

Te Ara Ahunga Ora Retirement Commission **Annual Report 2021**

EMPOWERING THE PEOPLE OF AOTEAROA
ON THEIR JOURNEYS TO A BETTER RETIREMENT







Ngā Ihirangi

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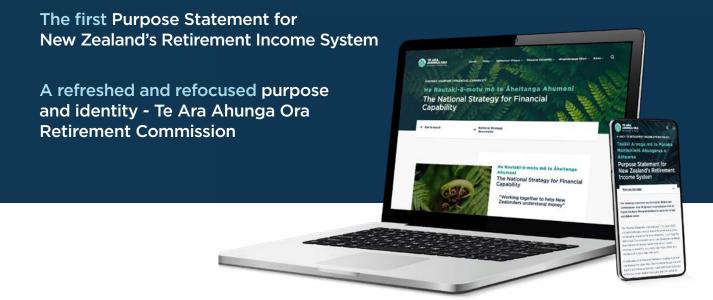
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He Tīpako Whakahira

Highlights

LAUNCHED:

The new National Strategy for Financial Capability



DELIVERED:



More financial capability content to more people

We've now hit **1.5 million**Sorted website users

Te whai hua - kia ora!

Sorted

in Chook

Financial capability resources to 66.5% of secondary schools



205 programmes to 3355 participants

PUBLISHED:

A post-lockdown survey of 4000 respondents on the impact of COVID-19 on financial wellbeing that showed worrying trends

The first White Paper comprehensively analysing the state of the retirement villages legal framework

A report to Government analysing 3254 submissions received on the White Paper and proposing change to a 20-year old regime

Two policy papers on aspects of the retirement income system

PROMOTED:

A new campaign for Money Week 2020 - Just Wondering

leveraged by the financial capability community to provide a non-judgmental and simple way for New Zealanders to ask money questions and receive a personal answer: more than 1000 money questions sent to Sorted and 10,000 new users came to the website

The 'Making Sense of Money' campaign to build awareness amongst under 35s seen by over 700,000 people on launch day across TikTok, YouTube and Twitch alone

Māori development through the early development of a Rautaki Māori strategy for both staff and services

SATISFIED:

89%

of surveyed users agreed Sorted.org.nz is valuable 93%

of surveyed users agreed Sorted.org.nz provides trusted information 98%

of teachers agreed they value Sorted in Schools as a financial capability programme (87% high agreement) 99%

of teachers agreed they trust the information provided in Sorted in Schools resources (93% high agreement)

Nā te Mana Ahungarua

Retirement Commissioner overview

Kei aku nui, kei aku rahi. Tēnā koutou katoa.

Tēnei te mihi nui ki tēnā, ki tēnā, i mahi ngātahi i tēnei tau. Nā te whakaaro angitū, me te manawanui, i whai ake ai tātou i te ara ahunga ora.

Ka nui aku mihi. Tēnā koutou katoa.

After completing my first full year as Retirement Commissioner I am enormously proud of what my small team has achieved. Together we have revitalised and refocused our organisation and, like most other small organisations, are working very hard to achieve ambitious goals in a complex environment.

In addition to our consumer-facing work, we are now operating under a crisp new strategy (see Strategic framework overleaf) that shapes and focuses our work. We have increased our emphasis on retirement policy and advocacy, our cultural competence, and are better integrating marketing and service delivery.

This year I have been focusing on better connecting activity and also on advocacy. The launch of the new National Strategy for Financial Capability was a personal highlight and I acknowledge the sterling work of Dr Brenda Leeuwenberg and her excellent stakeholder engagement that immeasurably improved the outcome. Thank you to all those in the wider sector who contributed and shaped the ideas that formed the final strategy – its success now depends on the commitment of the sector who we will be actively encouraging.

In retirement policy my newly formed Expert Advisory Group helped me test and debate retirement issues as we formulate and comment on policy. Our first achievement was producing the first Purpose Statement for New Zealand's Retirement Income System – something which has not been defined before and will provide a foundation for our policy work to come.

Retirement villages also took up a fair amount of time as we lifted the lid on the underlying legislative framework and concluded it needed a full review. Village living is an excellent option for many seniors but residents have neither the status of owners nor of tenants. This means that a clear framework that considers the rights of both owners and residents is increasingly important as entry prices rise and the number of villages increases.

Thinking about improving our Māori engagement will be a focus for next year. A new internal cultural capability programme has been enthusiastically received by our team and will form the building blocks of improved stakeholder work.

And, of course, we have adopted a refreshed Māori name, Te Ara Ahunga Ora, to reflect our new strategic purpose, vision and mission and returned to our founding English name, the Retirement Commission. We officially moved away from using the Commission for Financial Capability (CFFC) from 1 July 2021 and will refer to ourselves with our new name throughout this Annual Report.

Our name acknowledges the state of wellbeing we aspire to and points to the pathway to achieve it. Te Ara Ahunga Ora Retirement Commission reflects the different journeys we take towards retirement and returns us to our core purpose.

During the year we welcomed Hon Dr David Clark as the Minister of Commerce and Consumer Affairs: we are grateful for his support and clear interest in our work.

I'd also like to place on record my gratitude to the whole Te Ara Ahunga Ora team - a remarkable bunch who work hard for New Zealanders every day. We want to help New Zealanders think long term to improve their financial outcomes and, ultimately, achieve dignity and mana in their retirement in whatever form that takes. I am proud of them all.

Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa

Jane Wrightson Mana Ahungarua Retirement Commissioner

Statement of responsibility

I am responsible for the preparation of Te Ara Ahunga Ora's financial statements and statement of performance, and for the judgements made in them.

I am responsible for any end-of-year performance information provided by Te Ara Ahunga Ora under section 19A of the Public Finance Act 1989.

I have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and the statement of performance fairly reflect the financial position and operations of Te Ara Ahunga Ora for the year ended 30 June 2021.

Signed

Jane Wrightson Mana Ahungarua

Retirement Commissioner

27 June 2022



Tā mātou anga rautaki anga whakatutuki mahi

Our Strategic and Performance Framework

Our plan on a page, Figure 1 below, succinctly describes why we do what we do, and how we do it. Our strategic framework shows what drives us as an organisation and what we are aiming to achieve. We summarise it, for simplicity, as a plan on a page:

Figure 1: Strategic Framework

OUR PURPOSE | TĀ MĀTOU PŪTAKE

To empower the people of Aotearoa on their journeys to a better retirement

OUR VISION | TĀ MĀTOU WHAKAKITENGA

Everyone retires with confidence

OUR MISSION | TĀ MĀTOU KAUPAPA MĀTĀMUA

Provide trusted information, informed advocacy and effective collaboration to improve retirement outcomes for all.

OUR OBJECTIVES | TĀ MĀTOU ARONGA

Trusted information



S Effective collaboration

THREE GOALS | WHĀINGA E TORU

Retirement Policies

What we will do: Advocate for a system that serves the diversity of New Zealanders

How we will do it: Conduct a three-yearly review for government

Uncover emerging issues and call for action

Promote debate on retirement challenges

Drive shared evidence to measure the impact of policy changes

Retirement Villages

What we will do: Oversee a fair regulatory framework

How we will do it: Flag issues and report on sector trends

Support dispute resolution

Tackle issues through sector collaboration

Financial Capability

What we will do: Promote the importance of long-term thinking

How we will do it: (Lead the National Strategy for Financial Capability

Supply trusted, independent information through Sorted

Equip stakeholders with insights that add value



Āheinga ahumoniFinancial capability

Te Ara Ahunga Ora translates to 'the pathway to developing long-term wellbeing'. We recognise that being able to retire with confidence requires a journey, gradually enhancing our financial capability as we step through various life stages. The earlier this can start the better.

Figure 2: SOI Goal - Financial Capability

Financial Capability

What we will do: Promote the importance of long-term thinking

How we will do it: Lead the National Strategy for Financial Capability

Supply trusted, independent information through Sorted

Equip stakeholders with insights that add value



He Rautaki-ā-motu mō te Āheitanga Ahumoni

National Strategy for Financial Capability

The new National Strategy for Financial Capability was launched in April 2021 at Parliament by the Minister of Commerce and Consumer Affairs, Hon Dr David Clark. It was the result of six months of conversations across the financial capability community - government, industry, iwi and non-profit organisations - to agree how we could best work together to help New Zealanders.

There are many agencies engaged in financial capability in a variety of largely unconnected activities that have the same driver - to help people be better with money so they can achieve their goals. More than 100 organisations have agreed to unite under the umbrella of the National Strategy, enabling the sector to better work together, with a shared purpose and vision, and defined objectives. The Strategy will reduce duplication and help us to help the people we serve.

The economic impact of COVID-19 made the need to enhance New Zealanders' financial capability more important than ever. Reduced income among households across all demographics and in every part of New Zealand led to money becoming part of the national conversation. Members of the National Strategy can take hold of that conversation, pool our resources and know-how, and incorporate positive messages so people learn how to make good decisions around money, how to plan, know where to find information, and become more financially capable.

We undertake this collaboration understanding that New Zealanders view financial capability through different cultural, social and demographic lenses. Some groups are more privileged than others and inequity is increasing. The strategy has a three-year plan of projects: women, Māori and Pacific Peoples will receive special attention with targeted initiatives to help them enhance their financial capability over time.

This National Strategy is nothing without the buy-in, involvement and commitment of the financial capability community. It is a living piece of work and we will work closely with partners as it is rolled out, pushed back on, reviewed, and re-shaped. Governance of the strategy will be led by Te Ara Ahunga Ora with the assistance of industry and sector associations and other consultation as needed. Progress will be discussed by the community at annual workshops.

The reinvigoration of this three-year Strategy comes at a time when New Zealanders most need trusted and consistent information.

From next year we will provide a short annual report describing progress against the strategy's targets.





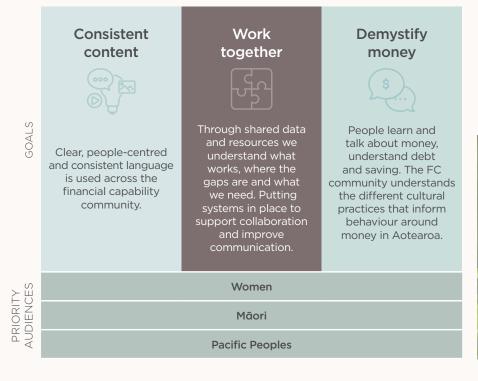




He whakarāpopototanga o te rautaki-ā-motu

The National Strategy in a nutshell

Figure 3: National Strategy summary



ACTION

Shifting the dial

2-3 ambitious change projects are supported each year that get concrete results.



Sorted

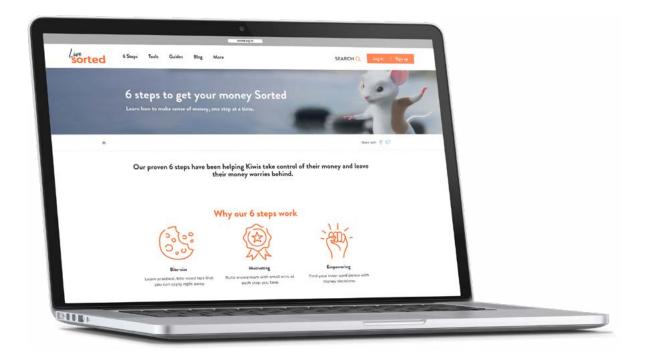
Sorted's purpose is to inspire and enable New Zealanders to live, feel and be financially well now and in the future. Sorted is trusted, independent, and non-judgmental, adding a friendly, aspirational tone to a national conversation about lifting financial capability. Sorted is founded on understanding behaviour change and has been a trailblazing example of a government agency establishing and promoting a brand to reach and help citizens.

Sorted is now an entire ecosystem of digital channels; community, schools and workplace programmes and resources - all aimed at lifting financial capability throughout New Zealand.

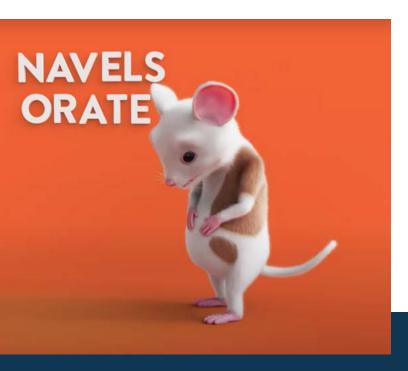
Our flagship website is sorted.org.nz, with associated sites such as sortedinschools.org.nz and smartinvestor.sorted.org.nz. Continuous improvement of our Sorted tools and guides saw the release of new versions of the KiwiSaver Calculator and Retirement Planner tools, and new content to better serve both younger audiences looking to plan for retirement as well as those nearing and in retirement.

The Sorted mouse leads our 6 Steps

In 2020, the previously retired Sorted mouse returned to screens across New Zealand as a reassuring figure helping Kiwis to access the financial information they needed during the pandemic. In 2021 the mouse now leads the visual look and feel for marketing communications campaigns and the refreshed Sorted 6 Steps ¹ on Sorted.org.nz helping Kiwis take control of their money one step at a time.



¹ See <u>Live sorted - six steps to getting ahead financially » Sorted</u>



Targeting a younger audience

As part of our strategy to help younger Kiwis make sense of money, Sorted.org.nz launched a new campaign across major youth media channels including TikTok, You Tube ² and gaming site Twitch. The campaign used fun anagrams to catch attention before providing the solution. For example, the Sorted mouse shuffled the letters of 'Navels Orate' to create 'Learn to Save', and 'Able Nun Investigator' to 'Learn to Invest'. The campaign delivered significant reach and engagement, with more than 700,000 people reached on launch day.

Raising awareness of Government announcements

Following the Retirement Commissioner's public statement 3 in support of changes to regulations governing financial advisers, Sorted.org.nz included messaging for consumers looking for professional, personalised advice. We redesigned the Getting Advice 4 guide, updated the Investment Advice guide⁵, published a blog article to help consumers understand the new landscape, and highlighted this on the Sorted homepage.

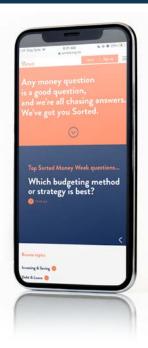
With the announcement of the new KiwiSaver default providers, we updated content across the site and published a summary of what you need to know⁶ for consumers.

Money Week 2020

This year's Money Week theme was 'Just wondering', encouraging New Zealanders to send their money questions to Sorted and receive personal answers.

More than 1000 questions were sent in during the August campaign. KiwiSaver topped the list of topics, with subject areas ranging from how KiwiSaver worked to withdrawal rules, contribution levels and what to do with the fund in retirement. Budgeting, investing, property, debt and retirement were other areas of interest among those who sent in questions.

Stakeholders also found the theme useful in adapting for their audiences, and 'Just wondering' will be used again for Money Week in 2021.



Sorted youth media campaign example https://www.youtube.com/watch?v=D-nmdJiNJnl

 $[\]underline{\text{https://cffc.govt.nz/news-and-media/news/retirement-commissioner-welcomes-new-rules-for-financial-advice/}}$

Find financial advice and support with money » Sorted

Find a financial adviser to help you invest » Sorted

https://sorted.org.nz/must-reads/kiwisaver-default-changes-what-it-all-means-for-you/

Te whai hua - kia ora, Sorted in Schools

This year Sorted in Schools launched new financial capability resources aligned to Economics, Mathematics and Statistics achievement standards. The resources are designed as a module to provide students with the opportunity to gain credits towards NCEA qualifications through a financial capability lens.

An independent evaluation of Sorted in Schools, strongly endorsed the value of the programme, now being used in 66.5% of secondary schools. ⁷

The New Zealand Council for Educational Research determined that in the wake of COVID-19, "the need for a programme such as Sorted in Schools, [which] builds on the circumstances, strengths, needs and aspirations of every student, including Māori and Pacific, is greater than ever".

The report found Sorted in Schools positively impacts students' knowledge and attitudes about money, and, two years after its introduction, there are early signs it is promoting positive behaviour, with students thinking and talking more about money, and using what they learned. Teacher satisfaction with the programme was also high, with teachers reporting increased confidence in teaching financial capability and intending to continue to use Sorted in Schools.

NCEA resources in te reo Māori

Te whai hua - kia ora, Sorted in Schools ⁸ is the financial education programme specifically designed for Māori Medium Education, NZQA accredited, and available free to all kura. This year we launched a new collection of learning materials for Māori secondary students who can learn in te reo Māori. The materials are aligned to unit standards and have gained NZQA accreditation, enabling ākonga who complete them to gain NCEA credits. They cover money management, saving, debt, goal setting, insurance, investing, KiwiSaver and retirement, and are designed to be taught by kaiako and whānau as part of day-to-day lessons in any subject.

We know from our research that the financial impact on Māori communities due to COVID-19 makes the launch of these resources even more critical. Of the 34% of households facing financial hardship, 22% of those were Māori. Te whai hua - kia ora is helping a new generation of rangatahi become financially resilient, so they're better equipped to weather financial storms throughout their adult lives.

Other Sorted in Schools initiatives

Inland Revenue partnership

Te Ara Ahunga Ora and Inland Revenue have teamed up to develop resources to help young New Zealanders learn about tax through the Sorted in Schools programme. The resources will be launched for secondary schools later in 2021

Brain Busters partnership

Sorted in Schools partnered with TVNZ's Brain Busters to integrate financial capability questions into the show, extending the reach and awareness of Sorted in Schools to students and their families. Brain Busters is a fun quiz show targeted at students aged 10-16, reaching close to 2000 students on average every weekday.

Money Jam budgeting competition

Global Money Week in March 2021 marked the start of our Money Jam budgeting competition, which encouraged students to create a plan and budget for a fundraising event. The two winning schools were Tamaki College (Auckland) for Island Kai – a food fundraiser to subsidise school leavers' kits; and Te Kura Kaupapa Māori o Ngā Mokopuna (Wellington) for Art Exhibition – a bicultural experience in partnership with Te Papa designed to bring the community together to celebrate the sacred, historical and tribal landmarks of significance associated with their ancestors. Each school won \$2,500 for their project.



⁷ NZCER-evaluation-report-Nov-2020.pdf (amazonaws.com)

⁸ Kainga | Sorted in Schools | Te Whai hua - Kia Ora!

Sorted at Work

Using workplaces to deliver financial capability is a strategy used internationally.

Launch of Sorted Women

To mark International Women's Day in March 2021 we launched a new course to address women's diverse needs and experiences when dealing with money. Designed and delivered by women for women, Sorted Women provides a safe and non-judgmental space for women to learn money skills that will help close the financial knowledge gap many face. Sorted Women is offered as a two-hour workshop (face to face or via webinar) or as a two-day

New investor course under development

With the continued interest in investment education, our popular two-day Get Invested course is being refreshed to be made available in shorter, bite-sized sessions that can be delivered either as in-person seminars or webinars. The content will cover the importance of goal setting, risk profiling, research and seeking advice, along with overviews of investment types such as KiwiSaver, managed funds, shares and cryptocurrencies. The new course will be available to our workplace clients later in 2021.

Sorted in Communities

Kāinga Ora partnership

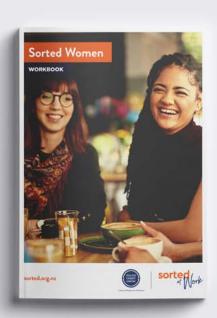
A series of home ownership information sessions in partnership with Kāinga Ora's Mangere development team saw great uptake among the Mangere community. Weekly workshops began in April and were held over eight weeks, focusing on improving financial capability among families aspiring to home ownership. Discussions continue with Kāinga Ora regarding potential next steps and priority community locations.

Ministry for Pacific Peoples partnership

As part of our ongoing focus to enhance the financial capability of Pacific People, Te Ara Ahunga Ora signed an MOU with the Ministry of Pacific Peoples (MPP). Over the next four years we will build the financial capability of 1200 Pacific households and assist them in achieving their housing aspirations.

Cancer Society partnership

In June we began a collaboration with the Cancer Society and Support Crew along with a number of other stakeholders to develop a base resource to support New Zealanders with their financial choices when facing a health crisis.





Kaupapahere me te rangahau

Policy and research

Figure 4: SOI Goal - Retirement Policies

Retirement Policies What we will do: Advocate for a system that serves the diversity of New Zealanders How we will do it: Conduct a three-yearly review for government Uncover emerging issues and call for action Promote debate on retirement challenges Drive shared evidence to measure the impact of policy changes

Policy

Purpose of New Zealand's retirement income system defined

We released the first statement defining the purpose of New Zealand's retirement income system in October 2020.

New Zealand Superannuation, and retirement savings plans such as KiwiSaver, together form the retirement income system, but until now there has been no definition of what that system should achieve. There is no definition of the role of NZ Super in the Superannuation and Retirement Income Act. During the 2019 Review of Retirement Income Policies ⁹ it was clear New Zealanders had deeply held views on the role of NZ Super, but they differed. Some considered it was there to prevent poverty and ensure people retained dignity in old age, others saw it as providing a basic standard of living, as a gesture of care for the elderly or as a reward for working hard and paying taxes.

Our role requires us to monitor and advise Government on retirement income issues, but to do that we needed to start from a base of what our retirement income system is for. We formed an Expert Advisory Group of academics, policy specialists, an iwi leader and a Samoan matai, with expertise in various areas to help test and debate issues. Together we settled on the following purpose statement which will be used and promoted by Te Ara Ahunga Ora:

Figure 5: Retirement income system purpose statement

A stable retirement income framework enables trust and confidence that older New Zealand residents can live with dignity and mana, participate in and contribute to society, and enjoy a high level of belonging and connection to their whānau, community and country.

To help current and future retirees to achieve this, a sustainable retirement income framework's purpose is twofold:

- 1. To provide **NZ Superannuation** to ensure an adequate standard of living for New Zealanders of eligible age. NZ Super is the Government's primary contribution to financial security for the remainder of a person's life.
- 2. To actively support New Zealanders to build and manage independent savings that contribute to their ability to maintain their own relative standard of living.

The retirement income system sits within the broader government provision of infrastructure also needed to enable older New Zealanders to live well, such as health care, housing, and transport.

²⁰¹⁹ Review of Retirement Income Policies | Retirement Commission Te Ara Ahunga Ora

The statement acknowledges the dual role of Government and the individual in preparing for their retirement. It will help us serve New Zealanders and keep their retirement income needs front of mind when mooting or assessing any policy that might affect their standard of living in their later years.

We consider policy in areas such as health care, housing and transport should also be viewed through a retirement lens, as they had significant bearing on standards of living in retirement. This is particularly relevant for many Māori, whose disparity in living standards throughout their lives affect their quality of life as they age.

Our aim is to ensure a stable income system to enable people, now and in the future, to retire with confidence.

We would like to thank the Expert Advisory Group for their help in formulating the statement, and their contribution to our policy discussions.

Members of the Retirement Commissioner's Expert Advisory Group

Dr Alison O'Connell, independent director and longevity policy analyst

Dr Claire Matthews of Massey University and author of its Retirement Expenditure Guidelines

Dr Kay Saville-Smith of the Centre for Research, Evaluation and Social Assessment

Dr Malcolm Menzies, senior research analyst

Ngahiwi Tomoana, Chair of Ngāti Kahungunu Iwi and a specialist in hapū and iwi development

Dr Simon Chapple, Director of the Institute for Governance and Policy Studies at

Victoria University

Dr Susan St John, Director of Auckland University's Retirement Policy and Research Centre

Vui Mark Gosche, Chair of Counties Manukau District Health Board, Chair of Kāinga Ora - Homes and Communities.



Policy paper series

It is not easy for the general public to discover and learn about retirement policy and its various issues. To make this knowledge more accessible we developed a *policy paper series* ¹⁰. These short papers simplify complex policies and provide a useful reference for consideration of any potential changes to policy design.

The first paper (2021/01) *Purpose statement for NZ's retirement income system* ¹¹ was released in March 2021 and considered the policy implications of the Retirement Commissioner's purpose statement for the retirement income system.

The second paper (2021/02) NZ retirement incomes policies and how they compare within the OECD ¹² was released in June 2021. It looked at the various types of pension policies within the OECD and considered how NZ Superannuation and KiwiSaver compare.

The next paper will explain NZ Superannuation and associated policies.

Research

One of our key functions is providing trusted information and research that is useful to a range of stakeholders. The work this year was led by Dr Celestyna Galicki and we are grateful for her significant contribution to our 'trusted information' objective.

The impact of COVID-19 on financial wellbeing: October 2020 update

COVID-19 gave us a unique opportunity to study the impact of a global crisis on New Zealanders' financial wellbeing. We joined a multi-country study based on the internationally accepted model of financial capability designed by Professor Elaine Kempson of Bristol University in the UK.

Our first survey of 3000 people was undertaken in April 2020 during the Level 4 lockdown and was discussed in last year's Annual Report 2020. We conducted a follow-up survey of 4000 people six months later in October 2020. People were interviewed about how personal and household finances were affected by the COVID-19 pandemic, talking about their income, bill payment, borrowing, debt, savings, ability to pay for essentials such as food and whether they sought financial help.



Comparisons between results of the two surveys showed some areas of improvement but some of continuing concern. The October 2020 survey The Impact of Covid-19 on Financial Wellbeing 13 revealed the types of households most impacted by COVID-19. Many working families in blue-collar and "pink collar" occupations were hit hard: couples aged 18-54 with children, renting, often with one parent at home and the other in occupations such as construction, retail, food and accommodation services, were likely to still have reduced incomes compared to February 2020. Knowledge workers and those working in the public sector, by contrast, fared better than most.

Financial resilience remains a concern, with 41% of households still exposed due to high debt and low savings. Households in the "exposed" segment had increased their saving levels, which suggested some of them realised the precarity of their financial situation. It was also a relief to see that the high rate of early inquiry about withdrawing KiwiSaver funds under hardship criteria had not, at that date, transpired into action.

¹⁰ https://retirement.govt.nz/policy-and-research/retirement-income-policy-review/2019-review-of-retirement-income-policies/retirement-policy-research-and-reports/

¹¹ https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/CFFC-Policy-Papers-2021-01.pdf

https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/TAAO-RC-Policy-Paper-2021-02.pdf

^{13 &}lt;a href="https://assets.retirement.govt.nz/public/Uploads/Research-2020/COVID-19/CFFC-Impact-of-COVID-19-on-Financial-Wellbeing-Oct-2020.pdf">https://assets.retirement.govt.nz/public/Uploads/Research-2020/COVID-19/CFFC-Impact-of-COVID-19-on-Financial-Wellbeing-Oct-2020.pdf

Covid impact key findings - October 2020

- One in three households had not recovered their income to the February 2020 level, including 11% of households still on incomes reduced by 30%.
- The percentage of those still on reduced incomes compared to February 2020 was highest among households where the main respondent was aged 55 to 64 (37%), indicating this age group was having more trouble finding new jobs or extra work than younger workers.
- Māori and Pacific households were more likely to still have reduced incomes. Māori households had the highest proportion of those whose income was reduced by more than a third (14%) and Pacific households had the highest proportion of those whose income was reduced by up to a third (31%).
- · While arrears had decreased since April, one in four households (23%) had some sort of arrangement with at least one creditor, such as a mortgage suspension or reduced repayments on other loans. This causes concern regarding the effect on households when those arrangements expire.
- Home ownership was a key factor among those doing better than other groups, reinforcing the importance of helping New Zealanders attain this goal.

Measuring financial knowledge

Recognising the importance of measuring financial knowledge as a building block of financial capability, we introduced financial knowledge questions from the OECD/INFE adult financial knowledge toolkit to our ongoing Financial Capability Barometer survey for the period January to June 2020.

The questions, answered by more than 3100 participants, measured the understanding of basic financial concepts such as interest, inflation and risk diversification.

Financial Knowledge of New Zealanders 14, released in October 2020, analysed New Zealand's results by age, gender, ethnicity, education, employment status and personal income to identify areas of need and opportunity when targeting delivery of financial education. A key finding was that only half as many women as men answered all questions correctly, and the gap in financial knowledge widened with age.

The report identified areas of need and opportunity when targeting delivery of financial education, including through our Sorted in Schools programme and Sorted Women workplace course.

Next year we are launching a comprehensive new financial capability measurement study that we will generally repeat biennially.

The aha! moments

Our financial capability facilitators are at the coalface of helping New Zealanders change their behaviour with money, delivering a range of seminars and workshops in workplaces and the community under the Sorted brand. We interviewed a number of them, along with staff, to gain their insights on how behaviour change happens and what triggers it. Triggering financial behaviour change 15 is a detailed guide on best practice in the delivery of financial capability workshops.

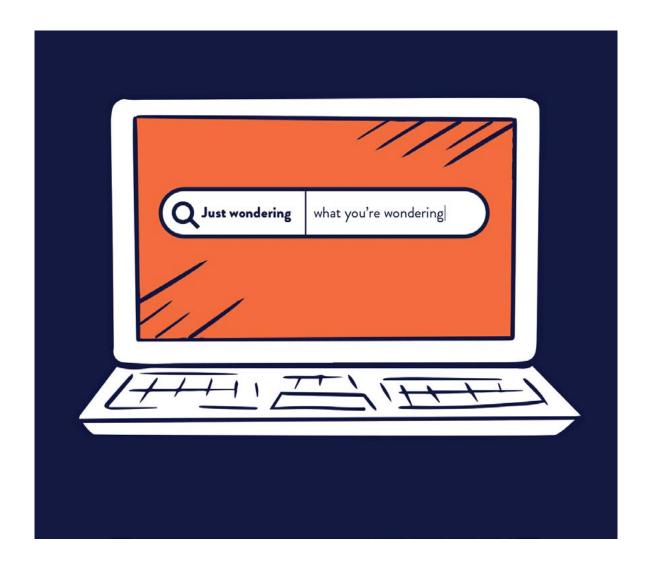
Effect of financial stress on personal relationships

To support Mental Health Awareness Week 2020, Te Ara Ahunga Ora drew data from our Financial Capability Barometer Report 2018-2019 showing that 1 in 5 New Zealanders reported negative effects on their personal relationships from financial stress. In a special report Effect of stress on personal relationships we found that some groups suffered more than others - the 18-34 age group, respondents who had children aged 0-4 years, Māori, Pacific Peoples, and those renting. The results 16 also showed conflict of this nature correlated with a lack of long-term financial planning, a propensity to spend rather than save, and reluctance to discuss money.

¹⁴ Financial Knowledge of New Zealanders https://assets.retirement.govt.nz/public/Uploads/Research-2020/CFFC-Barometer-Financial-Literacy-2020.pdf

CFFC-Triggering-behaviour-change-April-2021-.pdf (retirement.govt.nz)

https://assets.retirement.govt.nz/public/Uploads/Research-2020/Impact-of-financial-stress-on-relationships-RES-Sept-2020.pdf



Sorted Money Week 2020 - question analysis

In response to Sorted's 2020 Money Week theme of "Just wondering", we received nearly 1000 questions from the public. We analysed the main themes and topics ¹⁷ that emerged, providing an indication of the areas in which New Zealanders need the most help financially.

How people behave

Te Ara Ahunga Ora's financial capability barometer was established in 2018 and across two years of online surveys we built up over 15,500 responses. *Financial Capability Barometer Report 2018-2019* ¹⁸ is a remarkable insight into New Zealanders' beliefs and behaviour around money.

In February 2021, we established a new consumer monitor running in quarterly waves, to complement the annual Financial Capability Study and to help inform Sorted content and audience targeting by spotting emerging themes and issues.

 $^{{\}bf 7} \quad \text{https://assets.retirement.govt.nz/public/Uploads/Research-2020/Sorted-Money-Week-2020-Question-analysis-REP-Sept-2020.pdf}$

¹⁸ https://assets.retirement.govt.nz/public/Uploads/Research-2020/CFFC-Barometer-Report-2018-2019.pdf

Papakāinga ahungarua Retirement villages

Figure 6: SOI goal - Retirement villages

Retirement Villages

What we will do: Oversee a fair regulatory framework

How we will do it: Flag issues and report on sector trends

Support dispute resolution

Tackle issues through sector collaboration

New reports on the retirement villages legal framework

The Retirement Villages Act 2003 requires the Retirement Commissioner to monitor the effects of the legal framework. This helps ensure the needs of the village industry and consumers are balanced and being met.

In December 2020 we released a White Paper for public consultation. Retirement villages legislative framework: Assessment and options for change 19 studied the effects of the complex legal framework governing the retirement village sector, which has not been reviewed since it was established nearly 20 years ago.

We received nearly 3300 submissions. While most were from individuals and the Retirement Village Residents' Association (RVA), others came from operators and other stakeholders including lawyers, supervisors, and consumer advocates.

In June 2021 we released the Submissions Summary and Recommendations 20 report, which concluded retirement village legislation was at risk of becoming outdated and unfit for purpose and needs urgent review to eliminate unfair terms in contracts and better protect the rights of consumers.

Submissions confirmed our initial concerns regarding the resale process, weekly fees charged after a resident vacates a unit, flaws in an overly complicated complaints system, confusing documentation, and the tricky interface between village and care facilities. The following chart summarises the main points in these submissions.

https://assets.retirement.govt.nz/public/Uploads/Retirement-Villages/Documents-and-white-papers/CFFC-RV-whitepaper-2020-Final.pdf

 $[\]underline{https://assets.retirement.govt.nz/public/Uploads/Monitoring-and-Reports/Legal-framework-report-2021/RC-RV-White-Paper-Report-2021-.pdf$

Table 1: Summary of themes raised in individual submissions

Purchase process

Moving into village

- · Got legal advice but terms of ORA generally not negotiable, and limited choices so forced to accept terms of ORA
- · Concerns related to knowledge of lawyers with respect to the operation of ORAs, and how the ORAs and Code are applied in practice by RV operators
- Promises of facilities that don't materialise (disclosure documents don't seem to be binding on operator)
- Sales agents are not required to adhere to real estate agent standards, such as those related to disclosure/misrepresentation

Legal documentation

- Legal documents and disclosure documents complicated and overlap of information
- · ORAs should be standardised contracts (similar to residential tenancy or sale & purchase agreements)

Living in village

Responsibility for maintenance & repair

- Concerns related to paying for repairs and maintenance of RV owned chattels
- Refurbishment/ongoing maintenance if live in a villa for a long time

Resident advocacy (power imbalance)

- ORA clauses and interpretation in favour of operator
- · Voice for residents/resident advocacv

Review of complaints system

- Support review of complaints
- Support RV Commissioner/ Ombudsman

Financial concerns

- Weekly fees: concerns related to increases, calls for standardised approach
- Transfers within RV financial consequences

Complaints regarding RV facilities & services

General complaints related to RV facilities and services

Legislative framework/participants

- Too many govt entities involved - need someone with ultimate responsibility/power
- Concerns regarding independence and functions of the statutory supervisors.

Moving on from village

Resale and buy-back process

- · Support guaranteed timeframe for buv-backs
- Concerns related to delays in the resales process & delays in receiving funds
- Support interest payable once vacant

Financial charges after departure

- Support stopping weekly fees after exit
- · Accrual of DMF should stop on exit

Capital gains

· Support sharing capital gains

Transfers to care

- Concerns about financial consequences (especially if delays in resale and buy-back process from RV unit)
- · Lack of information related to these transfers

ORA exit provisions

- · Exit terms favour the operator
- Improvements made by residents to their villas not taken into account in calculation of exit
- Unfair exit terms (capital loss without gain; 80/20 contracts with selling fee as % of sales price)



We consider these issues important because it is difficult to leave a village once contracts are signed. Residents are neither owners nor tenants and their consumer protections are limited. It is therefore important that fit-forpurpose legislative protections are in place.

Operators and the RVA did not support a regulatory review but agreed some areas may need improvement. The RVA offered to look at improvements in a few areas in a "blueprint" created in response to the review. Although we welcomed and encouraged the best practice approaches suggested in the blueprint, these measures should be considered an interim step.

Through our monitoring and oversight function, we have raised many of the issues covered in the discussion paper in previous years. Change has been slow and the submissions we received confirm that many important issues remain unresolved and problematic. The industry has grown in scope and complexity since the framework was drawn up yet is still a young industry. In the interests of both consumers and operators, it's time the balance was reset.

Te Ara Ahunga Ora has offered to assist in drawing up the Terms of Reference for the review and support the Ministry of Housing and Urban Development in undertaking it.

Retirement village loans to residents

Our June 2020 monitoring report Financial Services provided by Operators ²¹ studied loans made to residents by 40% of retirement village operators. The loans generally covered shortfalls in entry payments to those wishing to buy into or transfer within a village, or to existing residents to cover accrued weekly fees. The report found that, overall, the incidence of lending was low relative to the number of residents in villages and the terms were not onerous.

However, it did reinforce the need for intending residents to carefully assess the financial implications of doing so. The report also identified some areas worthy of more consideration, including greater consistency in terminology and documentation across operators, and the potential need for more access to, and promotion of independent financial advice for residents.

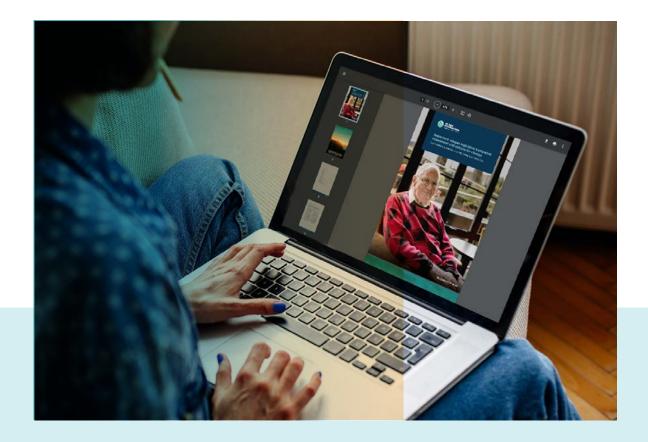


²¹ https://assets.retirement.govt.nz/public/Uploads/Monitoring-and-Reports/CFFC-Financial-Services-Provided-by-Operators-Reports-June-2020.pdf

General retirement village information

We provide clear, impartial information for the public to help people make the best choice for themselves and their family. Originally we planned to deliver a number of seminars face to face but given the effects of COVID-19, and this particular population group, we converted to online delivery. In late 2020 we ran two public webinars, later converted to videos for the website, on the personal, legal, and financial implications we recommend be considered by intending residents and their families.

We also operate a complaints reporting system that enables us to track trends and report on themes in our advice to government, and we administer the Retirement Villages Act disputes process for when complaints cannot be resolved at village level. The Retirement Commissioner appoints approved mediator agencies and disputes panel members. Sixmonthly complaints reports and disputes panel findings are published on our website and the latest report published in May 2021. ²²



Whanaketanga Māori

Māori development

A focus this year has been our Māori development journey with a platform for change to build stronger Māori language and cultural capability. We consulted Professor Tā Pou Temara and Te Taura Whiri I te Reo Māori to obtain a refreshed Māori name for the organisation: Te Ara Ahunga Ora, the pathway to developing long-term wellbeing.

It reflects our purpose to empower the people of Aotearoa on their journeys to a better retirement and affirms our commitment to improve retirement outcomes for all New Zealanders so that everyone can retire with confidence.

We next appointed Dr Kathie Irwin (Ngāti Porou, Rakaipaaka, Ngāti Kahungunu) as Kaihautū/ Director, Māori Development in October 2020. The purpose of this position is twofold: to upskill kaimahi and to work on specific external projects that require a better approach to considering the needs of Māori stakeholders. For example, the new National Strategy for Financial Capability consequently included, for the first time, engagement with Māori working in the financial capability sector, and includes a major project to be led with Māori.

Dr Irwin is now undertaking a significant research project on what retirement looks like for Māori, due for completion in 2022.

As an Autonomous Crown Entity, Te Ara Ahunga Ora acknowledges the significance of the Treaty and the ways in which it can inform the delivery of better Māori outcomes. Our Treaty response is informed by both the articles and the principles, which we uphold in the following ways:

Figure 7: Summary of Te Ara Ahunga Ora's Te Tiriti / Treaty partnership approach:

Principle	Te Ara Ahunga Ora Response
1. Tino Rangatiratanga	Whanaungatanga We recognise the diverse realities of Māori society and aspire to work with whānau, hapū, and iwi as Treaty partners and Māori organisations as representative groups. We will work in ways that ensure that the voices of Māoridom, including rangatahi and mana wahine, are heard and articulated across all activations of whanaungatanga.
2 . Equity	Mahi Tahi We will work to deliver to diverse Māori realities in ways that address inequity by focussing on both life styles (access to language and culture) and life chances (access to power and opportunity).
3 . Active Protection	Whakapapa In this context, Te Ara Ahunga Ora take 'active protection' to mean that our work delivering on our statutory functions (for example, advice on retirement income policy) should be informed by structural analysis, including consideration of rights and strengths-based approaches whilst addressing needs and disparities.
4 Doptions	Mana Motuhake We will take a 'He Awa Whiria' approach, a dual pathway approach, through the organisations work programme, enabling kaupapa Māori advice and mainstream advice to be supported as appropriate. One size does not fit all.
5 Partnerships	Kotahitanga Work flexibly with iwi and Māori agencies in approaches which prioritise authenticity. That flexibility will include: moving between tuākana / teina roles, sometimes we will hold the advanced knowledge, sometimes not. At times partnership will adopt a co-design approach, at times it will look like 'by Māori, for Māori'.

Our cultural capability training programme

We launched Phase 1 of Te Ara Ahunga Ora's cultural capability training programme in February 2021 to support the wider state sector to create better outcomes for Māori. Staff received training in te reo, cultural literacy, and Te Tiriti.

Co-design is one approach we take to work flexibly when partnering to create better outcomes with iwi/Māori. And there are times when a 'by Māori, for Māori' approach is more relevant, and we will also willingly work in this way.

Stakeholder engagement

Our ongoing work with Ngā Kura Kaupapa Māori, in the development of Te Whai Hua - Kia Ora, launched in 2018 alongside the mainstream



Te hauora me ngā āheinga o te whakahaere

Organisational health and capability

Team values

We work hard to maintain a positive and productive workplace culture where every team member contributes and is valued. A crucial project this year was to develop team values that bind us together and encourage us all to be the best we can be. After a staff workshop and ongoing refining, our team agreed these value statements which in turn informed the discussions around landing our purpose and name.

Figure 8: Team values



Kia manawanui Let Us Be Big Hearted We act with kindness, empathy, aroha and courage. We think beyond ourselves to achieve better outcomes for all. We pursue positive and innovative change.



Me hoe tahi We Paddle As One We are stronger together. We continuously seek ways to collaborate and bring people together. We respect the value that every person and stakeholder brings to the table.



E tipu, e rea

We Grab The Best Of Both Worlds To Flourish We embrace the best of both worlds and consider diverse cultural perspectives in our everyday work and actions. We lay the foundations for a more inclusive future.



He taonga te pono We Treasure Truth

We are honest. We act with integrity and authenticity in everything we do. You can look to us for trusted information, honesty and guidance.

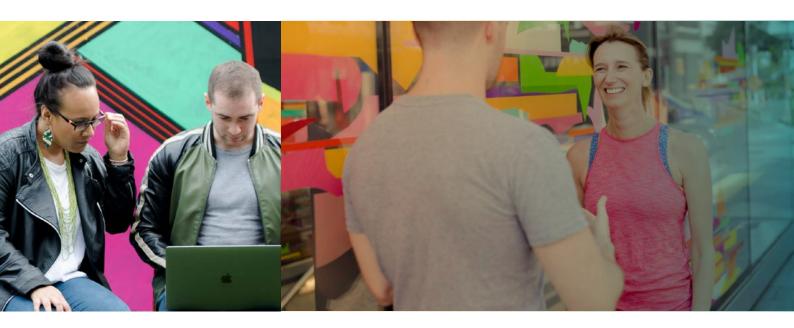
Our team is embedding these values and their behaviours in our work and our relationships. It has been a transformational journey for us all.

Performance measures

As part of refocusing the agency and developing a new Statement of Intent 2021-2024 and Statement of Performance Expectations 2020/2021, we introduced new organisational health and capability measures which we are reporting on for the first time. These form the core of our good employer practice.

Table 2: Health and capability measures

Long term goal (SOI)	This year's objective	2020/21 target	2020/21 actual
A safe and healthy workplace for all staff	Workplace hazards are identified, reported and addressed.	100% of hazards reported have a documented mitigation strategy	Achieved. 100% of hazards reported have a documented mitigation strategy.
	At least one internal wellbeing initiative is undertaken.	Achieve	Achieved (3). Flexible Workplace Policy approved and implemented. Workplace Step Challenge, Virtual Round the Bays.
A high performing, engaged team aligned with our vision and mission	Engagement survey results show year on year improvement in the Employee Net Promoter Score indicator.	Establish baseline	Achieved. Baseline established. Engagement survey result for this indicator: -11, up from -40 in 2020.
	Engagement survey results show year on year improvement in the indicator: Employees feel well informed about the direction, strategy and activities for the CFFC	Establish baseline	Achieved. Baseline established. Engagement survey result for this indicator: 78.6% Strongly Agree or Agree (up from 28% in 2020)
A collaborative culture where everyone's contribution is valued, and each team member is empowered to do a great job	A formal team member recognition programme is in place.	Achieve	Achieved. Pae o Mihi - Recognition and Reward Programme developed for 2021 launch.
Strengthened individual, leadership and organisational capability through career progression and professional development opportunities	An annual learning and development plan is in place for the organisation.	Achieve	Achieved. Learning and Development Plan approved implemented. Cultural capability, leadership development, and project management identified as key organisational priorities.
Recruitment, training and remuneration policies and practices support us to attract and retain skilled, flexible and adaptable team players	Employee turnover is less than 20% each year	19%	Achieved. 11% turnover.
Recruitment, training and remuneration policies and practices support us to attract and retain skilled, flexible and adaptable team players	Salary benchmarking is conducted biennially to ensure employees are remunerated fairly.	Achieve	Not applicable because not required to do in this financial year done biennially (next survey in 2021/22).

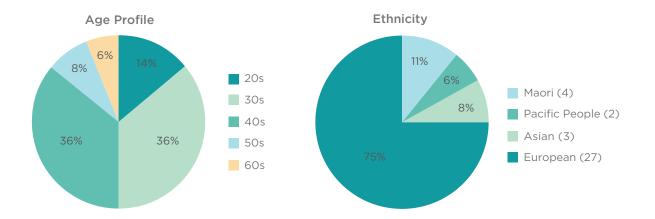


Staff profile and metrics

We have 36 employees, of which 81% (29 people) are women. The team profile and some of the key metrics we track are detailed below. We have been working hard to reduce our turnover and we are pleased with the improvement in this year's figures.

Table 3: Team metrics

Key metrics	2020/2021	2019/2020	2018/2019
Average Length of Service - Years	1.9	1.7	1.2
Turnover	11%	22%	28.6%
Full time	86%	77%	91%
Part time	14%	23%	9%
Women	81%	74%	69%
Men	19%	26%	31%



Pay gaps

Gender Ethnic

Median 23%, Mean 11% ²³ Median 15%, Mean 15%

We carefully focused on pay gaps during our 2021 remuneration review to ensure we continue to reduce these year-on-year.

Diversity and inclusion

Te Ara Ahunga Ora is committed to the pursuit of fairness and diversity, aiming for a workplace that is inclusive for all. We believe it is more than just a 'nice to have'; it is essential so we can provide better policies and services to improve the lives of all people in Aotearoa. We want our team, and the people that we work with and for, to feel valued, supported and respected, so in turn they better value and understand the communities we are here to serve in Aotearoa New Zealand.

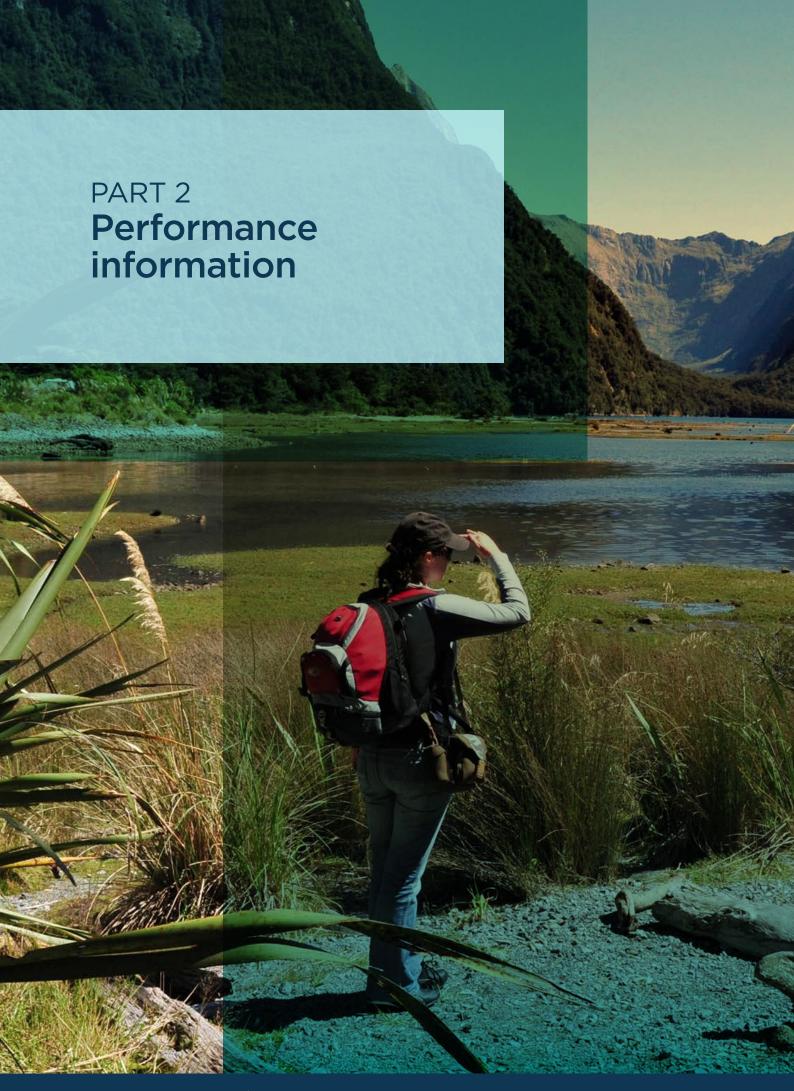
This year we focused on four crucial projects, a significant investment of time and resource for a small entity. We are considering the five priority areas set out in the public sector's Papa Pounamu diversity and inclusion guide and adapting them for a small organisation:

- Cultural Competence: as noted in a previous section, we have made great progress in beginning our cultural capability journey
- Building Relationships: we -
 - developed and implemented team-led organisational values to guide the way we work with each other and our stakeholders
 - implemented a flexible work policy to support our employees and our organisation to work in different ways, to maintain a good work/life balance while addressing entity needs
- · Inclusive Leadership: we invested in tailored leadership training for all our Directors and Leads
- Employee-led networks: in progress
- Addressing bias: to be developed next year

Pleasingly, this has helped to increase our team satisfaction net promoter score by 29 points this year.

 ${\bf 23} \quad \hbox{(median male - median female)/median male and (mean male - mean female)/mean male}$





Tauaki whakatutukinga

Statement of performance

The information below explains the allocated funding allocated for 2020/21 by government appropriation, the statutory requirements it is intended to fund, and how we have performed against those requirements.

Statement of Appropriation

This appropriation is limited to services from the Retirement Commissioner to comply with responsibilities under Part 4 of the New Zealand Superannuation and Retirement Income Act 2001 and Parts 3, 4 and 5 of the Retirement Villages Act 2003. These include improving the level of financial capability, raising public understanding of, and reviewing the effectiveness of, retirement income policies, and carrying out the statutory functions as required in the Retirement Villages Act 2003.

Funding from the Crown for the 2020/21 year was received as a single appropriation of \$8,622,000. In addition to Crown appropriation, Te Ara Ahunga Ora Retirement Commission also received a further \$903,483 in interest and other sources.

The allocation of this funding and expenditure across our three workstreams is shown below:

Allocation of Revenue/Expenditure	Actual	Budget
• •	2020/21	2020/21
Revenue		
Financial Capability	\$7,858,363	\$7,214,880
Retirement Income Policy	\$1,452,120	\$1,452,120
Retirement Villages	\$215,000	\$215,000
Total Revenue	\$9,525,483	\$8,882,000
Expenditure		
Financial Capability	\$6,836,540	\$7,297,502
Retirement Income Policy	\$1,504,811	\$1,703,686
Retirement Villages	\$360,947	\$633,812
Total Expenditure	\$8,702,298	\$9,635,000
Surplus/(Deficit)	\$823,185	(\$753,000)

In accordance with section 19c of the Public Finance Act 1989 Te Ara Ahunga Ora (formerly, the CFFC) provides performance reporting under the following output classes:

- Financial Capability
- · Retirement Income Policies
- Retirement Villages

Actual 2020/21 Financial Capability Revenue comprises \$6,954,800 from our Crown Appropriation (81% allocation as per Te Ara Ahunga Ora's Statement of Performance Expectations (SPEs)), \$872,919 of Other Revenue (100% allocation to this Output Class as revenues were for delivery of financial capability programmes in workplaces and communities), and \$30,564 Interest Revenue (100% allocation to this Output Class as the interest relates to revenues received for Te Ara Ahunga Ora's financial capability programme that is unspent at time of invest or carried over from prior years).

Actual 2020/21 Retirement Income Revenue comprises \$1,452,120 from our Crown Appropriation (17% allocation as per SPEs).

Actual 2020/21 Retirement Villages Revenue comprises \$215,000 from our Crown Appropriation (2% allocation as per SPEs).

Expenditure includes both direct and indirect expenditure. The allocation of expenditure to outputs is reviewed annually and based on the breakdown of workstreams, staff and the estimate of time spent on each output.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve growth in the financial capability and resilience of New Zealanders, across a lifetime, putting them in the best possible position to reach their life goals and reach retirement in good financial health.

Performance assessment

Performance against appropriation measures

Our performance against appropriation measures is summarised below. The first appropriation measure has been updated from the previous years. Performance against operating targets is discussed in the next section.

Table 4: Results against appropriation measures

Measure	Actual 2020/21	Target 2020/21	Actual 2019/20
CFFC's actions lead to increasing the financial capability of New Zealanders (see Note 1) change $^{\rm 24}$	Achieved	New Measure	Achieved
Increased participation in public discussions on retirement savings and planning, and the issues surrounding New Zealand's retirement income policy	Achieved	Achieved	Achieved
Ministerial satisfaction with the Retirement Commissioner's delivery of its functions under the Retirement Villages Act 2003	Satisfied	Satisfied or Very Satisfied	Satisfied

Note 1: Increasing Nzers' financial capability will be measured by -

Appropriation target	Actual
Over 60% of users feel more confident about money decisions after seeking to improve their financial capability through Sorted.org.nz	Achieved. 62%
Over 85% of users trust the financial capability information provided by the CFFC through Sorted.org.nz	Achieved. 93%.
The National Strategy for Financial Capability has active partners working collaboratively and reports successful progress annually (from its four-year Statement of Intent). The National Strategy serves to unite the financial capability sector to work together. The partners depend on collaborative projects and can include financial mentors, NGOs, financial services providers and public sector agencies. The report will include stakeholders and progress on key projects and outcomes for target cohorts.	In progress. Strategy launched in April 2021. Reporting will commence next year. See Part 1 above.

²⁴ The original measure 'Increased levels of financial capability and sustainable behaviour change' was replaced by this measure through the supplementary

Checking in on our Statement of Intent 2021-2024

Performance against our strategic intentions

Te Ara Ahunga Ora Retirement Commission's Statement of Intent 2021-2024 (SOI) sets out our goals for our three areas of focus:

- · Retirement Policies
- Retirement Villages
- Financial Capability

The SOI goals are included in the tables below. These tables also contain the performance results against this year's Statement of Performance Expectations.

Retirement policies

Our SOI committed us to provide robust evidence to help future-proof retirement policy and support current and future retirees.

We are required to undertake three-yearly reviews of retirement income policies. The last one was undertaken in 2019/20 so was not part of our programme of activity for this year. However, as reported in the Performance against Statement of Performance Expectations section, we continued to track trends, collate data, and build knowledge to inform debate on New Zealand's policy settings. We published a series of policy papers to provide useful references for consideration of any potential changes to policy design.

One of the annual goals we had set included the development of an annual dashboard to monitor progress and report quarterly on retirement trends. This did not proceed in this format so as not to duplicate similar efforts undertaken by the Office for Seniors.

The establishment of the Retirement Commissioner's Expert Advisory Group has helped test and debate retirement issues. The first achievement was producing the first Purpose Statement for New Zealand's Retirement Income System.

This year also saw the formation of Retirement Income Policy Group (RIPG) with senior official representation across key government agencies to help align retirement and pre- retirement policy settings.

Retirement villages

The SOI notes our statutory role to monitor the effects of the Retirement Villages Act (2003) and administer the disputes process.

We achieved most of the goals set for the year with COVID-19 hampering the ability to have face to face meetings but also provided an opportunity to refocus our priorities in this space. We still undertook some of our public engagement through a two-part webinar instead and updated retirement village resources on our websites. These webinars were held for those thinking about moving into a village, and their families. Our experts guided attendees through the personal, legal and financial implications, and offered an opportunity to ask questions.

We published two six-monthly reports that summarised information received from operators of all registered retirement villages about any formal complaints they have received in the preceding six-month period. We assisted residents and their families with informal advice on options for dispute resolution and worked closely with key stakeholders to assist with and help resolve industry issues through meetings and forums.

As reported in the Performance against Statement of Performance Expectations section, the focus of this year's annual reporting on retirement villages included a substantial white paper on the retirement legislative framework. We received more than 3,000 public submissions and in June 2021 we released a report and recommendations and were pleased to see following the release of our report the Government make a commitment to undertake a review of the legislation

Financial Capability

The SOI records our aim to provide trusted and independent information about retirement-related matters to help New Zealanders retire with confidence.

There are more organisations than ever focused on helping get New Zealanders out of debt, teaching money management, and encouraging long term savings. With this increasingly crowded space we aim to encourage greater collaboration and align efforts through the work we are doing leading the National Strategy for Financial Capability.

The launch of the new National Strategy for Financial Capability in April 2021 involved extensive stakeholder engagement across the sector to help shape the ideas that formed the final three-year strategy and confirm a range of partners to help deliver on it.

Through Sorted, we have continued to provide a platform and suite of products and tools which provide independent financial capability information New Zealanders can trust. We have done in-depth analysis of the audiences we are trying to reach and the behaviours that drive their attitudes to money.

As reported in the Performance against Statement of Performance Expectations section, we have made a number of improvements and enhancements in this space such as targeting a younger audience with new marketing campaigns across youth channels. Where audience relevance was declining. we have looked to consolidate or refine, such as the decommissioning of Sorted Sessions. We are proud to report that 93% of users trust the financial capability information provided by Te Ara Ahunga Ora through Sorted.org.nz.

The independent evaluation of Te whai hui, kia ora -Sorted in Schools has shown that it continues to perform highly with teachers and students and seen as a valuable financial capability programme.

Our Sorted courses, delivered in communities and workplaces both face to face and by webinar, are increasing the number of New Zealanders becoming financially capable.

We have been able to achieve the annual goals we set for financial capability.

Performance against Statement of Performance Expectations

This section describes the progress made by Te Ara Ahunga Ora in achieving the levels of performance outlined in the 2021-21 Statement of Performance Expectations (SPE).

The tables below report progress against the goals set out in our SPE and also track progress against our long-term goals stated in our Statement of Intent 2021-24.

Table 5: Retirement Policies

Summary: This work provides evidence and research to support retirement policy discussion.

SOI: Long term goal	Overarching strategic objective	This year's objective	How we will measure progress	2020/21 target	2020/21 actual
Provide robust evidence to help future- proof retirement policy and support current and future retirees.	Trusted Information	New Zealand's retirement policy settings are informed by a responsive, ongoing research programme.	Commissioned and in-house qualitative and quantitative research reports are published.	2	Achieved. Exceeded target by publishing six reports. See Research section above for individual description and links.
retirees.		programme.	Develop and publish research dashboard to monitor annual progress and enable public quarterly reporting on various trends.	Achieve	Not achieved. After further evaluation we concluded this work was already being undertaken by Office for Seniors.
Provide robust evidence to help future- proof retirement policy and support current and future retirees.	Informed Advocacy	New Zealand's retirement income policies are consistent and coherent.	Develop a purpose statement for NZ's retirement income policies and secure government- wide agreement.	Achieve	In progress. Purpose statement developed and released. ²⁵ Government wide agreement being sought as opportunities arise.
		Public understanding of retirement policy is enhanced by an annual deep dive on at least one important issue.	Research and publish a discussion paper on international models for retirement savings to identify strengths and weaknesses that New Zealand can learn from.	Achieve	Achieved. Published Policy Paper 2021/2 New Zealand retirement income policies and how they compare within OECD.
Provide robust evidence to help future- proof retirement policy and support current and future retirees.	Effective Collaboration	Retirement policy issues are the focus of pan- sector government collaboration.	Chair a senior officials' group across key government agencies to help align retirement and preretirement policy settings.	Achieve	Achieved. The Retirement Income Policy Group (RIPOG) was established.
			Convene an expert advisory group to help test options for systemic improvement to retirement settings.	Achieve	Achieved. Expert Advisory Group (EAG) meetings held in April 2021, August, October and December 2020).

Table 6: Retirement Villages

Summary: This work provides independent oversight of the retirement villages regulatory regime.

SOI: Long term goal	Overarching strategic objective	This year's objective	How we will measure progress	2020/21 target	2020/21 actual
Enable a readily understandable, robust regulatory regime	Trusted Information	Retirement Village monitoring and sector insights are readily available for stakeholders.	Produce and publish an annual report that monitors and discusses trends in the retirement villages sector to extend the availability of independent public data.	Achieve	Achieved. This year's focus area was on the retirement villages legislative framework. ²⁶
		Impartial information about retirement villages, for current and future retirees, is well-targeted and widely available.	Deliver public information sessions across digital and face- to-face channels accompanied by relevant written material that is widely available online. New Zealanders who access our sessions and material find them helpful.	70%	Achieved. 16 sessions held in first two quarters. No face-to-face sessions held due to COVID-19 from Q3. Replaced by a two-part webinar, later uploaded to website for ongoing use, plus three videos and written material. ²⁷ Achieved. Surveying reveals 96% of webinar participants found sessions and material helpful. ²⁸
Enable a readily understandable, robust regulatory regime	Informed Advocacy	Village residents and their families can access an independent robust disputes robust disputes process.	Assist residents and their families with informal advice on options for dispute resolution.	Achieve	Achieved. 0800 helpline (average 12 callers a month). 102 other calls and emails. Providing precursor to formal disputes and consumer service.
			Approve the appointment of appropriate members to the formal Disputes Panel and publish Panel decisions.	Achieve	Achieved. Decisions are available publicly and published on Te Ara Ahunga website. The panel is appointed for a period of three years (the period of appointment was from Feb 2019 - Feb 2022). Therefore, there were no new panel appointments in FY20/21.
Enable a readily understandable, robust regulatory regime	Informed Advocacy	Retirement Village stakeholders are encouraged to collaborate to solve issues for the overall benefit of the sector and its residents.	Work closely with the Retirement Villages Association of New Zealand Inc (RVA) and key stakeholders to assist with and help resolve industry issues.	Achieve	Achieved. Contributed to resident manual resources. Presented and discussed issues at RVA regional forums and attended other relevant meetings. Retirement Village Summit set up in December 2020 to get RVA and Retirement Village Residents Association of NZ (RVR) to work more effectively. From this summit an MOU was signed between RVA and RVR to work co-operatively.

https://retirement.govt.nz/news/latest-news/review-of-retirement-villages-legislative-framework-proposed/
 Resources for retirement village residents | Retirement Commission Te Ara Ahunga Ora
 See page 38 for information about the survey.

Table 7: Financial Capability

Summary: This work provides evidence-based independent information and education to help New Zealanders improve their financial capability.

SOI: Long term goal	Overarching strategic objective	This year's objective	How we will measure progress	2020/21 target	2020/21 actual
Provide trusted and independent information about retirement related matters to help New Zealanders retire with confidence	Trusted Information	The Sorted suite of products are high quality resources that are widely distributed and used.	Refine the Sorted product suite to clearly identify who we target and how we measure impact.	Achieve	In progress. Three-year marketing and audience plan developed and the Sorted product suite refined. This included the consolidation of Sorted Sessions and its decommissioning as a potential learning platform. We have established common evaluation questions across the Sorted portfolio which are asked of users / participants. These are aligned to the strategic hierarchy of TAAO and Sorted.
			Sorted users agree that the website is valuable.	Establish baseline	Achieved. 93%. Baseline established. (Sorted User Survey: 85%). ²⁹
			Establish a dashboard to track metrics for year-on-year insights into Sorted use.	Achieve	Achieved. Dashboards for Sorted.org.nz and Sorted in Schools websites are now live and in use for reporting and evaluation.
			Percentage of schools using Sorted in Schools	40%	Achieved. 66.5%. ³⁰
			Independent evaluation shows that Sorted in Schools is valued by a majority of teachers and students.	Achieve	Achieved. 98.4% of teachers agreed that they value Sorted in Schools as a financial capability programme (87% high agreement). 95.1% of teachers agreed that Sorted in Schools is valued by students as a financial capability programme (56.1% high agreement). 31
Provide trusted and independent information about retirement related matters to help New Zealanders retire with confidence	Informed Advocacy	Te Ara Ahunga Ora is actively engaged in significant discussions on opportunities and issues affecting financial capability.	Relevant government and non- government work programmes are informed by Te Ara Ahunga Ora's knowledge and research.	Achieve	Achieved. Government and non-government groups established including National Strategy partners and RIPOG created to facilitate information sharing, (due to COVID-19 impacts the first meeting was pushed out to be held in July 2021). Research and insights have been shared throughout the year. Some early surveying with key govt partners undertaken with more extensive surveying of National Strategy partners to be included in the 2021/22 annual report.
Provide trusted and independent information about retirement related matters to help New Zealanders retire with confidence	Effective Collaboration	The National Strategy for Financial Capability is relevant and supported by sector.	Reinvigorate the National Strategy for Financial Capability with engaged partners and clear progress measures	Achieve	Achieved. New strategy launched in April 2021. 32

²⁹ See page 38 for information about the survey.

³⁰ NZCER Report verifies all internal data sources.

^{31 &}lt;u>Sorted-in-Schools-Te-whai-hua-kia-ora-evaluation-2021.pdf</u> (retirement.govt.nz). See page 38 for technical information about the survey.

³² https://retirement.govt.nz/financial-capability/national-strategy/

Surveys

Data from some of performance measures from the table above comes from the following surveys.

Retirement Villages

Participants who attended webinars relating to moving into a retirement village were surveyed following these sessions to ascertain whether they found the material helpful.

- Sample: 131 participants, 26 responses.
- Margin of error: +/- 17% (at the confidence level of 95%).
- Response rate: 20%. 25 out 26 (96%) rated the seminar 'helpful' and 1 rated 'neutral'.

Te whai hua - kia ora, Sorted in Schools

Percentage of schools using Sorted in Schools is determined from two main sources: a teacher survey, and data from registration forms for professional learning and development.

- Total population size: 533 schools
- Sample size: 224 responses
- Margin of error: +/- 5% (at the 95% confidence level)

NZCER Independent evaluation shows that Sorted in Schools is valued by a majority of teachers and students.

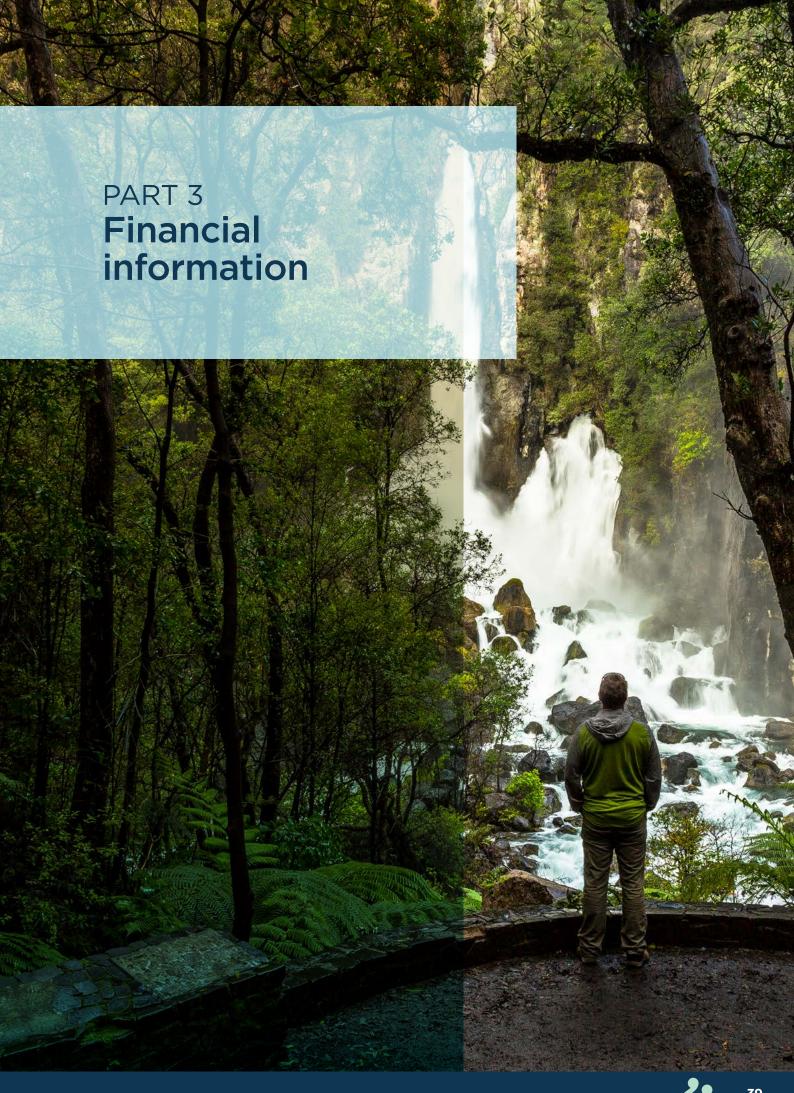
- Total population size: 1237 teachers
- Sample size: 160 responses
- Margin of error: +/- 7.23% (at the 95% confidence level)

Sorted.org.nz

Establish a baseline that Sorted users agree that the website is valuable.

- Total population size in NZ aged over 18: 3595512 (2018 NZ Census)
- · Consumer Barometer shows that 17% used Sorted in last 12 months (611,237 have potentially used Sorted).
- Participants were recruited by pop-up invitation on sorted.org.nz website
- Margin of error: +/- 2%

However, the respondents are not likely to be representative of all Sorted users, and as such, data is unweighted. For instance, the support for positive statements about Sorted in this survey may be inflated because those more satisfied with the product are typically more likely to participate in product surveys when sampling is self-selected. We therefore do not believe a margin of error is appropriate in this situation. Surveying Sorted.org.nz users is an appropriate means of evaluating the website, is consistent with the way we assess Sorted at Work and Sorted in Schools, and as such is in line with current practice.





Independent auditor's report

To the readers of the Retirement Commissioner's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of The Retirement Commissioner, operating as Te Ara Ahunga Ora Retirement Commission (previously the Commission for Financial Capability) (the Commission). The Auditor-General has appointed me, JR Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Commission on his behalf.

Opinion

We have audited:

- the financial statements of the Commission on pages 44 to 67, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Commission on page 27 and pages 31 to 38.

In our opinion:

- the financial statements of the Commission on pages 44 to 67:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on page 27 and pages 31 to 38:
 - presents fairly, in all material respects, the Commission's performance for the year ended 30 June 2021, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and



- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- what has been achieved with the appropriation; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- o complies with generally accepted accounting practice in New Zealand.

Our audit was completed late

Our audit was completed on 27 June 2022. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by the Crown Entities Act 2004. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Retirement Commissioner and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Retirement Commissioner for the financial statements and the performance information

The Retirement Commissioner is responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Retirement Commissioner is responsible for such internal control as it is necessary to enable the Commission to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Retirement Commissioner is responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Retirement Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.



The Retirement Commissioner's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Retirement Commissioner.
- We evaluate the appropriateness of the reported performance information within the Commission's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Retirement Commissioner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

 We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Retirement Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Retirement Commissioner is responsible for the other information. The other information comprises the information included on pages 1 to 26, 28 to 30, 39 and 68 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Commission.

JR Smaill

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand

Defrault

Tauaki ahumoni kua arotakea Audited financial statements

Statement of Comprehensive Revenue & Expenses

For the 12 months ended 30 June 2021

	Note	Actual	Budget	Actual
		2020/21	2020/21	2019/20
Revenue				
Revenue from Crown Appropria	tion 2	\$8,622,000	\$8,622,000	\$8,622,000
Other Revenue	2	\$872,919	\$220,000	\$188,388
Interest Revenue	2	\$30,564	\$40,000	\$53,954
Total Revenue		\$9,525,483	\$8,882,000	\$8,864,342
Expenditure				
Personnel Costs	6	\$4,729,988	\$4,928,000	\$4,753,741
Depreciation & Amortisation	11, 12	\$395,792	\$465,000	\$370,484
Other Operating Costs	3, 4, 5	\$3,576,518	\$4,242,000	\$4,195,403
Total Expenditure		\$8,702,298	\$9,635,000	\$9,319,628
Comprehensive Revenue/(Expe	enditure)			
Surplus/(Deficit)		\$823,185	(\$753,000)	(\$455,286)
Total Comprehensive Revenue/	(Expenditure)	\$823,185	(\$753,000)	(\$455,286)

Explanations of significant variances against budget are detailed in note 20.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2021

	Note	Actual	Budget	Actual
		2020/21	2020/21	2019/20
Assets				
Current Assets				
Cash and Cash Equivalents	8	\$1,087,584	\$517,952	\$520,496
Term Investments	10	\$2,011,418	\$1,000,000	\$1,707,152
Receivables and Prepayments	9	\$141,204	\$56,502	\$72,379
GST Receivable		\$105,641	\$140,000	\$113,460
Total Current Assets		\$3,345,847	\$1,714,454	\$2,413,487
Non-Current Assets				
Property, Plant & Equipment	11	\$360,552	\$290,000	\$343,919
Intangible Assets	12	\$264,888	\$398,000	\$417,927
Total Non-Current Assets		\$625,440	\$688,000	\$761,846
Total Assets		\$3,971,287	\$2,402,454	\$3,175,333
Liabilities				
Current Liabilities				
Creditors and Other Payables	13	\$253,661	\$468,000	\$400,790
Revenue Received in Advance	13	\$1,810	\$0	\$50,000
Lease Incentive Liability	7	\$149,298	\$0	\$3,176
Employee Entitlements	14	\$272,979	\$150,000	\$240,791
Total Current Liabilities		\$677,748	\$618,000	\$694,757
Non-current Liabilities				
Employee Entitlements	14	\$0	\$0	\$10,222
Total Non-current Liabilities		\$0	\$0	\$10,222
Total Liabilities		\$677,748	\$618,000	\$704,979
Net Assets		\$3,293,539	\$1,784,454	\$2,470,354
Public Equity				
Taxpayer Funds		\$200,000	\$200,000	\$200,000
Accumulated Surplus		\$3,093,539	\$1,584,454	\$2,270,354
Total Public Equity		\$3,293,539	\$1,784,454	\$2,470,354

Explanations of significant variances against budget are detailed in note 20. The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2021

No	ote Actual 2020/21	Budget 2020/21	Actual 2019/20
Public Equity at 1 July	\$2,470,354	\$2,537,454	\$2,925,640
Total Comprehensive Revenue /(Expenditure) for the year	\$823,185	(\$753,000)	(\$455,286)
Owner Transactions Capital contribution Repayment of capital	\$0 \$0	\$0 \$0	\$0 \$0
Public Equity At End of the Year	\$3,293,539	\$1,784,454	\$2,470,354

Explanations of significant variances against budget are detailed in note 20. The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.

Statement of Cash Flows

For the 12 months ended 30 June 2021

N	Actual 2020/21		Actual 2019/20
Cash Flows From Operating Activities	2020, 2	2020, 21	2010, 20
Cash Was Provided From:			
Receipts from Crown Appropriation	\$8,622,000	\$8,622,000	\$8,622,000
Other Crown Receipts	\$754,602		\$172,365
Other Income	\$72,650	\$180,000	\$46,380
Interest Received	\$1,014	\$0	\$49,698
	\$9,450,266	\$8,842,000	\$8,890,443
Cash Was Applied To:			
Payments to Suppliers and Employees	(\$8,050,512)	(\$9,209,047)	(\$8,934,783)
Net GST (Paid) / Received	\$7,819	(\$130)	\$13,481
	(\$8,042,693)	(\$9,209,177)	(\$8,921,303)
Net Cash Flows From Operating Activities	\$1,407,573	(\$367,177)	(\$30,860)
Cash Flows From Investing Activities			
Cash Was Provided From:			
Term Investments	\$1,700,000	\$500,000	\$O ³³
Interest Received	\$25,284	\$43,000	\$0
Receipts from sale of Property,	\$7,875	\$0	\$7,377
Plant & Equipment			
	\$1,733,159	\$543,000	\$7,377
Cash Was Applied To:			
Term Investments	(\$2,000,000)	\$0	(\$200,000) 33
Purchase of Property, Plant & Equipment	(\$372,599)		(\$14,120)
Purchase of Intangible Assets	(\$201,045)	(\$200,000)	(\$203,037)
	(\$2,573,644)	(\$325,000)	(\$417,157)
Net Cash Flows From Investing Activities	(\$840,485)	\$218,000	(\$409,779)
Net Increase / (Decrease) In Cash Held	\$567,088	(\$149,177)	(\$440,639)
Plus Cash at the Start of the Year	\$520,496	\$667,129	\$961,135
Cash Held At The End Of The Year	\$1,087,584	\$517,952	\$520,496
Represented by:			
Cash and Cash Equivalents	\$1,087,584	\$517,952	\$520,496
Cash Held At The End Of The Year	\$1,087,584	\$517,952	\$520,496

The net GST component of operating activities reflects the net GST paid and received with Inland Revenue and has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of significant variances against budget are detailed in note 20. The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.

^{33 2019/20} Term investment figures have been provided on a net basis. If not on a net basis, Cash provided from term deposits was \$1,500,000, cash applied to Term deposits were \$1,700,000.

Kupu tāpiri ki ngā tauaki ahumoni Notes to the Financial Statements

Who is Te Ara Ahunga Ora and what is the basis of Financial Statement preparation?

Note 1

Statement of Accounting Policies

Reporting Entity

The Retirement Commissioner is appointed under the New Zealand Superannuation and Retirement Income Act 2001 and the Crown Entities Act 2004. The current Retirement Commissioner was appointed for a three year term commencing 10th February 2020.

The Retirement Commissioner is an autonomous Crown Entity defined by the Crown Entities Act 2004, is domiciled in New Zealand and its ultimate parent is the New Zealand Crown. Te Ara Ahunga Ora Retirement Commission (formerly, The Commission for Financial Capability) is the office of the Retirement Commissioner.

The principle activities of Te Ara Ahunga Ora are to:

- · Help all New Zealanders prepare financially for their retirement through improved financial capability and driving sustainable and enduring behaviour change;
- · Raise awareness of retirement income policy issues, monitoring and reporting on the effects and effectiveness of retirement income policies; and
- · Monitor the provisions of the Retirement Villages Act and administer the Retirement Villages Act disputes process.

The financial statements for Te Ara Ahunga Ora are for the year ended 30 June 2021, and were approved by the Retirement Commissioner on 27 June 2022.

Basis of Preparation

Statement of Compliance and Measurement Base

The financial statements for Te Ara Ahunga Ora have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

The financial statements comply with the Tier 2 Public Benefit Entities Accounting Standards Reduced Disclosure Regime (PBE Standards RDR).

Te Ara Ahunga Ora qualifies for PBE Standards RDR reporting as it is not publicly accountable and has expenses greater than \$2m but less than \$30m.

Presentational and Functional Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Te Ara Ahunga Ora is New Zealand dollars.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. Te Ara Ahunga Ora has chosen not to early adopt the amendment.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although Te Ara Ahunga Ora has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. Te Ara Ahunga Ora has not yet determined how application of PBE FRS 48 will affect its statement of performance. Te Ara Ahunga Ora does not plan to early adopt the standard.

Summary of Significant Accounting Policies

Goods and Services Tax

All items in the financial statements are exclusive of goods and services tax (GST), except for receivables and payables which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of current assets or current liabilities in the Statement of Financial Position. The net GST paid to, or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Te Ara Ahunga Ora is a public authority, and consequently is exempt from the payment of income tax under the Income Tax Act 2007. Accordingly, no provision has been made for income tax.

Budget Figures

Budget figures are derived from Te Ara Ahunga Ora's Statement of Performance Expectations for the financial year ending 30 June 2021. The budget figures were prepared in accordance with NZ GAAP, using forecast financial statements for the year ended 30 June 2021 and accounting policies that are consistent with those adopted by Te Ara Ahunga Ora for the preparation of these financial statements.

Capital Management

Te Ara Ahunga Ora's capital is its equity, which is comprised of accumulated funds and capital contribution. Equity is represented by net assets.

Te Ara Ahunga Ora is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

Te Ara Ahunga Ora has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

Te Ara Ahunga Ora manages its equity as a by-product of prudently managing income, expenses, assets, liabilities, investments, and general financial dealings, to ensure the Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

Cost Allocation Policy

Te Ara Ahunga Ora has determined the cost of outputs using the cost allocation system outlined below.

- · Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- · Direct costs are charged directly to outputs. Indirect costs are allocated using predetermined percentages based on the previous period actual spent for each output class.

Accounting Estimates and Assumptions

In preparing these financial statements, Te Ara Ahunga Ora has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property, plant, and equipment refer to Note 11.
- Useful lives of software assets refer to Note 12.

Judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

• Leases classification - refer to Note 7.

Other Significant Accounting Policies

Other Significant Accounting Policies are included in the notes to which they relate.

How is Te Ara Ahunga Ora funded?

Note 2

Revenue

Funding from the Crown

Funding from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of consideration received or receivable.

Te Ara Ahunga Ora has been provided with funding from the Crown for specific purposes as set out in its founding legislation and the scope of a single Government appropriation. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding. Revenue receipts from the Crown transactions are non-exchange transactions

Interest Revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment. Interest revenue is revenue from exchange transactions.

Other Revenue

Te Ara Ahunga Ora received other funding from Crown and non-Crown entities to contribute towards the provision of services. Other revenue is a combination or Exchange and non-exchange transactions, as defined in the table below.

Provision of Services

Services provided to third parties on commercial terms are recognised as revenue when the income becomes receivable.

Breakdown of Other Revenue

	Actual 2020/21	Actual 2019/20
Other Revenue from exchange transactions		
Sorted Workplace Programme	\$100,258	\$93,926
Community Programmes	\$29,729	\$170
Other Revenue	\$1,986	\$7,377
Other Revenue from non-exchange transactions		
Community Programmes	\$730,000	\$85,590
Other Revenue	\$10,946	\$1,325
Total Other Revenue	\$872,919	\$188,388

How does the Commission spend the funds?

Note 3

Other Operating Costs

Accounting Policy

Expenses are recognised in the period to which they relate

Operating Costs

	Actual 2020/21	Actual 2019/20
Retirement Commissioner	\$14,442	\$8,509
Other Operating Costs		
Professional Service Fees	\$109,934	\$95,111
Consultants	\$20,712	\$230,241
Travel	\$9,714	\$4,081
Insurance	\$4,931	\$11,655
Loss on Disposal of Assets	\$308,364	\$394
Property Expenses	\$357,371	\$324,383
General Office Supplies	\$8,774	\$11,825
Technology	\$191,748	\$183,976
Total Other Operating Costs	\$1,025,990	\$870,175

Note 4

Financial Education, Resources and Campaigns Actual Balance

Accounting Policy

Expenses are recognised in the period to which they relate to.

Other Financial Education Resources and Campaigns

Account	Actual 2020/21	Actual 2019/20
Education (Schools)	\$676,243	\$1,233,868
Community, Workplace & Online Learning		
Community	\$182,482	\$295,819
Sorted Open (Sorted Sessions)	\$0	\$2,669
Sorted Workplaces (Programme Delivery)	\$145,875	\$143,123
Total Community, Workplace & Online Learning	\$328,357	\$441,610
Investor Education		
Scams & Frauds	\$0	\$38,139
National Strategy	\$5,287	\$2,481
Investor Education	\$0	\$3,234
Aging Workforce	\$0	\$1,602
Total Investor Education	\$5,287	\$45,456
Total Other Financial Education Resources and Campaigns	\$1,009,887	\$1,720,934

Note 5

Other Expenses balances

Accounting Policy

Expenses are recognised in the period to which they relate to.

Other Expenses

	Actual 2020/21	Actual 2019/20
Auditor Remuneration	\$24,599	\$24,053
Auditor Remuneration additional fees (FY18/19)	\$11,950	\$0
Kaihautū/Māori development	\$15,723	\$0
Leasing	\$7,308	\$7,047
Research	\$231,434	\$156,557
Marketing & Communications	\$1,218,423	\$1,109,614
Retirement Villages	\$11,398	\$68,118
Review of Retirement Income Policy	\$19,806	\$238,904
Total Other Expenses	\$1,540,641	\$1,604,294

Note 6

Personnel Costs

Accounting policy

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Superannuation schemes

Obligations for KiwiSaver contributions are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Statement of Comprehensive Revenue & Expenses as incurred.

Breakdown of personnel costs and further information

Personnel Costs	Note	Actual 2020/21	Actual 2019/20
Salaries and Wages		\$4,262,091	\$4,359,307
Employer Contributions to Superannuation Schemes		\$172,983	\$174,726
Increase/(Decrease) in Employee Entitlements	14	\$21,966	\$93,681
		\$4,457,040	\$4,627,714
ACC Levies		\$8,344	(\$9,211)
Professional Development, Training & Miscellaneous		\$94,403	\$67,348
Contractors who have a direct contract with Te Ara Ahunga (Ora	\$140,376	\$22,691
Recruitment Costs		\$29,825	\$45,199
Total Personnel Costs		\$4,729,988	\$4,753,741

Employee Remuneration

During the 12 month period ended 30 June 2021, 17 employees and former employees (2019/20: 22) received remuneration (salary, bonuses and other benefits such as superannuation) in excess of \$100,000 per annum.

Remuneration Paid or Payable	# Employees 2020/21	# Employees 2019/20
\$100,000-\$109,999	4	5
\$110,000-\$119,999	2	3
\$120,000-\$129,999	1	1
\$130,000-\$139,999	0	4
\$140,000-\$149,999	4	2
\$150,000-\$159,999	2	3
\$170,000-\$179,999	1	1
\$220,000-\$229,999	1	1
\$250,000-\$259,999	1	1
\$260,000-\$269,999	0	1
\$290,000-\$299,999	1	0
Total Number of Employees	17	22

During the 12 month period ending 30 June 2021, 1 employee received compensation and other benefits in relation to cessation totalling \$5,000 (2019/20: 2 employees totalling \$7,300), and 3 employees (2019/20: 6) received redundancy payments as per their employment agreement, totalling \$129,462 (2019/20: \$106,854).

Te Ara Ahunga Ora has assessed the impact of COVID-19 on employee salaries and wages. There is one impact in relation to COVID-19 in the year ended 30 June 2021, a temporary reduction in the determination of the Retirement Commissioner, further detailed in note 16.

Note 7

Operating Leases

Accounting Policy

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Commitments existing for non-cancellable operating leases as follows:

Operating Leases	Actual 2020/21	Actual 2019/20
Not later than one year	\$182,723	\$120,615
Later than one year and not later than five years	\$696,458	\$84,216
Later than five Years	\$0	\$3,801
Total Operating Leases	\$879,181	\$208,632
Auckland Office Lease	\$729,546	\$68,526
Auckland Carpark Lease	\$42,467	\$0
Photocopier Lease	\$24,315	\$30,600
Tauranga Desk Lease	\$64,613	\$79,821
Wellington Desk Lease	\$0	\$2,805
Wellington Office Lease	\$18,240	\$26,880
Total Operating Leases	\$879,181	\$208,632

On 1 November 2020 Te Ara Ahunga Ora leased new premises in Auckland for an initial term of 5 years with 1 right of renewal for another 5 years, giving a final expiry date of 31 October 2030.

Operating lease commitments also include a photocopier lease of an estimated \$7,482 per annum which expires on 09 October 2024.

Te Ara Ahunga Ora does not have the option to purchase the leased assets at the expiry of the lease periods.

For both Auckland office and Auckland carpark lease a 3 month rent free period is applicable between November 2021 and January 2022, this concession has been applied to the calculation of future operating lease payments.

Te Ara Ahunga Ora has entered into a memorandum of understanding (MOU) with Te Puni Kōkori in which they co-share the premises and pay an annual rent including proportionate costs per month. The lease expires after September 2025.

On 1 July 2021 Te Ara Ahunga Ora entered into a contract to co-share a premise in Wellington for a term of 3 years, commencing 1 July 2021. This contract includes a 6 month break clause.

Lease Incentives

As part of the agreement to lease its Auckland offices Te Ara Ahunga Ora received capital contribution payments from the respective premises' landlords as an incentive.

Capital contribution payments received from landlords are amortised over the life of the lease where the assets are owned by Te Ara Ahunga Ora and recognised as a reduction of rental expense over the lease term.

Lease Incentives	Actual 2020/21	Actual 2019/20
Auckland Office Lease	\$149,298	\$3,176
Total Lease Incentives	\$149,298	\$3,176

There has been no impact of COVID-19 on Lease incentives.

Note 8

Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Breakdown of Cash and Cash Equivalents

	Actual 2020/21	Actual 2019/20
Cheque & Savings Account	\$1,087,584	\$520,496
Total Cash and Cash Equivalents	\$1,087,584	\$520,496

While cash and cash equivalents at 30 June 2021 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is trivial.

Note 9

Receivables and Prepayments

Short-term receivables are recorded at the amount due, less an allowance for credit losses. Te Ara Ahunga Ora applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Receivables and Prepayments	Actual 2020/21	Actual 2019/20			
Receivables from the sale of goods and services (exchange transactions)					
Aged receivables	\$34,233	\$10,781			
Debtor accrual	\$248	\$22,454			
Prepayments	\$106,723	\$33,394			
Receivables from grants (non-exchange transactions)					
Aged receivables	\$0	\$5,750			
Total Receivables and Prepayments	\$141,204	\$72,379			

Debtor accruals at 30 June 2021 consist of \$284 in airline credits (2019/20: \$6,089), due to flight rescheduling and cancellations caused by COVID-19.

In line with PBE IPSAS 9 and PBE IPSAS 23, Aged receivables, Debtor Accrual and Prepayments have been classified as exchange transactions and aged receivables (grants) are recognised as a nonexchange transaction.

The carrying value of receivables and prepayments approximates their face value. A breakdown of aged trade receivables is detailed below:

Aged Receivables	Actual 2020/21	Actual 2019/20
Past Due Days		
Current	\$33,647	\$16,531
< 6 months	\$586	\$0
6 months - 1 year	\$0	\$0
1 - 2 years	\$0	\$0
> 2 years	\$0	\$0
Estimates of Losses	\$0	\$0
Impaired Credit Loss	\$O	\$0
Total Aged Debtors	\$34,233	\$16,531

All receivables greater than 6 months in age are considered to be past due. There are no expected losses and no allowance for credit loss in 2020/21 (2019/20: \$nil).

Te Ara Ahunga Ora has no significant concerns relating to COVID-19 impact on the ageing of receivables.

Note 10

Term Investments

Accounting policy

Bank term deposits

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Term deposits

Te Ara Ahunga Ora considers there has not been a significant increase in credit risk for investments in term deposits because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA- investment grade credit rating, which indicates the bank has a very strong capacity to meet its financial commitments. No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial. The carrying amounts of term deposits with maturities of 12 months or less approximate their fair value.

Breakdown of Term Investments

	Actual 2020/21	Actual 2019/20
Term Investment	\$2,000,000	\$1,700,000
Accrued Interest	\$11,418	\$7,152
Total Investment	\$2,011,418	\$1,707,152

Property, Plant & Equipment and Intangible Assets

Note 11

Property, Plant & Equipment

Accounting policy

Property, plant, and equipment consists of five asset classes, which are measured as follows:

- Leasehold improvements, at cost less accumulated depreciation and impairment losses.
- Furniture and Fittings, at cost less accumulated depreciation and impairment losses.
- Office Equipment, at cost less accumulated depreciation and impairment losses.
- Computer Equipment, at cost less accumulated depreciation and impairment losses.
- Telecommunications, at cost less accumulated depreciation and impairment losses.

Additions

In most instances, assets are capitalised on purchase. Capital work in progress is recognised at cost and is not depreciated until the assets are operating in a manner intended by management, at which time the costs are transferred to the appropriate Property, Plant & Equipment asset. The Capitalisation threshold aligns with IRD guidance.

The cost of an item of Property, Plant & Equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Te Ara Ahunga Ora and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment Is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction it is recognised at its fair value as at the date of acquisition.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Te Ara Ahunga Ora and the cost of the item can be measured reliably. The costs of day-to-day servicing of Property, Plant & Equipment are recognised in the Statement of Comprehensive Revenue & Expenses as they are incurred

Disposals/Capitalisation

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Revenue & Expenses.

Depreciation

Depreciation is calculated on a straight-line basis on Property, Plant & Equipment once it is in the location and condition necessary for its intended use so as to write off its cost or valuation over its expected useful life to its estimated residual value. The following estimated useful lives and rates are used in the calculation of depreciation:

Leasehold Improvements	4.7 - 16.7 years	6.0% - 21.43%
Telecommunications	3.3 years	30%
Furniture & Fittings	3.3- 11.8 years	8.5% - 30.0%
Computer Equipment	1.33 - 5.8 years	17.5% - 75.42%
Office Equipment	2.8 - 10.4 years	9.6% - 36.0%

Leasehold improvements are depreciated over the unexpired period of the lease.

Impairment of Property, Plant & Equipment

Te Ara Ahunga Ora does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Property, Plant & Equipment that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

If an assets carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount.

Critical accounting estimates and assumptions

Estimating useful lives and residual values of property, plant, and equipment

Te Ara Ahunga Ora registers PPE in line with IRD's prescribed depreciation rates where suitable to assist with accurately determining the useful life from point of acquisition. At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed and adjusted if applicable. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by Te Ara Ahunga Ora.

- An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. Te Ara Ahunga Ora minimises the risk of this estimation uncertainty by:
- physical inspection of assets;
- Considers asset replacement for critical IT equipment (eg. laptops) as technology advances and assets reach useful life;

Te Ara Ahunga Ora has not made significant changes to past assumptions concerning useful lives and residual values.

Property, Plant & Equipment	Leasehold Improvements	Furniture & Fittings	Computer Equipment	Telecomm- unications	Office Equipment	Total
Gross Carrying Amount						
Balance at 1 July 2019	\$359,302	\$128,768	\$200,281	\$0	\$72,706	\$761,057
Additions	\$0	\$2,466	\$19,459	\$0	\$0	\$21,925
Disposals	\$0	\$0	(\$28,033)	\$0	\$0	(\$28,033)
Balance at 30 June 2020/	\$359,302	\$131,234	\$191,707	\$0	\$72,706	\$754,949
1 July 2020						
Additions	\$204,155	\$112,221	\$36,008	\$18,235	\$0	\$370,619
Disposals	(\$359,303)	(\$85,025)	(\$13,299)	\$0	(\$2,094)	(\$459,721)
Balance at 30 June 2021	\$204,154	\$158,430	\$214,416	\$18,235	\$70,612	\$665,847
Accumulated Depreciation						
Balance at 1 July 2019	\$111,298	\$47,999	\$122,963	\$0	\$41,402	\$323,662
Depreciation Expense	\$29,214	\$12,722	\$50,460	\$0	\$14,808	\$107,204
Elimination on Disposal	\$0	\$0	(\$19,835)	\$0	\$0	(\$19,835)
Balance at 30 June 2020/	\$140,512	\$60,721	\$153,588	\$0	\$56,210	\$411,031
1 July 2020						
Depreciation Expense	\$36,028	\$15,982	\$33,561	\$3,464	\$14,197	\$103,232
Elimination on Disposal	(\$149,697)	(\$47,724)	(\$9,452)	\$0	(\$2,095)	(\$208,968)
Balance at 30 June 2021	\$26,843	\$28,979	\$177,697	\$3,464	\$68,312	\$305,295
Carrying Amount						
At 30 June 2020	\$218,790	\$70,513	\$38,120	\$0	\$16,496	\$343,919
At 30 June 2021	\$177,311	\$129,451	\$36,719	\$14,771	\$2,300	\$360,552

Capital Commitments

There are no capital commitments at 30 June 2021 (2019/20: \$Nil).

Note 12

Intangible Assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs that are directly associated with the development of interactive aspects of Te Ara Ahunga Ora's websites are capitalised. They are recognised as capital work in progress until the website is operating in the manner intended by management, at which time the costs are transferred to the appropriate Intangible Asset.

Costs associated with maintaining and advertising Te Ara Ahunga Ora's websites are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

The following estimated useful lives and rates are used in the calculation of amortisation:

Websites 2.5 - 3.3 years 30% - 40% Software 2.5 years 40%

Impairment of Intangible Assets

Intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If is common for intangible assets (websites and software) to progress through a stage of work in progress. Intangibles WIP is recognised at cost, and is not amortised until the asset(s) are available for use and create economic benefit for TAAORC, at which time the costs are transferred to the appropriate Intangible asset class.

Critical accounting estimates and assumptions

Estimating useful lives of software assets

Te Ara Ahunga Ora's internally generated software largely comprises of an interactive database provided to the public as part of Te Ara Ahunga Ora's regulatory functions. Internally generated software has a finite life, which requires Te Ara Ahunga Ora to estimate the useful life of the software assets. In assessing the useful lives of software assets, a number of factors are considered, including:

- the period of time the software is intended to be in use;
- the effect of technological change on systems and platforms; and
- the expected time frame for the development of replacement systems and platforms.

Breakdown of intangible assets and further information

Intangible Assets	Websites	Computer Software	Capital work in progress	Total
Gross Carrying Amount				
Balance at 1 July 2019	\$1,265,045	\$23,134	\$0	\$1,288,179
Additions	\$178,509	\$24,528	\$0	\$203,037
Disposals	(\$7,307)	(\$10,848)	\$0	(\$18,155)
Balance at 30 June 2020/ 1 July 2020	\$1,436,247	\$36,814	\$0	\$1,473,061
Additions	\$92,825	\$7,954	\$100,266	\$201,045
Disposals	(\$143,426)	(\$5,794)	\$0	(\$149,220)
Transfers from capital work in progress	\$100,266	\$0	(\$100,266)	\$0
Balance at 30 June 2021	\$1,485,912	\$38,974	\$0	\$1,524,886
Accumulated Depreciation				
Balance at 1 July 2019	\$791,636	\$18,373	\$0	\$810,009
Amortisation Expense	\$256,397	\$6,883	\$0	\$263,280
Elimination on Disposal	(\$7,307)	(\$10,848)	\$0	(\$18,155)
Balance at 30 June 2020/ 1 July 2020	\$1,040,726	\$14,408	\$0	\$1,055,134
Amortisation Expense	\$277,454	\$15,106	\$0	\$292,560
Elimination on Disposal	(\$81,902)	(\$5,794)	\$0	(\$87,696)
Balance at 30 June 2021	\$1,236,278	\$23,720	\$0	\$1,259,998
Carrying Amount				
Balance at 30 June 2020/ 1 July 2020	\$395,521	\$22,406	\$0	\$417,927
At 30 June 2021	\$249,634	\$15,254	\$0	\$264,888

Capital Commitments

There are no capital commitments at 30 June 2021 (2019/20: \$Nil).

Note 13

Creditors and Other Payables

Accounting policy

Short-term payables are recorded at the amount payable.

Breakdown of payables and deferred revenue

	Actual 2020/21	Actual 2019/20
Payables and deferred revenue under exchange transactions		
Accrued Expenses and Other Payables	\$38,853	\$24,738
Trade Creditors	\$214,808	\$376,052
Total payables under exchange transactions	\$253,661	\$400,790
Payables and deferred revenue under non-exchange transactions		
Revenue received in Advance	\$1,810	\$50,000
Total payables under non-exchange transactions	\$1,810	\$50,000
Total payables and deferred revenue	\$255,471	\$450,790

In line with PBE IPSAS 9 and PBE IPSAS 23, Accrued expenses and Other Payables and Trade Creditors have been classified as exchange transactions and Revenue Received in Advance is recognised as a non-exchange transaction.

Revenue Received in Advance

Revenue received in advance was \$1,810 compared to a budget of nil. This was due to funding received in 20/21 for expenditure that will be incurred by Te Ara Ahunga Ora in 21/22. In accordance with PBE International Public Sector Accounting Standard 9 (Revenue from Exchange Transactions), the Commission has recognised \$1,810 (2019/20: \$50,000) as Revenue Received in Advance.

Note 14

Employee Entitlements

Accounting policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service have been calculated on an actuarial basis. This may include annual leave earned but not yet taken, and expected to accrue beyond 12 months. The calculations

- likely future entitlements accruing to employees
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave and current annual leave are classified as a current liability. All other employee entitlements, such as annual leave expected to accrue beyond 12 months, are classified as a noncurrent liability.

Critical accounting estimates and assumptions

There is no provision for expected future payments of non-current accrued annual leave in the year ended 30 June 2021. A provision existed in the FY20 year. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using discount rates as per Treasury models issued under TC 2009/06. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The discount rate used ranged from 0.22% to 0.25%.

If the discount rate were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement and long service leave liability would be an estimated \$65.86 higher/lower.

If the salary inflation factor were to differ by 1% from that used, with all other factors held constant, the carrying amount of the retirement and long service leave liability would be an estimated \$66.59 higher/lower.

Breakdown of Employee Entitlements	Actual 2020/21	Actual 2019/20
Current portion		
Accrued Salaries and Wages	\$48,672	\$28,412
Accrued Annual Leave	\$224,307	\$212,379
Total current portion	\$272,979	\$240,791
Non-current portion		
Accrued Annual Leave	\$0	\$10,222
Total non-current portion	\$0	\$10,222
Total Employee Entitlements	\$272,979	\$251,013

Te Ara Ahunga Ora's level of annual leave accrual has continued to increase in the year ending 30 June 2021. On average each staff member acrrued more leave. This was due to travel restrictions imposed by COVID-19 causing staff to cancel annual leave or choose to not take leave. No leave balances have accrued to the level at which a provision under PBE IPSAS 39 is required.

Note 15

Contingencies

There are no contingent assets or liabilities at reporting date (2019/20: \$Nil)

Note 16

Related Parties Transactions

Te Ara Ahunga Ora is controlled by the Crown.

Related party disclosures have not been made for transactions with related parties that are;

- -within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favorable than those that it is reasonable to expect Te Ara Ahunga Ora would have adopted in dealing with the party at arms length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

On 15 May 2020 the Remuneration Authority Amendment Act was passed. The priority of amendment (addition of section 19A to the Remuneration Authority Act 1977) is to allow those public sector leaders listed in schedule 4A of the amendment Act to show leadership and solidarity during and in response to the COVID-19 outbreak.

Consequently, The Remuneration Authority has made a temporary reduction in the Retirement Commissioner's determination of 20%, effective on 9 July 2020, expiring 6 January 2021. This has had an impact on the remuneration paid by Te Ara Ahunga Ora during the 2020/21 financial year.

Related Party Transactions Required to be Disclosed

All related-party transactions have been entered into on an arm's-length basis. Therefore there are nil disclosures.

Key Management Personnel Compensation

Key management personnel include the Retirement Commissioner and six members of the Executive Leadership Team.

Key Management Personnel	Actual 2020/21	Actual 2019/20
Remuneration	\$1,403,384	\$1,015,950
Contributions to defined contribution plans	\$64,307	\$36,214
Full-Time Equivalent Staff	6.88	4.4

Note 17

Financial Instruments

Financial Instrument Categories

The carrying amounts of financial assets and liabilities in each of the financial categories are as follows:

Financial Assets and Liabilities	Actual 2020/21	Actual 2019/20
Financial Assets measured at amortised cost		
Cash and Cash Equivalents	\$1,087,584	\$520,496
Term Investments	\$2,011,418	\$1,707,152
Receivables	\$248	\$22,454
Total Loans and Receivables	\$3,099,250	\$2,250,101
Financial Liabilities measured at amortised costs		
Creditors and Other Payables	\$253,661	\$400,790
Total Financial Liabilities	\$253,661	\$400,790

Te Ara Ahunga Ora has access to business credit card facilities of up to \$100,000 with Westpac Bank. At 2020/21 \$25,000 of this facility is in use (2019/20: \$20,000). We also have a Payroll Credit line of \$39,000 (unused in both 2019/20 and 2020/21)

Note 18

Events after Balance Date

There were no significant events after the balance date.

Other

Note 19

Net Cash Flow from Operating Activities

Reconciliation of Statement of Comprehensive Revenue & Expenses surplus with Net Cash Flow from Operating Activities:

Net Cash Flow from Operating Activities	Actual 2020/21	Actual 2019/20
Net Surplus/(Deficit) for the Year	\$823,185	(\$455,286)
Add Non-Cash Items		
Gain on Sale	(\$1,980)	(\$7,377)
Depreciation	\$103,232	\$107,204
Amortisation	\$292,560	\$263,280
Net Loss on Disposal of PPE	\$246,840	\$394
Net Loss on Disposal of Intangible assets	\$61,524	\$0
Add Movements in Net Assets and Liabilities		
(Increase)/Decrease in Debtors & Other Receivables	\$4,503	(\$12,266)
(Increase)/Decrease in Accrued Interest	(\$4,266)	(\$4,255)
(Increase)/Decrease in Prepayments	(\$73,328)	(\$4,586)
(Increase)/Decrease in GST Refund Due	\$7,819	\$13,481
Increase/(Decrease) in Creditors & Other Payables	(\$147,129)	(\$65,600)
Increase/(Decrease) in Employee Entitlements	\$21,966	\$93,681
Increase/(Decrease) in Provisions	\$0	\$0
Increase/(Decrease) in Lease Incentive Liability	\$146,121	(\$9,529)
Increase/(Decrease) in Revenue in Advance	(\$48,190)	\$50,000
Net Cash Flow from Operating Activities	\$1,432,857	(\$30,860)

Note 20

Explanation of Major Variances (+/- \$25,000) against Budget

Statement of Comprehensive Revenue & Expenses

Explanation of major variances from Te Ara Ahunga Ora's budgeted figures in the Statement of Performance Expectations are as follows:

- Personnel Costs are \$198,012 less than budgeted due to time delays between exiting and incoming staff.
- · Amortisation is \$62,560 less than budgeted due to timing of our intangible asset investments, which occurred in the final quarter of the financial year.
- Depreciation is \$131,768 higher than budgeted due to the unbudgeted relocation of our Auckland Office requiring a higher level of investment in leasehold assets.
- · Other operating costs were \$665,482 lower than budgeted. Major variances within other operating costs are detailed below.

An underspend of \$202,194 for Review of Retirement Income Policy. During FY20/21 planning and scoping work was undertaken for policy, which resulted in delayed expenditure. In addition, expenditure on the Expert Advisory Group was lower than forecast, due to COVID-19 (one meeting became virtual, saving travel costs), frequency of meetings were changed from monthly to quarterly and lower than anticipated attendance at some meetings.

A \$98,602 underspend on Retirement Villages. A decision was made to move from in-person events across the country to webinars, resulting in savings on travel, accommodation, and hosting costs. We also undertook a key piece of monitoring inhouse, which had initially been planned to be outsourced.

- Marketing and Communications underspent by \$42,727 due to general work efficiencies
- · Kaihautū /Māori Development was \$34,277 less than budgeted due to timing of appointment of our Kaihautū and therefore subsequent expenditure planning lead to projects being largely focused in FY22.
 - Education (Schools) underspent by \$291,757 due to EME PLD programmes being developed internally rather than using external content developers. As well as development phasing rolling into FY 2022.
 - Community underspent by \$77,518 due to operational efficiency improvements and delivering less courses than budget expectations
 - Sorted at Work underspent by \$95,125. The main contributor to this was due to an underspend in facilitator costs. The volume of courses and seminars delivered were less than expected. The decision to decommission Sorted Sessions also contributed to a saving in content development.
 - Property expenses were \$54,079 under budget due to rent, office maintenance and relocation expenses all being slighter lower than budget due to new leases for both Wellington and Auckland offices.
- · Loss on Disposal is \$308,364 higher than budgeted due to the unbudgeted relocation of our Auckland office in November 2020 resulting in a disposal of leasehold assets.

Variances between the Budget figures presented in the Financial Statements and the Forecast figures in the 2020/21 Statement of Performance Expectations are due to different classifications.

• The four year pilot of the Sorted in Schools programme concluded in the financial year ending 30 June 2021. Due to accumulated cost savings as well as the impact of COVID-19 on the delivery of the programme, \$1,979,198 of funding was accumulated over the life of the programme. This surplus will be retained by Te Ara Ahunga Ora to support the continued work on developing financial capability in New Zealand across our various programmes.

Statement of Financial Position

Overall Cash and Cash Equivalents and Term Investments are \$1,581,050 higher than budget. The main driver of this was a surplus of \$817,023 against the budgeted deficit of \$753,000. This surplus includes the first of four annual grant instalments received from the Ministry for Pacific People for the delivery of financial capability programmes to 1,200 pacific households.

- GST Receivable is \$34,359 lower than budget due to the timing of operational expenditure.
- Property, Plant and Equipment is \$70,552 higher than budget as Te Ara Ahunga Ora invested in leasehold items and furniture in relation to Auckland office relation in November 2020.
- Intangible Assets are \$133,112 lower than budgeted, due to website priority changes and the decision to decommission the Sorted Sessions website.
- Creditors and Other Payables are \$214,339 lower than budget due to increased frequency and timely payment of supplier invoices.
- Lease Incentive Liability is \$149,297 higher than budgeted, due to the unplanned, unbudgeted relocation of our Auckland office and the subsequent receipt of a lease incentive.
- Employee entitlements are \$122,979 higher than budgeted, due to travel restrictions imposed by COVID-19 causing staff to cancel annual leave or choose to not take leave.

Note 21

COVID-19 Disclosure

Te Ara Ahunga Ora has conducted a line by line analysis of the COVID-19 impact on the financial statements and has concluded that the impacts of COVID-19 have been minimal. Any major variances to budget have been disclosed in note 20 with specific reference to COVID-19 where applicable.

The following impacts to the financial statements have been determined by Te Ara Ahunga Ora to have a direct link to COVID-19:

- One review of retirement income policy advisory group meeting moved from in person to online, resulting in cost savings in travel.
- The Remuneration Authority made a temporary reduction in the Retirement Commissioner's determination of 20%, effective on 9 July 2020, expiring 6 January 2021. This had an impact on the remuneration paid by Te Ara Ahunga Ora during the 2020/21 financial year.

Te Ara Ahunga Ora Retirement Commission was required under section 156(3)(a) of the Crown Entities Act 2004 to complete the audited financial statements and statement of performance by 31 December 2021. The timeframe was not met because Audit New Zealand was unable to compete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19 including lockdowns.

He mahere tāngata

Directory

Our team (as at June 2022)

Jane Wrightson - Retirement Commissioner

Erin Thompson (Tainui, Te Arawa, Ngāi Tāmanuhiri) - Kaihautū /Director Māori Development

Dr Suzy Morrissey - Director, Policy

Dr Michelle Reyers - Policy Lead

Tristan Fluerty - Retirement Villages Specialist

Dr Jo Gamble - Research Lead

Nick Thomson - Director, Financial Capability

Tista Lythe - Learning Development Lead

Marina Kawe-Peautolu (Ngāti Ranginui, Ngāti Kahungunu, Ngāi Tahu) -Kaitakawaenga/Learning Designer MME

Liline Hewett - Project Specialist, Pacific

Su Min Ahn - Learning Designer EME

Tania Vercoelen - Learning Development Specialist

Lexia Hansen - Learning Development Administrator

Donna Robinson - Learning Delivery Lead

Claire Bailey - Learning Specialist Schools

Vacant - Kaikōkiri/Learning Specialist - Kura

Ana Tu'inukuafe - Relationship Specialist - Communities

Natalie Palmer - Learning Delivery Specialist

Vacant - Director, Marketing

Kelly Phillips - Marketing & Content Lead

Hannah Merceanu - Digital Marketing Specialist

Georgia Lopesi - Graphic Designer

Natasha Lavulavu - Marketing Specialist

Jason Gambitsis - Digital Assets Lead

Michael Coffey - Data and Analytics Specialist

Morgan Martin - Digital Channels Specialist

Devon Connelly - Marketing Administrator

Anika Forsman - Director, Stakeholder Relations

Tom Hartmann- Personal Finance Lead

Rachel Beckett - National Partnerships Lead

Elizabeth O'Halloran - Communications Specialist

Nisha Keetels (Ngāti Raukawa, Tūhoe) - Director, Corporate Services

Gemma Fulton - Finance Lead

Shristi Singh - Assistant Accountant

Rosa Armstrong - People Lead

Nick Beard - Business Lead

Rebecca Jenner - Performance Accountability Specialist

Vacant - Business Administrator



