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July 2013 – June 2014

Annual Report

Commission for Financial Literacy and Retirement Income


TAYLOR was here 2010!
"TINEAL KING 2010"

Contents

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

Diane Maxwell
Retirement Commissioner


Kathmandu

From the Retirement Commissioner

Our vision:

Everyone getting ahead financially

Our mission:

Driving sustainable behaviour change

It has been a year of structural and strategic change for the Commission.

Our goal, as outlined in our Statement of Intent, is to build the financial capability and wealth of retirees, meaning retirees of today – and tomorrow.

It's a worthy goal, but it holds some healthy tensions. The first is that the word wealth seems to make us uneasy. We want to restore its original meaning – well-being – and to say that success is individual, and it is relative. Our work this year will explore what that definition of wealth means to New Zealanders.

The second tension is the degree to which we focus on retirees of today, versus our children and grandchildren who are the retirees of tomorrow. In any sustainable economy there is a fine balance of equity between generations in the form of investment, taxation and spend.

In other words no generation gets to say it is just about them.

Each generation is dependent on the next, just as the next is impacted by what has gone before. It's easy to forget that. And as an ageing population we need to have some hard conversations about how this is all going to work. Increased healthcare and super costs will put pressure on the public purse and the dependency ratio will have changed significantly – that is, the number of people working versus the number of retirees the tax base supports.

The Commission's three-yearly Review of Retirement Income Policies delivered to Government in December last year addressed this core issue and made 17 recommendations. Our goal beyond the recommendations was to bring new people into the debate, to make it accessible and yes, interesting. We succeeded – with over 1,000 copies of the report downloaded in addition to the hundreds of hard copies requested. The draft document generated over 130 media stories. We intend to keep the discussion alive and well between reviews, with more events planned for next year.

The report acknowledged that at around four percent of GDP, NZ Super costs less than many other schemes across the OECD. Our belief is that we have time – but not all the time in the world. With super costs predicted to double by mid-century, what are we prepared to give up to maintain the current eligibility settings and indexation formula? How will we maintain economic growth and a solid tax base in the face of changing dependency ratios? We need to make decisions and signal change so that New Zealanders have time to prepare.

It's not just about time to prepare, but also having the skills to prepare. The Commission is working to build financial capability across all generations, and that work takes up around two thirds of our resources. Our Statement of Intent gives details of our increased focus on low income and vulnerable New Zealanders, many of whom will reach retirement with little or no savings. That includes a greater focus on Māori and Pacific communities, and a challenge to ourselves as an organisation about the degree to which we are operating with a Pakeha lens. Active recruitment of both Māori and Pacific members of the team in 2014 will help to address that.

Building financial capability is about driving sustainable behaviour change and our programmes aim to bring about an underlying shift in the way people think about money.

We are also working to deploy best practice behavioural economics. How do social norms affect behaviour? How do we mitigate present bias when today seems more important than tomorrow? And what do we do about the mentality of scarcity that robs people of their ability to plan long term?

Our website, Sorted, continues to provide an excellent resource with information, calculators, and tools, including the KiwiSaver Fund Finder. It is accessible, serving around 860,000 unique visitors a year. But we acknowledge that it is a self-service model that only works for some. Visitors seek it out, and therefore they come with a degree of understanding and motivation. Sorted delivers information, but sometimes a lack of information is not the barrier. Our behaviour is not always rational and sometimes what we do is at odds with what we know. Our programmes are built to deliver lifelong learning and behaviour change in schools, workplaces and communities where the Sorted portal does not.

Other work programmes for 2013/2014 included the development of a new National Strategy. One hundred and twenty seven organisations are signed up to the strategy and took part in stakeholder meetings, and work is underway to determine who is going to do what. It's worth noting that although developed by the Commission, the National Strategy is not the Commission's strategy. The goal is to galvanise and consolidate efforts across New Zealand, share knowledge, and provide a structure. It offers a clear articulation of goals and work streams, and reduces the need for the same but separate conversations in small disparate groups to get to the same point.

Money Week 2013 was a great success with over 300 events held nationwide by schools, businesses and community groups.

Progress was made in embedding the new Financial Capability Progressions as part of The New Zealand (school) Curriculum. The Upper Harbour Sorted Schools' pilot, which is focused on a cluster of nine schools, is testing how a learning network approach can overcome the barriers to change. The pilot is being independently evaluated and on the basis of interim findings the Commission is proposing to expand the programme to South Auckland in 2015.

To come full circle on delivering structural and strategic change, the Commission now has a growing presence in Auckland, creating a hub that is the engine room of our work. We cannot afford to be Wellington-centric or have a bureaucratic or theoretical view of New Zealand. We need to be critical thinkers, pragmatic, lean, commercially and tech-savvy. We have held back some spend from the 2013/2014 financial year while we developed the strategy and recruited the team. 2014/2015 sees us with clear goals, a growing capability, successful pilots that we intend to roll out nationally, and the partnerships to make it happen.

Diane Maxwell
Retirement Commissioner

Statement of responsibility

I acknowledge responsibility for:

- Preparing these financial statements and statement of service performance and the judgements used within them
- Establishing and maintaining a system of internal controls 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 2014.

Diane Maxwell
Retirement Commissioner

31 October 2014


High Performance Tyres
BRIDGESTONE
OHTSU

Statement of service performance

The Commission provides services under the following output classes:

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

Funding from the Crown for the 2013–14 year was budgeted to be $5,782,000 (GST exclusive).

Actual funding received from the Crown was $5,782,000 (GST exclusive). In addition to Crown funding, the Commission also received a further $58,754 in interest and other sources. The allocation of this funding and expenditure across the output classes is shown in the tables below.

Allocation of revenue	Actual	Budgeted (SOI)
Financial literacy	$4,650,992	$4,666,748
Retirement income, research and monitoring	$975,406	$978,710
Retirement villages	$214,356	$215,082
Total	**$5,840,754**	**$5,860,540**

Allocation of expenditure	Actual[1]	Budgeted (SOI)
Financial literacy	$4,271,501	$4,532,463
Retirement income, research and monitoring	$1,147,752	$951,053
Retirement villages	$278,584	$214,827
Total	**$5,697,837**	**$5,698,343**

[1] Expenditure includes both direct and indirect expenditure. The allocation of indirect expenditure to outputs is based on the breakdown of staff and the estimate of time spent on each output. The allocations are as follows:

- Financial literacy: 73.43%
- Retirement income: 21.36%
- Retirement villages: 5.21%

Financial literacy service performance

Outcome: Financial literacy

Increasing numbers of New Zealanders are financially literate throughout their lives

Impacts: Financial literacy

The following impacts contribute to this outcome.

Impact	Impact measure	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 and tutors (e.g. Massey Centre for Personal Financial Education programme). Number of schools, tertiary institutions and industry organisations offering financial education.	Around 150 educators were introduced to the Commission's Adult Competency Framework through the Massey Centre for Personal Financial Education. The Young Enterprise Trust collects data on a calendar year basis. In the six months from January to June 2014, 117 primary and 246 secondary schools were involved in delivering financial education.
Increasing the number of New Zealanders who access information that helps them make sound financial decisions.	2013 Financial Knowledge and Behaviour Survey Financial Behaviour Index Sorted Marketing Monitor	Two Financial Behaviour Index surveys were conducted during the year. The survey of users of Sorted showed that user satisfaction with Sorted was high at 91%. 97% of users surveyed indicated that they would definitely/might recommend Sorted. Sorted attracted over 6 million page views from 1.2 million visitors reflecting widespread use by the New Zealand public.

Impact	Impact measure	Actual performance
Increasing number of New Zealanders are motivated to change their behaviour, demonstrating financial literacy.	2013 Financial Knowledge and Behaviour Survey Sorted Marketing Monitor Financial Behaviour Index Sorted User Survey	The results of the Financial Behaviour Index surveys show that a greater proportion of New Zealanders are spending within their means and are saving for the long term. This increase was evident during the course of the year. Of the users of Sorted who were surveyed, 90% indicated that they would definitely/might alter their financial decisions after using Sorted.

Output class: Financial literacy

The following deliverables contribute to this output class.

Key deliverables 2013–14	Performance measures	Actual performance
Review of the National Strategy for Financial Literacy to deliver a clear and comprehensive articulation of both the problem and the solutions to improve financial literacy and effect behavioural change. The strategy seeks to provide a unified proposition to inform financial literacy initiatives sector-wide.	Review released by 31 March 2014.	The draft National Strategy for Financial Literacy was released to stakeholders at the end of January 2014. The Strategy was developed in consultation with a wide range of stakeholders and articulates the vision and goals and the actions to achieve the vision.
Coordinating an annual national Money Week with key stakeholders.	Money Week will be held from 1-7 September 2013. Measures for Money Week 2013 have been developed from the 2012 benchmark participant survey: • Awareness of Money Week: 20% or higher (1:5) • Increase in the number of participants: 17,000 or higher • Increase in the number of organisations taking part: 130 or higher	Money Week ran from 1–7 September 2013. • Awareness of Money Week was tested within a broader research programme that reviewed Sorted. As this was 2 months after Money Week, the advertising and promotion had stopped. The residual was 12% reflecting a pattern of natural decay in awareness after events. • More than 55,000 people

Key deliverables 2013–14	Performance measures	Actual performance
	• Increase in the number of workplaces taking part: 80 or higher • Increase in the number of external events: 120 or higher.	participated online. • 192 organisations took part in Money Week. • 76 workplaces took part in Money Week. • More than 300 external events were registered. • More than 1800 downloads of school resources involving more than 39,000 students. • More than 7,700 users used Sorted's tools. • More than 6300 people completed the MW13 quiz.
Coordinating and hosting financial literacy Community of Practice meetings.	Four meetings held by 30 June 2014.	Three Community of Practice meetings were held in 2013–14. A fourth meeting was merged with the Auckland Financial Literacy Practitioners and Providers Network as an opportunity to foster links with wider sector organisations.
Contributing to He Kai Kei Aku Ringa Action Plan as a lead member of the Partner Working Group (PWG). This group focuses specifically on Goal 3, Recommendations 8 and 9 which is aimed at increased financial literacy and savings.	Key milestones met as per the action plan by 30 June 2014.	The Partner Working Group (PWG) was established in 2013–14. The PWG is made up of representatives from Iwi, banks, MBIE, Te Puni Kōkiri, Māori Womens Development Inc., Māori Trustee, the University of Waikato and the Commission. The Partner Working Group: • Completed research and a survey to identify the financial literacy needs of Māori • Completed a report that covers the landscape of financial literacy services for Māori together with a list of recommendations which was presented to the Māori Economic Development Advisory Board

Key deliverables 2013–14	Performance measures	Actual performance
		• Presented the report to the Iwi Chairs Forum • Established the work programme for 2014–15 for implementation of the recommendations.
Customer satisfaction and engagement for the redeveloped Commission website (cflri.org.nz).	Performance measures developed by 30 June 2014 based on user engagement and satisfaction.	User satisfaction was measured during the period July 2013 to June 2014: • Overall satisfaction is high (86% were satisfied/quite satisfied/extremely satisfied). This is an increase over the 72% satisfaction rate recorded in the previous year • Users noted that the information on the site was generally easy to find (83% easy/quite easy/very easy).
Action plan measures developed to track the impact of the National Strategy on New Zealanders' financial knowledge and literacy.	Measures developed by 31 January 2014 following the financial literacy review.	The measures were developed and documented in the National Strategy for Financial Literacy. The Strategy was launched to stakeholders in 2014.
New Zealand Financial Behaviour Index.	Index updated every six months (November 2013 and May 2014).	The New Zealand Financial Behaviour Index was updated in November 2013 and May 2014 with the results of two surveys (wave 5 and wave 6) on financial behaviours. The key findings are: Since the research began, a greater proportion of people are spending within their means: • More people are saving for the long term • The proportion of people saving for the long term increased gradually over the course of the year.

Key deliverables 2013–14	Performance measures	Actual performance
Encourage and support industry organisations to use quality resources to increase delivery of financial education.	Five industry organisations embed financial education into their courses using the Commission's Adult Competency Framework (including the use of Unit Standards) by 30 June 2014.	A joint project was established with Skills Org, a large Industry Training Organisation, to incorporate financial education in their programmes for industry. This project covered a number of industries. A mapping exercise to relate financial literacy to NCEA Level 2 standards for literacy and numeracy was initiated. An industry approach was developed for integrating financial literacy into the unit standard for the Gateway Programme for Contact Centres. This is being modified for use in 4 other Gateway Programmes (Real Estate, Business Administration, Financial Services: Insurance and Financial Services: Banking). The Gateway Programme for Primary Industries requested inclusion of this unit standard which has been actioned in two locations.
Increase industry training uptake of quality financial education programmes.	Benchmark developed for industry training by 30 June 2014.	Financial literacy is increasingly being included as part of the suite of unit standards across a range of gateway and trade academy courses (21 different industry segments and 23 unit standards are being considered). Nine trade academies have expressed interest in being part of a pilot project. The Primary Industries Segment has actioned this in two Gateway programmes.

Key deliverables 2013–14	Performance measures	Actual performance
Establish and support a network of primary and secondary school financial literacy teachers. Support the network with a programme of professional development.	Benchmark to be established by 30 June 2014 to measure: • The increase in financial education in the schools within the network • The number of other teachers within the network schools who are enabled to teach financial education.	A learning community or cluster of 9 schools has been established to help facilitate the inclusion of financial education in local school curriculum. Resources include professional learning development for lead teachers, e-learning ICT assistance and facilitator support. These contribute to the objectives of improving engagement with financial capability within the whole school among teachers, students and the linked community. Secondary outcomes are the development of sustainable school leadership and e-learning skills for each school to embed the new Financial Capability Learning Progressions as part of the New Zealand curriculum (Ministry of Education, April 2014)
Enable industry and community educators to receive formal training in financial literacy education through Massey University Fin-Ed Centre's programme.	10 community educators, complete the Massey University Fin-Ed Centre programme by 30 June 2014, with financial support from the Commission.	12 community educators have been selected for the programme. The launch was deferred to the following term to enable full attendance. The face to face training was completed by 15 September and the e-learning component has begun.
Student teachers receive training in the teaching and learning of financial literacy within social sciences using the new BCUSS resource.	Programme of pre-service training designed for students and implemented in one teachers' training institution by 30 June 2014. Benchmark developed for pre-service training by 30 June 2014.	The Commission entered into a partnership with the University of Waikato to assess the needs of teacher trainees. A research programme was carried out for this purpose, and a set of core competencies identified. A series of lectures and workshops were also delivered to teacher trainees at Waikato.

Key deliverables 2013–14	Performance measures	Actual performance
Work with teachers to build engagement, competency and familiarity in the teaching of financial literacy.	Deliver a pilot programme of professional learning and development in financial literacy, including the use of the BCUSS resource, with 75% of participating pilot teachers increasing their delivery of financial education in their schools by 30 June 2014.	A workshop in April 2014 was held to introduce 60 teachers to the new Ministry of Education Financial Capability Progressions of Learning. Teachers were able to explore the full collection of resources on the Ministry website, Te Kete Ipurangi (TKI) and critically reflect on how they would embed financial education outcomes in their own schools. System capability and networking were improved through the sharing of best practice models. At least 75% of participants indicated they would use the resources in their school planning.
Enable tutors at Whitireia Polytechnic to participate in three Massey University Fin-Ed Centre papers in financial literacy and evaluate the outcomes.	80% of tutors complete the course by 30 June 2014. 75% of tutors embed financial literacy in their courses by 30 June 2014.	100% of tutors who started the course went on to complete it, and have begun to embed financial education in their courses.
Undertake a stocktake of financial literacy initiatives in secondary schools.	Stocktake report completed by 30 June 2014.	A stocktake was undertaken for the New Zealand Council for Educational Research. The stocktake report was produced in June 2014. Significant findings of this stocktake are that key barriers to teaching financial literacy in schools are: • Time issues related to covering required curriculum content; • Perceived irrelevance of the subject being taught; • Resourcing in relation to teaching materials and professional development for teachers.

Key deliverables 2013–14	Performance measures	Actual performance
Relevant digital tools, content and a strategy for mobile delivery to keep pace with the changing technology landscape and the needs of Sorted website users.	Strategy for mobile delivery completed and development underway by 30 June 2014.	The Commission's mobile strategy was developed – Connecting with our audience: addressing mobile delivery of Sorted assets. This informs the path for the wider development of Sorted assets. The KiwiSaver fund finder was the Commission's first tool with a responsive design, to deliver content optimised for consumption on mobile devices.
Updates to Sorted resources are timely and respond to or coincide with legislative changes taking effect. Site content drives deeper engagement with Sorted information, tools and resources.	User satisfaction levels with Sorted resources are maintained or increased from the results of the June 2013 user satisfaction survey. Returning visitors to Sorted: 35% or higher. Average time on site: 5 minutes or longer.	Satisfaction with Sorted remains high: • 91% of users were satisfied overall • 91% agreed information was easy to find • 97% would definitely / might recommend Sorted • 90% would definitely / might alter their financial decisions after using Sorted. Percentage of returning visitors to Sorted was 37%. Average time on the site is 5 minutes.
Work with the finance sector and other government agencies to improve product disclosure and provide clear comparable information on KiwiSaver.	KiwiSaver performance calculator live on the Sorted website by 30 June 2014.	The KiwiSaver fund finder was launched in November 2013. This has been kept up to date with market changes and changes introduced by providers.
Sorted booklets and posters are available through multiple channels: • Sorted website • 0800 SORT MONEY • PAK'nSAVE supermarkets • Intermediaries such as community groups, employers.	Annual volume of orders for booklets: 2,000 or higher. Annual volume of booklets distributed: 190,000 or higher. (Targets are set at a level commensurate with the budget available for these resources).	Sorted collateral was available through multiple channels. There were more than 2,100 orders for booklets. More than 192,000 booklets and posters were distributed during 2013–14.

Key deliverables 2013–14	Performance measures	Actual performance
The Sorted seminar facilitators listed on the Sorted website are supported to deliver high-quality seminars to community and workplaces.	Communication with Sorted seminar facilitators is regular and includes updates on product development and delivery and campaigns; workshops are held to further develop facilitators' delivery; facilitators are provided with resources that help them to promote Sorted seminars. Each seminar facilitator delivers at least four seminars during 2013–14.	Communication with Sorted seminar facilitators was regular and included updates on product development, delivery and campaigns. Facilitators were provided with the resources needed to give seminars. From April 2013 to July 2014, 8 Sorted facilitator organisations have completed 73 Sorted seminars (an average of 9 seminars a year). There were a further 92 workshops where Sorted resources were used. 11 Sorted facilitator organisations are being followed up for submission of their annual report. Some of these such as Kiwibank have come on board during the year.
An engagement plan for encouraging workplaces to deliver financial literacy programmes is developed and implemented.	Numbers of workplaces offering financial literacy programmes is benchmarked, and engagement plan milestones are achieved.	To support the provision of evidence based financial literacy programmes in the workplace, a Sorted workplace pilot was completed at the Warehouse distribution centre in Wiri, South Auckland. The formal evaluation of the pilot was compelling, showing significant learning outcomes and positive changes to participants' behaviours. There was a high degree of engagement with the programme. This programme has been extended to a site in Wellington to help finalise the programme content. Work is now underway to plan for a national roll-out for the Warehouse. A short video was created to help build demand for workplace Financial Literacy Programmes. This will be used in

Key deliverables 2013–14	Performance measures	Actual performance
		the marketing of workplace programmes.
Sorted marketing and communications activity: • Builds on the Think, Shrink & Grow programme through continued advertising and media activity, as well as additional activity in workplaces and via the Sorted seminar facilitators • Builds on the current life events activity, through introducing more life events and identifying partners to leverage this activity • Introduction of new monitoring methodology and new provider.	Continue to monitor marketing and communications activity via the Marketing Monitor. New benchmark measures for 2013–14 will be set with an increase in: • Awareness of Sorted as a contributor to the conversation about personal money matters • Total recall of Sorted messages • Percentage of people aware of Sorted messages taking action as a result.	• Awareness of Sorted was measured in response to the investment in advertising. Prompted awareness as at March 2014 was 66% with unprompted awareness tracking at 19%. • Total recall of Sorted messages reached a high of 55% in March 2014. • Percentage of people aware of Sorted message and taking action as a result reached a peak of 44% in May 2014.

Retirement income research and monitoring service performance

Outcome: Retirement income research and monitoring

Increasing numbers of New Zealanders are financially equipped for retirement

Impacts: Retirement income research and monitoring

The following impacts contribute to this outcome.

Impact	Impact measure	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 (performance will be measured by requesting direct feedback from Ministers). Officials are engaged in the review of retirement income policy, through participation in meeting and providing content and feedback.	The Minister acknowledged the work of the Commission in reviewing Retirement Income Policies. The recommendations were carefully considered by the Government.
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). Range and mix of stakeholder groups and individuals involved in the Commission's consultation process. Quantity and quality of submissions to reviews of retirement income policy. Level and quality of informed media coverage.	The draft report of the Review of Retirement Income Policies was released in October 2013 and generated over 130 media stories and 13 additional submissions. There were 1,543 unique downloads of the documents relating to the review.

Output class: Retirement income

The following deliverables contribute to this output class.

Key deliverables 2013–14	Performance measures	Actual performance
Engagement of officials, finance sector and non-governmental representatives in the review process.	80% participant attendance at advisory group and reference group meetings. At least 30 quality review submissions received from individuals, groups and key stakeholders.	All advisory group meetings were completed with over 80% participant attendance. The consultation process leading up to the production of the discussion document drew on input from 38 full submissions.
Review report produced for the 2013 Review of Retirement Income Policy describing the effects of current retirement income policies and proposing methods of improving the effectiveness of those policies.	Review report completed by 31 December 2013. A review process designed and implemented within budget and milestones met or exceeded. Direct feedback from Ministers demonstrating satisfaction or better with the quality of the Retirement Commissioner's description, advice and recommendation.	The review report was finalised after circulation of a draft and further submissions. This report was tabled in Parliament on 12 December 2013. The review process was designed and implemented within budget, and all milestones were met. Direct feedback was obtained from the Minister in June 2014. The Minister acknowledged the extensive amount of work that had gone into the review and the Commissioner's commitment to helping New Zealanders prepare for retirement. The review was carefully considered by Government.
Follow up communication of review's findings and recommendations in the 2013 Review of Retirement Income Policy.	A communications and stakeholder programme to support the review's findings and recommendations. The programme will include public speaking opportunities for the Retirement Commissioner and Commission staff. At least 75% of media coverage for the 2013 Review of Retirement Income Policy is of medium or high impact. Benchmark public survey demonstrating awareness and	A number of public statements were made following the circulation of the draft review document. The draft document generated over 130 media stories and 13 additional submissions. The draft document was downloaded by more than 1,000 unique users, and interest continued with 450 unique downloads of review-related documents. With support from the Commission, the Treasury and the University of Otago

Key deliverables 2013–14	Performance measures	Actual performance
	appreciation of issues surrounding New Zealand's retirement income policy completed by 30 June 2014.	undertook some focus group activity on public preferences in retirement income policy.
Relevant, research-based reports on priority themes commissioned from external sources and published on the Commission's website (cflri.org.nz).	16 secondary research-based and peer reviewed reports. Benchmark measure of the number of research paper downloads from cflri.org.nz by 30 June 2014.	16 research-based reports were written, peer reviewed and placed on the Commission's website. More than 2,200 unique downloads of documents relating to the 2013 Review of Retirement Income were executed during 2013–14.
Participation in inter-agency research projects aimed at improving the availability of data and information to inform retirement income policy, e.g. Statistics New Zealand (Household Economic Survey); Inland Revenue (KiwiSaver Evaluation).	As measured by attendance at meetings, meeting minutes and correspondence to 30 June 2014.	Attended the following inter-agency meetings/forums: • Household Labour Force Review meeting • KiwiSaver Evaluation Steering Group meetings • General Social Survey (GSS) workshop • Review and comment on a KiwiSaver "Value for Money" scoping document • Statistics user forum.

Retirement villages service performance

Outcome: Retirement villages

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

Impacts: Retirement villages

The following impacts contribute to this outcome.

Impact	Impact measure	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.	No advice was required by the Minister on the Retirement Villages Act 2003 during the 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.	Information on the disputes process is published on the Commission's website and available to all stakeholders. The Commission provides further information on the disputes process to those who contact the Commission's offices.

Output class: Retirement villages

The following deliverables contribute to this output class:

Key deliverables 2013–14	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.	Variations to the Code of Practice came into force in October 2013. No advice was sought by the Minister.

Key deliverables 2013–14	Performance measures	Actual performance
Monitoring	Position/review papers which cover aspects of the Retirement Villages Act 2003.	A monitoring project focusing on the disputes process is in progress.
Education	The Commission contributes $70,000 annually to the Ministry of Business, Innovation and Employment's Retirement Villages Information and Education Plan.	The Commission in conjunction with the Ministry of Business Innovation and Employment, is carrying out a survey of existing and intending residents of retirement villages to determine their information needs.
Disputes panel	Approving appointments to disputes panels as vacancies arise and providing information about the dispute process to residents.	Information on the disputes process has been provided to residents and lawyers. Disputes and related decisions were posted on the Commission's website.

Financial statements

Statement of comprehensive income

Statement of comprehensive income for the year ended 30 June 2014

2013 Actual $		Notes	2014 Actual $	2014 Budget $
	Revenue			
5,782,000	Revenue from Crown	1	5,782,000	5,782,000
30,280	Other Government entity funding		12,000	-
48,028	Interest income		41,754	28,540
372,361	Other income		5,000	50,000
6,232,669	**Total revenue**		5,840,754	5,860,540
	Expenditure			
18,280	Remuneration to Auditors	2	18,757	18,850
1,097,797	Personnel costs	3	1,789,576	1,840,648
16,477	Depreciation	6	27,429	28,047
609,014	Amortisation	7	745,505	724,840
-	Loss on disposal of assets		46,265	-
73,093	Property expenses		160,874	120,000
14,318	Leasing		16,153	15,000
632,174	Other operating costs		668,501	435,958
350,783	Advice and research		405,976	525,000
56,137	Maori education		-	-
3,874,294	Marketing and education		1,498,830	1,500,000
99,885	Retirement villages	8	97,655	215,000
207,454	Review of retirement income policy		-	-
87,743	Schools and tertiary		222,316	275,000
7,137,449	**Total expenditure**		5,697,837	5,698,343
(904,780)	**Surplus/(deficit) and total comprehensive income/(expenditure) for year ended 30 June 2014**		142,917	162,197

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

Statement of financial position as at 30 June 2014

2013 Actual $		Notes	2014 Actual $	2014 Budget $
	Current assets			
458,776	Cash and cash equivalents	4	882,972	508,439
159,251	Debtors and other receivables	5	111,294	108,101
5,130	Prepayments		10,747	-
623,157	**Total current assets**		1,005,013	616,540
	Non-current assets			
90,350	Property, plant and equipment	6	139,083	152,005
894,032	Intangible assets	7	420,198	951,867
984,382	**Total non-current assets**		559,281	1,103,872
1,607,539	**Total assets**		1,564,294	1,720,412
	Current liabilities			
551,943	Creditors and other payables	9	338,561	430,019
-	Lease incentive liability		47,500	-
79,084	Employee entitlements	10	58,804	62,231
631,027	**Total current liabilities**		444,865	492,250
976,512	**Net assets**		1,119,429	1,228,162
	Public equity			
200,000	Taxpayer funds		200,000	200,000
776,512	Accumulated surplus		919,429	1,028,162
976,512	**Total public equity**		1,119,429	1,228,162

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

Statement of changes in equity for the year ended 30 June 2014

2013 Actual $		2014 Actual $	2014 Budget $
1,881,292	**Public equity at start of the year**	976,512	1,065,965
(904,780)	Total comprehensive income/(expenditure) for the year	142,917	162,197
976,512	**Public equity at end of the year**	1,119,429	1,228,162

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

Statement of cash flows

Statement of cash flows for the year ended 30 June 2014

2013 Actual $		Notes	2014 Actual $	2014 Budget $
	Cash flows from operating activities			
	Cash was provided from:			
5,782,000	Receipts from the Crown		5,782,000	5,782,000
30,280	Other Government department funding		12,000	-
51,306	Interest received		41,768	28,540
343,775	Other Income		22,457	50,000
31,328	Net GST paid		1,676	16,276
6,238,689			5,859,901	5,876,816
	Cash was applied to:			
(6,832,917)	Payments to suppliers and employees		(5,041,607)	(5,014,486)
(6,832,917)			(5,041,607)	(5,014,486)
(594,228)	**Net cash flows from operating activities**	13	818,294	862,330
	Cash flows from investing activities			
	Cash was provided from:			
-	Sale of property, plant and equipment		115	-
	Cash was applied to:			
(24,157)	Purchase of property, plant and equipment		(122,542)	(25,000)
(298,890)	Purchase of intangible assets		(271,671)	(850,000)
(323,047)			(394,213)	(875,000)
(323,047)	**Net cash flows from investing activities**		(394,098)	(875,000)
(917,275)	**Net increase in cash held**		424,196	(12,670)
1,376,051	Plus cash at the start of the year		458,776	521,109
458,776	**Cash held at the end of the year**		882,972	508,439
	Represented by:			
458,776	Cash and cash equivalents		882,972	508,439
458,776	**Cash held at the end of the year**		882,972	508,439

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.

Notes to the financial statements

Notes to the financial statements for the year ended 30 June 2014

Statement of accounting policies

Reporting entity

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001. The 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 principle activities of the Commission are to help New Zealanders prepare financially for their retirement and review the Government's retirement income policies (every three years). The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

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

The financial statements for the Commission are for the year ended 30 June 2014, and were approved by the Retirement Commissioner on 31 October 2014.

Basis of preparation

Statement of compliance

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

The financial statements comply with NZ IFRSs, and other applicable financial reporting standards, as appropriate for public benefit entities.

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

Differential reporting

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

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

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

Measurement base

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

Functional and presentation currency

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

Standards and interpretations effective in the current period

The Commission has 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 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases:
  - Phase 1 Classification and Measurement,
  - Phase 2 Impairment Methodology, and
  - Phase 3 Hedge Accounting.
- Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016.
- 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 for Financial Literacy and Retirement Income will be required to apply the reduced disclosure regime of the public sector standards and will be a tier 2 entity. The Commission will adopt the framework for the 30 June 2015 financial statements. At that time, the opening balance sheet as at 1 July 2013 may require restatement for comparative purposes. This is not expected to have a material effect on the Commission’s financial statements. The new standards have been issued but are not yet effective and have not been applied.

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

Significant accounting policies

Revenue

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

Revenue from the Crown

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

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

Interest

Interest revenue is recognised using the effective interest method.

Other income

The Commission received other income from two sources – Porter Novelli New Zealand and the Ministry of Business, Innovation & Employment. The funding from Porter Novelli was towards the cost of evaluating the programme to train financial educators. The funding from Ministry of Business, Innovation & Employment was to partially fund the research undertaken by Colmar Brunton on Financial Product Disclosures.

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.

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

Office equipment	1–12 years	8.4%–80.4%
Furniture and fittings	3–14 years	7.0%–30.0 %
Computer equipment	3 years	40.0%
Leasehold improvements	14 years	7.0%

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 the development of interactive aspects of the Sorted website are capitalised on a monthly basis.

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

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

Amortisation

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

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

Software	3 years	40.0%
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 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.

Goods 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. 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 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.

Definitions of the terms used in the cash flows 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 Commission's accounting policies

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

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

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

1. Revenue from 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 (2013: nil).

2. Remuneration to auditors

Remuneration to auditors	2014 Actual $	2013 Actual $
Audit of the financial statements	18,757	18,280
Total remuneration to auditors	18,757	18,280

3. Personnel costs

Personnel costs	Notes	2014 Actual $	2013 Actual $
Salaries and wages		1,743,996	1,051,370
Employer contributions to defined contribution plans		65,860	48,344
Increase/(decrease) in employee entitlements	10	(20,280)	(1,917)
Total personnel costs		1,789,576	1,097,797

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

4. Cash and cash equivalents

Cash and cash equivalents	2014 Actual $	2013 Actual $
Cash on hand	45	45
Cash at bank	882,927	458,731
Total cash and cash equivalents	882,972	458,776

5. Debtors and other receivables

Debtors and other receivables	2014 Actual $	2013 Actual $
Trade debtors	3,550	38,625
Bond held as security	15,000	-
Accrued interest	390	404
GST receivable	92,354	120,222
Total debtors and other receivables	111,294	159,251

The carrying value of receivables approximates their fair value.

A breakdown of aged trade debtors is detailed below:

Breakdown of aged trade debtors	2014 Actual $	2013 Actual $
Not past due	-	23,100
Past due 1–30 days	3,550	1,725
Past due 31–60 days	-	13,800
Past due > 61 days	-	-
Total	3,550	38,625

6. Property, plant and equipment

Property, plant and equipment	**Office equipment $**	**Computer equipment $**	**Furniture & fittings $**	**Leasehold improvements $**	**Total $**
Gross carrying amount					
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
Balance at 1 July 2013	23,037	70,413	113,680	70,846	277,976
Additions	-	12,870	43,400	66,272	122,542
Sales/transfers	-	-	(2,900)	(56,583)	(59,483)
Balance at 30 June 2014	23,037	83,283	154,180	80,535	341,035
Accumulated depreciation					
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
Balance at 1 July 2013	19,777	57,339	102,286	8,224	187,626
Depreciation expense	1,138	11,553	8,169	6,569	27,429
Sales/transfers	-	-	(2,900)	(10,203)	(13,103)
Balance at 30 June 2014	20,915	68,892	107,555	4,590	201,952
Net carrying amounts					
At 1 July 2012	5,228	10,117	15,005	52,320	82,670
At 30 June 2013 & 1 July 2013	3,260	13,074	11,394	62,622	90,350
At 30 June 2014	2,122	14,391	46,625	75,945	139,083

In 2014 no items were in work in progress (2013: Leasehold Improvements, 14,263).

7. Intangible assets

Intangible assets	**Software $**	**Website $**	**Total $**
Gross carrying amount			
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
Balance at 1 July 2013	44,866	1,667,362	1,712,228
Additions	5,287	266,384	271,671
Sales/transfers	-	-	-
Balance at 30 June 2014	50,153	1,933,746	1,983,899
Accumulated amortisation			
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
Balance at 1 July 2013	37,240	780,956	818,196
Amortisation expense	6,329	739,176	745,505
Sales/transfers	-	-	-
Balance at 30 June 2014	43,569	1,520,132	1,563,701
Net carrying amount			
At 1 July 2012	5,954	1,198,202	1,204,156
At 30 June 2013 & 1 July 2013	7,626	886,406	894,032
At 30 June 2014	6,584	413,614	420,198

8. Retirement villages

Only direct costs are recorded as actual and budgeted expenditure for retirement villages. Direct actual costs in 2014 are $97,655 (2013: $99,885) and budgeted direct cost in 2014 are $215,000 (2013: $215,000).

The Commission has calculated that approximately $180,929 (2013: $128,145) worth of overheads can also be attributed to Retirement Villages during the year. This calculation is based on the percentage of FTE time that was estimated at the start of the year to be spent on activities related to the Retirement Villages output. The total amount of expenditure on Retirement Villages is therefore approximately $278,584 (2013: $228,030).

9. Creditors and other payables

Creditors and other payables	**2014 Actual $**	**2013 Actual $**
Trade creditors	271,319	492,208
Accruals	67,242	59,735
Total creditors and other payables	338,561	551,943

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

Employee entitlements	**2014 Actual $**	**2013 Actual $**
Accrued salaries and wages	23,842	24,826
Annual leave	34,962	54,258
Total employee entitlements	58,804	79,084

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:

Financial assets and liabilities	2014 Actual $	2013 Actual $
Loans and receivables		
Cash and cash equivalents	882,972	458,776
Debtors and other receivables	18,940	39,029
Total loans and receivables	901,912	497,805
Financial liabilities		
Creditors and other payables	338,561	551,943
Total financial liabilities	338,561	551,943

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 2014.

Financial assets and liabilities	Weighted average effective interest rate %	Variable interest rate bearing $	Non interest bearing $	Total $
Financial assets:				
Cash and cash equivalents				
- Cash at bank – cheque	1.05	31,202	-	31,202
- Cash at bank – cash management	3.00	851,725	-	851,725
- Cash on hand		-	45	45
Debtors and other receivables		-	18,940	18,940
Total financial assets:		882,927	18,985	901,912
Financial liabilities:				
Creditors and other payables		-	338,561	338,561
Total financial liabilities:		-	338,561	338,561

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

Financial assets and liabilities	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:		-	551,943	551,943
Creditors and other payables		-	551,943	551,943
Total financial liabilities:				

The Commission is party to letters of credit with Westpac Bank of $39,000 (2013: $39,000).

Sensitivity analysis

As at 30 June 2014, if the interest rates earned on cash and cash equivalents had been 0.5% higher or lower (2013: 0.5% higher or lower), with all other variables held constant the surplus/deficit for the year would have been $6,480 higher / $6,480 lower (2013: $6,500 higher / $6,500 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 entity 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 Westpac Banking Group and is rated AA- by Standard & Poors (S&P).

Maximum exposures to credit risk at reporting date are:

Maximum exposure to credit risk	2014 Actual $	2013 Actual $
Cash and cash equivalents	882,972	458,776

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

All of the Commission's liabilities owing at balance date, comprising trade and other payables, have a contractual maturity of less than six months (2013: 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, whilst 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:

Net cash flow from operating activities	**2014 Actual $**	**2013 Actual $**
Net surplus / (deficit) for the year	142,917	(904,780)
Non cash items:		
Depreciation	27,429	16,477
Amortisation	745,505	609,014
Net loss on disposal of assets	46,265	-
Net cash flow from operating activities	819,199	625,491
Movements in net assets and liabilities		
(Increase)/decrease in accrued interest	14	3,278
(Increase)/decrease in prepayments	(5,617)	(436)
(Increase)/decrease in trade debtors	20,075	(21,375)
(Increase)/decrease in GST refund due	27,869	87,240
Increase/(decrease) in trade creditors	(213,383)	(371,729)
Increase/(decrease) in employee entitlements	(20,280)	(1,917)
Increase/(decrease) in revenue in advance	47,500	(10,000)
	(143,822)	(314,939)
Net cash inflow from operating activities	818,294	(594,228)

14. Employee remuneration

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

Remuneration	2014	2013
$100,000–$109,999	2	0
$110,000–$119,999	1	0
$120,000–$129,999	0	0
$130,000–$139,999	1	0
$140,000–$149,999	0	1
$150,000–$159,999	0	0
$160,000–$169,999	0	1
$170,000–$179,999	0	0
$180,000–$189,999	0	0
$190,000–$199,999	0	0
$200,000–$209,999	1	0
$230,000–$239,999	0	0
$240,000–$249,999	0	0
$250,000–$259,999	1	0

During the year ended 30 June 2014, six (2013, zero) employees received compensation and other benefits in relation to cessation totalling $98,443 (2013, nil).

During the year ended 30 June 2014, six employees received remuneration of greater than $100,000 per annum. Of these six employees, during the year ended 30 June 2013, three received remuneration between $95,000 and $99,000 and one received remuneration between $90,000 and $95,000.

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.

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

During the period, the Commission received $5,782,000 of funding from the Crown (2013: $5,782,000). Of this no amounts were outstanding as at 30 June 2014 (2013: $Nil).

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

The Commission also purchases good and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government related entities for the year ended 30 June 2014 totalled $459,335, (2013: $1,017,613). These purchases included expenditure on advertising with Television New Zealand Limited, payments towards advice and information on Retirement Villages to the Ministry of Business, Innovation & Employment, as well as one-off payments to other government departments for project related expenses. Of this $11,449 was outstanding as at 30 June 2014 (2013: $63,773).

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 2014 totalled $12,000, (2013: $30,280). Of this no amounts were outstanding as at 30 June 2014 (2013: $3,450).

16. Commitments

Capital commitments

There are no capital commitments at reporting date (2013: $Nil).

Operating lease commitments

Commitments existed for non-cancellable operating leases as follows:

Operating lease commitments	2014 Actual $	2013 Actual $
Less than one year	159,713	82,073
Between one and two years	108,249	53,290
Between two and five years	113,134	16,635
Later than five years	-	-
Total operating lease commitments	381,096	151,998

The Commission commenced a lease for its Wellington premises on 7 September 2013. The lease had 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 was $92,070 per annum (GST exclusive). As part of the agreement to transfer its office lease to the new premise from 7 September 2014 The Commission received $60,000 (GST exclusive) from the landlord as an incentive.

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 $6,196 per annum (GST inclusive) which expires 10 September 2016.

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

17. Contingent liabilities

There are no contingent liabilities at reporting date (2013: $Nil)

18. Subsequent events

Subsequent to reporting date, the Commission has agreed to a new lease for its Auckland office. This new lease is effective from 3 November 2014. The current lease for the existing office will stop from that date. The new lease has a term of six years with one right of renewal for another four years. The lease expense is $112,500 per annum (GST exclusive). As part of the agreement the landlord has agreed to an incentive payment equal to six months of annual rent plus GST.

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 2014 (2013: The Commission has transferred its office lease from the current premises to a new location with the same landlord effective from 7 September 2013).

19. Major budget variances

Statement of comprehensive income

Other government entity funding

Other government entity funding was $12,000 higher than budgeted, due to unforecast funding from one government entity to partially fund for research undertaken by the Commission on "Product Disclosure Statements: Investor Perceptions".

Other income

The budget was based on the experience of the 2012/13 year. In 2012/13 there was a large project that attracted income from other sources. This project was substantially completed in 2012/13. There were no similar sized projects in 2013/14.

Property expenses

Property expenses were $40,000 higher than budgeted. This was due to the increased expenses for the Auckland office.

Loss on disposal of assets

An amount of $46,265 was recorded as a loss on disposal of assets. This was attributed to the sale and write off of office fit outs and furniture at an amount that was less than the book value during the move of the Wellington office to new premises.

Other operating costs

Other operating costs were $232,000 higher than budgeted. The most significant factors that contributed to this were:

- Increased expenditure on temporary staff of $115,000
- Increased domestic travel especially between Auckland and Wellington of $50,000

Advice and research

A significant amount of research effort went into the project to review retirement income policies. While this work was taking place there was a reduced emphasis on research. The advice and research budget was also held while the Commission's strategy and priorities were being confirmed.

Retirement villages

Retirement villages' direct expenses were $117,000 lower than budgeted. The budget included a provision of $60,000 for reviewing the Code of Practice and a project to monitor the application of the Retirements Villages Act. A review of the Code of Practice was not required in the year ended 30 June 2014. A project to monitor the application of the Retirement Villages Act was only started after the end of the year. These had a flow on effect on the resourcing which impacted on the total expenditure for Retirement Villages. The underspend in the year ended 30 June 2014 will be held for use in future year/s.

Statement of financial position

Cash and cash equivalents

Cash and cash equivalents were $374,000 higher than budgeted. This was due mainly to the expenditure on assets being lower than planned.

Intangible assets

Intangible assets held at year-end are $531,000 lower than budgeted. This was due to expenditure on the sorted.org.nz website (interactive elements) being lower than expected.

Creditors and other payables

Creditors and other payables are $92,000 lower than budgeted. This is due to the total actual expenditure for the year being lower than budgeted.

Key Prior Year Variances

Personnel costs were $691,779 higher than the prior year. This was due to work that was previously outsourced to external service providers being performed in-house by staff.

Maori education costs were reported separately in the prior year. This cost was included in the Marketing and education cost and budget for the year ended 30 June 2014.

Independent auditor’s report

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 2014

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 27 to 50, that comprise the statement of financial position as at 30 June 2014, 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;
- the non-financial performance information of the Commission that comprises the statement of service performance on pages 9, 11 to 19, 22 to 23, and 24 to 25; and the report about outcomes on pages 10 and 11, 21 and 24.

Opinion

In our opinion:

- the financial statements of the Commission on pages 27 to 50:
    - comply with generally accepted accounting practice in New Zealand; and
    - fairly reflect the Commission’s:
        - financial position as at 30 June 2014; and
        - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Commission on pages 9 to 25:
    - 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 2014, 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 31 October 2014. 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


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TAUMARUNUI LEGAL SERVICES
DOCTORS SURGERY

Appendix: 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.

The 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 are 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 2013–14 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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