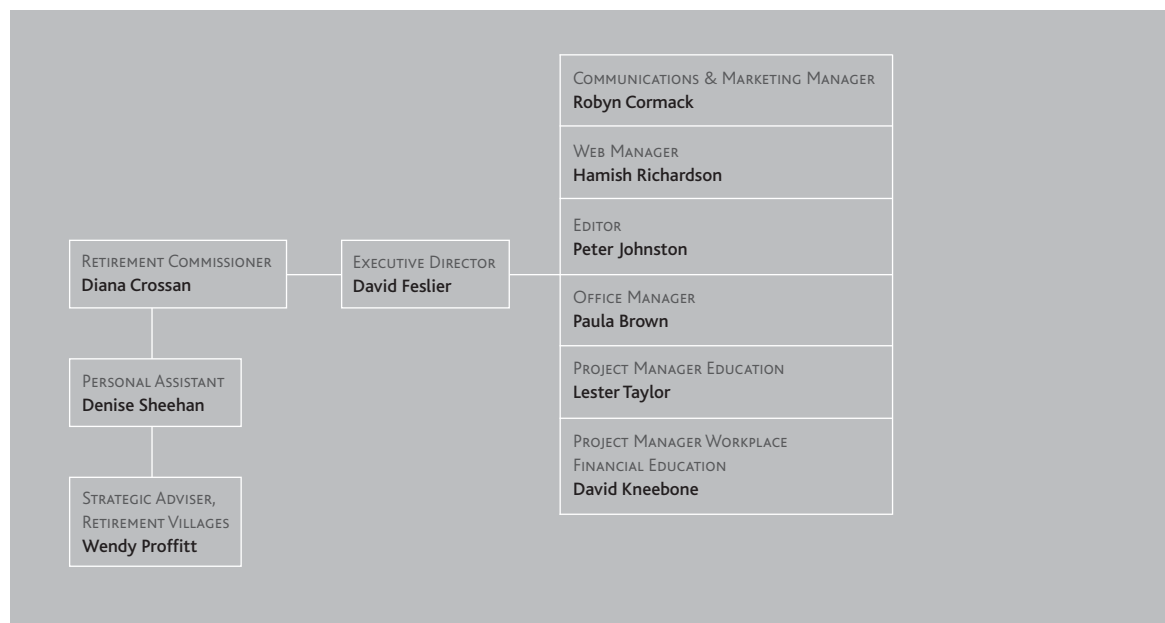
Cost

The above output will cost \$6.264 (excl GST) in 2007/08, with the shortfall in Crown funding (see Forecast Financial Statements) being made up from the Commission's third party revenue, along with retained earnings from previous 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
www.sorted.org.nz