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2013 Annual Report

Commission for
Financial Literacy
and Retirement Income


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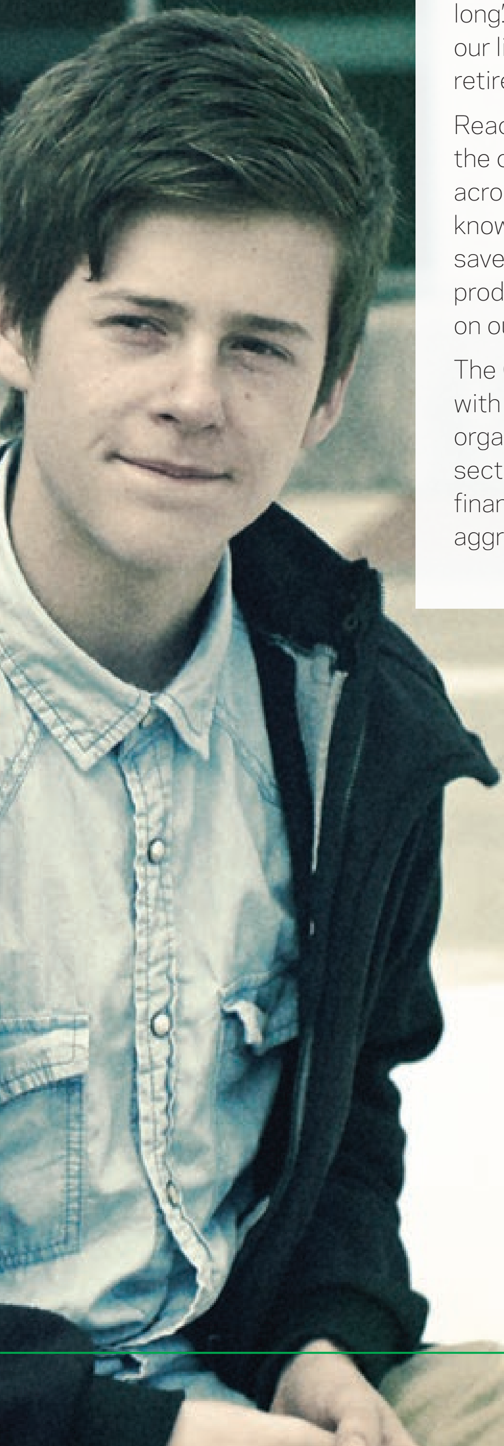
Contents

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

The role of Retirement Commissioner is an important one for New Zealand, as we look towards a period of unprecedented demographic change and a challenging fiscal environment.



Our vision

Financially sorted Kiwis

Our mission

To improve New Zealanders' financial wellbeing throughout their lives

Our goal at the Commission remains to engage the broader New Zealand population in a conversation around financial literacy and retirement planning. For many, retirement planning needs to start early, and saving needs to be 'little and long'. That means taking action at a time in our lives when the 'care factor' is low and retirement seems a long way off.

Reaching retirement in good shape is the culmination of many small decisions across a lifetime. Management of debt, knowing when to spend and when to save, and the ability to navigate financial products and decisions collectively impact on our long-term financial wellbeing.

The Commission continues to work with communities, non-government organisations, government and the private sector to build capability and improve financial wellbeing at an individual and aggregate level.

Acknowledging Diana Crossan

I'd like to acknowledge the previous Commissioner, Diana Crossan, and her remarkable achievements over the past 10 years. Diana was direct, convincing, energising and grounded. She was both passionate and pragmatic, bringing retirement issues to the fore and making them relevant to younger people.

Diana made the connection between financial literacy and reaching retirement in a financially healthy state. This may seem an obvious link now, but much of our thinking today comes from the work that was accomplished during her tenure.

She was also a staunch promoter of the first Money Week and was able, with limited resources, to realise her goal of a week dedicated to financial literacy in New Zealand.

The first Money Week

The Commission launched New Zealand's first-ever Money Week, a series of financial education events, from 2–7 September 2012. This nationwide programme encouraged Kiwis to take tangible steps to manage their money and take advantage of the tools and resources available to them.

Whether it was sausage sizzles or seminars, more than 100 events were held from Kaitaia to Bluff. The week was well-received, and a benchmark was set for the future. Preparations began this year for Money Week 2013, leveraging on what was learned and further innovating to develop this promising platform for financial literacy.

Studying retirement prospects for women

We know that on average women reach retirement with less savings than men. Women earn less than men on average – partly due to career choices, but also because they are more likely to work part time and take career breaks to raise children.

Career breaks and part-time work inevitably affect KiwiSaver balances. In addition, research suggests an ongoing gender gap in financial knowledge, with women scoring lower than men on some financial fundamentals.

This year the Commission produced and published six research papers on the different factors that influence women's retirement income prospects. Topics covered were: the factors that were likely to impact on women's wellbeing in retirement, the key issues (a literature review), a comparative analysis of four women's stories, whether New Zealand superannuation schemes are gender neutral, whether separated women are more disadvantaged than men, and the impact of cultural factors on women's retirement income.

These studies became important supporting material for the Commission's upcoming three-yearly Review of Retirement Income Policies.

Preparing the 2013 Review

The Review of Retirement Income Policies is a cornerstone of our work here at the Commission, and this year was dedicated to preparing all the building blocks for the 2013 Review. Terms of reference were agreed with the Minister of Commerce in October 2012. An advisory group and reference groups of officials and members of the finance sector and non-government organisations met throughout the year.

Eight position papers relating to key objectives of the Review were produced and published. These explain the main policy levers and set out our views for the public.

The Review process then launched in February, with an April workshop attracting 82 attendees, followed by a consultation process that ran through May. In addition, youth focus group discussions were held with assistance from the Children's Commissioner and the New Zealand Union of Students' Associations.

At closing, 40 full submissions and 45 short-form responses were received, with the final Review report due before the end of 2013.

WE KNOW THAT ON AVERAGE WOMEN REACH RETIREMENT WITH LESS SAVINGS THAN MEN.

THE REVIEW OF RETIREMENT INCOME POLICIES IS A CORNERSTONE OF OUR WORK HERE AT THE COMMISSION.

THIS YEAR WE LAUNCHED THE SECOND AND THIRD PHASES OF OUR SORTED MARKETING PROGRAMME.

Thinking, Shrinking, Growing

After getting Kiwis 'thinking' about their money – planning and getting ready for the unexpected – this year we launched the second and third phases of our Sorted marketing programme. 'Shrink' focused on reducing debt levels; 'Grow' was all about short- and long-term saving.

Our ongoing Sorted advertising linked to specific life events, such as buying a first home, having a baby or being made redundant, also continued. As a result, the public's awareness of Sorted and its contribution to the national conversation about money rose to 30%, up from 16% in March 2012.

The Sorted website continues to be commended for its elegance, simplicity and design, including at this year's annual Writemark Plain English Awards.

Promoting quality financial education and professional development for teachers

Children can learn money skills at an early age, and financial literacy needs to be embedded where possible into the school curriculum. This year the Commission worked with the Ministry of Education to promote the new Building Conceptual Understandings of the Social Sciences resource, *Taking part in economic communities*, which was released and promoted to schools.

Recognising that teachers themselves can use support in the area of financial literacy, the Commission also worked with the Ministry of Education to respond to the need for professional development for teachers. A pilot programme for teacher professional development was scoped. A one-day workshop for teachers was held in June, just prior to this year's Financial Literacy Summit.

CHILDREN CAN LEARN MONEY SKILLS AT AN EARLY AGE, AND FINANCIAL LITERACY NEEDS TO BE EMBEDDED WHERE POSSIBLE INTO THE SCHOOL CURRICULUM.

Educating investors

With heightened interest in the sharemarket and the growth of KiwiSaver, there is greater awareness of the need to educate investors. To this end, the Commission collaborated with eight representatives from the finance sector and the Financial Markets Authority to develop a common framework, with key principles and questions that organisations can use in their regular communications to investors.

On the Sorted website, we launched a new investment planning tool in March to help investors determine the type of investor they are, a corresponding asset allocation and a range of expectations for the future. Tools like the Investment planner inform potential investors and aid their subsequent conversations with financial advisers.

A workshop on investor education in June – also just before this year's Financial Literacy Summit – was attended by the private and public sectors and academia. Consensus was reached on topics such as the cultural challenges in completing due diligence and the existing confusion around where to go for good advice.

Financial developments with Māori

Although the 2013 Knowledge and Behaviour Survey shows an increase in financial literacy for Māori and Pacific people, they are still at levels below other ethnic groups in New Zealand. This, combined with the role of predatory lenders in Māori and Pacific communities, creates barriers to long-term financial wellbeing. The Commission is working closely with both communities, delivering tailored programmes and collaborating on existing initiatives.

This year a memorandum of understanding was signed with Te Whanau a Taupara Trust. Also, relationships with Ngati Kahungunu in Hawke's Bay, Te Tau Ihu (eight iwi at the top of the South Island) and Māori student associations around the country have continued to progress and produce important results for Māori.

Financial Literacy Summit

Our biennial Financial Literacy Summit was held in Auckland in June 2013. The event reached capacity, with 285 attending and others on a waitlist. (This was up from 219 at the last Summit.) Eighteen speakers participated, and delegates included corporates, non-government organisations, government and other organisations that look to increase Kiwis' financial capability.

A full day of related workshops was held the day prior to the Summit, covering topics such as research and evaluation, schools, investor education and Māori financial literacy.

Financial Knowledge and Behaviour Survey

Launched at the Summit this year were the results of the 2013 Financial Knowledge and Behaviour Survey – research that is invaluable in our work to further Kiwis' financial wellbeing. The survey was sponsored by ANZ and executed by Colmar Brunton.

For the first time, questions were aligned with a similar Organisation for Economic Co-operation and Development survey to allow for an international comparison. What emerged was that Kiwis ranked well relative to those other countries surveyed. We know, however, that financial knowledge does not always translate into good decisions, and it is this gap that we need to close.

For the first time, analysis of the survey's results was able to pinpoint four knowledge factors that are predictors of a wide range of positive financial behaviours: numeracy; understanding of budgeting, saving and planning; understanding how to minimise costs and interest on debts; and understanding home loans. Targeting these factors will be important for future financial literacy initiatives.

A new structure for the Commission

This year saw a new organisational structure implemented at the Commission. The new structure was cost-neutral because, while increasing staff numbers, it reduced our reliance on contractors and external suppliers. The new organisation includes two group managers – one for marketing and education, another for research and corporate services. Other roles were also added: a corporate services manager, a Māori and Pacific senior adviser, a schools financial education adviser, a senior media adviser and a web publisher.

DMMaxwell.

Diane Maxwell
Retirement Commissioner

WE KNOW THAT FINANCIAL KNOWLEDGE DOES NOT ALWAYS TRANSLATE INTO GOOD DECISIONS, AND IT IS THIS GAP WE NEED TO CLOSE.

Statement of responsibility

I acknowledge responsibility for:

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

In my opinion these financial statements and statement of service performance fairly reflect the financial reporting position and operations of the Commission for Financial Literacy and Retirement Income for the year ended 30 June 2013.

Diane Maxwell
Retirement Commissioner
24 October 2013

Statement of service performance

Statement of service performance

This section reports on the actual performance of the Commission for Financial Literacy and Retirement Income against the Forecast Statement of Service Performance contained in the Commission's 2012–15 *Statement of Intent*.

The Commission provides services under the following output classes:

- Financial literacy
- Retirement income research and monitoring
- Retirement villages

Funding from the Crown for the 2012–13 year was budgeted to be $5,782,000 (GST exclusive).

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

Allocation of revenue	**Actual**	**Budgeted (SOI)**
Financial literacy: ▪ Public education and information programme ▪ Workplace education	$4,546,278	$4,456,977
Retirement villages	$218,055	$218,136
Retirement income research and monitoring	$1,468,336	$1,467,108
Total	**$6,232,669**	**$6,142,221**

Allocation of expenditure	**Actual**	**Budgeted (SOI)**
Financial literacy: ▪ Public education and information programme ▪ Workplace education	$5,825,555	$5,603,561
Retirement villages (includes $128,145 of overhead costs)	$228,030	$215,000
Retirement income research and monitoring	$1,083,864	$715,348
Total	**$7,137,449**	**$6,533,909**

Outcome: Increasing numbers of New Zealanders are financially literate throughout their lives

The following impacts contribute to this outcome.

Impacts

AN ESTIMATED 80-100 EDUCATORS ARE THOUGHT TO BE USING THE NEW FRAMEWORK.

Impact	Impact measures	Actual performance
Increasing New Zealanders' participation in quality financial education	Number of educators using the Commission's Financial Literacy Competency Framework for Adults Participation rates in professional development programmes for teachers/ tutors (e.g. Massey Centre for Personal Financial Education programme) Number of schools, tertiary institutions and ITOs offering financial education Number of people achieving personal financial education credits through NZQA	▪ An estimated 80-100 educators are thought to be using the new framework, based on them having been exposed to it through the Massey Financial Education Centre courses. ▪ Between 160 and 180 teachers and tutors have participated in the personal financial management certificate courses being offered by the Massey Financial Education Centre and teacher professional learning and development offered by the Commission. ▪ From 5 to 8 ITOs and 85 to 100 tertiary organisations offer financial education. There are 230 secondary schools teaching financial education through unit standards. In addition, Young Enterprise Trust has been active in 173 primary schools and 213 secondary schools as of June 2013. ▪ NZQA awarded 6,841 students personal financial education credits in 2012.
Increasing number of New Zealanders access information that helps them make sound financial decisions.[1]	2013 Financial Knowledge and Behaviour Survey	▪ According to the 2013 survey, three-quarters of New Zealanders (76%) obtained some type of financial information or advice in the past 12 months. They accessed the following sources for financial advice and information: banks (47%); websites (22%); Sorted's website, booklets or seminars (21%); newspapers, magazines or leaflets (16%); financial advisers (15%); and television (11%). Over one-third (37%) of New Zealanders have at some time read a Sorted booklet, visited sorted.org.nz or attended a seminar that used Sorted materials, and 21% have done this in the last 12 months.
Increasing number of New Zealanders are motivated to change their behaviour to become financially literate.[2]	2013 Financial Knowledge and Behaviour Survey 2013 Sorted User Survey	▪ The 2013 Financial Knowledge and Behaviour Survey showed improvements in New Zealanders' attitudes toward financial matters and retirement. Almost all (95%) understand that it is important to shop around for financial products and services. There is a high degree of agreement that people are responsible for their own financial future (91% agree), and most (88%) understand that they will need to save for their retirement. More than half of New Zealanders say they think about financial planning for their retirement either 'a lot' or 'a fair amount.' ▪ In the 2013 Sorted User Survey, 46% of respondents said they planned on using Sorted information to make a financial decision; 38% said they possibly would.[3]

37%

OVER ONE-THIRD OF NEW ZEALANDERS HAVE AT SOME TIME READ A SORTED BOOKLET, VISITED SORTED.ORG.NZ OR ATTENDED A SEMINAR THAT USED SORTED MATERIALS.

1 The Sorted Marketing Monitor has not been used to report impact performance, as it did not provide information relevant to the impact being measured.
2 The Sorted Marketing Monitor has not been used to report impact performance, as it did not provide information relevant to the impact being measured.
3 On a three-point scale: 'Yes, definitely', 'Maybe' and 'No, I don't think so'

The following outputs also contribute to this outcome.

Outputs – Financial literacy

- Leadership and coordination of the National Strategy for Financial Literacy
- Collaboration with a network of national and international financial literacy stakeholders

Key deliverables	Performance measures	Actual performance
Hosting and coordinating a biennial national financial literacy summit with key stakeholders	At least 60% of participants satisfied or more than satisfied with the summit Summit held by 30 June 2013	Achieved ▪ The 2013 Financial Literacy Summit was held in Auckland on 14 June. There were 285 attendees (up from 219 two years prior), with 18 speakers participating. ▪ Ninety-three of the 285 attendees participated in a post-Summit survey. Practically all (96%) survey respondents were either satisfied (30%) or very satisfied (66%) with the Summit overall.[4]
Coordinating an annual national Money Week with key stakeholders	Inaugural national Money Week held between 2 and 8 September 2012 Benchmark evaluation developed by 30 June 2013	Achieved ▪ The Commission coordinated and managed New Zealand's inaugural Money Week, 2–8 September 2012, a week-long series of financial education activities and events undertaken by many different organisations across the public and private sectors and NGOs. More than 100 public events and activities took place nationwide. ▪ A stakeholder survey and benchmark evaluation was completed by December 2012 and indicated: – 15% awareness of Money Week – 13,000 participants – 100 organisations taking part – 50 workplaces taking part – 81 events ▪ Targets for Money Week 2013 were agreed to. Key measures this year include increasing in the number of public events to 120 and the number of new employers promoting financial education to 80.
Hosting and coordinating financial literacy Community of Practice meetings	Four meetings held by 30 June 2013 Participant evaluation developed by 30 June 2013	Achieved ▪ Quarterly financial literacy Community of Practice videoconference forums, extending to Auckland, Wellington and Christchurch, were held in September and December 2012, and February 2013. ▪ The June Community of Practice meeting was replaced by the 2013 Financial Literacy Summit, as all regular Community of Practice attendees were in attendance. ▪ A discussion among participants at the last Community of Practice meetings showed: – Appreciation of the videoconference format – Encouragement for an occasional Auckland host of the meetings – Requests for more participation from speakers outside the Commission ▪ A more thorough discussion with some participants will occur in the first two quarters of 2013–14.

PRACTICALLY ALL (96%) SURVEY RESPONDENTS WERE EITHER SATISFIED (30%) OR VERY SATISFIED (66%) WITH THE SUMMIT OVERALL.

4 On a five-point scale: 'Very satisfied', 'Somewhat satisfied', 'Neither satisfied or dissatisfied', 'Somewhat dissatisfied', or 'Very dissatisfied'

Key deliverables	Performance measures	Actual performance
Continued development and implementation of the Commission's Māori Strategy for Financial Literacy	Commitment by two more iwi to include financial literacy in their planning	**Achieved** Two iwi committed during the 2012–13 financial year to include financial literacy in their planning. These were: ▪ Ngati Koata (Nelson) ▪ Ngati Awa (Whakatane)
Improvement and redevelopment of the Commission's corporate and financialliteracy.org.nz websites	Redeveloped and launched by 30 June 2013 The redevelopment is expected to increase activity and user satisfaction. This will be assessed in 2012–13 and a benchmark will be developed in 2013–14.	**Achieved** ▪ The Commission's corporate website, cflri.org.nz (encompassing financialliteracy.org.nz) was revised and re-launched in October 2012. ▪ User satisfaction was measured in June and July 2013. The number of visitors to the website who were very satisfied or quite satisfied with the website overall was 72%.[5] ▪ Benchmark measures will be developed using results from the user satisfaction survey.
Six-monthly updates on the National Strategy Action Plan	Complete by August 2012 and February 2013	**Achieved** ▪ Six-monthly National Strategy for Financial Literacy reports and Action Plan updates were sent to the Minister of Finance and copied to the Minister of Commerce in September and March.
Action plan measures developed to track the impact of the National Strategy on New Zealanders' financial knowledge and literacy	Developed by 30 June 2013	**Not achieved** ▪ Measures will be developed by 31 January 2014 following the Commission's review of the National Strategy for Financial Literacy, which has commenced.

TWO IWI COMMITTED DURING THE 2012–13 FINANCIAL YEAR TO INCLUDE FINANCIAL LITERACY IN THEIR PLANNING.

5 On a four-point scale: 'Very satisfied', 'Quite satisfied', 'Quite dissatisfied' or 'Very dissatisfied'

Output – Financial literacy

- Free, independent and impartial financial information and resources. Sorted is the most well-known component of this output.

Key deliverables	Performance measures	Actual performance
Sorted marketing and communications activity aimed at 18 to 55 year olds. The two key work streams are: 1. Think, Shrink and Grow a. Think about a plan for your money. b. Shrink your debt. c. Grow your savings and invest for the long term. 2. Life Events, e.g. having a baby, starting a new job, buying your first house	Marketing Monitor results for 2012–13 show an improvement on the May 2011–12 results User satisfaction with Sorted resources measured by 30 June 2013 Sorted's participation in New Zealand's inaugural Money Week in September 2012 Updates to Sorted resources are timely, e.g. coincide with legislative changes taking effect	Achieved ▪ A sample of 500 people in Sorted's target audience (18–55 year olds) was surveyed for our second Marketing Monitor, which was completed during the third quarter. Top-line results included: – Awareness of Sorted as contributing to the conversation about money is 30%, up from the 16% benchmark in March 2012 (in contrast to banks at 21% in the same measure). – Total recall of Think television advertising in July 2012 was 53%; total recall of Shrink television advertising in December 2012 was 68%. – As a result of Sorted communications, approximately 50% of the total sample said they had taken some sort of action. Thirty-four per cent had taken actual steps to manage their money better. These steps included creating a budget, controlling unnecessary spending, managing debt and taking steps to save or invest money. ▪ User satisfaction was measured in July 2013. – Most visitors to the Sorted website (89%) were very satisfied or quite satisfied with the website overall.[6] – Almost all users of Sorted booklets and seminar resources (95%) were very satisfied or quite satisfied.[7] ▪ Sorted participated in the first annual Money Week by launching a new seminar, promoting the week on its website and social media platforms, and by emailing Sorted subscribers. ▪ Sorted resources were updated to reflect KiwiSaver changes that went into effect on 1 April 2013. – Sorted resources, including the Retirement planner, were updated to reflect current life expectancy data from Statistics NZ. – New Sorted content that reflects changes to the way in which homes are insured by the insurance sector was published.
Development of a sustainable and coordinated financial education strategy to reach older Kiwis (55 plus)	Strategy measures developed by June 2013	Achieved ▪ The strategy was completed in December 2012. ▪ Strategy measures were developed.

30%

AWARENESS OF SORTED AS CONTRIBUTING TO THE CONVERSATION ABOUT MONEY IS 30%, UP FROM 16%.

AS A RESULT OF SORTED COMMUNICATIONS, APPROXIMATELY 50% SAID THEY HAD TAKEN SOME SORT OF ACTION.

6 On a four-point scale: 'Very satisfied', 'Quite satisfied', 'Quite dissatisfied' or 'Very dissatisfied'
7 On a four-point scale: 'Very satisfied', 'Quite satisfied', 'Quite dissatisfied' or 'Very dissatisfied'

Key deliverables	Performance measures	Actual performance
Investor education programme with the Financial Markets Authority and key finance sector stakeholders	Multi-year strategy agreed by December 2012	Achieved in part ▪ A series of four investor education meetings with eight representatives from the finance sector and FMA began in August 2012. ▪ An investor education framework and action plan was released in December 2012 for consultation and completed in March 2013. The Commission is continuing to liaise with the FMA on investor education and has agreed to talk further on receipt of the FMA strategic paper on investor literacy.
Working with the finance sector and other government agencies to improve product disclosure and provide clear comparable information on KiwiSaver	Commission to work closely with other agencies to coordinate Government efforts on improving product disclosure	Achieved ▪ The Commission made a submission on this topic to the Ministry of Business, Innovation and Employment (MBIE) on 5 November 2012. ▪ A project brief for a new KiwiSaver interactive tool was developed, and work began on this project.
Supporting the development of quality financial education resources in schools and professional development for teachers	New quality resources promoted to schools by December 2012	Achieved ▪ The Social Science resource *Taking part in economic communities* was promoted and released to schools in December 2012. It is available as both a hard copy and digital resource. The Commission supported the promotion of the resource through a number of print channels, including *NZ Principal* magazine and *Starters and Strategies* (a classroom resource). ▪ A professional learning and development pilot for teachers was completed at the end of February 2013. The first of the recommendations (a one-day workshop for teachers) was implemented on 13 June, the day prior to the Financial Literacy Summit.

THE SOCIAL SCIENCE RESOURCE *TAKING PART IN ECONOMIC COMMUNITIES* WAS PROMOTED AND RELEASED TO SCHOOLS.

Output – Financial literacy

- Research, evaluation and frameworks to inform good practice in financial education

Key deliverables	Performance measures	Actual performance
Financial Knowledge and Behaviour Survey	Completed by 30 June 2013	Achieved ▪ The Financial Knowledge and Behaviour Survey results were launched at the 2013 Financial Literacy Summit on 14 June. The report has been posted on the Commission's website, along with raw survey data for stakeholders to access and analyse.
New Zealand Financial Behaviour Index	Benchmark index updated in November 2012 and May 2013	Achieved ▪ A third wave of the Financial Behaviour Index was updated in November 2012. ▪ A fourth wave was held in May 2013. The report is on the Commission's website.
Modelling the Economic Impact of Financial Education	Developed by December 2012, this work will be peer reviewed by six diverse reviewers.	Achieved ▪ The work was formally peer reviewed by two people and informally peer reviewed by a consultative group of representatives from MBIE, the Reserve Bank, the FMA and Massey University. ▪ This project's logic framework was used to inform a literature review to underpin a wider review of financial literacy.

Outcome: Increasing numbers of New Zealanders are financially equipped for retirement

The following impacts contribute to this outcome.

Impacts

Impact	Impact measures	Actual performance
Government takes the Commission's recommendations into consideration in the development of New Zealand's retirement income policy.	Ministers are satisfied or better with the quality of the Retirement Commissioner's advice and recommendations.	▪ The Minister notes the views of the Commission as well as other prudent matters in the development of retirement policy.
New Zealanders have greater awareness and appreciation of issues surrounding New Zealand's retirement income policy.	Percentage of key stakeholders who consider the quality of the Commission's work, in achieving its strategic goals, is good or better than good (determined through the annual key stakeholder/ peak body survey). The range and mix of New Zealanders involved in the Commission's consultation processes	▪ In Touchstone Strategy's Stakeholder Study 2013, 91% of participants rated the Commission's overall performance as 'good' or better. The same amount (91%) rated the Commission's work towards a financially educated population as 'good' or better. There were 84% who rated the Commission's work in contributing to a stable, effective government retirement income policy as 'good' or better.[8] ▪ During the 2013 Review of Retirement Income Policies process, 20 expert authors were commissioned for background papers (2010: 6). Three reference groups comprising 26 people met 4 times. The Commission and the Institute of Governance and Policy Studies jointly hosted a workshop attended by 80 stakeholders (similar to 2010). There were 38 substantial submissions to the Review received (2010: 25), as well as 45 short-form submissions (new for 2013) and six other short emailed submissions.

91%
OF PARTICIPANTS RATED THE COMMISSION'S OVERALL PERFORMANCE AS 'GOOD' OR BETTER.

8 On a five-point scale: 'Poor', 'Fair', 'Good', 'Very good' and 'Excellent'

The following outputs also contribute to this outcome.

Output – Retirement income research and monitoring

- Three-yearly review of retirement income policies

EIGHT POSITION PAPERS WERE PRODUCED BY DECEMBER 2012 RELATING TO THE KEY OBJECTIVES OF RETIREMENT INCOME POLICY.

Key deliverables	Performance measures	Actual performance
Follow through on the agreed terms of reference for the 2013 Review of Retirement Income Policies	Review complete by 31 December 2013 and within budget	Achieved ▪ The process for the 2013 Review of Retirement Income Policies was publicly launched at a seminar on 7 February 2013. A larger workshop was held on 3 April 2013 and attracted 82 attendees. This launched the consultation process for the 2013 Review of Retirement Income Policies. ▪ The Review report is on track for release before 31 December 2013.
Research programme relating to issues of importance for the 2013 Review	Eight position papers produced, each one relating to a key objective of Retirement Income Policy by December 2012: voluntary saving, income support, citizenship dividend, wellbeing, lifetime consumption smoothing, cohort self-funding, risk pooling, fiscal restraint and investment Priorities for research identified, based on the Review of Retirement Income Policies Terms of Reference, and a programme of research implemented by 1 October 2012 and completed in time to for input into the 2013 Review	Achieved ▪ Eight position papers were produced by December 2012 relating to the key objectives of retirement income policy: voluntary saving, income support, citizenship dividend, wellbeing, lifetime consumption smoothing, cohort self-funding, risk pooling, fiscal restraint and investment. ▪ Background research papers were commissioned, peer reviewed and received between December 2012 and May 2013, in time for input into the Review. These were published on the Commission's website.

Output – Retirement income research and monitoring

- Research and analysis of retirement income policies

Key deliverables	Performance measures	Actual performance
Research programme	Peer-review feedback measures to ensure robust assessment to be developed by 1 October 2012	Achieved ▪ Peer-review feedback measures were developed during the first quarter. ▪ Peer review was incorporated in specifications for background papers for the 2013 Review of Retirement Income Policies.
Research on factors influencing women's future retirement income	Six papers produced on different factors influencing women's retirement income prospects by June 2013	Achieved ▪ Six papers were produced on different factors influencing women's retirement income prospects. All were subject to two peer reviews. ▪ Some of the content from these papers will be incorporated in the report of the 2013 Review of Retirement Income Policies.
Contributing to the KiwiSaver evaluation	Advice provided to Inland Revenue through attendance at bimonthly meetings. Feedback will be gained through meeting documents and Inland Revenue's involvement in the Commission's 2012–13 stakeholder survey.	Achieved ▪ Advice was given, including participation in a brainstorming session to prepare a business case for continued evaluation. ▪ A meeting held on 29 May 2013 was attended by the Research Manager.

SIX PAPERS WERE PRODUCED ON DIFFERENT FACTORS INFLUENCING WOMEN'S RETIREMENT INCOME PROSPECTS.

Outcome: More residents and intending residents in the retirement village sector are provided with an environment of security and protection of their rights within a well-functioning market

The Retirement Commissioner has advisory, monitoring, education and appointment of disputes panel functions under the Retirement Villages Act 2003. The education and general information responsibility is delegated to the Ministry of Business, Innovation and Employment (formerly the Department of Building and Housing). The advice responsibility is also delegated to the ministry, apart from specific advice to our monitoring and code of practice functions.

The following impacts contribute to this outcome.

Impacts

Impact	Impact measures	Actual performance
The effects of the Retirement Villages Act 2003 are independently monitored, and those in the sector understand their rights and responsibilities under the Act	The Minister is satisfied or better with the quality of the Retirement Commissioner's advice and recommendations provided on any draft codes of practice.	▪ The Minister is satisfied with the quality, timeliness and quantity of the Commission's input to the Minister and to MBIE for the 2012–13 year.
Residents and intending residents are able to access information about retirement villages so they understand their rights and make informed decisions.	The Minister is satisfied or better with the quality of the Retirement Commissioner's advice and recommendations provided on any draft codes of practice.	▪ The Minister is satisfied with the quality, timeliness and quantity of the Commission's input to the Minister and to MBIE for the 2012–13 year.

The following outputs also contribute to this outcome.

Output – Retirement villages

Key deliverables	Performance measures	Actual performance
Advisory Advice and comprehensive recommendations to the Minister for Building and Construction when requested or required by the Act relating to monitoring and code of practice functions	The Minister is satisfied or better with the completeness, clarity and timeliness of the Retirement Commissioner's advice or recommendations provided on any draft codes of practice.	**Achieved** ▪ The Minister is satisfied with the quality, timeliness and quantity of the Commission's input to the Minister and to MBIE for the 2012–13 year.
Monitoring Monitoring report which covers all aspects of the Retirement Villages Act 2003	Monitoring report that adds value completed by 30 June 2013	**Achieved in part** ▪ Code of Practice work replaced the monitoring project in 2012. ▪ The outgoing Retirement Commissioner made a recommendation to the Minister for Building and Construction in December 2012 for a review of the Retirement Villages Act to replace the monitoring report for 2012–13. The incoming Commissioner commenced her term on 1 July 2013 and has met with MBIE to discuss the legislation and ongoing requirements.
Education	The targets within MBIE's Information and Education Plan are met	**Achieved in part** ▪ CFLRI commissions MBIE to complete an information and education plan annually. ▪ The Commissioner requested an end-of-year (2012–13) report from MBIE. This report had not been received at the time this annual report was prepared.
Disputes panel	Approving appointments to disputes panels as vacancies arise	**No action required.**

Financial statements

Statement of comprehensive income
for the year ended 30 June 2013

2012 Actual $		Notes	2013 Actual $	2013 Budget $
	Revenue			
5,782,000	Revenue from Crown	1	5,782,000	5,782,000
–	Other government entity funding		30,280	–
78,481	Interest income		48,028	60,221
291,397	Other income		372,361	300,000
6,151,878	**Total revenue**		**6,232,669**	**6,142,221**
	Expenditure			
17,769	Remuneration to auditors	2	18,280	17,769
1,045,671	Personnel costs	3	1,097,797	1,139,014
17,335	Depreciation	6	16,477	15,788
179,756	Amortisation	7	609,014	634,080
83,257	Property expenses		73,093	100,000
8,747	Leasing		14,318	15,000
565,401	Other operating costs		632,174	422,258
191,697	Advice and research		350,783	500,000
–	Māori education		56,137	75,000
4,019,476	Marketing and education		3,874,294	3,000,000
140,446	Retirement villages	8	99,885	215,000
–	Review of Retirement Income Policies		207,454	150,000
122,453	Schools and tertiary		87,743	250,000
6,392,008	**Total expenditure**		**7,137,449**	**6,533,909**
(240,130)	**Surplus/(deficit) and total comprehensive income/(expenditure)**		**(904,780)**	**(391,688)**

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 2013

2012 Actual $		Notes	2013 Actual $	2013 Budget $
	Current assets			
1,376,051	Cash and cash equivalents	4	458,776	1,644,406
228,394	Debtors and other receivables	5	159,251	139,178
4,694	Prepayments		5,130	–
1,609,139	**Total current assets**		**623,157**	**1,783,584**
	Non-current assets			
82,670	Property, plant and equipment	6	90,350	79,355
1,204,156	Intangible assets	7	894,032	1,058,892
1,286,826	**Total non-current assets**		**984,382**	**1,138,247**
2,895,965	**Total assets**		**1,607,539**	**2,921,831**
	Current liabilities			
923,672	Creditors and other payables	9	551,943	691,483
81,001	Employee entitlements	10	79,084	66,058
10,000	Revenue in advance		–	–
1,014,673	**Total current liabilities**		**631,027**	**757,541**
1,881,292	**Net assets**		**976,512**	**2,164,290**
	Public equity			
200,000	Taxpayer funds		200,000	200,000
1,681,292	Accumulated surplus		776,512	1,964,290
1,881,292	**Total public equity**		**976,512**	**2,164,290**

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

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

Statement of changes in equity
for the year ended 30 June 2013

2012 Actual $		2013 Actual $	2013 Budget $
2,121,422	Public equity at start of the year	1,881,292	2,555,978
(240,130)	Total comprehensive income/(expenditure) for the year	(904,780)	(391,688)
1,881,292	Public equity at end of the year	976,512	2,164,290

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

Cash flows statement
for the year ended 30 June 2013

2012 Actual $		Notes	2013 Actual $	2013 Budget $
	Cash flows from operating activities			
	Cash was provided from:			
5,782,000	Receipts from Crown revenue		5,782,000	5,782,000
–	Other government department funding		30,280	–
75,464	Interest received		51,306	60,220
292,396	Other income		343,775	300,000
–	Net GST paid		31,328	33,970
6,149,860			6,238,689	6,176,190
	Cash was applied to:			
(6,055,466)	Payments to suppliers and employees		(6,832,917)	(5,887,605)
(52,340)	Net GST paid		–	–
(6,107,806)			(6,832,917)	(5,887,605)
42,054	Net cash flows from operating activities	13	(594,228)	288,585
	Cash flows from investing activities			
	Cash was provided from:			
88	Sale of property, plant and equipment		–	–
	Cash was applied to:			
(15,936)	Purchase of property, plant and equipment		(24,157)	(25,000)
(1,144,039)	Purchase of intangible assets		(298,890)	(650,000)
(1,159,975)			(323,047)	(675,000)
(1,159,887)	Net cash flows from investing activities		(323,047)	(675,000)
(1,117,833)	Net increase in cash held		(917,275)	(386,415)
2,493,884	Plus cash at the start of the year		1,376,051	2,030,821
1,376,051	Cash held at the end of the year		458,776	1,644,406
	Represented by:			
1,376,051	Cash and cash equivalents		458,776	1,644,406
1,376,051	Cash held at the end of the year		458,776	1,644,406

The GST (net) component of operating activities reflects the net GST paid to and received from 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.

Reporting entity

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

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

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

The financial statements for the Commission are for the year ended 30 June 2013 and were approved by the Retirement Commissioner on 24 October 2013.

Basis of preparation

Statement of compliance

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

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

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

Differential reporting

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

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

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

Measurement base

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

Functional and presentation currency

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

Standards and interpretations effective in the current period

The Commission has not adopted any revisions to accounting standards during the financial year.

Standards or interpretations not yet effective

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Commission, are as follows.

NZ IFRS 9

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9

THE PRINCIPAL ACTIVITIES OF THE COMMISSION ARE TO HELP NEW ZEALANDERS PREPARE FINANCIALLY FOR THEIR RETIREMENT AND REVIEW THE GOVERNMENT'S RETIREMENT INCOME POLICIES (EVERY THREE YEARS).

uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

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

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

THE COMMISSION EXPECTS TO TRANSITION TO THE NEW STANDARDS IN PREPARING ITS 30 JUNE 2015 FINANCIAL STATEMENTS.

Significant accounting policies

Revenue

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

Revenue from the Crown

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Commission meeting its objectives as specified in its *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 various private and public sector partners towards the Financial Literacy Summit 2013.

Other income has been received from a number of sources, but mainly from ANZ in support of the Financial Knowledge and Behaviour Survey and from the Christchurch Earthquake Appeal Trust for the *Financial Decision Guide* resources.

Operating leases

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

Cash and cash equivalents

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

Debtors and other receivables

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

Property, plant and equipment

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

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably.

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably.

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

Depreciation

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

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

Office equipment	1–13 years	7.8–80.4%
Furniture and fittings	1–15 years	7.8–100.0%
Computer equipment	1–3 years	40.0–100.0%
Leasehold improvements	14 years	7.0%

Intangible assets

Software acquisition

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

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

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

Website development

Costs that are directly associated with 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 Commission's website are recognised as an expense as incurred.

Amortisation

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

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

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

Impairment

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

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

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

Creditors and other payables

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

Employee entitlements

Short-term employee entitlements

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

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

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

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

Superannuation schemes

Defined contribution schemes

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

Good and services tax (GST)

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

The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

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

Cash flows statement

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

Following are definitions of the terms used in the cash flows statement:

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

Critical judgements in applying the Commission's accounting policies

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

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

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

THE ESTIMATES AND ASSOCIATED ASSUMPTIONS ARE BASED ON HISTORICAL EXPERIENCE AND VARIOUS OTHER FACTORS THAT ARE BELIEVED TO BE REASONABLE UNDER THE CIRCUMSTANCES.

1. Revenue from the Crown

The Commission has been provided with funding from the Crown for the specific purposes of the Commission as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to the government funding (2012: $Nil).

2. Remuneration to auditors

	2013 Actual $	2012 Actual $
Audit of the financial statements	18,280	17,769
Total remuneration to auditors	**18,280**	**17,769**

3. Personnel costs

	Notes	2013 Actual $	2012 Actual $
Salaries and wages		1,051,370	994,417
Employer contributions to defined contribution plans		48,344	50,892
Increase/(decrease) in employee entitlements	10	(1,917)	362
Total personnel costs		**1,097,797**	**1,045,671**

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

4. Cash and cash equivalents

	2013 Actual $	2012 Actual $
Cash on hand	45	45
Cash at bank	458,731	1,376,006
Total cash and cash equivalents	**458,776**	**1,376,051**

5. Debtors and other receivables

	2013 Actual $	2012 Actual $
Trade debtors	38,625	17,250
Accrued interest	404	3,682
GST receivable	120,222	207,462
Total debtors and other receivables	**159,251**	**228,394**

The carrying value of receivables approximates their fair value.

A breakdown of aged trade debtors is detailed below.

	2013 Actual $	2012 Actual $
Not past due	23,100	17,250
Past due 1–30 days	1,725	–
Past due 31–60 days	13,800	–
Past due > 61 days	–	–
Total	**38,625**	**17,250**

6. Property, plant and equipment

	Office equipment $	Computer equipment $	Furniture and fittings $	Leasehold improvements $	Total $
Gross carrying amount					
Balance at 1 July 2011	32,739	132,857	114,096	125,394	405,086
Additions	2,940	11,581	–	1,415	15,936
Sales/transfers	(11,261)	(65,062)	(1,486)	(70,226)	(148,035)
Balance at 30 June 2012	**24,418**	**79,376**	**112,610**	**56,583**	**272,987**
Balance at 1 July 2012	24,418	79,376	112,610	56,583	272,987
Additions	–	8,824	1,070	14,263	24,157
Sales/transfers	(1,381)	(17,787)	–	–	(19,168)
Balance at 30 June 2013	**23,037**	**70,413**	**113,680**	**70,846**	**277,976**
Accumulated depreciation					
Balance at 1 July 2011	26,893	129,007	94,143	62,117	312,160
Depreciation expense	3,471	5,046	4,948	3,870	17,335
Sales/transfers	(11,174)	(64,794)	(1,486)	(61,724)	(139,178)
Balance at 30 June 2012	**19,190**	**69,259**	**97,605**	**4,263**	**190,317**
Balance at 1 July 2012	19,190	69,259	97,605	4,263	190,317
Depreciation expense	1,968	5,867	4,681	3,961	16,477
Sales/transfers	(1,381)	(17,787)	–	–	(19,168)
Balance at 30 June 2013	**19,777**	**57,339**	**102,286**	**8,224**	**187,626**
Net carrying amounts					
At 1 July 2011	5,846	3,850	19,953	63,277	92,926
At 30 June 2012 & 1 July 2012	5,228	10,117	15,005	52,320	82,670
At 30 June 2013	3,260	13,074	11,394	62,622	90,350

In 2013 leasehold improvements included $14,263 of work in progress relating to building fit-out (2012: $Nil). It is expected that the building fit-out will be completed in the 2014 financial year. The fit-out will not be depreciated until that time.

7. Intangible assets

	Software $	Website $	Total $
Gross carrying amount			
Balance at 1 July 2011	45,431	2,014,693	2,060,124
Additions	7,996	1,136,043	1,144,039
Sales/transfers	(14,575)	(1,776,250)	(1,790,825)
Balance at 30 June 2012	**38,852**	**1,374,486**	**1,413,338**
Balance at 1 July 2012	38,852	1,374,486	1,413,338
Additions	6,014	292,876	298,890
Sales/transfers	–	–	–
Balance at 30 June 2013	**44,866**	**1,667,362**	**1,712,228**
Accumulated amortisation			
Balance at 1 July 2011	43,998	1,624,549	1,668,547
Amortisation expense	3,473	176,283	179,756
Sales/transfers	(14,573)	(1,624,548)	(1,639,121)
Balance at 30 June 2012	**32,898**	**176,284**	**209,182**
Balance at 1 July 2012	32,898	176,284	209,182
Amortisation expense	4,342	604,672	609,014
Sales/transfers	–	–	–
Balance at 30 June 2013	**37,240**	**780,956**	**818,196**
Net carrying amount			
At 1 July 2011	1,433	390,144	391,577
At 30 June 2012 & 1 July 2012	5,954	1,198,202	1,204,156
At 30 June 2013	7,626	886,406	894,032

8. Retirement villages

Only direct costs are disclosed as expenditure for Retirement Villages. Direct costs in 2013 are $99,885 (2012: $140,446). The Commission has calculated that approximately $128,145 (2012: $80,321) worth of overheads can also be attributed to Retirement Villages during the year. This calculation is based on the percentage of FTE time spent on activities related to the Retirement Villages output. The total amount of expenditure on Retirement Villages is therefore approximately $228,030 (2012: $220,767).

9. Creditors and other payables

	2013 Actual $	2012 Actual $
Trade creditors	492,208	899,491
Accruals	59,735	24,181
Total creditors and other payables	**551,943**	**923,672**

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

10. Employee entitlements

	2013 Actual $	2012 Actual $
Accrued salaries and wages	24,826	18,770
Annual leave	54,258	62,231
Total employee entitlements	**79,084**	**81,001**

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.

	2013 Actual $	2012 Actual $
Loans and receivables		
Cash and cash equivalents	458,776	1,376,051
Debtors and other receivables	39,029	20,932
Total loans and receivables	**497,805**	**1,396,983**
Financial liabilities		
Creditors and other payables	551,943	923,672
Total financial liabilities	**551,943**	**923,672**

Financial risk management objectives

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

Interest rate risk

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

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

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

The following table details the Commission's exposure to interest rate risk as at 30 June 2013.

	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	28,751	–	28,751
▪ Cash at bank – cash management	2.75	429,980	–	429,980
▪ Cash on hand		–	45	45
Debtors and other receivables		–	39,029	39,029
Total financial assets		458,731	39,074	497,805
Financial liabilities				
Creditors and other payables		–	551,943	551,943
Total financial liabilities		–	551,943	551,943

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

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

The Commission is party to letters of credit with Westpac Bank of $39,000 (2012: $39,000).

Sensitivity analysis

As at 30 June 2013, if the interest rates earned on cash and cash equivalents had been 0.5% higher or lower (2012: 0.5% higher or lower), with all other variables held constant the surplus/deficit for the year would have been $6,500 higher/$6,500 lower (2012: $14,000 higher/$14,000 lower).

Credit risk management

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

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

	2013 Actual $	2012 Actual $
Cash and cash equivalents	458,776	1,376,051

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

Fair value of financial instruments

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

Liquidity risk

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

All of the Commission's commitments owing at balance date, comprising trade and other payables, have a contractual maturity of less than six months (2012: maturity also less than six months). The Commission has sufficient cash on hand to meet these commitments as they fall due.

Currency risk

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

12. Capital management

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

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

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

13. Net cash flow from operating activities

Reconciliation of statement of comprehensive income surplus with net cash flow from operating activities

	2013 Actual $	2012 Actual $
Net surplus/(deficit) for the year	(904,780)	(240,130)
Non-cash items		
Depreciation	16,477	17,335
Amortisation	609,014	179,756
Net loss on disposal of assets	–	160,473
	625,491	357,564
Movements in net assets and liabilities		
(Increase)/decrease in accrued interest	3,278	(3,017)
(Increase)/decrease in prepayments	(436)	(1,537)
(Increase)/decrease in trade debtors	(21,375)	(10,350)
(Increase)/decrease in related-party receivables	87,240	(52,449)
(Increase)/decrease in GST refund due	(371,729)	(18,389)
Increase/(decrease) in trade creditors	(1,917)	362
Increase/(decrease) in employee entitlements	(10,000)	10,000
Increase/(decrease) in revenue in advance	(314,939)	(75,380)
Net cash inflow from operating activities	(594,228)	42,054

14. Employee remuneration

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

	2013	2012
$130,000–$139,999	0	0
$140,000–$149,999	1	0
$150,000–$159,999	0	1
$160,000–$169,999	1	0
$170,000–$179,999	0	0
$180,000–$189,999	0	0
$190,000–$199,999	0	1

15. Related-party transactions

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

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

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

During the period, the Commission received $5,782,000 of funding from the Crown (2012: $5,782,000). Of this no amounts were outstanding as at 30 June 2013 (2012: $Nil).

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

The Commission also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled $1,017,613 (2012: $484,679). These purchases included expenditure on advertising with Television New Zealand Limited, payments for temporary staff to the Financial Markets Authority, payments towards advice and information on Retirement Villages to the Ministry of Business, Innovation and Employment, as well as one-off payments to other government departments for project-related expenses. Of this $63,773 was outstanding as at 30 June 2013 (2012: $Nil).

The Commission also received revenue from entities controlled, significantly influenced or jointly controlled by the Crown. Revenue received from these government-related entities for the year ended 30 June 2013 totalled $30,280, (2012: $Nil). The majority related to sponsorship towards the Financial Literacy Summit 2013. Of this $3,450 was outstanding as at 30 June 2013 (2012: $Nil).

THE COMMISSION HAS ENTERED INTO A NUMBER OF TRANSACTIONS WITH GOVERNMENT DEPARTMENTS, CROWN AGENCIES AND STATE-OWNED ENTITIES ON AN ARM'S LENGTH BASIS.

16. Commitments

i. Capital commitments

There are no capital commitments at reporting date (2012: $Nil).

ii. Operating lease commitments

Commitments existed for non-cancellable operating leases as follows.

	2013 Actual $	2012 Actual $
Less than one year	82,073	82,073
Between one and two years	53,290	82,073
Between two and five years	16,635	69,925
More than five years	–	–
Total operating lease commitments	**151,998**	**234,071**

The Commission commenced a lease for its premises on 1 February 2012. The lease had a term of three years with one right of renewal for another three years, giving a final expiry date of 31 January 2018. The lease expense was $69,080 per annum (GST exclusive). The Commission has since transferred its office lease to new premises from 7 September 2013. As at the reporting date, the Commission was committed to a term of three years to 1 February 2015.

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

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

THE COMMISSION HAS SINCE TRANSFERRED ITS OFFICE LEASE TO NEW PREMISES FROM 7 SEPTEMBER 2013.

17. Contingent liabilities

There are no contingent liabilities at reporting date (2012: $Nil).

18. Subsequent events

Subsequent to the reporting date, the Commission has transferred its office lease from the current premises to a new location with the same landlord, effective from 7 September 2013. The new lease has a term of four years with one right of renewal for another four years, giving a final expiry date of 6 September 2021. The lease expense is $92,070 per annum (GST exclusive). As part of the transfer the landlord has agreed to provide $60,000 (GST exclusive) as an incentive. The Commission has chosen to apply this incentive to rent payments from September 2013 to May 2014.

There are no other 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 2013 (2012: $Nil).

THE 2013 FINANCIAL KNOWLEDGE AND BEHAVIOUR SURVEY WAS THE MOST SIGNIFICANT RESEARCH THE COMMISSION COMPLETED IN THIS FINANCIAL YEAR.

19. Major budget variances

Statement of comprehensive income

Other government entity funding

Other government funding was $30,000 higher than budgeted due to unforecast funding from eight government entities received as sponsorship for the 2013 Financial Literacy Summit.

Other operating costs

Other operating costs were higher than budgeted by $210,000. The most significant contributor to this was expenditure on temporary staff being $155,000 higher than budgeted.

Advice and research

Expenditure on advice and research was lower than budgeted by $149,000. The 2013 Financial Knowledge and Behaviour Survey was the most significant research the Commission completed in this financial year (cost $330,500) and delayed the need for additional research projects. The decision was made to divert research funding to the marketing and education function.

Marketing and education

During the 2013 year more funds than forecast were allocated to Sorted communications and Money Week 2013, which accounted for the overspend of $874,000 in this category.

Review of Retirement Income Policies

Expenditure on the 2013 Review of Retirement Income Policies was $57,000 higher than budgeted. This was due to costs for some related research and consultation being incurred earlier than originally anticipated (i.e. in this financial year as opposed to the 2013–14 year, when the report is produced). This was related to the Commission's desire to release the report earlier in the year than previous review reports (September vs December).

Schools and tertiary

Expenditure on schools and tertiary was lower than budgeted by $162,000. The efficacy of some initiatives was queried effectively by the new Education Manager, who commenced in September 2012. The decision was made to first clarify the strategy for these sectors. Consequently funding was diverted to the marketing and education function.

Statement of financial position

Cash and cash equivalents

Cash and cash equivalents were $1,186,000 lower than budgeted. This was in part due to opening cash at the beginning of the year being $655,000 lower than budgeted, as a result of net cash flow in the last quarter of the 2012 financial year being lower than expected. Expenditure for the 2013 year was significantly higher than budgeted, which also contributed to the variance in the closing cash balance.

Intangible assets

Intangible assets held at year-end are $165,000 lower than budgeted. This is due to expenditure on the sorted.org.nz website (interactive elements) being lower than expected.

Creditors and other payables

Creditors and other payables are $140,000 lower than budgeted. This is due to the total actual expenditure for the month of June 2013 (less non-cash and regular monthly expenses) being lower than was budgeted in the *Statement of Intent*.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent auditor's report

**To the readers of the
Commission for Financial Literacy and Retirement Income's
financial statements and non-financial performance information
for the year ended 30 June 2013**

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

We have audited:

- the financial statements of the Commission on pages 22 to 39, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and cash flows statement for the year ended on that date and the accounting policies and notes to the financial statements that include other explanatory information; and
- the non-financial performance information of the Commission that comprises the statement of service performance including the report on outcomes on pages 10 to 20.

Opinion

In our opinion:

- the financial statements of the Commission on pages 22 to 39:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Commission's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Commission on pages 10 to 20:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Commission's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - its 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 24th October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. 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 non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Commission's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Retirement Commissioner;
- the appropriateness of the reported non-financial performance information within the Commission's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Retirement Commissioner

The Retirement Commissioner is responsible for preparing financial statements and non-financial performance information 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 and outcomes.

The Retirement Commissioner is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Retirement Commissioner is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information 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.

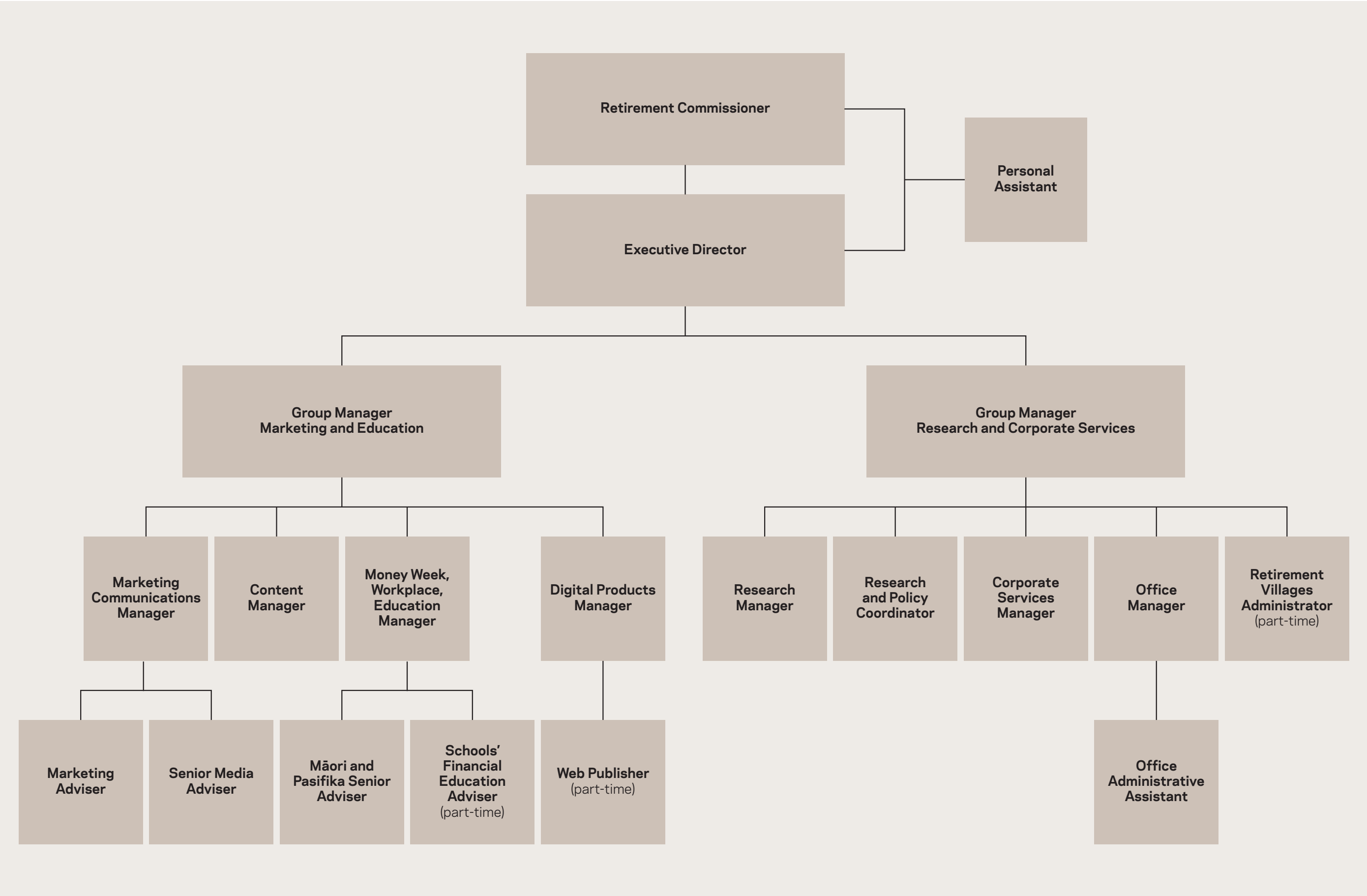
Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

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

Our team


Retirement Commissioner
Personal Assistant
Executive Director
Group Manager Marketing and Education
Group Manager Research and Corporate Services
Marketing Communications Manager
Content Manager
Money Week, Workplace, Education Manager
Digital Products Manager
Research Manager
Research and Policy Coordinator
Corporate Services Manager
Office Manager
Retirement Villages Administrator (part-time)
Marketing Adviser
Senior Media Adviser
Māori and Pasifika Senior Adviser
Schools' Financial Education Adviser (part-time)
Web Publisher (part-time)
Office Administrative Assistant

Good employer practices and equal opportunities

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

1. Leadership, accountability and culture
- Strong leadership and clear vision where people are valued
- Engagement processes with employees and their representatives and opportunities for them to engage and participate in organisational decisions
- Managers accountable for providing EEO and managing diversity

2. Recruitment, selection and induction
- Impartial, transparent employment process
- No barriers or biases to employing the best person for the job

3. Employee development, promotion and exit
- Positive, equitable approach to developing all employees
- Equitable treatment for all employees to move up, through and out of the organisation
- Transparent and fair staff development practices in training, coaching, mentoring, promotion and performance management

4. Flexibility and work design
- Workplace design that assists employees to balance work with the rest of their lives
- Consideration of flexible work practices to accommodate staff employment requirements

5. Remuneration, recognition and conditions
- Equitable, transparent and gender-neutral remuneration system
- Equal access to job opportunities and conditions
- Recognition of employee contributions

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

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

During the 2012–13 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.

WE CONTINUED TO TAKE A FLEXIBLE APPROACH TO PART-TIME WORK AND ENCOURAGE THE ACHIEVEMENT OF WORK-LIFE BALANCE.


30%
OFF
SALE

Commission for
Financial Literacy
and Retirement Income

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and Retirement Income
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Wellington, New Zealand

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sorted.org.nz