

Our Vision

Financially sorted Kiwis

Annual Report 2011

Our Mission

Improve the financial wellbeing of all New Zealanders so that they are in the best possible financial state for their personal circumstances throughout life and in retirement.

CONTENTS

From the Retirement Commissioner.....	2
New Zealand’s National Strategy for Financial Literacy	5
Statement of Responsibility.....	20
Statement of Service Performance.....	21
Statement of Comprehensive Income.....	35
Statement of Financial Position.....	36
Statement of Changes in Equity.....	37
Cash Flow Statement.....	38
Statement of Accounting Policies.....	39
Notes to the Financial Statements.....	45
Audit Report	56
Appendix – Our Team	59
Appendix – Good employer practices and equal opportunities	60

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 GOALS FOR NEW ZEALAND

- NEW ZEALANDERS ARE BETTER EDUCATED AND MOTIVATED TO MAKE INFORMED FINANCIAL DECISIONS THROUGHOUT THEIR LIVES
- NEW ZEALAND'S RETIREMENT INCOME POLICY IS STABLE AND EFFECTIVE
- NEW ZEALANDERS HAVE MORE TRUST IN THE FINANCIAL SERVICES SECTOR
- 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

Our work at the Commission, through education, information and encouragement, is vital to New Zealand's retirement income framework and in creating personal financial wellbeing for all Kiwis.

Monitoring issues contributing to the Government's retirement income policy is a significant part of our role, but our primary focus is on empowering Kiwis to make better decisions about their money throughout their lives, so that when they reach retirement they are in the best possible financial position.

A NEW NAME

Following the recent transfer of ministerial responsibility for the Retirement Commission from the Minister of Social Development to the Minister of Commerce and Employment, in October 2011 we changed our name to the Commission for Financial Literacy and Retirement Income.

Our new name formally recognises the importance of financial literacy in the overall economic health of New Zealand, and far better reflects the Commission's twin goals of providing impartial advice on retirement income policy and improving the financial wellbeing of all New Zealanders throughout life and in retirement.

REVIEW OF RETIREMENT INCOME POLICY

Part of securing the financial future of all Kiwis is about making sure we continue to have a strong retirement income policy in place that will guarantee all Kiwis New Zealand Superannuation (NZ Super).

Our ageing population brings with it many social and economic challenges for New Zealand. In December 2010 I tabled my three-yearly Review of Retirement Income Policy in Parliament. My report was released as the first of the baby boomers reach pension age in this country. With more people aged 65 and over, and people living longer, healthier lives than ever before it is inevitable that retirement policy settings will come under increasing scrutiny to ensure that they are relevant and affordable in the future.

In my report I made 17 recommendations around changes to current policy settings of New Zealand's retirement income framework to ensure that they are relevant and affordable in the future. Although raising the age of entitlement was just one of my recommendations, it was the one that sparked the most debate. NZ Super is a national treasure and we welcome and encourage further debate on the issue of the future affordability of it. It is a challenge that must be addressed.

INCREASING FINANCIAL LITERACY

With the effects of the economic crisis continuing to be felt, the importance of raising New Zealanders' levels of financial literacy is more vital than ever before, and we can only achieve our goal of financially sorted Kiwis with commitment and support from many other stakeholders.

In June, the Commerce Minister, Hon Simon Power announced at our Financial Literacy Summit that he would work with the Commission to explore a wider framework for the delivery of financial literacy. The summit

was a fantastic opportunity for over 200 representatives from the financial services sector, business community, government, special interest groups and educators, together with international speakers to share ideas about raising the level of financial literacy among Kiwis and highlight the issues we face in doing so. Among these issues are encouraging the finance sector to play a larger role in improving financial literacy and the need for Government support for the funding of financial literacy in schools.

Financial education in schools remains key to helping young Kiwis because the sooner children learn about money, the better equipped they are for the future. In an ideal world we would like to see all New Zealand school children learn financial skills alongside numeracy and literacy. Our goal of bringing financial education to all young Kiwis continues to gain momentum with our ongoing work with the Ministry of Education and the Education Review Office. From 2012 the OECD will include financial literacy in the assessment of 15 year-olds through the Programme for International Student Assessment (PISA).

The Commission continues to work with the Tertiary Education Commission, New Zealand Qualifications Authority, the Industry Training Federation, business and union representatives and tertiary education providers to include financial education as a core part of many tertiary qualifications.

This year the Massey Centre for Personal Financial Education opened and they are undertaking a longitudinal study looking at the financial management capabilities of 18 to 20 year-olds. It's exciting as this will be the first time we've had this information about a cohort over a such a long period of time. I have been appointed as an independent member of the advisory board.

Our work with the National Strategy for Financial Literacy gained momentum with

the release of a revised strategy late in 2010 together with a five-year action plan. The outcome of consultation with a wide range of stakeholders, the revised strategy and action plan form the foundation of better coordination of financial education activities in New Zealand. The action plan outlines how the Commission and other agencies will work with many organisations and community groups to improve financial literacy. We report on progress to the Minister of Finance every six months.

Aligned with the National Strategy, the Commission developed a strategy and five-year action plan this year to improve the financial wellbeing of Māori. And, we are working with the Ministry of Pacific Island Affairs and other community agencies on a pilot aimed at helping Pacific Island families make more financially literate decisions.

SORTED

This year we began work on a significant redevelopment of the Sorted website, which we will launch early in 2012. We are future-proofing the website which will now provide guidance as well as information and will make it more cost effective to maintain. Suggestions and feedback from sorted.org.nz users have been influential in its redevelopment.

We have delivered a range of Sorted communications across the year including successful campaigns on financial goal setting, retirement planning and dealing with 'dumb debt'. We're continually delighted at the level of support gained from media and other stakeholders regarding such communications. Sorted seminar materials have continued to be made available for anyone to use, and almost quarter of a million Sorted booklets have been distributed throughout the year.

THE INTERNATIONAL SCENE

Raising financial literacy remains high on the agenda for many governments around

the world. I represent New Zealand in the Organisation for Economic Cooperation and Development's (OECD) International Network on Financial Education (INFE) which has 92 member countries. I chaired the working group on evaluating financial education programmes and participate in the school and women's sub-groups. Through these and other channels, we have gained a great deal from sharing knowledge with the global financial education community.

RETIREMENT VILLAGE MONITORING

Part of my role as Retirement Commissioner includes protecting the interests of residents and intending residents of retirement villages, by monitoring the Retirement Villages Act 2003 and administering the disputes process. This year our report on the Retirement Villages Act 2003 examined the Act from the residents' perspective.

LOOKING AHEAD

In the coming year a key area of focus for the Commission will be on developing 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.

Our name now better reflects what we do and our work will continue to drive genuine cultural change to help Kiwis make better decisions about their money for both the immediate future, and in retirement.

We look forward to the challenges ahead.



DIANA CROSSAN
RETIREMENT COMMISSIONER

New Zealand's National Strategy for Financial Literacy

VISION: PERSONAL FINANCIAL WELLBEING FOR NEW ZEALANDERS

MISSION: NEW ZEALANDERS ARE FINANCIALLY WELL-EDUCATED AND CAN MAKE INFORMED FINANCIAL DECISIONS THROUGHOUT THEIR LIVES

In June 2008 with involvement from many individuals and organisations across the public, private and voluntary sectors, New Zealand's National Strategy for Financial Literacy was launched.

The strategy sets the direction for improving financial literacy in New Zealand. Its focus is on developing the quality of financial education, extending its delivery, sharing what works and working together. These strategies together will help achieve our goal of a financially literate population.

In light of the economic climate the National Strategy was revised in the 2010/11 year to ensure it is relevant for today. The revised strategy is the outcome of wide consultation with a range of key stakeholders. A five-year action plan was created during the consultation process and implementation rests with the many stakeholders involved.

CONTRIBUTORS TO PERSONAL FINANCIAL WELLBEING



WHO WE ARE

The Retirement Commission is the secretariat for the strategy and hosts the website financialliteracy.org.nz which is home of the National Strategy.

The website is co-funded by three finance industry bodies – the Investment Savings and Insurance Association, the New Zealand Bankers' Association and Workplace Savings NZ.

An advisory group reports on progress every six months to the Minister of Finance, stakeholders and the public.

financialliteracy.org.nz
BUILDING FINANCIAL CAPABILITY

National Strategy for Financial Literacy 2010/11 update on progress

Support for New Zealand’s National Strategy for Financial Literacy is gaining momentum across many sectors. In the 2010/11 year good progress has been made with the Action Plan.

DEVELOPING QUALITY

If financial education/information is to be effective it has to be timely, relevant, presented in accessible formats and impartial. The development of the core competencies document (a set of competencies a financially literate person is expected to achieve) will enhance the existing financial literacy framework and will provide much needed focus in the delivery of financial literacy programmes.

Activity	Timeline	Lead Agency/s	Working with
1. Provide teachers with access to web based support to increase their knowledge and skills in delivering financial literacy.		<ul style="list-style-type: none"> Ministry of Education 	<ul style="list-style-type: none"> Financial Education Providers e.g. Young Enterprise Trust New Zealand Qualifications Authority Retirement Commission Tertiary Education Commission

Update

Professional development

- Schools who request teacher professional development in New Zealand Curriculum financial literacy can contact school support services contractors (such as Team Solutions in Auckland and the University of Canterbury Education Plus in Christchurch) to request support. This service is funded by the Ministry of Education. To date there has been little demand from schools for professional development in financial literacy.
- The New Zealand Qualifications Authority has developed some online literacy and numeracy resources for teachers and assessors. Some of these include activities and exemplars directly relating to financial literacy (e.g. budgeting, bank reconciliation). This is a work in progress.
- The Tertiary Education Commission is working with the University of Waikato’s team of developers who provide professional expertise to the sector including ITOs and workplaces – this expertise could be widened to include financial literacy provision and shared across the sector.
- A number of organisations, in addition to the Ministry of Education, are involved in providing professional development to teachers involved in financial education in schools.

Resources

- On the Ministry of Education’s TKI website there are resources for teachers but they are not as widely used by teachers as we would like. The Ministry is currently developing resources for teachers which show how financial concepts and behavioural economics can be integrated into the social sciences learning area. This best evidence aligned resource is based on previous successful social sciences resources produced by the Ministry. These units will be developed to work in English-medium schools for all New Zealand students for the delivery of financial literacy.

Activity	Timeline	Lead Agency/s	Working with
2. Identify and develop communities of interest to improve the quality of financial education e.g. tertiary institutions and community groups.		<ul style="list-style-type: none"> • Retirement Commission • Tertiary Education Commission 	<ul style="list-style-type: none"> • Ako Aotearoa (National Centre for Teaching Excellence) • Financial Education providers • New Zealand Qualifications Authority • Non-government organisations

Update

- The Retirement Commission has had preliminary discussions with Ako Aotearoa and the Adult Literacy Practitioner’s Association but there is much more work to do in developing communities of interest.
- Recent restructuring at the Tertiary Education Commission has slowed progress of this workstream.
- Sorted resources, especially the seminars, have been promoted and are being well-received with community groups as the topics, support material and duration of each seminar works well.
- The New Zealand Qualifications Authority review of Personal Financial Management standards is detailed under Action Point 6. The project Advisory Group includes representatives from Government agencies, banking and financial advice sectors, business and Māori and Pasifika.

Activity	Timeline	Lead Agency/s	Working with
<p>3. Identify best practice in teaching financial education and promote through appropriate channels.</p>		<ul style="list-style-type: none"> • Ministry of Education • Tertiary Education Commission 	<ul style="list-style-type: none"> • Financial Education providers • New Zealand Qualifications Authority • Schools
<p>Update</p> <ul style="list-style-type: none"> • The Tertiary Education Commission is working with the National Centre for Adult Numeracy and Literacy at Waikato University which offers a financial literacy training package. This training sits at around foundation levels 1, 2 and 3. • The Tertiary Education Commission investment managers are also working with the financial education providers. • The Tertiary Education Commission has providers who work with Youth Guarantee Initiatives (YGI) to spread the word about financial literacy. YGI is for young people who have been disengaged from school. • The New Zealand Qualifications Authority is also working with Youth Guarantee Initiatives. • Massey University has recently launched a Centre for Personal Financial Education funded by Westpac. The Centre plans a Certificate in Financial Education which may later become a diploma for people who want to teach financial literacy. They are also planning a certificate in financial literacy for workplaces which will also work towards employee professional development. The certificates will be promoted to bank staff who want to do basic financial literacy training. • Massey University Centre for Financial Education is also conducting a longitudinal study. • The agencies involved with this action point are looking at further engagement with Industry Training Organisations. 			

Activity	Timeline	Lead Agency/s	Working with
<p>4. Develop a plan to continuously improve financial education resources.</p>		<ul style="list-style-type: none"> All providers of financial education resources 	
<p>Update</p> <ul style="list-style-type: none"> Work is underway with several government agencies and education providers. There are many people doing work in this area and a stocktake is required to avoid duplication of effort. At the Financial Literacy Summit in June it was suggested that a complete database of programmes and initiatives will be placed on www.financialliteracy.org.nz. This will be developed further over the next twelve months. The Retirement Commission is sponsoring two Masters level research scholarships on financial literacy at the Auckland University of Technology which will be awarded later in 2011. 			

EXTENDING DELIVERY

The National Strategy seeks to promote flexibility, multiplicity of channels and cultural fit in order to reach those who need financial education most. The delivery of financial education will be extended to bring the benefits of financial education/information to as many New Zealanders as possible.

Activity	Timeline	Lead Agency/s	Working with
5. Develop key intervention strategies and implementation plan for hard to reach groups (e.g. young adults, single parents, people with low literacy and numeracy levels, senior citizens and specific ethnic groups).		<ul style="list-style-type: none"> Retirement Commission 	<ul style="list-style-type: none"> Financial Markets Authority Ministry of Pacific Island Affairs Ministry of Social Development Non-government organisations Te Puni Kōkiri

Update

- The Retirement Commission recently ran a very successful Dumb Debt campaign encouraging people to think about high-interest debt. The target audience was 30-49 year olds for whom high interest debt is the norm. The campaign focused on introducing new terminology 'dumb debt' to describe avoidable high interest debt.
- Sorted.org.nz is 10 years old this year and is being significantly redeveloped. The new website will support the Retirement Commission's new marketing strategy by developing features, functionality and tools that encourage users to take action. The new site will also provide greater guidance by developing a pathway for users who are unclear on where to start, in addition to the comprehensive information which Sorted is known for, which will be structured under A-Z guides and Life Events. The site is expected to go live early 2012.
- The Retirement Commission is developing intervention strategies for a variety of groups, starting with older New Zealanders. The Retirement Commission will also be concentrating on workplaces and updating their 2007 strategy over the coming months and will be working with the Council of Trade Unions and Business New Zealand on the review of their strategy.
- The Ministry of Pacific Island Affairs, Retirement Commission, Ministry of Consumer Affairs, Bank of New Zealand and a number of NGOs have been working on a project to help Pacific Island families in South Auckland.
- The Retirement Commission has initiated discussion and presentations are planned specifically targeting groups in Hamilton which include new refugees and senior citizens.
- Ethnic Affairs is keen to work with the Retirement Commission to expand this initiative in other regions.
- The Bank of New Zealand is a sponsor of Plunket and is working with Plunket to find ways of reaching parents, especially new parents with financial education programmes.

Activity	Timeline	Lead Agency/s	Working with
<p>6. Identify and coordinate duplication and gaps in financial education programmes and resources for schools, tertiary sector, community and industry training sectors. Develop a plan to address the gaps.</p>		<ul style="list-style-type: none"> • Ministry of Education • National Strategy for Financial Literacy Advisory Group • New Zealand Qualifications Authority • Retirement Commission 	<ul style="list-style-type: none"> • Financial education providers • NZ Bankers' Association • Schools

Update

- The New Zealand Qualifications Authority has commenced the review of Personal Financial Management unit standards through establishing a Project Advisory Group which met in July 2011. The outcomes from the meeting include guidance on terminology use, topic gaps analysis, alignment of standards with other financial literacy initiatives, grades in standards and relevance to Māori and Pasifika. Further research will be undertaken prior to commencing the actual review across the 2011/12 financial year.
- Gaps are being identified by agencies e.g. the Ministry of Education is currently developing three financial literacy teaching units within the social sciences learning area. These units will be developed to work in English-medium schools for all New Zealand students for the delivery of financial literacy.
- There is very little implementation in the tertiary sector and it is a matter of identifying who is providing any kind of financial education rather than where the gaps are.
- The Retirement Commission is working with the Investment Savings and Insurance Association to extend financial education initiatives to their members.
- The New Zealand Bankers' Association has compiled a list of financial literacy programmes run by member banks and provided this to the Retirement Commission. Discussions of gaps and responses to these are planned.

Activity	Timeline	Lead Agency/s	Working with
<p>7. Make recommendations to employers and tertiary education providers for inclusion of financial literacy themes in education, training and professional development programmes.</p>		<ul style="list-style-type: none"> • Industry Training Federation • New Zealand Qualifications Authority • Tertiary Education Commission 	<ul style="list-style-type: none"> • Financial education providers • Relevant ITOs • Retirement Commission
<p>Update</p> <ul style="list-style-type: none"> • The New Zealand Qualifications Authority has included Personal Financial Management unit standards as compulsory components of the National Certificate in Employment Skills (NCES). NCES is one of the most awarded qualifications on the New Zealand Qualifications Framework (NZQF) with approx 9,400 learners awarded the qualification between 2006-2010. NCES is used by schools and tertiary providers. • The National Certificates in Mathematics (NCM) Levels 1 and 2 developed by employers are currently being quality assured prior to publication. PFM standards have been included as options in both qualifications. NCM L1 has had approx 1,450 awards between 2006-10. NCM L2 has had approx 70 awards between 2006-2010. NCM is primarily used by schools. • The Tertiary Education Commission has developed a literacy and numeracy assessment tool for adults. So far 35,000 tertiary learners have used it and it has shown higher numeracy skills than literacy skills. By inference the results may provide some indication of likely low financial literacy target groups. • The Retirement Commission has met with a number of ITOs with a view to discuss possible ways of including financial literacy unit standards into their qualifications. • The Retirement Commission is working with unions to support getting the training into workplaces. 			

Activity	Timeline	Lead Agency/s	Working with
8. Extend content/topic areas for financial education as appropriate.		<ul style="list-style-type: none"> • Financial Markets Authority • Investment Savings and Insurance Association • New Zealand Bankers' Association • Retirement Commission • Workplace Savings NZ 	<ul style="list-style-type: none"> • Relevant government agencies and education providers

Update

- The Retirement Commission is working with agencies, including the Ministry of Education etc. to identify any gaps in topic and content.
- With the set-up of the Financial Markets Authority there will be more focus on investing education than there has been in the past although it has been recognised that investor education is only one component of financial education.
- The Financial Markets Authority has run a consumer campaign to alert the public to new financial adviser regulations that went live from 1 July 2011. The campaign directed the public to new resources about how to choose and work effectively with a financial adviser on the Financial Markets Authority's website and also included a flyer on getting investment advice which has been circulated widely (including to Citizens Advice Bureaux, Community Law Centres and others).
- The Financial Markets Authority continues to issue financial warnings and alerts to help inform the public about poor or illegal financial market practices.
- The Financial Markets Authority is currently setting up a new Stakeholder Management team that will have investment education and investor advocacy as a key deliverable.

SHARING WHAT WORKS

There is scope to improve the evaluation of the financial education programmes. The Retirement Commission has taken the lead in bringing the interested parties together to develop an evidence base. The sharing of best practice and experiences through which others may learn is in development.

Activity	Timeline	Lead Agency/s	Working with
<p>9. Further develop the New Zealand Network for Financial Literacy to be a primary information base for providing educational resources, research findings, connecting various private and public agencies and sharing good practice in financial literacy delivery. www.financialliteracy.org.nz is the Network's website.</p>		<ul style="list-style-type: none"> • Investment Savings and Insurance Association • New Zealand Bankers' Association • Retirement Commission • Workplace Savings NZ 	<ul style="list-style-type: none"> • Ministry of Education • New Zealand Qualifications Authority • Tertiary Education Commission • OECD • Universities (national and international)

Update

- The Bankers' Association, Investment Savings and Insurance Association and Workplace Savings NZ are sponsors of the website and fund a researcher to research and review new content to ensure that the website is current, topical and up-to-date.
- Enhancements have been made to the website recently including the homepage, National Strategy for Financial Literacy, schools, tertiary and the Financial Literacy 2011 summit sections. The navigation to the key sections has also been improved.

Activity	Timeline	Lead Agency/s	Working with
<p>10. Continuous improvement of the financial services sector information, resources and comparability of information provided by the finance sector is promoted and monitored.</p>		<ul style="list-style-type: none"> • Business New Zealand • Financial Services Federation Inc. • Investment Savings and Insurance Association • New Zealand Bankers' Association • New Zealand Council of Trade Unions • Workplace Savings NZ 	<ul style="list-style-type: none"> • Finance Sector • Financial Markets Authority • Ministry of Economic Development • Reserve Bank • Treasury

Update

- Business New Zealand and the New Zealand Qualifications Authority are working together to extend the use of unit standards.
- The Financial Services Federation has produced a responsible lending brochure as part of their strategy on providing clear communications.
- Workplace Savings NZ have an award for plain English communications for KiwiSaver providers and work is progressing with agencies to encourage more awards across the sector in line with the WriteMark plain English Awards.
- New Zealand Bankers' Association is in the process of reviewing the Code of Banking Practice. The review includes such matters as bank disclosure and how to make the Code accessible and comprehensible.
- The New Zealand Council of Trade Unions is working with Business New Zealand to target major workplaces through targeted communications and workplace seminars. The employers' section on the Sorted website has seminars and booklets that can be used as the resources for this initiative.

Activity	Timeline	Lead Agency/s	Working with
11. Uptake, delivery, assessment and effectiveness of financial education in schools' teaching and learning programmes is monitored and reported.		<ul style="list-style-type: none"> • Education Review Office • Ministry of Education • New Zealand Qualifications Authority 	<ul style="list-style-type: none"> • Retirement Commission
<p>Update</p> <ul style="list-style-type: none"> • Initial conversations with the Education Review Office have taken place. It is proposed that a think tank including the Education Review Office, the Retirement Commission and the New Zealand Qualifications Authority be set-up to progress this work stream. The Education Review Office will lead this work. • New Zealand has already confirmed participation in the Organisation for Economic Cooperation and Development (OECD) Programme for International Student Assessment (PISA) 2012 cycle. In addition to assessing the core domains of reading, mathematics and science among 15-year old students, in 2012 participating countries can choose to take part in other options of assessment including financial literacy. Participation in the PISA financial literacy option will mean that 15-year old students will be assessed on their financial literacy as an integral part of the overall PISA assessment. The study will occur in July-August 2012 and could involve 150-170 schools in New Zealand. The information from the study will be available at the end of 2013, when international results are released. We are not yet confirmed in this study as the funding (\$200,000) is not yet confirmed. • The New Zealand Qualifications Authority is monitoring the Personal Financial Management unit standards and newly developed literacy and numeracy standards. 			

Activity	Timeline	Lead Agency/s	Working with
12. Financial literacy levels of the New Zealand population are measured on a regular basis via the ANZ-Retirement Commission Financial Knowledge Survey.		<ul style="list-style-type: none"> • Retirement Commission 	<ul style="list-style-type: none"> • ANZ Bank
<p>Update</p> <ul style="list-style-type: none"> • The next ANZ-Retirement Commission Financial Knowledge Survey will occur late 2012. The Retirement Commission will try and align some of the questions in the next survey with questions from a recent OECD survey carried out by 20 countries to provide further international benchmarks. 			

WORKING TOGETHER

Financial education works best when organisations work together towards the common goal. Public and private partnerships are beneficial in order to maximise resources, encourage collaboration and strengthen existing relationships.

Activity	Timeline	Lead Agency/s	Working with
13. Inter-agency groups are established to coordinate and maximise expertise and resources in financial literacy and related activities to maximise government resources.		<ul style="list-style-type: none"> Retirement Commission 	<ul style="list-style-type: none"> Key government agencies Other appropriate organisations
<p>Update</p> <ul style="list-style-type: none"> In June the Retirement Commission hosted the Financial Literacy 2011 summit, which brought together over 200 representatives from the financial services sector, business community, government, special interest groups and educators, together with international speakers – Tony Hobman, Chief Executive of the Money Advice Service in the UK (formerly the Consumer Financial Education Body), Olaf Simonse, Project Leader of CentiQ in the Netherlands and Annamaria Lusardi, Professor of Economics at Dartmouth College in the USA. It was held on Tuesday 21 June at the Wellington Town Hall. Over 70% of the event costs were met by key organisations from the private and public sectors. The programme, key findings and presentations are online at www.financialliteracy.org.nz. The Retirement Commission is planning a roadshow to encourage stakeholders to leverage from its communications plan. The Retirement Commission hosts a communications inter-agency meeting every quarter to share financial education initiatives and projects. The Retirement Commission is planning to coordinate a monthly video conference forum extending to the main centres in New Zealand to keep each other informed about financial literacy and financial education initiatives and programmes. 			

Activity	Timeline	Lead Agency/s	Working with
14. Prepare and distribute six-monthly reports to key stakeholders.		<ul style="list-style-type: none"> National Strategy for Financial Literacy Advisory Group 	
Update <ul style="list-style-type: none"> Next report due February 2012. 			

Activity	Timeline	Lead Agency/s	Working with
15. A database of providers of financial education and information in New Zealand is developed and maintained.		<ul style="list-style-type: none"> Investment Savings and Insurance Association New Zealand Bankers' Association Retirement Commission Workplace Savings NZ 	<ul style="list-style-type: none"> Other appropriate organisations
Update <ul style="list-style-type: none"> The Retirement Commission recently reviewed its current criteria for financial literacy providers listed on financialliteracy.org.nz. The new criteria are closely aligned with the National Strategy for Financial Literacy and international standards for delivering financial education programmes. Their focus is to encourage financial education providers to use trained personnel, good practice delivery approaches, quality and accessible learner-focused resources and a credible monitoring and evaluation process. 			

Activity	Timeline	Lead Agency/s	Working with
16. Support and encourage partnerships with the Māori and Pacific communities and other ethnic groups to extend the delivery of relevant and culturally appropriate programmes.		<ul style="list-style-type: none"> • Ethnic Affairs • Ministry of Pacific Island Affairs • Te Puni Kōkiri 	<ul style="list-style-type: none"> • Ministry of Education • New Zealand Qualifications Authority • Retirement Commission

Update

- A Māori Strategy for Financial Literacy, developed by the Retirement Commission, was released late last year. A separate Advisory Group monitors progress and an action-plan has been developed. The strategy is closely aligned with the national strategy with reference to its overall vision and the definition of financial literacy. However, the focus and target audience is for Māori only. The specific mission of the Māori strategy is 'that all Māori have appropriate skills to improve their financial wellbeing and that of their own whānau, hapu and iwi'.
- A hui was held the day before the Financial Literacy 2011 summit as part of the Retirement Commission's Māori Strategy for Financial Literacy. The participants at the hui did not see this as a 'one off' event and they will be meeting again later in the year.
- Ethnic Affairs is working with the Retirement Commission on increasing financial literacy among ethnic communities through dissemination of information through its networks. This work includes identifying particular needs for groups within ethnic communities, such as older ethnic women.
- The Tertiary Education Commission has identified an issue relating to financial scams in Christchurch post the earthquake. A number of complaints have been received through the TEC advisory team and appropriate warnings have been posted. Some small ethnic businesses are being targeted by people charging for advice that they can get free.
- The Retirement Commission is involved in evaluating the ANZ/ Ngāi Tahu financial literacy programme. It is a longitudinal programme where participants will be contacted at six-monthly intervals for 18 months. Programme delivery has begun and the preliminary report on the first stage of the evaluation process has been delayed by six months due to the Christchurch earthquake.
- MoneyPACIFIC, a multi-agency project jointly supported by the Ministry of Pacific Island Affairs, the Reserve Bank, MFAT, and AusAID, in cooperation with the World Bank, incorporates a broad range of initiatives to improve Pacific peoples' financial knowledge and awareness. Concurrent with the pressure being placed on reducing transactional remittance costs in the New Zealand-Pacific Island region, a financial education programme was launched in New Zealand, Tonga and Samoa to lift awareness of these costs and the need to actively manage money more generally. The primary medium for the passing of these messages is a colourful, bilingual Pacific wall calendar. The financial tips in the calendar have been expanded on through a public awareness campaign via Pacific radio stations. The financial tips are also now available to a wider audience through the www.moneypacific.org website.



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 Retirement Commission'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 Retirement Commission statements for the year ended 30 June 2011.



DIANA CROSSAN
RETIREMENT COMMISSIONER

31 October 2011



Statement of Service Performance

This section reports on the actual performance of the Retirement Commission against the forecast Statement of Service Performance contained in the Retirement Commission's 2011/13 Statement of Intent.

The Retirement Commission provides services under the following output areas:

- Advice to its responsible Minister
- Research and Monitoring
- Education and Information
- Retirement Villages

These outputs are all contained within one output class: Retirement Commissioner.

Funding from the Crown for the 2010/11 year was budgeted to be \$5,682,000 (GST exclusive).

Actual funding received was \$5,782,000 (GST exclusive).

Crown Revenue Actual	SOI Budgeted	Expenditure Actual	SOI Budgeted
\$5,782,000	\$5,682,000	\$5,174,003	\$6,049,841

Refer to note 19 for explanation of variances.

The following income was received from interest and sundry sources:

- Interest income \$70,080
- Sundry income \$99,346
- Other Government Departments \$18,000

Allocation is as follows:	Actual	Budgeted (SOI)
Education and information:	\$2,776,770	\$3,200,000
• Public education and information programme		
• Workplace education		
Retirement villages (includes \$40,000 of overhead costs)	\$215,000	\$215,000
Research, advice, monitoring, office costs	\$2,182,233	\$2,634,841
Total	\$5,174,003	\$6,049,841



OUTPUT – ADVICE

The Retirement Commission's advice activities contribute to the following outcome:

- the Government's retirement income policies remain effective and stable.

Advice includes advising and reporting to the Minister for Social Development and Employment on retirement income and related issues and undertaking the periodic review of retirement income policies as required by section 84 of the New Zealand Superannuation and Retirement Income Act 2001. It also includes advice to other Ministers.

The extent to which the Retirement Commissioner's advice to the Government and its agencies is acted on will be a measure of our impact on retirement policies and agencies' practices.

Key deliverables	Actual performance
Periodic review of retirement income policies as required by the Act.	<p>Achieved</p> <p>The Retirement Commissioner reported to the Minister for Social Development and Employment on 25 November 2010. The 2010 Review of Retirement Income Policy was released on 7 December 2010.</p>
Advice as may be requested by the Minister, or other Ministers, or provided to the Minister, or other Ministers, by the Commissioner.	<p>Achieved</p> <p>Advance copies of the 2010 Review report were sent to the Minister for Social Development and Employment and officials prior to release.</p> <p>Following the Christchurch earthquake in February, we briefed two Christchurch East MPs on the Kate Sheppard Retirement Village issue. We recommended that the Department of Building and Housing brief the Minister for Building and Construction on the issue.</p> <p>Other information as considered necessary was provided to Ministers throughout the year on a 'no surprises' basis.</p>

Indicators	
Quality	
The report on the review of retirement income policies meets the terms of reference set by the Government.	<p>Achieved</p> <p>The report on the review of retirement income policies met the Terms of Reference set by the Government. See Appendix D in the following link:</p> <p>www.retirement.org.nz/files/retirement-files/RIR/2010Review/2010-review-retirement-income-appendicies.pdf</p>
In the annual feedback surveys the Minister, or other Ministers, are satisfied ¹ or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice.	<p>Achieved</p> <p>No negative feedback has been received. The Commissioner received positive feedback at meetings with Ministers throughout the year and at each quarterly meeting with the Minister of Social Development and Employment.</p>
Quantity	
Report to the Minister for Social Development and Employment on the review of retirement income policies as required by the New Zealand Superannuation and Retirement Income Act 2001.	<p>Achieved</p> <p>The Retirement Commissioner reported to the Minister for Social Development and Employment on 25 November 2010.</p>
All advice requested by the Minister or other Ministers is provided.	<p>Achieved</p> <p>All advice requested by the Minister or other Ministers was provided.</p>
Timeliness	
The 2010 Review of Retirement Income Policy is completed by 31 December 2010.	<p>Achieved</p> <p>The 2010 Review of Retirement Income Policy report was released on 7 December 2010.</p>
All advice to the Minister or other Ministers is delivered within agreed timeframes.	<p>Achieved</p>

¹ Scale – 'not at all satisfied' to 'very satisfied'



OUTPUT – RESEARCH AND MONITORING

The Retirement Commission's research and monitoring activities contribute to the following outcomes:

- the Government's retirement income policies remain effective and stable
- New Zealanders have more trust in the financial services sector.

Research and monitoring includes continuing to develop the Retirement Income Research Unit and monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning.

Key deliverables	Actual performance
<p>Research and monitoring projects that meet the needs of the three-yearly reviews of retirement income policies. These projects will help inform the 2010 review and future reviews.</p>	<p>Achieved</p> <p>Twelve research projects were commissioned to inform and input into the 2010 review. They are online at: www.retirement.org.nz/retirement-income-research/policy-review/2010-review/2010-research-papers</p> <p>In partnership with the Treasury and Ministry of Women's Affairs, a research project on Women's Retirement Prospects is underway and it is expected that the findings of this project will inform the 2013 Review.</p>
<p>Promotion of research and debate about ways of improving trust in, and the efficiency of, the wider financial services sector.</p>	<p>Achieved</p> <p>The Unit has continued to commission and monitor New Zealand research and monitor overseas research.</p> <p>The retirement.org.nz and the financialliteracy.org websites have been maintained and updated. They provide information on retirement income and financial literacy activities in New Zealand and overseas, including research.</p> <p>Financial literacy expert Professor Annamaria Lusardi, who spoke via videolink at the Financial Literacy 2011 summit, led a major new study funded by the Main Network for Studies on Pensions, Aging and Retirement (Netspar). The study was carried out by a group of international researchers who provided a comparative study of financial literacy, with country-specific analyses based on a common framework. New Zealand was one of countries who took part in the study and the New Zealand paper was co-authored by the Retirement Commissioner.</p>

<p>Operation and promotion of the Retirement Income Research Unit and its website, retirement.org.nz. The unit's material is available for use by researchers, policy analysts and the financial services industry.</p>	<p>Although the Commission did not have a Research Unit Manager for a period of six months during the 2010/11 year, which resulted in less promotion than usual, the website was kept updated with latest news and research.</p> <p>A stakeholder email was sent out in December to coincide with the release of the 2010 Review with links to the 2010 Review pages on the retirement.org.nz website.</p> <p>In the 2011/12 year the website will undergo significant redevelopment.</p>
Indicators	
Quality	
<p>Each research or project evaluation obtains a satisfactory² or better assessment from an external, independent review panel.</p>	<p>While no specific rating was provided, reviewers were satisfied with the research and supported publication. Peer-reviewers prefer not to give specific ratings as they would seldom agree 100% with the research paper or project.</p>
<p>70% or more of survey respondents assess the quality of the Commission's work towards each of its three strategic goals as good³ or better.</p>	<p>Achieved (exceeded)</p> <p>Between 85% and 100% of survey respondents assessed the quality of the Commission's work towards each of its three individual goals as good or better. (Touchstone Strategy – June 2011)</p>
<p>70% or more of website users find retirement.org.nz useful⁴ or better in annual survey (benchmark survey – April 2010).</p>	<p>Not Achieved</p> <p>The annual website survey did not return an adequate sample for analysis. We will carry out user testing for the redevelopment of the new website which is scheduled for the 2011/12 financial year. Current visitor levels show that redevelopment is necessary.</p>

² Scale – 'very unsatisfactory' to 'very satisfactory'

³ Scale – 'very poor' to 'very good'

⁴ Scale – 'not at all useful' to 'very useful'

Quantity	
<p>Four research projects will be undertaken in 2010/11 relating to retirement income policy, financial literacy and a trustworthy financial services sector.</p>	<p>Achieved (exceeded)</p> <p>Twelve research projects were commissioned to inform and input into the 2010 review. They are online at:</p> <p>www.retirement.org.nz/retirement-income-research/policy-review/2010-review/2010-research-papers</p> <p>A qualitative research project, 'Learning and Doing: Understanding the link between financial literacy and desirable financial behaviour' was completed in November.</p> <p>www.financialliteracy.org.nz/sites/default/files/R-FINLIT-BEHAVIOUR-20101108.pdf</p> <p>Research was tabled at the Institute of Policy Studies, Victoria University Conference in July on Intergenerational Income and Retirement Income to contribute to the 2010 Review. The conference was attended by 135 delegates and full conference proceedings are online at:</p> <p>www.ips.ac.nz/events/Upcoming%20events/Retirement%20Income%20Conference.html</p> <p>The six-monthly RaboDirect Financial Confidence Index (FCI) was released in September 2010 and April 2011. The Index is the only one to measure public rather than business confidence in the financial sector in New Zealand.</p>
<p>Two seminars will be held in 2010/11 relating to retirement income policy and/or financial literacy.</p>	<p>Achieved (exceeded)</p> <p>The Retirement Commission hosted four seminars in the 2010/11 year.</p> <p>The Commission arranged a presentation by Louise Sylvan (Australian Behavioural Economist) and Craig Lefebvre (Social Marketing expert) on behavioural economics and social marketing. The presentation helped make a significant contribution to the future direction of the Retirement Commission's marketing strategy.</p> <p>We took the opportunity to invite Professor Elaine Kempson to New Zealand in August while she was visiting Australia. Dr Kempson is an evaluation expert from the University of Bristol and has particular expertise in the evaluation of financial education. She gave a presentation at the launch of the ANZ-Ngāi Tahu Financial Knowledge Survey in Christchurch, and the Commission hosted a seminar with her in Wellington.</p>

	<p>In November and early December the Retirement Commission hosted seminars on financial literacy and education and pensions with expert Robert Holzmann, Research Director of the Labor Mobility Program (Marseille Center for Mediterranean Integration) and the Financial Literacy & Education Program (Russia Trust Fund) of the World Bank. Also with Professor James Banks, deputy research director of the Institute for Fiscal Studies, London and Professor of Economics at the University of Manchester.</p> <p>From March 2011 the Institute of Policy Studies hosted a seminar series on 'Retirement Income Policy and Intergenerational Equity Income Policy' as a follow-up to their July conference. The first of the six seminar topics was 'Responding to the Review of Retirement Income Policy'.</p>
Key stakeholder/peak body annual survey about the Commissioner's work in contributing to its three goals.	<p>Achieved</p> <p>A qualitative stakeholder/peak body survey took place in June.</p>
At least three newsletters in the 2010/11 year will be produced by the Retirement Income Research Unit and distributed to stakeholders to promote the unit and website.	<p>Not Achieved</p> <p>A stakeholder email was sent out in December to coincide with the release of the 2010 Review with links to the 2010 Review pages on the retirement.org.nz website.</p> <p>The Commission did not have a Research Unit Manager for a period of six months which resulted in less promotion for the Unit during the year.</p>
Timeliness	
All projects and the annual survey are delivered on time.	<p>Achieved</p> <p>All projects and the annual stakeholder survey were delivered on time.</p>
All newsletters and the annual website survey are delivered on time.	<p>Achieved</p> <p>The annual website survey was carried out on time.</p> <p>Not Achieved</p> <p>The one newsletter was sent out on time.</p>



OUTPUT – EDUCATION AND INFORMATION

The Retirement Commission's education and information activities contribute to the following outcomes:

- New Zealanders are better educated in financial matters and can make more informed financial decisions;
- New Zealanders have more trust in the financial services sector
- the Government's retirement and income policies remain effective and stable.

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

The Commission's Sorted programme with its website, printed booklets and seminar modules are key resources. The Sorted website's practical content and calculators give users the opportunity to develop their financial plans and see the implications of various courses of action. (The Retirement Commission expects an average of 130,000 to 150,000 visitors to the sorted.org.nz and m.sorted.org.nz websites each month and an average of 25,000 to 30,000 booklets to be distributed each month).

Key deliverables	Actual performance
<p>The Sorted website, booklets and seminars will be regularly refreshed and updated, and added to as required. This will ensure all information remains current and relevant for users.</p>	<p>Achieved</p> <p>This year we began a project to significantly redevelop the Sorted website. This will see the technology and Sorted platforms being substantially enhanced to take advantage of more recent technology which will make the site easier to maintain and reduce ongoing costs. In addition, the new website will be more user-friendly and support the Commission's new marketing strategy by offering people a more engaging and motivating experience. We've paid close attention to the suggestions and feedback users have had about Sorted and this has been influential in the redevelopment. The new Sorted website is expected to launch early in 2012.</p> <p>As well as the redevelopment, the Commission has continued to ensure the current Sorted website, booklets and seminars are updated in line with changes such as the 1 October changes to tax rates, GST and NZ Super; 1 April changes to NZ Super and KiwiSaver; and the Budget 2011 changes to KiwiSaver.</p>

	<ul style="list-style-type: none"> • New Saving and Investing seminar launched (August) • KiwiSaver booklet revised (June) • KiwiSaver fees calculator updated (October and May) • Security enhancements to calculators (October) • Sorted Investing section updated (October) • Sorted KiwiSaver section updated (May) • Retirement Planning booklet updated (December) • New Retirement Planning seminar launched (February) • Your Money in Retirement booklet revised (April)
<p>The Sorted website and resources will be promoted regularly to New Zealanders to ensure widespread awareness of the information available.</p>	<p>Achieved</p> <p>The Sorted website and related resources were promoted using broadcast media, online, print advertising and PR across the year:</p> <ul style="list-style-type: none"> • New Zealanders 65+ communications (online advertising, print, PR) focused on providing more information relevant to the life stages of older Kiwis, including information for families supporting older New Zealanders (80+): (July) • Sorted Journeys campaign (TV, online advertising) featured real life case studies of Kiwis using Sorted resources: (July-September) • 1 October changes to tax, GST and NZ Super (online; advertising, email communications; PR): (October-November) • New Year campaign (online, print advertising; email communications; PR) focused on encouraging NZers to set goals: (January) • Retirement Planning campaign (online, print advertising; Smile City email; PR) focused on encouraging 45-59 year olds to plan for retirement: (February-March; extended to April) • 'Dumb Debt' campaign (bus-stops, bus-backs, online, print advertising; email communications; PR) focused on encouraging people to avoid and/or get rid of high interest debt: (June onwards) • Email newsletters to My Sorted users • Monthly community newspaper articles • Monthly articles published on msn.com • Official Cash Rate communications • Weekly Sorted blog posts and social media updates.

<p>The workplace financial education programme will continue to be delivered to help New Zealanders make more informed decisions about KiwiSaver and other workplace savings options.</p>	<p>Achieved</p> <p>The Commission communicated directly with employers:</p> <ul style="list-style-type: none"> • A video featuring employers who had used Sorted resources and staff who had got to grips with their finances was developed. • A roadshow of presentations and DVD distribution to nine Employers and Manufacturers Associations (EMA) throughout the central and lower North Island; and distribution of 2,500 DVDs at EMA Northern meetings. • A series of articles drawing on the video case studies were published in targeted industry and employer publications. <p>Improvements to measuring the number of downloads of Sorted seminars (and therefore better understanding of seminar activity) were implemented in May.</p> <p>A wide range of public and private sector organisations ordered Sorted booklets throughout the year.</p>
<p>The National Strategy for Financial Literacy will be revised with a five-year action plan.</p>	<p>Achieved</p> <p>The revised strategy was released in November 2010 and the five-year action plan was released in February 2011.</p>
<p>Indicators</p>	
<p>Quality</p>	
<p>Increase the percentage of New Zealanders who use Sorted resources from 19% to 30%⁵ by December 2010.</p>	<p>Achieved (exceeded)</p> <p>The 2009 ANZ-Retirement Commission Financial Knowledge Survey showed that 34% of survey respondents had at some time visited the Sorted website or read a Sorted booklet, and 24% had done so in the last year.</p>
<p>Increase the proportion of users of Sorted resources that rate them as useful or better⁶ (65%, 2010).</p>	<p>Achieved (exceeded)</p> <p>The latest Sorted user survey shows that 68% of users found sorted.org.nz useful or very useful. (Nielsen, May 2011)</p>
<p>Maintain the percentage of New Zealanders who have used Sorted resources and have found that they have enough information to make an informed decision about KiwiSaver.⁷ (28% of 18-65 year olds)</p>	<p>Achieved (exceeded)</p> <p>91% of the 19% KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver.</p> <p>82% of the 21% of non-KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver.</p> <p>(Colmar Brunton, August 2010)</p>

⁵ Sorted Brand Awareness Survey 2009, Nielsen

⁶ Sorted User Survey 2009, Nielsen (62%)

⁷ KiwiSaver Campaign evaluation – Colmar Brunton, 2008

<p>ANZ-Retirement Commission Financial Knowledge Survey – national measure as a result of collective work from organisations across the public, private and voluntary sectors – reduce the size of the lowest knowledge group from 33%⁸ to 25% by 2012.</p>	<p>31% as at April 2009 (ANZ Retirement Commission Financial Knowledge Survey, June 2009).</p> <p>The next survey will be carried out in 2012/13.</p> <p>The results of the first ANZ-Ngāi Tahu Financial Knowledge Survey of 400 iwi members were released in October 2010.</p> <p>The survey was supported by the Retirement Commission.</p> <p>The results showed that the financial knowledge of iwi members is on par with the general New Zealand population – 40% (43% NZ) high financial knowledge, 31% (26% NZ) medium and 29% (31% NZ) low financial knowledge.</p>
<p>70% or more of website users find financialliteracy.org.nz useful⁹ or better in an annual survey. (Benchmark survey – June 2010).</p>	<p>Achieved</p> <p>Although this year's survey showed that 87.5% of users found financialliteracy.org.nz useful or better, the sample was very small.⁸</p> <p>We will be looking at improving the survey in the 2011/12 year with more promotion around it. Timing coincided with the Financial Literacy Summit participant survey, which received a good response, and this we believe was a factor for the low response to the user survey.</p>
Quantity	
<p>Quarterly reviews to ensure that sorted.org.nz contains up-to-date information with functioning links.</p>	<p>Achieved</p>
<p>Sorted booklets and seminars are reviewed and updated annually.</p>	<p>Achieved</p>
<p>At least three newsletters will be produced in 2010/11 by the Retirement Commission and distributed to stakeholders to promote the National Strategy for Financial Literacy and financialliteracy.org.nz website.</p>	<p>Achieved (exceeded)</p> <p>Seven electronic newsletters were sent to stakeholders across the year.</p>

⁸ 2009 ANZ-Retirement Commission Financial Knowledge Survey

⁹ Scale – 'not at all useful' to 'very useful'

<p>The strategy is promoted through a national summit at least once every two years.</p>	<p>Achieved</p> <p>On 21 June 2011 the Retirement Commission hosted the Financial Literacy 2011 summit, which brought together over 200 representatives from the financial services sector, business community, government, special interest groups and educators, together with international speakers – Tony Hobman, Chief Executive of the Money Advice Service in the UK (formerly the Consumer Financial Education Body), Olaf Simonse, Project Leader of CentiQ in the Netherlands and Annamaria Lusardi, Professor of Economics at Dartmouth College in the USA. 45 speakers participated at the event and over 70% of the event costs were met by key organisations from the private and public sectors.</p> <p>The programme, presentations and key findings are online at financialliteracy.org.nz.</p> <p>A hui was held the day before the summit as part of the Retirement Commission’s Māori Strategy for Financial Literacy.</p>
<p>Timeliness</p>	
<p>All updates to the Sorted website and resources are made on time to coincide with changes taking effect, e.g. changes to NZ Super rates.</p>	<p>Achieved</p>
<p>All surveys are carried out on time.</p>	<p>Achieved</p>
<p>The revised strategy and five-year action plan will be launched in 2010/11.</p>	<p>Achieved</p> <p>The strategy was released in November 2010 and the five-year action plan was released in February 2011.</p>
<p>All newsletters and surveys are produced on time.</p>	<p>Achieved</p>
<p>The next national summit will be held in June 2011.</p>	<p>Achieved</p> <p>A national summit was held in Wellington on 21 June 2011.</p>



OUTPUT – RETIREMENT VILLAGES

These activities contribute to the following outcome: all retirement villages move to meet societal expectations and current quality standards.

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 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 monitoring and research programme on the effects of the Act, regulations and the Code of Practice.	<p>Achieved</p> <p>This year's monitoring project examined the Retirement Villages Act 2003 from the perspective of retirement village residents. Residents were asked about how well they understood the Act and its implementation.</p> <p>The research involved a series of focus groups with residents across a range of different types of villages. The report was released in July 2011 and is available online at:</p> <p>www.retirement.org.nz/retirement-villages/monitoring</p> <p>The Commissioner spoke at the Retirement Villages Association's annual conference in Auckland about the project (June 2011).</p>
Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions.	<p>Achieved</p> <p>The Code of Practice came into force on 2 October 2009.</p> <p>Residents concerned with the Code's Insurance clauses, post the Christchurch earthquake, contacted the Retirement Commissioner and presented submissions to the Minister for Building and Construction.</p>
Approving suitable people for appointment by operators to disputes panels.	<p>No further appointment action was required during the 2010/11 year. Appointees remain in place and following an annual phone conference call have confirmed their willingness to remain in their role.</p>

Indicators	
Quality	
Work done under the monitoring and research programme is judged to be satisfactory or better by the peer review process.	Achieved The monitoring report on operators of retirement villages was peer reviewed by the Reference Group and an external peer reviewer but no ranking was sought.
The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice.	Achieved
Approving appointments to disputes panels as vacancies arise.	No further appointment action was required.
Quantity	
Annual monitoring report carried out on a group or area within the retirement villages sector.	Achieved The 2010/11 monitoring project on retirement village residents was completed in July 2011 and is available at: www.retirement.org.nz/retirement-villages/monitoring
Recommendations are provided on any draft code of practice as required.	Achieved Residents concerned with the Code's Insurance clauses, post the Christchurch earthquake, contacted the Retirement Commissioner and presented submissions to the Minister for Building and Construction.
Timeliness	
Key dates as specified in the project plans are met and reflect agreed priorities.	Achieved

	2011 Actual \$	2011 Budget \$
Total revenue	5,969,426	5,714,838
Total expenditure	5,174,003	6,049,841



Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual \$	Revenue	Notes	2011	2011
			Actual \$	Budget \$
5,682,000	Revenue from Crown	1	5,782,000	5,682,000
240,000	Other Government Department funding		18,000	–
49,671	Interest income		70,080	32,838
114,464	Other income		99,346	–
6,086,135	Total revenue		5,969,426	5,714,838
	Expenditure			
17,036	Remuneration to Auditors	2	17,036	17,036
943,940	Personnel costs	3	980,832	1,044,008
43,272	Depreciation	6	38,041	39,407
394,639	Amortisation	7	265,991	382,530
85,276	Property expenses		83,243	73,760
7,788	Leasing		7,788	10,000
375,629	Other operating costs		352,976	368,100
205,709	Advice and research		223,759	350,000
3,317,138	Marketing and education		2,776,770	3,200,000
141,361	Retirement villages	8	174,687	215,000
128,574	Review of retirement income policy		176,437	150,000
173,318	Schools and tertiary		76,443	200,000
5,833,680	Total expenditure		5,174,003	6,049,841
252,455	Total comprehensive income/(expenditure)		795,423	(335,003)

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 2011

2010 Actual \$		Notes	2011	2011
			Actual \$	Budget \$
	Current assets			
1,499,434	Cash and cash equivalents	4	2,493,884	580,882
168,925	Debtors and other receivables	5	162,578	102,074
1,564	Prepayments		3,156	–
1,669,923	Total current assets		2,659,618	682,956
	Non-current assets			
67,438	Property, plant & equipment	6	92,926	79,210
337,656	Intangible assets	7	391,577	404,782
405,094	Total non-current assets		484,503	483,992
2,075,017	Total assets		3,144,121	1,166,948
	Current liabilities			
673,288	Creditors and other payables	9	942,060	466,246
75,730	Employee entitlements	10	80,639	47,123
749,018	Total current liabilities		1,022,699	513,369
1,325,999	Net assets		2,121,422	653,579
	Public equity			
200,000	Taxpayer funds		200,000	200,000
1,125,999	Accumulated surplus		1,921,422	453,579
1,325,999	Total public equity		2,121,422	653,579

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 2011

2010 Actual \$		2011 Actual \$	2011 Budget \$
1,073,544	Public equity at start of the year	1,325,999	988,582
252,455	Total comprehensive income/(expenditure) for the year	795,423	(335,003)
252,455	Total recognised income and expenses for the period	795,423	(335,003)
1,325,999	Public equity at end of the year	2,121,422	653,579

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



Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2011

		Notes		
2010 Actual \$			2011 Actual \$	2011 Budget \$
	Cash flows from operating activities			
	<i>Cash was provided from:</i>			
5,682,000	Receipts from crown revenue		5,782,000	5,682,000
75,000	Other Government department funding		18,000	–
49,007	Interest received		70,192	32,838
164,153	Other income		116,102	–
704	Net GST paid		8,694	21,228
5,970,864			5,994,988	5,736,066
	<i>Cash was applied to:</i>			
(5,786,521)	Payments to suppliers and employees		(4,617,097)	(5,947,450)
184,343	Net cash flows from operating activities	13	1,377,891	(211,384)
	Cash flows from investing activities			
	<i>Cash was provided from:</i>			
222	Sale of property, plant & equipment		–	–
	<i>Cash was applied to:</i>			
(21,556)	Purchase of property, plant & equipment		(63,529)	(400,000)
(382,271)	Purchase of intangible assets		(319,912)	(50,500)
(403,827)			(383,441)	(450,500)
(403,605)	Net cash flows from investing activities		(383,441)	(450,500)
(219,262)	Net increase in cash held		994,450	(661,884)
1,718,696	Plus cash at the start of the year		1,499,434	1,242,766
1,499,434	Cash held at the end of the year		2,493,884	580,882
	<i>Represented by:</i>			
1,499,434	Cash and cash equivalents		2,493,884	580,882
1,499,434	Cash held at the end of the year		2,493,884	580,882

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 2011

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 Retirement Commission is a Crown Entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Retirement Commission's ultimate parent is the New Zealand Crown.

The principle activities of the Retirement 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 Retirement 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 Retirement Commission are for the year ended 30 June 2011, and were approved by the Retirement Commissioner on 31 October 2011.

BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Retirement 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 Retirement Commission is New Zealand dollars.

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

Minor amendments to NZ IFRS and improvements to NZ IFRS became effective during the year to 30 June 2011 and have been adopted by the Retirement Commission for the first time. Some of these standards are not applicable to the business of the Retirement Commission and have therefore had no impact on the financial statements. The interpretation of the remaining standards as clarified by amendments is the same as already applied by the Retirement Commission.

STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the Retirement Commission as they are not yet effective and the Retirement Commission has not chosen to early adopt them.

New and amended financial reporting standards that have not been early adopted by the Retirement Commission.

NZ IAS 24: Related Party Disclosures (revised 2009)

NZ IAS 24 was revised in November 2009 and is effective for periods commencing on or after 1 July 2011.

The amendment to the standard affected primarily the definition of a related party. Whilst the change to that definition is significant, application of the amended criteria would not have resulted in the identification of any further parties related to the Retirement Commission. The amended disclosure requirements also include related party "commitments". The existing process of identification of related party transactions within the Retirement Commission has not included a review of commitments however the frequency of such transactions occurring is likely to be low. All the other disclosures required in the amended standard are already being made by the Retirement Commission.

NZ IFRS 9: Financial Instruments – Phase 1: Classification and Measurement

NZ IFRS 9 Phase 1 was issued in November 2009 and is effective for periods commencing on or after January 2013.

The new standard simplifies the classification criteria for financial assets, compared to the current requirements of NZ IAS 39. The new standard results in a reduced number of categories of financial assets and some consequential amendments to disclosure required by NZ IAS 1 "Presentation of Financial Statements" and NZ IFRS 7 "Financial Instruments: Disclosures". The Retirement Commission would not have any transactions to disclose under the new NZ IAS 1 and NZ IFRS 7 disclosure requirements relating to a gain or loss arising on derecognition of financial assets measured at amortised cost.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Revenue from the Crown

The Retirement Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Retirement 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.

Other income

The Commission received income from another Government agency for market research into 'the link between financial education and financial behaviour'.

Other income has been received from a number of sources but mainly: three financial sector peak bodies as sponsorship of the website www.financialliteracy.org.nz, and from overseas research institutions for project work or travel reimbursement, the Industry Training Federation for promotion, marketing and evaluation of personal financial management unit standards and other education resources.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Retirement 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 Retirement Commission and the cost of the item can be measured reliably.

Where 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 Retirement 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 their expected useful life to its estimated residual value.

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

Office equipment	2-13 years	7.8%-80.4%
Furniture and fittings	1-12 years	8.4%-100.0%
Computer equipment	1-2 years	48.0%-100.0%
Leasehold improvements	7-14 years	7.0%-14.93%

Intangible assets**Software acquisition**

Acquired computer software licenses 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 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 development and maintenance of the Retirement Commission's websites 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 rates are used in the calculation of amortisation:

Software	2 years	48.0%
Website	2 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 Retirement 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 fair value and subsequently measured at amortised cost using the effective interest method.

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

Sick leave has been assessed in accordance with NZ IFRS and 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 defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Good and Service 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. 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 (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, 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

The Retirement 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 Retirement Commission for the preparation of the financial statements.

Cash flow statement

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the Statement of comprehensive income.

Definitions of the terms used in the cash flow statement are:

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

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

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

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

CRITICAL JUDGEMENTS IN APPLYING THE RETIREMENT COMMISSION'S ACCOUNTING POLICIES

In the application of NZ IFRS, management is required to make judgments, 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 judgments. 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.

Judgments 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, where applicable, in the relevant notes to the financial statements.



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1. REVENUE FROM CROWN

The Retirement Commission has been provided with funding from the Crown for the specific purposes of the Retirement 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 (2010: nil).

2. REMUNERATION TO AUDITORS

	2011 Actual \$	2010 Actual \$
Audit of the financial statements	17,036	17,036
Total remuneration to Auditors	17,036	17,036

3. PERSONNEL COSTS

	Notes	2011 Actual \$	2010 Actual \$
Salaries and wages		923,066	859,469
Employer contributions to defined contribution plans		52,857	61,864
Increase/(decrease) in employee entitlements	10	4,909	22,607
Total personnel costs		980,832	943,940

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

	Notes	2011	2010
		Actual \$	Actual \$
4. CASH AND CASH EQUIVALENTS			
Cash on hand		45	45
Cash at bank		52,009	49,714
Call account		2,441,830	1,449,675
Total cash and cash equivalents		2,493,884	1,499,434

	Notes	2011	2010
		Actual \$	Actual \$
5. DEBTORS AND OTHER RECEIVABLES			
Trade debtors		6,900	25,600
Related party receivable		–	24,868
Accrued interest		665	777
GST receivable		155,013	117,680
Total debtors and other receivables		162,578	168,925

The carrying value of receivables approximates their fair value.

A breakdown of aged trade debtors is detailed below:

Not past due		4,600	23,676
Past due 1-30 days		2,300	1,924
Past due 31-60 days		–	–
Past due > 61 days		–	–
Total		6,900	25,600

6. PROPERTY, PLANT AND EQUIPMENT	Office equipment	Computer equipment	Furniture and fittings	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2009	39,938	126,727	117,700	70,227	354,592
Additions	5,684	15,872	–	–	21,556
Sales/transfers	(15,958)	(10,143)	(8,490)	–	(34,591)
Balance at 30 June 2010	29,664	132,456	109,210	70,227	341,557
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
Accumulated depreciation and impairment					
Balance at 1 July 2009	35,405	99,245	89,308	40,762	264,720
Depreciation expense	2,572	24,383	5,836	10,481	43,272
Sales/transfers	(15,391)	(10,140)	(8,342)	–	(33,873)
Balance at 30 June 2010	22,586	113,488	86,802	51,243	274,119
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
Net carrying amounts					
At 1 July 2009	4,533	27,482	28,392	29,465	89,872
At 30 June 2010 & 1 July 2010	7,078	18,968	22,408	18,984	67,438
At 30 June 2011	5,846	3,850	19,953	63,277	92,926

	Software \$	Website \$	Total \$
7. INTANGIBLE ASSETS			
<i>Gross carrying amount</i>			
Balance at 1 July 2009	44,351	1,319,807	1,364,158
Additions	7,297	374,974	382,271
Sales/transfers	(6,217)	–	(6,217)
Balance at 30 June 2010	45,431	1,694,781	1,740,212
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
<i>Accumulated amortisation</i>			
Balance at 1 July 2009	31,770	982,364	1,014,134
Amortisation expense	12,039	382,600	394,639
Sales/transfers	(6,217)	–	(6,217)
Balance at 30 June 2010	37,592	1,364,964	1,402,556
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
<i>Net carrying amount</i>			
At 1 July 2009	12,581	337,443	350,024
At 30 June 2010 & 1 July 2010	7,839	329,817	337,656
At 30 June 2011	1,433	390,144	391,577

Website includes \$249,744 of Work in Progress. This is expenditure that has been incurred on the new website but will not be amortised until the website is complete and fully functional.

8. RETIREMENT VILLAGES

Only direct costs are disclosed as expenditure for Retirement Villages. The Retirement Commission have calculated that approximately \$40,000 (2010: \$55,000) worth of overheads can also be attributed to Retirement Villages during the year. The total amount of expenditure on Retirement Villages is therefore approximately \$215,000 (2010: \$196,000).

	2011 Actual \$	2010 Actual \$
9. CREDITORS AND OTHER PAYABLES		
Trade creditors	888,307	646,051
Accruals	53,753	27,237
Total creditors and other payables	942,060	673,288

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 Retirement Commission has a financial risk management policy in place to ensure that all payables are paid within the credit timeframe.

	2011 Actual \$	2010 Actual \$
10. EMPLOYEE ENTITLEMENTS		
Accrued salaries and wages	14,581	10,893
Annual leave	66,058	64,837
Total employee entitlements	80,639	75,730

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:

	2011 Actual \$	2010 Actual \$
<i>Loans and receivables</i>		
Cash and cash equivalents	2,493,884	1,499,434
Debtors and other receivables	162,578	168,925
Total loans and receivables	2,656,462	1,668,359
<i>Financial liabilities</i>		
Creditors and other payables	942,060	673,288
Total financial liabilities	942,060	673,288

Financial risk management objectives

The Retirement Commission does not enter into or trade financial instruments for speculative purposes. The Retirement 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 Retirement Commission is exposed to fair value and cash flow interest rate risk as it has cash on call at floating interest rates. The Retirement 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 Retirement 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

11. FINANCIAL INSTRUMENTS cont.

The following table details the Retirement Commission's exposure to interest rate risk as at 30 June 2010.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents				
– Cash at bank – cheque	1.00	29,389	–	29,389
– Cash at bank – cash management	0.25	20,325	–	20,325
– Call account	2.75	1,449,675	–	1,449,675
– Cash on hand	–	–	45	45
Debtors and other receivables	–	–	168,925	168,925
Total financial assets		1,499,389	168,970	1,668,359
Financial liabilities				
Creditors and other payables	–	–	673,288	673,288
Total financial liabilities		–	673,288	673,288

The Retirement Commission is party to letters of credit with Westpac Bank of \$39,000 (2010: \$39,000)

Sensitivity analysis

As at 30 June 2011, if the interest rates earned on cash and cash equivalents had been 5% higher or lower, with all other variables held constant the surplus/deficit for the year would have been \$105,000 higher / \$70,000 lower (2010: \$80,000 higher / \$50,000 lower). The sensitivity is higher in 2011 than in 2010 due to higher levels of cash and cash equivalents held throughout the year.

Credit risk management

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

Financial instruments which potentially subject the entity to credit risk principally consist of bank balances. The Retirement Commission very rarely extends credit and places its cash with Westpac. Westpac is part of the Crown Retail Deposit Guarantee Scheme and all deposits up to \$1 million held with Westpac are guaranteed by the Crown.

Maximum exposures to credit risk at reporting date are:

	2011 Actual \$	2010 Actual \$
Cash and cash equivalents	2,493,884	1,499,434

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 amount of assets and financial liabilities recorded in the financial statements approximates their fair values.

Liquidity risk

Liquidity risk is the risk that the Retirement 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 Retirement Commission aims to maintain flexibility in funding by keeping committed credit lines available.

All of the Retirement Commission's commitments owing at balance date, comprising trade and other payables, have a contractual maturity of less than 6 months (2010: maturity also less than six months). The Retirement 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 Retirement Commission is not subject to currency risk as it does not participate in any such financial instruments.

12. CAPITAL MANAGEMENT

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

The Retirement 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 Retirement Commission manages its equity as a by-product of prudently managing income, expenses, assets, liabilities, investments, and general financial dealings to ensure the Retirement Commission effectively achieves its objectives and purpose, whilst 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:

	2011 Actual \$	2010 Actual \$
Net surplus/(deficit) for the year	795,423	252,455
Non cash items:		
Depreciation	38,041	43,272
Amortisation	265,991	394,639
Net loss on disposal of Assets	–	496
	304,032	438,407
Movements in net assets and liabilities		
(Increase)/decrease in accrued interest	112	(664)
(Increase)/decrease in prepayments	(1,592)	207,477
(Increase)/decrease in trade debtors	18,700	56,150
(Increase)/decrease in related party receivables	24,868	(24,868)
(Increase)/decrease in GST refund due	(37,333)	68,849
Increase/(decrease) in trade creditors	268,772	(671,070)
Increase/(decrease) in unearned income	–	(165,000)
Increase/(decrease) in employee entitlements	4,909	22,607
	278,436	(506,519)
Net cash inflow from operating activities	1,377,891	184,343

14. EMPLOYEE REMUNERATION

Remuneration and other benefits of \$100,000 per annum or more received by employees in their capacity as employees were:

	2011	2010
\$130,000 – \$139,999	0	1
\$140,000 – \$149,999	1	0
\$150,000 – \$159,999	0	1
\$160,000 – \$169,999	0	0
\$170,000 – \$179,999	0	1
\$180,000 – \$189,999	1	0

15. RELATED PARTY TRANSACTIONS

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

The Retirement 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.

Where those parties are acting in the course of their normal dealings with the Retirement Commission, and the transaction are at arms length, related party disclosures have not been made for transactions of this nature.

During the period, the Retirement Commission received \$5,782,000 of funding from the Crown (2010: \$5,682,000). There were no amounts outstanding as at 30 June 2011 (2010: \$Nil).

There were no other related party transactions in for the year ended 30 June 2011 (2010: \$15,418). There were no amounts outstanding as at 30 June 2011 (2010: \$Nil).

16. COMMITMENTS

(i) Capital commitments

There are no capital commitments at reporting date (2010: \$Nil).

(ii) Operating lease commitments

Commitments existed for non-cancellable operating leases as follows:

	2011 Actual \$	2010 Actual \$
Less than one year	53,851	81,548
Between one and two years	8,228	50,815
Between two and five years	8,602	5,192
Later than five years	–	–
Total operating lease commitments	70,681	137,555

The Retirement Commission commenced a lease for its premises on 1 July 2005. The lease has a term of six years and seven months and will expire on 31 January 2012. The lease expense is \$73,760 per annum (GST exclusive), and the final rental review was undertaken in February 2010.

Operating lease commitments also include a photocopier lease of \$7,788 per annum (GST exclusive) which expires on 5 February 2013 and a telephone lease of \$3,036 per annum (GST inclusive) which expires 28 April 2016.

The Retirement 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 (2010: \$Nil)

18. SUBSEQUENT EVENTS

There are no events subsequent to reporting date, that the Retirement Commissioner is aware of, that would have a material impact on the financial statements for the period ended 30 June 2011 (2010: Nil).

19. MAJOR BUDGET VARIANCES

Expenditure

Personnel costs

Personnel costs were under spent by \$63,000 due to the two senior positions of Executive Director and Marketing and Communications Manager being vacant for several months each. A restructure of the organisation in February 2011 saw a reduction in the number of salaries over \$100,000 from three to two (see note 14 employee remuneration).

Amortisation

Amortisation is under budget by \$117,000. This is due to the re-launch of the Sorted.org.nz website being delayed from May 2011 (as was expected at the time that the budget was developed) to early 2012. No amortisation will be recorded on the website until the time of the re-launch.

Advice and research

The seven month period between the previous Executive Director leaving (October 2010) and the Research Manager commencing (May 2011) is the primary reason that Advice & Research is under spent. Support for legislative submissions and scheduled research projects cost less than expected across the year.

Marketing and education

At the time that the budget was developed we expected to re-launch Sorted.org.nz before May 2011. The decision was made in October 2010 to re-scope the project and delay the launch until early 2012. This decision also impacted associated communications activity. Less was spent enhancing the current version of sorted.org.nz due to the nature of the re-scoping.

Schools and tertiary (including the budget for Māori strategy).

One major initiative, the evaluation of the Ngāi Tahu financial education pilot, has been delayed due to the Christchurch earthquake. Work with Industry Training organisations has also taken a lot longer to implement than originally forecast. Each initiative has been pushed into the 2011/12 financial year.

Liabilities

Creditors and other payables

Creditors and other payables are \$476,000 higher than budget. This is due to the total actual expenditure for the month of June 2011 less non cash and regular expenses paid during the month (salaries, rent, depreciation and amortisation) being higher than budgeted in the Statement of Intent. This has resulted in a larger than budgeted trade creditors' balance at 30 June 2011.



Independent Auditor's Report

TO THE READERS OF THE RETIREMENT COMMISSION'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

The Auditor General is the auditor of Retirement Commission (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 35 to 55, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Commission on pages 21 to 34.

Opinion

In our opinion:

- the financial statements of the Commission on pages 35 to 55:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Commission's:
- financial position as at 30 June 2011; and
- financial performance and cash flows for the year ended on that date.
- the statement of service performance of the Commission on pages 21 to 34:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects, for each class of outputs for the year ended 30 June 2011, 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 31 October 2011. 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 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 Commission's preparation of the 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 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 Commissioner

The 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 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 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.

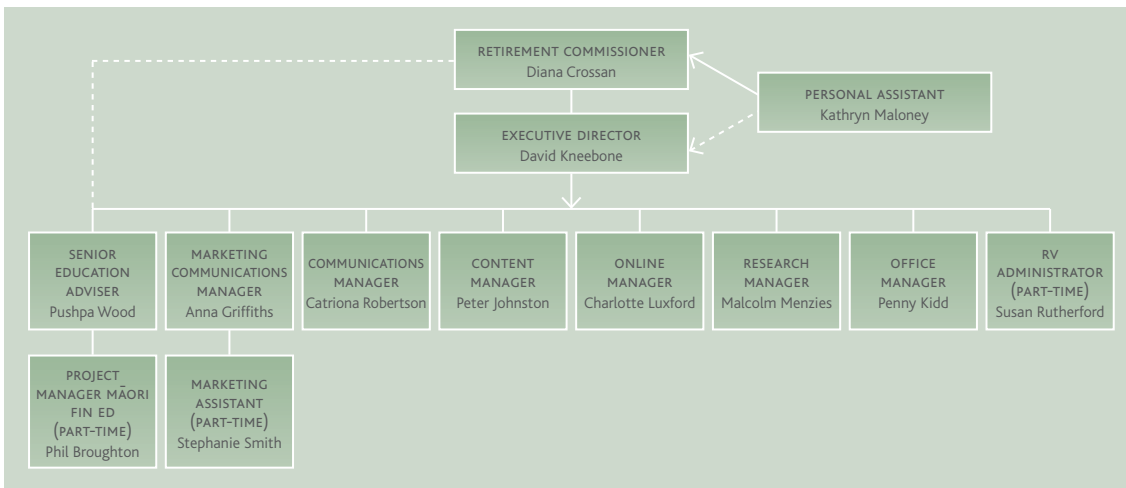


Ajay Sharma
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

Appendix A

OUR TEAM

The Commission is based in a small office in Wellington with nine staff and the Retirement Commissioner. We ensure an efficient and effective operation that delivers value for money by maintaining a small core staff and contracting out various specialist functions. By doing this the Commission can remain adaptive and responsive to achieving its outcomes.





Appendix B

GOOD EMPLOYER PRACTICES AND EQUAL OPPORTUNITIES

The Retirement Commission is committed to being a good employer and to providing equal opportunities to all individuals and groups.

The following are the EEO and good employer principles to which the Retirement 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 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

- Pro-active approach to employee health, safety and well-being.
- 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 2010/11 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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