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2012

Annual Report

Commission for
Financial Literacy
and Retirement Income

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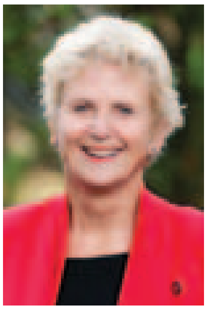
Annual Report 2012

Commission for Financial Literacy and Retirement Income

Presented to the House of Representatives pursuant to section 150(3) of the Crown Entities Act 2004

From the Retirement Commissioner



OUR VISION

Financially sorted Kiwis

OUR MISSION

To improve New Zealanders' financial wellbeing throughout their lives, increasing their lifelong financial literacy and their financial preparedness for retirement

We have had an exciting, eventful year at the Commission for Financial Literacy and Retirement Income, continuing to make inroads in a challenging environment.

The long-term sustainability of New Zealand Superannuation – our national treasure – remains a critical question, as does KiwiSaver's long-term impact on Kiwis' preparedness for retirement. At the same time it is promising to see that the difficult economy, with all the uncertainty and adversity it brings, has managed to spark in many the motivation to adopt positive money management skills. We are also delighted that the burgeoning movement to increase financial literacy throughout New Zealand has begun to coalesce.

What's in a name?

After years of being known as the Retirement Commission, we are settling in well with our new name, which far better reflects what the Commission does and its principal goal of improving the financial wellbeing of New Zealanders throughout life so that they are better prepared financially for retirement. The Commission's new name formally recognises the importance of financial literacy to New Zealanders and emphasises its link with their retirement income.

Retirement income research

Consensus on retirement income policy and practices comes from debate and understanding, and to help promote these we began our series of nine position papers to explain key policy objectives and set out our views for the public. First to be published were *Voluntary saving* (encouraging personal responsibility, individual choice and control), *Income support* (alleviating poverty and hardship among the elderly), *Wellbeing* (promoting positive and active ageing), *Longevity risk pooling* (sharing protection against the risk of outliving one's savings) and *Citizenship dividend* (building and maintaining social cohesion and national identity).

Our part for Christchurch

With funding from the Christchurch Earthquake Appeals Trust, our information programme and the new free financial advice service for Christchurch red zone residents during the year offered resources to those facing significant financial decisions, such as whether to accept payout offers. We have continued to monitor different Canterbury communities for any gaps in information where we can help with specific financial decision making there.

The growing movement

Our productive rapport with a variety of organisations across the public, private and academic sectors – the Federation of Family Budgeting Services and Young Enterprise Trust deserve particular mention – continues to result in our shared success and benefit Kiwis. We are privileged to work alongside these key players in the flourishing financial literacy movement.

At the same time, we are delighted at the arrival of new organisations. Notable this year was the launch of the Fin-Ed Centre at Massey University, of which I am the independent board member.

National Strategy for Financial Literacy

The Commission continues to take the leadership role among the many groups who have signed up for New Zealand's National Strategy for Financial Literacy. We are two years into the strategy's five-year action plan, which included preparing New Zealand's first-ever Money Week for the first week of September 2012, an annual focal point for public-facing activities by groups who make up this country's financial literacy movement.

With involvement from many individuals and organisations across the public, private and voluntary sectors, the National Strategy continues to grow in significance as a cornerstone to coordinate financial education activities. It includes frameworks and action plans for increasing financial literacy in the Māori and Pacific communities as well as investor education. Its advisory group is chaired by Reserve Bank Governor Alan Bollard and also includes University of Auckland's Manuka Henare, Financial Markets Authority Chief Executive Sean Hughes, Secretary for Education Lesley Longstone, New Zealand Bankers' Association Chief Executive Kirk Hope, Financial Services Council Chief Executive Peter Neilson and me.

Māori and Pacific outreach

Our efforts to increase financial literacy for all New Zealanders extend in many directions. This year our work with Māori included working especially closely with two iwi, helping set up a workshop for a Taranaki trust and continuing discussions with pan-tribal organisations. The aim is to engage Māori at the iwi, hapu and whanau level.

Collaborating with the Ministry of Pacific Island Affairs, we have begun to develop our Pacific framework and action plan, in line with the national strategy. With the Ministry, Bank of New Zealand and a number of non-governmental organisations, we have also continued a financial education project to help Pacific Island families in East Tamaki, Auckland.

Education for investors

This year we broadened our work on investor literacy and have been working closely with the Financial Markets Authority (FMA) to raise the profile of investor literacy within the finance sector. FMA Chief Executive Sean Hughes and I chaired an investor education meeting with key finance sector chief executives last December, and since then there has been ongoing collaboration with senior staff from the five major retail banks and three financial services companies to develop an investor education framework and action plan that fits within the structure of the national strategy. I also addressed the OECD–Securities and Exchange Board of India international investor education conference in Goa, India in early February.

Sorted renewed

We launched the revamped Sorted website in March, which was part of ongoing redevelopment of the Sorted programme that continues the Commission's shift in approach from just providing financial information to placing greater emphasis on encouraging Kiwis to take action with their finances. Information on the website is presented in a way that is accessible, streamlined, user friendly and above all motivational.

The new site has significantly reduced maintenance costs. There has been very positive response from users, education providers and the finance sector to the rebuilt Sorted.

Think, Shrink, Grow and more

After two 'dumb debt' (avoidable high-interest debt) campaigns earlier this year, we launched a new communications programme coinciding with the launch of the redeveloped website. The programme is focused on long-term behavioural change and has three areas of focus.

The first is a new framework called Think, Shrink and Grow, which is designed to make things simple and accessible for new audiences: 'Think' about a money plan and prepare for the unexpected; 'Shrink' debt as fast as possible; and 'Grow' savings and invest for the future. We look forward to the new motto taking hold across all sectors, with Think, Shrink and Grow being widely adopted throughout the financial literacy movement.

The second targets a variety of 'life events', where we attract people to the topic of personal finance using significant events in their lives, such as having a baby, starting work and buying a house. The third area of focus concerns communications activity relating to topical issues such as investing and managing credit cards.

New evaluation surveys

To evaluate our Sorted marketing programme, the Commission has developed and implemented a marketing monitor to look at attitudes, awareness and behaviour. The telephone survey of 500–600 people provided baseline results in January, and the first monitor was in the field at the end of June.

We have also introduced New Zealand's first Financial Behaviour Index. This online survey of 1,000 New Zealanders focuses exclusively on financial behaviour and is carried out every six months. We expect the value of this index to increase over time as trends emerge.

The results of both surveys will help to shape our future activity.

Older Kiwis strategy (55+)

This year we completed a sustainable and coordinated strategy in June to ensure that Kiwis above the age of 55 in the pre-retirement and retirement stages have greater access to free, independent and impartial information and resources to help them manage their money. We look forward to implementing this strategy during the next year and further into the future.

In schools and tertiary

There was some progress made this year in introducing financial literacy in schools and the tertiary sector, and the Commission continues to support and anticipate the role of the Ministry of Education in this sector. During the year the Commission established a Schools Advisory Group which developed a two-year action plan aligned with the National Strategy action plan to promote financial literacy in schools.

In June the Commission also launched a stocktake report of financial literacy programmes and research. Funded by Visa, the report identified the need to upskill tutors and trainers involved in financial education in the tertiary sector. The report was released alongside the launch of a pilot with Whitireia Polytechnic targeting tutors of youth programmes, tutors of foundation students (those preparing for degree-level study) and staff who provide advice to students. The pilot involves funding from Visa for up to 15 staff to attend a Massey University programme to gain an advanced certificate in personal financial management. The pilot's evaluation will include looking for positive shifts in financial literacy in both students and tutors.

The international scene

This year, too, New Zealand has benefited from participating in international initiatives, taking the lead in some areas, in others researching best practices and evaluation techniques to inform our local endeavours.

The OECD International Network on Financial Education now involves more than 100 countries. A working group has been evaluating financial education programmes, and subgroups have focused on school and women's issues. New Zealand participated in the OECD's Programme of International Assessment (PISA) trial, which included financial literacy.

We have been pleased to learn that financial literacy has become a key issue for the G20 and the Asia-Pacific Economic Cooperation (APEC) forum, as this can only improve national strategies for financial literacy worldwide. At the invitation of APEC and the Russian Ministry of Finance, I attended the first APEC Finance Ministers' Process annual forum and joined the Russian Federation Expert Council on Financial Literacy. As part of this I was also invited to attend an APEC conference to discuss New Zealand's National Strategy for Financial Literacy and present the New Zealand case study to the APEC Senior Finance Officials' Meeting.

To sum up, it has been a busy, challenging and successful year at the Commission, increasing our agility and ability to respond efficiently to our situation in New Zealand. It is my privilege to lead a highly talented and motivated team, and this annual report is as much a list of their achievements as it is testimony to the importance of financial literacy and a sustainable retirement income framework in our country.

Diana Crossan
Retirement Commissioner

Statement of responsibility

I acknowledge responsibility for:

- Preparing these financial statements and statement of service performance and the judgements used within them
- Establishing and maintaining a system of internal control that provides reasonable assurance of the integrity and reliability of the Commission for Financial Literacy and Retirement Income's financial and non-financial reporting.

In my opinion these financial statements and statement of service performance fairly reflect the financial reporting position and operations of the Commission for the year ended 30 June 2012.

Diana Crossan
Retirement Commissioner

25 October 2012

Statement of service performance

This section reports on the actual performance of the Commission for Financial Literacy and Retirement Income against the forecast statement of service performance contained in the Commission's 2011–14 *Statement of Intent*.

The Commission provides services under the following output areas, which are under one output class: Retirement Commissioner.

» Financial literacy

» Retirement income research and monitoring

» Retirement villages

	Actual	Budgeted (SOI)
Crown revenue	$5,782,000	$5,782,000
Interest income	$78,481	$48,979
Sundry income	$291,397	$50,000[1]
Total	$6,151,878	$5,880,979

Allocation	Actual	Budgeted (SOI)
Financial literacy: Public education and information programme Workplace education	$5,898,257	$5,880,008
Retirement villages (includes $80,321 of overhead costs)	$220,767	$215,000
Retirement income research and monitoring	$272,984	$618,948[2]
Total	$6,392,008	$6,713,956

1 Other income is over budget by $241,000. This is due to the Commission receiving more income from non-government sources than anticipated during the last financial year. See page 39 for further details.

2 The Commission had actual expenditure less than budget of $346,000 for retirement income research and monitoring for the year. This budget deficit consists of:

Advice and research
Advice and research was $108,000 underspent for the year, due to more research being conducted internally than was originally anticipated. In addition, external funding was supplied for a significant piece of research which was unanticipated ($32,000 from VISA).

Review of Retirement Income Policy
The $150,000 forecast for the Review of Retirement Income Policy will be carried over to the 2012–13 financial year, where it will be incurred for research-related activity associated with the 2013 Review of Retirement Income Policy.

Overhead allocation
As actual costs were less than budgeted for the year, the overhead allocation was also calculated at $88,000 less than what was budgeted in the SOI.

2012 stakeholder survey

The Commission carried out its second annual survey of key stakeholders during April and May to obtain feedback on its work. The survey, undertaken by an independent research company, consisted of 18 in-depth interviews with a range of stakeholders, including representatives of peak bodies in the finance sector, government agencies and industry observers.

The survey was designed to explore stakeholders' views and identify areas in which the Commission could strengthen its performance.

The feedback from stakeholders showed that the Commission is continuing to perform at a high level. As in the inaugural 2011 study, many stakeholders commented on the organisation's effectiveness and influence, particularly given its limited size and budget.

Many of the comments in this year's study were similar to those made in 2011; however, some new themes were apparent. Several stakeholders mentioned the tougher economic climate in which the Commission was working, with increasing emphasis on outcomes, measurement and cross-government cooperation, and the growing need for financial sponsorship.

Others commented positively on the way the Commission had emphasised its role in financial literacy, but some said that to obtain ongoing financial support the Commission would need to provide evidence that its initiatives were working.

Output – Financial literacy

The Commission's financial literacy activities contribute to the following outcomes:

» New Zealanders are better educated and motivated to make informed financial decisions throughout their lives.

» New Zealanders have more trust in the financial services sector.

Key deliverables	Actual performance
Promotion of, and secretariat functions for, the National Strategy for Financial Literacy Promotion and hosting of the financialliteracy.org.nz website	**Achieved** » The Commission hosted two meetings with the National Strategy Advisory Group and with key agencies involved in the National Strategy five-year action plan. » Two six-monthly National Strategy for Financial Literacy reports were sent to the Minister of Finance and copied to the Minister of Commerce. » The Commission hosted two government inter-agency communications meetings. At the beginning of 2012 this regular meeting was combined with other related meetings to form a quarterly Financial Literacy Community of Practice. These meetings now bring together close to 40 key players in financial literacy from the public and private sectors and non-governmental organisations (NGOs) in Wellington, Auckland and Christchurch. The meetings are a forum to share and leverage from financial education initiatives and projects. Two Financial Literacy Community of Practice meetings have been held. » The Commission hosted a seminar in Wellington: *A global view on financial literacy programmes*, with Flore-Anne Messy, Principal Administrator in the OECD's Directorate for Financial and Enterprise Affairs. Flore-Anne is responsible for the OECD's Financial Education Project and is the Secretary of the International Network on Financial Education and its dedicated website, the OECD International Gateway for Financial Education. » A Financial Literacy Competency Framework for the tertiary sector was added to existing tertiary resources on financialliteracy.org.nz. » The financialliteracy.org.nz website was updated throughout the year to reflect latest news and initiatives.

Key deliverables	Actual performance
Financial education activity with schools, tertiary, iwi, community and workplaces	**Achieved** » The Commission set up a Schools Advisory Group and hosted three meetings throughout the year. A two-year action plan to promote financial literacy in schools was completed. » In collaboration with the New Zealand Educational Institute, the Commission undertook a survey of primary schools in the Auckland and Nelson regions to obtain a snapshot of financial literacy activity. It is hoped that the survey findings will lead to more in-depth work with primary schools. » The Commission helped fund and peer-review three financial literacy teaching resources within the social sciences learning area, which will be released by the Ministry of Education in late 2012. » The Commission contributed to a review of personal financial management unit standards led by the New Zealand Qualifications Authority. » With a view to motivating more employers to introduce financial education in the workplace, the Commission enhanced its workplace strategy. Research and interviews with stakeholders took place during the year. » Five stakeholder workshops on the Commission's Māori Strategy for Financial Literacy were held during the year. The focus of the workshops is to discuss ways of engaging Māori at iwi, hapu and whanau level. » The Commission assisted at a meeting with Otago University School of Business and Ngāi Tahu, focusing on a longitudinal survey of financial literacy among iwi members. » The Commission undertook research to help develop a sustainable and coordinated strategy to ensure that older Kiwis and their families have greater access to free, independent and impartial information and resources to help them manage their money. Strategy development was completed in June 2012. » With the Ministry of Pacific Island Affairs, BNZ and a number of NGOs, the Commission has been working on a financial education project to help Pacific Island families in East Tamaki, Auckland. » The Commission helped a major bank to develop an appropriate method of financial education delivery for the most vulnerable families in south Auckland.

Key deliverables	Actual performance
Redevelopment of the Sorted website, associated resources and accompanying programme of communications activity	**Achieved** ***Communications*** » 'Dumb debt' campaigns were run in June–July 2011 and in November–December 2011 (leading up to Christmas). These were supported by billboard, online and print advertising, and public relations. » A special public relations project focused on managing money in preparation for Christmas was held in Christchurch in December 2011. » A new marketing monitor was developed and launched in Q1 2011. Research New Zealand was appointed to undertake this monitoring work. » In March 2012, the 'Think' campaign was launched, supported by television, billboard and online advertising, and public relations. » Sorted subscribers have received four marketing emails over the last year. » The programme of Sorted blogs, monthly community articles and quarterly articles for *Family Times* continues. » Social media was embraced, engaging thousands of new users. ***Sorted website*** » The focus for the Sorted website through to March 2012 was its significant redevelopment, as well as maintenance of the existing site. Post-launch, the focus has been on enhancements. » Continuing communications with users and intermediaries include two Sorted emails to both audiences. ***Sorted booklets and seminars*** » Close to 200,000 booklets were distributed throughout the year, with *Budgeting, Managing debt* and *Set your goals* being the most popular. » In October 2011 a new booklet, *Christchurch Red Zone Financial Decision Guide* was published and is available in print and as a download.
Active stakeholder engagement and understanding to support the development of a trustworthy financial services sector	**Achieved** The Commission undertook active stakeholder engagement across the year. However, this deliverable is the collective responsibility of many agencies under the National Strategy for Financial Literacy, including the FMA, Reserve Bank and many organisations in the private sector. » The Commission worked with the Financial Markets Authority CEO and senior managers during the latter part of 2011 and early 2012. All conversations focused on the need to improve investor literacy specifically. Two workshops were held with members of the finance sector aimed at developing a feasible public–private solution addressing the need to improve investor literacy. In December 2011 and March 2012 senior staff from New Zealand's five major retail banks and three financial service companies participated in sessions co-hosted by the Commission and the FMA. » The Commission and the FMA are now working together to assess a range of options, including a common long-term investor literacy strategy for the private and public sectors to follow, and investing principles and messages that all parties can use in customer communication.

Key deliverables	Actual performance
Indicators	
Quantity	
% growth in the number of National Strategy for Financial Literacy supporters	**Achieved** At 30 June 2012 there were 115 supporters (102 at 30 June 2011), a 13% increase.
A national financial literacy summit to be held at least once every two years	Summit held in June 2011; the next summit will be held in June 2013.
Two six-monthly reports on the five-year action plan to be sent to Minister of Finance and stakeholders	**Achieved**
Two seminars will be held relating to financial literacy	**Achieved in part** One seminar was held.
Programme of stakeholder meetings and speaking engagements	**Achieved**
Communications activity promoting the latest news and initiatives on financialliteracy.org.nz	**Achieved** Four meetings were held during the year with key agencies involved in financial literacy initiatives. The website is the key resource for information.
Quarterly reviews to ensure that financilliteracy.org.nz contains up-to-date information with functioning links	**Achieved**
% growth in financial education providers in schools, tertiary, community, iwi and workplaces	**Not achieved** Work in part has been delayed due to the Commission's education manager position being vacant for several months. The new education manager will progress this deliverable from October 2012.
Coordinated programme of activity with schools, tertiary, iwi, community and workplaces	**Achieved**
Continued implementation of the Commission's Māori Strategy for Financial Literacy	**Achieved**
Programme of stakeholder meetings and speaking engagements	**Achieved**

Key deliverables	Actual performance
Enhanced Sorted website launched New communications activity launched Sorted resources (website, booklet and seminars) are kept up to date	**Achieved** The new Sorted website went live on 12 March 2012. The new Sorted marketing programme went live on 18 March, including TV and online advertising encouraging New Zealanders to make a plan for their money. Public relations activity continued throughout the year, with a focus on 'planning for the unexpected' and 'making a plan for your money'. The Commission has a fortnightly appearance on TV One's *Good Morning* show and regular columns in *New Idea* magazine, as well as providing monthly articles to provincial and community newspapers. Updates were made to sorted.org.nz to reflect KiwiSaver changes, NZ Super rates and student loans changes from 1 April. Information about KiwiSaver's fifth anniversary, particularly for those eligible to drawdown their savings, was also added.
Programme of financial services sector stakeholder meetings and speaking engagements	**Achieved** There is a programme of stakeholder engagement, and the Commission undertook active stakeholder engagement across the year.
Action plan developed in conjunction with peak bodies to address gaps in research and issues around consumer trust	**Not achieved** There is not yet an action plan. However, conversations with new CEOs, Kirk Hope of the New Zealand Banker's Association and Peter Neilson of the Financial Services Council have occurred, and we are in the early stages to achieve this.
Register of communication and education initiatives from the financial services sector which empower the consumer	**Not achieved** This register is yet to be created. However, this deliverable is the collective responsibility of many agencies under the National Strategy for Financial Literacy, including the FMA, Reserve Bank and many organisations in the private sector.
Quality	
Financial literacy summit feedback (participant survey)	**Achieved** 99% of summit survey respondents said that the summit mainly or absolutely fulfilled their reasons for attending.
70% or more of website users find financialliteracy.org.nz useful or better in an annual survey (benchmark survey – June 2010)	**Not achieved** The financialliteracy.org.nz and retirement.org.nz website surveys have been delayed until the 2012–13 year as they are being redeveloped into one corporate website to better reflect the work of the Commission. The new website will be easier and more cost effective to maintain.
Gap analysis in financial education provision	**Achieved in part** Together with NZEI and Visa, two reports were produced to assess gaps in the primary and tertiary education sectors.
Database of financial education provision	The database was not completed in the absence of an education manager at the Commission. The new education manager will progress this deliverable from October 2012.

Key deliverables	Actual performance
Benchmark quantitative survey to measure progress towards the outcome *New Zealanders are better educated and motivated to make informed financial decisions throughout life* Maintain the % of users that rate the Sorted website as useful or better (65%, 2010)	**Not achieved** The 2011 survey was carried out in July 2011 with users of the old Sorted website. As the new website was only launched in March 2012 it was decided to delay the next survey as results would not give a true measure over the three-month period to June 2012.
Benchmarks to be developed to measure progress towards the outcome *New Zealanders have more trust in the financial services sector*	**Achieved in part** This deliverable is the collective responsibility of many agencies under the National Strategy for Financial Literacy, including the FMA, Reserve Bank and many organisations in the private sector.
Gap analysis of existing research and issues around consumer trust	Gap analysis was not carried out. With the advent of the FMA, we would like to explore which entity would fulfill this responsibility.
Submissions made on all relevant legislation relating to a trustworthy financial services sector	The Commission made submissions on relevant legislation.
Timeliness	
Benchmarks established by June 2012 to measure progress in future years	**Achieved** The NZ Financial Behaviour Index benchmark was held in November 2011; the Marketing Monitor benchmark was held in January 2012.
Reports completed every six months (February and August 2012)	**Achieved** Financial Behaviour Index – the first survey was held in May 2012; Marketing Monitor – the first survey went into the field on 28 June 2012.
National summit held in June 2011	Summit held in June 2011; the next summit will be held in June 2013.
All stakeholder newsletters and updates to financialliteracy.org.nz made on time to ensure currency	**Achieved**
Enhanced Sorted website launched by June 2012	**Achieved**
Timely updates to the Sorted website and resources, e.g. to coincide with legislative changes taking effect	**Achieved**
All submissions made by due dates	**Achieved**

Output – Retirement income research and monitoring

The Commission's retirement income research and monitoring activities contribute to the following outcome:

» New Zealand's retirement income policy is stable and effective.

Key deliverables	Actual performance
Research programme	**Achieved** A major 'blue skies' project on modelling the economic impact of financial education drew in assistance and commentary from the Treasury, Reserve Bank and other agencies and stakeholders. This project has provided a useful framework for testing the relationships between financial education, financial literacy, financial wellbeing and economic impacts, and for identifying strategic priorities for improved data gathering and further research. Two surveys were carried out, six months apart, to measure the extent to which core financially literate behaviours were present in the New Zealand system and whether or not there were observable trends. Results have been presented as a Financial Behaviour Index, which will be used in 2012–13 to highlight ideal behaviours and influence positive movements in the system.
2013 Review of Retirement Income Policy as required by the Act	The 2011–12 portion of work was completed, with the full review on track to be published in 2013. Initial preparatory work for the 2013 terms of reference was carried out, including a 'review of reviews' (i.e. the previous four periodic reviews) to identify key themes that need to be addressed.
Advice as may be requested by the Minister or other Ministers, or provided to the Minister or other Ministers, by the Commissioner	**Achieved** A briefing paper for the incoming Minister was sent to the Minister of Commerce in December 2011. The Commissioner met with the Minister of Building and Construction in March 2012 to discuss the submissions and subsequent analysis of the possible variation to the Code of Practice following the Canterbury earthquakes.

Key deliverables	Actual performance
Indicators	
Quality	
Two research projects completed relating to retirement income trends and issues	**Achieved** » A research project funded by Visa investigated the financial education landscape in New Zealand and identified a lack of opportunities for professional learning and development among tertiary level tutors and trainers. The Commission then brokered an arrangement between Visa and Whitireia Community Polytechnic, whereby Visa would fund polytechnic tutors to undertake specialist professional development. » A programme of research identified 10 factors which have the potential to limit women's future retirement prospects and a number of 'rolling' subprojects were commissioned to investigate several of these factors. Three reports are available on the CFLRI website at **cflri.org.nz/retirement-income-research/recent-research**. Other factors were unable to be researched because of the unavailability of data from the Survey of Family Income and Employment (SoFIE), but it is intended that these be addressed as part of the *2013 Review of Retirement Income Policy*.
Two seminars held relating to retirement income trends and issues	**Not achieved** Two topics on which we had planned seminars were instead planned for later delivery by other agencies: The Treasury on longevity and the Retirement Income Policy Research Centre at the University of Auckland on decumulation. Rather than duplicate these efforts, we decided to instead lend them our support.
Contribute to the development of better data sources on saving	**Achieved** The Commission participated in the joint KiwiSaver evaluation steering group and gave feedback on the annual report and other papers.
Ongoing research programme relating to the 2010 review recommendations and issues of importance for the 2013 review Agree terms of reference for the *2013 Review of Retirement Income Policy*	**Achieved** Consultation was held on the proposed terms of reference for the *2013 Review of Retirement Income Policy*. This was a questionnaire completed by selected stakeholders. Following the consultation, the Commission provided valuable feedback on the draft terms of reference and proposed to the Minister of Commerce a range of matters that could be included in the terms of reference.
Complete the 2013 review	The 2013 review is on track to be completed by 31 December 2013.
All advice requested by the Minister or other Ministers provided	**Achieved**

Key deliverables	Actual performance
Quantity	
Each research project obtains a robust assessment from external, independent reviewers	**Achieved**
Savings data developers report satisfaction with the Commission's contribution	**Achieved** Satisfaction with input to the KiwiSaver evaluation steering group was expressed in emails from officials servicing that group. Some of our feedback was incorporated in redrafted documents.
70% or more of website users find retirement.org.nz useful or better in annual survey (benchmark survey – April 2010)	**Not achieved** The financialliteracy.org.nz and retirement.org.nz website surveys have been delayed until the 2012–13 year as they are being redeveloped into one corporate website to better reflect the work of the Commission. The new website will be easier and more cost effective to maintain.
Feedback from the Minister and stakeholders as to whether the 2013 review meets its terms of reference and was complete, balanced and clear	**Achieved in part** The draft form of the terms of reference received positive feedback from stakeholders (who contributed to their formulation). However delays in the process meant that Ministerial feedback and approval could not be finalised before the end of the financial year.
In annual feedback surveys the Minister or other Ministers are satisfied or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice	**Achieved**
Timeliness	
Two research projects completed and two seminars held by June 2012	**Achieved in part** Two research projects were completed, but seminar activities are to be incorporated into the *2013 Review of Retirement Income Policy*.
The 2013 review completed by 31 December 2013 on time and within budget	The 2013 review is on track to be completed by 31 December 2013.
All advice to the Minister or other Ministers delivered within agreed timeframes	**Achieved**

Output – Retirement villages

These activities contribute to the following outcome:

» The legislative framework for retirement villages is effective in protecting residents, meets societal expectations and the sector is compliant with the Retirement Villages Act 2003.

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

The education and general information responsibility is delegated to the Ministry of Business, Innovation and Employment (formerly the Department of Building and Housing). The advice responsibility is also delegated to the department apart from specific advice to our monitoring and Code of Practice functions.

Key deliverables	Actual performance
A five-year monitoring programme focused on statutory supervisors, owner-operators, residents, intending residents and the disputes panel process	**Achieved** This year's monitoring report, released in July, focused on residents' perspectives of the Retirement Villages Act 2003. A copy of the report was sent to the Minister of Building and Construction.
Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions	**Achieved** Submissions on the proposed variations to the Code of Practice 2008 were received in October 2011.The Retirement Commissioner presented her recommendations and analysis of submissions to Minister Williamson in March 2012.
Approving suitable people for appointment by operators to disputes panels	No approvals were required in this financial year.
Indicators	
Quantity	
A monitoring report on one of these groups or areas produced each year	**Achieved** This year's monitoring report, released in July 2011, focused on residents' perspectives of the Retirement Villages Act 2003. A copy of the report was sent to the Minister of Building and Construction.
Recommendations provided on any draft codes of practice as required	**Achieved**
Quality	
Work done under the monitoring and research programme judged to be satisfactory or better by the peer review process	**Achieved in part** Peer review did occur; however, a formal rating of satisfactory or better was not sought.
Disputes and complaints received by the Retirement Commission do not reflect significant compliance issues with the Retirement Villages Act 2003 and the Code of Practice	No significant compliance issues were reported.

Key deliverables	Actual performance
The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice	**Achieved**
Appointments to disputes panels approved as vacancies arise	Appointees have remained in place during the past year.
Timeliness	
Key dates as specified in the project plans are met and reflect agreed priorities	**Achieved**

	2012 Actual $	2012 Budget $
Total revenue	**6,151,878**	**5,880,979**
Total expenditure	**6,392,008**	**6,713,956**

Statement of comprehensive income
for the year ended 30 June 2012

2011 Actual $		Notes	2012 Actual $	2012 Budget $
	Revenue			
5,782,000	Revenue from Crown	1	5,782,000	5,782,000
18,000	Other government department funding		–	–
70,080	Interest income		78,481	48,979
99,346	Other income		291,397	50,000
5,969,426	**Total revenue**		**6,151,878**	**5,880,979**
	Expenditure			
17,036	Remuneration to Auditors	2	17,769	17,036
980,832	Personnel costs	3	1,045,671	976,035
38,041	Depreciation	6	17,335	32,169
265,991	Amortisation	7	179,756	241,566
83,243	Property expenses		83,257	90,000
7,788	Leasing		8,747	15,000
352,976	Other operating costs		565,401	402,150
223,759	Advice and research		191,697	300,000
2,776,770	Marketing and education		4,019,476	3,950,000
174,687	Retirement villages	8	140,446	215,000
176,437	Review of Retirement Income Policy		–	150,000
76,443	Schools and tertiary		122,453	325,000
5,174,003	**Total expenditure**		**6,392,008**	**6,713,956**
795,423	**Surplus/(deficit) and total comprehensive income/(expenditure)**		**(240,130)**	**(832,977)**

Explanations of significant variances against budget are detailed in note 19.

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 2012

2011 Actual $		Notes	2012 Actual $	2012 Budget $
	Current assets			
2,493,884	Cash and cash equivalents	4	1,376,051	700,084
162,578	Debtors and other receivables	5	228,394	170,681
3,156	Prepayments		4,694	–
2,659,618	**Total current assets**		**1,609,139**	**870,765**
	Non-current assets			
92,926	Property, plant and equipment	6	82,670	166,790
391,577	Intangible assets	7	1,204,156	449,132
484,503	**Total non-current assets**		**1,286,826**	**615,922**
3,144,121	**Total assets**		**2,895,965**	**1,486,687**
	Current liabilities			
942,060	Creditors and other payables	9	923,672	668,110
80,639	Employee entitlements	10	81,001	64,837
–	Revenue in advance		10,000	–
1,022,699	**Total current liabilities**		**1,014,673**	**732,947**
2,121,422	**Net assets**		**1,881,292**	**753,740**
	Public equity			
200,000	Taxpayer funds		200,000	200,000
1,921,422	Accumulated surplus		1,681,292	553,740
2,121,422	**Total public equity**		**1,881,292**	**753,740**

Explanations of significant variances against budget are detailed in note 19.

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 2012

2011 Actual $		Notes	2012 Actual $	2012 Budget $
1,325,999	**Public equity at start of the year**		**2,121,422**	**1,586,717**
795,423	Total comprehensive income/ (expenditure) for the year		(240,130)	(832,977)
2,121,422	**Public equity at end of the year**		**1,881,292**	**753,740**

The *Statement of accounting policies* and the *Notes to the financial statements* form an integral part of these financial statements.

Cash flows statement
for the year ended 30 June 2012

2011 Actual $		Notes	2012 Actual $	2012 Budget $
	Cash flows from operating activities			
	Cash was provided from:			
5,782,000	Receipts from crown revenue		5,782,000	5,782,000
18,000	Other government department funding		–	–
70,192	Interest received		75,464	48,979
116,102	Other income		292,396	50,000
5,986,294			**6,149,860**	**5,880,979**
	Cash was applied to:			
(4,617,097)	Payments to suppliers and employees		(6,055,466)	(6,559,997)
8,694	Net GST paid		(52,340)	(15,098)
(4,608,403)			**(6,107,806)**	**(6,575,095)**
1,377,891	**Net cash flows from operating activities**	13	**42,054**	**(694,116)**
	Cash flows from investing activities			
	Cash was provided from:			
–	Sale of property, plant and equipment		88	–
	Cash was applied to:			
(63,529)	Purchase of property, plant and equipment		(15,936)	(30,000)
(319,912)	Purchase of intangible assets		(1,144,039)	(500,000)
(383,441)			**(1,159,975)**	**(530,000)**
(383,441)	**Net cash flows from investing activities**		**(1,159,887)**	**(530,000)**
994,450	**Net increase in cash held**		**(1,117,833)**	**(1,224,116)**
1,499,434	Plus cash at the start of the year		2,493,884	1,924,200
2,493,884	**Cash held at the end of the year**		**1,376,051**	**700,084**
	Represented by:			
2,493,884	Cash and cash equivalents		1,376,051	700,084
2,493,884	**Cash held at the end of the year**		**1,376,051**	**700,084**

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

The *Statement of accounting policies* and the *Notes to the financial statements* form an integral part of these financial statements.

Statement of accounting policies
for the year ended 30 June 2012

Reporting entity

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001. The Commission for Financial Literacy and Retirement Income (the Commission) is a Crown Entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Commission's ultimate parent is the New Zealand Crown.

The principal activities of the Commission are to help New Zealanders prepare financially for their retirement and review the government's retirement income policies (every three years). The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly the Commission has designated itself as a public benefit entity for the purpose of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the Commission are for the year ended 30 June 2012 and were approved by the Retirement Commissioner on 25 October 2012.

Basis of preparation

Statement of compliance

The financial statements of the Commission 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 comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Differential reporting

The Commission qualifies for Differential Reporting exemptions as it meets the criteria set out in the Framework for Differential Reporting.

Differential reporting exemptions as available under the Framework for Differential Reporting have been applied to:

» Paragraph 17 of NZ IAS 24 *Related Party Transactions*

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

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

Standards and interpretations effective in the current period

The Commission has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

» **Amendments to NZ IAS 1 *Presentation of Financial Statements*.** The amendments introduce a requirement to present, in either the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Commission has decided to present this analysis in the *Statement of changes in equity*.

Standards or interpretations not yet effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Commission, are NZ IFRS 9 and a new Accounting Standards Framework.

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Commission will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Commission expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Commission is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Commission meeting its objectives as specified in the *Statement of Intent*.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest revenue is recognised using the effective interest method.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the *Statement of comprehensive income*.

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables, comprising trade debtors and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Property, plant and equipment

Property, plant and equipment asset classes consist of office equipment, furniture and fittings, computer equipment and leasehold improvements.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and 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 the Commission and the cost of the item can be measured reliably.

If an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

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 income*.

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 the Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the *Statement of comprehensive income* as they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis on property, plant and equipment once in the location and condition necessary for its intended use so as to write off the cost or valuation of the property, plant and equipment over its expected useful life to its estimated residual value.

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

Office equipment	1–13 years	7.8–80.4%
Furniture and fittings	1–15 years	6.5–100.0 %
Computer equipment	2–5 years	21.6–48.0%
Leasehold improvements	6–14 years	7.0–14.93%

Intangible assets

Software acquisition

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

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

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

Website development

Costs that are directly associated with the development of interactive aspects of the Sorted website are capitalised on a monthly basis.

Costs associated with maintaining and advertising the Sorted website are recognised as an expense as incurred.

Costs associated with the maintenance of the Commission's website are recognised as an expense as incurred.

Amortisation

Amortisation is charged on a straight-line basis over the estimated useful life of the intangible asset.

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

Software	2–3 years	30.0%–48.0%
Website	2–3 years	40.0%–48.0%

Impairment

Property, plant and equipment, and intangible assets that have a finite useful life 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the *Statement of comprehensive income*.

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are initially measured at face value.

Employee entitlements

Short-term employee entitlements

Provisions made in respect of employee benefits expected to be settled within 12 months of reporting date, are measured at the best estimate of the consideration required to settle the obligation using the current remuneration rate expected.

These include salaries and wages accrued up to balance date, and annual leave earned but not yet taken at balance date.

The Commission recognises a liability and an expense for bonuses if it is contractually obliged to pay them, or if there is a past practice that has created a constructive obligation.

Sick leave has been assessed in accordance with NZ IFRS and it is determined that there is no liability. The Commission will continue to assess this annually.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the *Statement of comprehensive income* as incurred.

Good and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. If 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 Inland Revenue is included as part of receivables or payables in the *Statement of financial position*.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the *Cash flows statement*.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Commission is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures are derived from the *Statement of Intent* as approved by the Retirement Commissioner at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Commission for the preparation of the financial statements.

Cash flows statement

The *Cash flows statement* is prepared exclusive of GST, which is consistent with the method used in the *Statement of comprehensive income*.

Following are definitions of the terms used in the *Cash flows statement:*

- **Cash** includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at-call borrowings such as bank overdrafts, used by the Commission as part of its day-to-day cash management.
- **Investing activities** are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- **Financing activities** are those activities relating to changes in the Commission's equity.
- **Operating activities** include all transactions and other events that are not investing or financing activities.

Critical judgements in applying the Commission's accounting policies

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, if applicable, in the relevant notes to the financial statements.

1. Revenue from the Crown

The Commission has been provided with funding from the Crown for the specific purposes of the Commission as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to the government funding (2011: nil).

2. Remuneration to Auditors

	2012 Actual $	2011 Actual $
Audit of the financial statements	17,769	17,036
Total remuneration to Auditors	**17,769**	**17,036**

3. Personnel costs

	Notes	2012 Actual $	2011 Actual $
Salaries and wages		994,417	923,066
Employer contributions to defined contribution plans		50,892	52,857
Increase/(decrease) in employee entitlements	10	362	4,909
Total personnel costs		**1,045,671**	**980,832**

Employer contributions to defined contribution plans include contributions to KiwiSaver and the State Sector Retirement Savings Scheme.

4. Cash and cash equivalents

	2012 Actual $	2011 Actual $
Cash on hand	45	45
Cash at bank	1,376,006	52,009
Call account	–	2,441,830
Total cash and cash equivalents	**1,376,051**	**2,493,884**

5. Debtors and other receivables

	2012 Actual $	2011 Actual $
Trade debtors	17,250	6,900
Accrued interest	3,682	665
GST receivable	207,462	155,013
Total debtors and other receivables	**228,394**	**162,578**

The carrying value of receivables approximates their fair value.

A breakdown of aged trade debtors is detailed below.

	2012 Actual $	2011 Actual $
Not past due	17,250	4,600
Past due 1–30 days	–	2,300
Past due 31–60 days	–	–
Past due > 61 days	–	–
Total	**17,250**	**6,900**

6. Property, plant and equipment

	Office Equipment $	Computer Equipment $	Furniture and Fittings $	Leasehold Improvements $	Total $
Gross carrying amount					
Balance at 1 July 2010	29,664	132,456	109,210	70,227	341,557
Additions	3,075	401	4,886	55,167	63,529
Sales/transfers	–	–	–	–	–
Balance at 30 June 2011	**32,739**	**132,857**	**114,096**	**125,394**	**405,086**
Balance at 1 July 2011	32,739	132,857	114,096	125,394	405,086
Additions	2,940	11,581	–	1,415	15,936
Sales/transfers	(11,261)	(65,062)	(1,486)	(70,226)	(148,035)
Balance at 30 June 2012	**24,418**	**79,376**	**112,610**	**56,583**	**272,987**
Accumulated depreciation					
Balance at 1 July 2010	22,586	113,488	86,802	51,243	274,119
Depreciation expense	4,307	15,519	7,341	10,874	38,041
Sales/transfers	–	–	–	–	–
Balance at 30 June 2011	**26,893**	**129,007**	**94,143**	**62,117**	**312,160**
Balance at 1 July 2011	26,893	129,007	94,143	62,117	312,160
Depreciation expense	3,471	5,046	4,948	3,870	17,335
Sales/transfers	(11,174)	(64,794)	(1,486)	(61,724)	(139,178)
Balance at 30 June 2012	**19,190**	**69,259**	**97,605**	**4,263**	**190,317**
Net carrying amounts					
At 1 July 2010	7,078	18,968	22,408	18,984	67,438
At 30 June 2011 and 1 July 2011	5,846	3,850	19,953	63,277	92,926
At 30 June 2012	5,228	10,117	15,005	52,320	82,670

7. Intangible assets

	Software $	Website $	Total $
Gross carrying amount			
Balance at 1 July 2010	45,431	1,694,781	1,740,212
Additions	–	319,912	319,912
Sales/transfers	–	–	–
Balance at 30 June 2011	**45,431**	**2,014,693**	**2,060,124**
Balance at 1 July 2011	45,431	2,014,693	2,060,124
Additions	7,996	1,136,043	1,144,039
Sales/transfers	(14,575)	(1,776,250)	(1,790,825)
Balance at 30 June 2012	**38,852**	**1,374,486**	**1,413,338**
Accumulated amortisation			
Balance at 1 July 2010	37,592	1,364,964	1,402,556
Amortisation expense	6,406	259,585	265,991
Sales/transfers	–	–	–
Balance at 30 June 2011	**43,998**	**1,624,549**	**1,668,547**
Balance at 1 July 2011	43,998	1,624,549	1,668,547
Amortisation expense	3,473	176,283	179,756
Sales/transfers	(14,573)	(1,624,548)	(1,639,121)
Balance at 30 June 2012	**32,898**	**176,284**	**209,182**
Net carrying amount			
At 1 July 2010	**7,839**	**329,817**	**337,656**
At 30 June 2011 and 1 July 2011	**1,433**	**390,144**	**391,577**
At 30 June 2012	**5,954**	**1,198,202**	**1,204,156**

In 2011 website included $249,744 of work in progress. This was expenditure incurred on the new website and was not amortised until the website was complete and fully functional in March 2012. No work in progress is included in 2012.

8. Retirement villages

Only direct costs are disclosed as expenditure for retirement villages. Direct costs in 2012 are $140,446 (2011: $174,687). The Commission have calculated that approximately $80,321 (2011: $40,313) worth of overheads can also be attributed to retirement villages during the year. The total amount of expenditure on retirement villages is therefore approximately $220,767 (2011: $215,000).

9. Creditors and other payables

	2012 Actual $	2011 Actual $
Trade creditors	899,491	888,307
Accruals	24,181	53,753
Total creditors and other payables	**923,672**	**942,060**

The average credit period on purchases is 30 days and for the majority of trade payables no interest is charged; therefore the carrying value of creditors and other payables approximates their fair value. The Commission has a financial risk management policy in place to ensure that all payables are paid within the credit timeframe.

10. Employee entitlements

	2012 Actual $	2011 Actual $
Accrued salaries and wages	18,770	14,581
Annual leave	62,231	66,058
Total employee entitlements	**81,001**	**80,639**

11. Financial instruments

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows.

	2012 Actual $	2011 Actual $
Loans and receivables		
Cash and cash equivalents	1,376,051	2,493,884
Debtors and other receivables	20,932	162,578
Total loans and receivables	**1,396,983**	**2,656,462**
Financial liabilities		
Creditors and other payables	923,672	942,060
Total financial liabilities	**923,672**	**942,060**

Financial risk management objectives

The Commission does not enter into or trade financial instruments for speculative purposes. The Commission's activities expose it primarily to the financial risks of interest rates.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Commission is exposed to fair value and cash flow interest rate risk as it has cash on call at floating interest rates. The Commission manages its interest risk by investing in on-call and short-term deposits with high credit-rated financial institutions.

The following table details the Commission's exposure to interest rate risk as at 30 June 2012.

	Weighted average effective interest rate $	Variable interest rate bearing $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents				
– Cash at bank – cheque	0.90	45,610	–	45,610
– Cash at bank – cash management	3.10	1,330,396	–	1,330,396
– Cash on hand		–	45	45
Debtors and other receivables		–	20,932	20,932
Total financial assets		**1,376,006**	**20,977**	**1,396,983**
Financial liabilities				
Creditors and other payables		–	923,672	923,672
Total financial liabilities		**–**	**923,672**	**923,672**

The following table details the Commission's exposure to interest rate risk as at 30 June 2011.

	Weighted average effective interest rate $	Variable interest rate bearing $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents				
– Cash at bank – cheque	0.90	31,633	–	31,633
– Cash at bank – cash management	0.25	20,376	–	20,376
– Call account	2.50	2,441,830	–	2,441,830
– Cash on hand	–	–	45	45
Debtors and other receivables	–	–	162,578	162,758
Total financial assets		**2,493,839**	**162,623**	**2,656,462**
Financial liabilities				
Creditors and other payables	–	–	942,060	942,060
Total financial liabilities		**–**	**942,060**	**942,060**

The Commission is party to letters of credit with Westpac Bank of $39,000 (2011: $39,000).

Sensitivity analysis

As at 30 June 2012, if the interest rates earned on cash and cash equivalents had been 0.5% higher or lower (2011: 5% higher, 2.5% lower), with all other variables held constant the surplus/deficit for the year would have been $14,000 higher/$14,000 lower (2011: $105,000 higher/$70,000 lower). The sensitivity is lower in 2012 due to the interest rate range being based on the actual rate plus/minus 0.5%, rather than the 2.5-5% range used in 2011. The smaller range has been used as it is a better reflection of the extent to which interest rates may fluctuate in the current economic environment.

Credit risk management

Credit risk is the risk that a third party will default on its obligation to the Commission, causing the Commission to incur a loss.

Financial instruments which potentially subject the Commission to credit risk principally consist of bank balances. The Commission very rarely extends credit and places its cash with Westpac.

Maximum exposures to credit risk at reporting date are shown below.

	2012 Actual $	2011 Actual $
Cash and cash equivalents	**1,376,051**	**2,493,884**

No collateral is held on the above amounts. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have a maturity date of less than three months.

Fair value of financial instruments

The Retirement Commissioner considers that the carrying amounts of assets and financial liabilities recorded in the financial statements approximate their fair values.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Commission aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Commission's liabilities owing at balance date, comprising trade and other payables, have a contractual maturity of less than six months (2011: maturity also less than six months). The Commission has sufficient cash on hand to meet these commitments as they fall due.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Commission is not subject to currency risk as it does not participate in any such financial instruments.

12. Capital management

The Commission's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Commission 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.

The Commission 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, while remaining a going concern.

13. Net cash flow from operating activities

Reconciliation of *Statement of financial performance* surplus with net cash flow from operating activities

	2012 Actual $	2011 Actual $
Net surplus/(deficit) for the year	**(240,130)**	**795,423**
Non-cash items:		
Depreciation	17,335	38,041
Amortisation	179,756	265,991
Net loss on disposal of assets	160,473	–
	357,564	**304,032**
Movements in net assets and liabilities		
(Increase)/decrease in accrued interest	(3,017)	112
(Increase)/decrease in prepayments	(1,537)	(1,592)
(Increase)/decrease in trade debtors	(10,350)	18,700
(Increase)/decrease in related party receivables	–	24,868
(Increase)/decrease in GST refund due	(52,449)	(37,333)
Increase/(decrease) in trade creditors	(18,389)	268,772
Increase/(decrease) in employee entitlements	362	4,909
Increase/(decrease) in revenue in advance	10,000	–
	(75,380)	**278,436**
Net cash inflow from operating activities	**42,054**	**1,377,891**

14. Employee remuneration

Remuneration and other benefits of $100,000 per annum or more received by employees in their capacity as employees are shown below.

	2012	2011
$140,000-$149,999	0	1
$150,000-$159,999	1	0
$160,000-$169,999	0	0
$170,000-$179,999	0	0
$180,000-$189,999	0	1
$190,000-$199,999	1	0

15. Related party transactions

The Commission is a wholly owned entity of the Crown. The government significantly influences the role of the Commission as well as being its major source of revenue.

The Commission has entered into a number of transactions with government departments, Crown agencies, and state-owned entities on an arm's length basis and in the course of their normal dealings.

When those parties are acting in the course of their normal dealings with the Commission, and the transactions are at arm's length, related party disclosures have not been made for transactions of this nature.

During the period, the Commission received $5,782,000 of funding from the Crown (2011: $5,782,000). There were no amounts outstanding as at 30 June 2012 (2011: $Nil).

In conducting its activities, the Commission is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Commission is exempt from paying income tax.

The Commission also purchases good and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled $484,679, (2011: $401,881). These purchases included the purchase of electricity from Genesis, payments for the delegation of responsibilities to the Department of Building and Housing, expenditure on advertising with Television New Zealand Limited as well as one-off payments to other government departments for project-related expenses.

The Commission also received revenue from entities controlled, significantly influenced, or jointly controlled by the Crown. Revenue received from these government-related entities for the year ended 30 June 2012 totalled $Nil, (2011: $18,000).

There were no amounts outstanding as at 30 June 2012 (2011: $Nil).

16. Commitments

(i) Capital commitments

There are no capital commitments at reporting date (2011: $Nil).

(ii) Operating lease commitments

Commitments existed for non-cancellable operating leases as follows.

	2012 Actual $	2011 Actual $
Less than one year	82,073	53,851
Between one and two years	82,073	8,228
Between two and five years	69,925	8,602
Later than five years	–	–
Total operating lease commitments	**234,071**	**70,681**

The Commission started a lease for its premises on 1 February 2012. The lease has a term of three years with one right of renewal for another three years, giving a final expiry date of 31 January 2018. The lease expense is $69,080 per annum (GST exclusive).

Operating lease commitments also include a photocopier lease of an estimated $9,957 per annum (GST exclusive) based on an agreed volume, which expires on 9 November 2016, and a telephone lease of $3,036 per annum (GST inclusive), which expires on 28 April 2016.

The Commission does not have the option to purchase the leased assets at the expiry of the lease periods.

17. Contingent liabilities

There are no contingent liabilities at reporting date (2011: $Nil).

18. Subsequent events

There are no events subsequent to reporting date, which the Retirement Commissioner is aware of, that would have a material impact on the financial statements for the period ended 30 June 2012 (2011: Nil).

19. Major budget variances

Statement of comprehensive income

Other income

Other income is over budget by $241,000. This is due to the Commission receiving more income from non-government sources than anticipated during the last financial year.

As the result of recent earthquakes the Christchurch Appeals Trust provided $124,000 to fund the Commission's efforts in assisting red zone residents to make informed financial decisions with the substantial sums paid out. Other income has been received from a number of sources, but mainly three financial sector peak bodies as sponsorship of the website financialliteracy.org.nz and an unanticipated $32,000 from VISA to fund a research project into tertiary financial education.

Personnel costs

Personnel costs were over budget by $70,000. This is primarily due to the Commission having one more full-time equivalent salary for the year than was originally forecast.

Amortisation

Amortisation costs were $62,000 under budget for the year. This was due to the sorted.org.nz website being launched later in the year than was originally anticipated. No amortisation was recorded on the website until it was launched.

Advice and research

Advice and research was $108,000 underspent for the year, due to more research being conducted internally than was originally anticipated. In addition, external funding was supplied for a significant piece of research which was unanticipated ($32,000 from VISA).

Retirement villages

Expenditure recorded in the *Statement of comprehensive income* includes direct costs only. Actual expenditure on retirement villages, consisting of direct costs and allocated overheads, totals $221,000, giving an overspend of $6,000 for 2012. The variance is the result of overhead costs associated with completing the functions under the Retirement Villages Act being higher than anticipated.

Review of Retirement Income Policy

The $150,000 forecast for the *Review of Retirement Income Policy* will be carried over to the 2012–13 financial year, where it will be incurred for research-related activity associated with the *2013 Review of Retirement Income Policy*.

Schools and tertiary

There was an underspend on schools and tertiary of $203,000 for the year. This was due to some scheduled projects costing less than originally anticipated. For example, the Ngāi Tahu Money Minded evaluation was downsized considerably due to the Christchurch earthquakes, and the Tamaki transformation project evaluation occurred partly in the 2012–13 year. The Commission's anticipated contribution to potential primary school financial education resources was also less than planned, due to other groups sharing the cost.

Statement of financial position

Intangible assets

Intangible assets held at year end are $755,000 higher than budgeted. This is due to expenditure on the sorted.org.nz website (interactive elements) being higher than forecast, and amortisation being lower than forecast as detailed above.

Creditors and other payables

Creditors and other payables are $256,000 higher than budgeted. This is due to the total actual expenditure for the month of June 2012 (less non-cash and regular monthly expenses) being higher than was budgeted in the *Statement of Intent*.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Commission for Financial Literacy and Retirement Income's financial statements and statement of service performance for the year ended 30 June 2012.

The Auditor-General is the auditor of the Commission for Financial Literacy and Retirement Income (the Commission). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Commission on her behalf.

We have audited:

- the financial statements of the Commission on pages 19 to 39, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and cash flows statement for the year ended on that date, the statement of accounting policies and the notes to the financial statements that include explanatory information.
- the statement of service performance of the Commission on pages 6 to 18.

Opinion

In our opinion:

- the financial statements of the Commission on pages 19 to 39:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Commission's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the Commission on pages 6 to 18:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects, for each class of outputs for the year ended 30 June 2012, the Commission's:
    - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
    - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 25 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Retirement Commissioner and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Commission's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

» the appropriateness of accounting policies used and whether they have been consistently applied;

» the reasonableness of the significant accounting estimates and judgements made by the Retirement Commissioner;

» the adequacy of all disclosures in the financial statements and statement of service performance; and

» the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Retirement Commissioner

The Retirement Commissioner is responsible for preparing financial statements and a statement of service performance that:

» comply with generally accepted accounting practice in New Zealand;

» fairly reflect the Commission's financial position, financial performance and cash flows; and

» fairly reflect its service performance.

The Retirement Commissioner is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Retirement Commissioner's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Commission.

Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

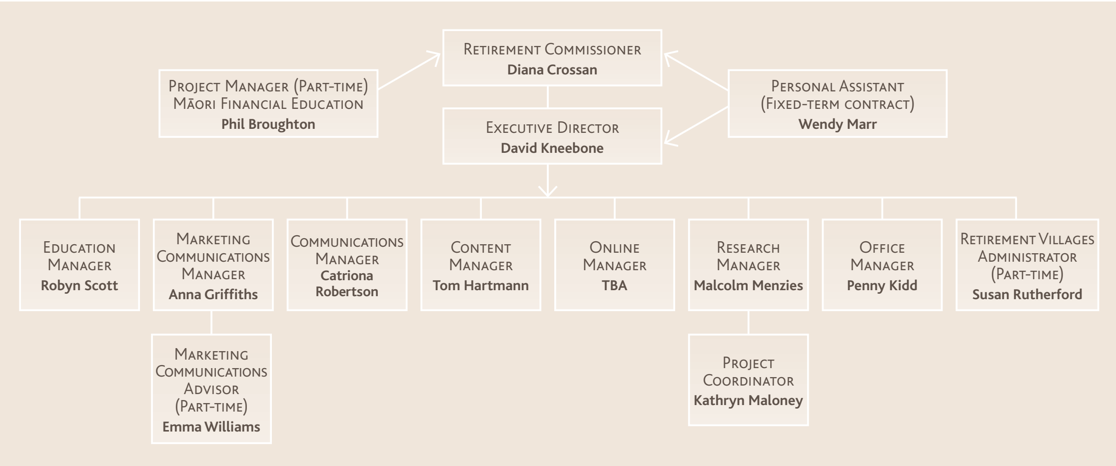
This audit report relates to the financial statements and statement of service performance of Commission for Financial Literacy and Retirement Income (the Commission) for the year ended 30 June 2012 included on the Commission's website. The Retirement Commissioner is responsible for the maintenance and integrity of the Commission's website. We have not been engaged to report on the integrity of the Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 25 October 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Appendices

Our team



Good employer practices and equal opportunities

The Commission is committed to being a good employer and to providing equal opportunities to all individuals and groups. Following are the EEO and good employer principles to which the Commission adheres.

1. Leadership, accountability and culture

» Strong leadership and clear vision where people are valued

» Engagement processes with employees and their representatives and opportunities for them to engage and participate in organisational decisions

» Managers accountable for providing EEO and managing diversity

2. Recruitment, selection and induction

» Impartial, transparent employment process

» No barriers or biases to employing the best person for the job

3. Employee development, promotion and exit

» Positive, equitable approach to developing all employees

» Equitable treatment for all employees to move up, through and out of the organisation

» Transparent and fair staff development practices in training, coaching, mentoring, promotion and performance management

4. Flexibility and work design

» Workplace design that assists employees to balance work with the rest of their lives

» Consideration of flexible work practices to accommodate staff employment requirements

5. Remuneration, recognition and conditions

» Equitable, transparent and gender-neutral remuneration system

» Equal access to job opportunities and conditions

» Recognition of employee contributions

6. Harassment and bullying prevention

- Zero tolerance of all forms of harassment and bullying
- Managers and staff trained on their rights and responsibilities
- Policies for addressing harassment complaints

7. Safe and healthy environment

- Proactive approach to employee health, safety and wellbeing
- Managers and staff trained on their rights and responsibilities
- Obstacles for people with disabilities reduced
- Environment that supports and encourages employee participation in health and safety

During the 2011–12 year

- Our EEO and good employer policy was communicated to all staff.
- Each staff member worked with their manager to prepare their own professional development plan.
- We continued to take a flexible approach to part-time work and encourage the achievement of work-life balance.

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sorted.org.nz

Commission for Financial Literacy and Retirement Income