

BRIEFING TO THE INCOMING MINISTER

19 December 2016

AT A GLANCE

Established	1993
Retirement Commissioner	Diane Maxwell
Key Legislation	NZ Superannuation and Retirement Income Act 2001 (amended 2005) Retirement Villages Act 2003
Status	Autonomous Crown Entity
Key Function	Building financial capability Retirement Income Policy
Other Functions	Retirement Villages Act (monitoring)
Current Staff	24 (22 in Auckland and 2 in Wellington)
Location	Auckland
Reporting	Minister of Commerce and Consumer Affairs Minister for Building and Construction (responsible Minister for the Retirement Villages Act 2003)
Crown Appropriation 2015/16	\$5.982m

A shared vision and mission

- The Commission for Financial Capability (CFFC) is an autonomous crown entity, our work is focused on helping all New Zealanders to be financially capable, putting them in the best possible position to reach their life goals and reach their retirement in good financial health (refer Appendix 1 – What we do).
- The Commission's vision is to ensure that everyone will get ahead financially. Our mission is driving sustainable behaviour change. Our focus is on the retirees of today and tomorrow.
- Building financial capability is a priority for the government and forms part of the Business Growth Agenda, Building Investment work stream.
- Greater financial resilience and capability enables New Zealanders to better manage debt, accumulate savings, realise home ownership aspirations and weather shocks, and so reduce the governments long term liabilities associated with an ageing population.

Government Statement on Financial Capability

- Building financial capability in New Zealand is a priority for the government.
- There is growing recognition that financial capability is a strategic imperative for driving social outcomes for New Zealand.
- In June 2015, the government with the support of the Commission, launched its Government Statement on Financial Capability that reinforces the contribution financial capability makes to improving the wellbeing of families and communities, reducing hardship, increasing investment, and growing the economy.
- The Government Statement on Financial Capability asks government agencies to work more collaboratively, include financial capability outcomes as a consideration in service delivery and increase the work with industry and the community for better results.
- The Government Statement highlights the National Strategy for Financial Capability (led by the Commission for Financial Capability) as the key framework that aligns collective effort (refer Appendix 2 – National Strategy for financial capability).

Building a more competitive and productive economy

- The government is focused on building a more productive, confident and competitive economy that will deliver higher incomes and living standards for New Zealanders.
- The Commission contributes to the government's Business Growth Agenda area of Building Investment (improve the financial capability of all New Zealanders and encourage personal savings and investment), and particularly:
 - building Māori and Pasifika financial capability, and
 - ensuring a strong commitment and coordination between the public and private sectors.
- In addition, through the Ministerial Committee on Poverty 2016 the government has identified three ways of alleviating poverty at the household level - increasing household income, reducing demands on the core household budget, and better use of a given income to meet basic needs. The government has identified eight policy initiatives to focus on these elements, one of which is financial capability.

Our output classes

Financial capability

- Driving behaviour change - the Commission focuses on driving sustainable and enduring behaviour change, helping the financially vulnerable become financially capable.
- Raising awareness of the value of financial capability - financial capability is an essential life skill. Improving New Zealanders' ability to manage their money across a lifetime gives individuals greater financial certainty and freedom. It helps to reduce hardship among families and creates resilient communities and a more prosperous and productive economy.
- Extending reach - the Commission operates as a strategic centre, test hub and thought leader. We build and evaluate programmes tailored for different sectors, and engage with stakeholders across New Zealand to execute the work nationally. We also reach a broader base of New Zealanders through multiple platforms such as cffc.org.nz, sorted.org.nz, Money Week and media partnerships.
- Improving financial capability learning experiences - our children and our grandchildren will face new challenges in their retirement as the population ages and the world around them changes. The Commission's work seeks to equip people from an early age with the skills and

confidence to navigate through a lifetime of financial choices, ask the right questions and be on the winning side of their decisions, so that they reach retirement in good financial shape.

Retirement income

- Raising awareness of retirement income policy issues - the Commission continues to drive awareness and discussion of the issues, and provides robust policy advice to meet complex demographic challenges.
- Monitoring and reporting on the effects and effectiveness of retirement income policies - the Commission's focus is on retirees of today – and of the future – operating as a research hub that offers thought leadership but also understands/reflects the views and perceptions of the broader population.
- Encouraging New Zealanders to actively plan for their retirement – planning for retirement requires people to think long-term and defer (some) spend today in favour of tomorrow. There are many social influences and trends that make that a challenging task. Yet ultimately, good retirement planning and smart decisions throughout life will mean New Zealanders are more likely to reach retirement in good financial shape.

Retirement Villages

- Administering the Retirement Villages Act disputes process - the first function is to administer the disputes process, which includes checking and holding documentation, providing an approved group of panellists and providing information about the process to both residents and operators.
- Monitoring the provisions of the Retirement Villages Act - the second function is to monitor the effects of the Retirement Villages Act, Codes and Regulations. Three monitoring reports on specific parts of the sector have been completed since 2009.
- Informing intending and existing residents of their rights and responsibilities - we also provide information and education to the sector.

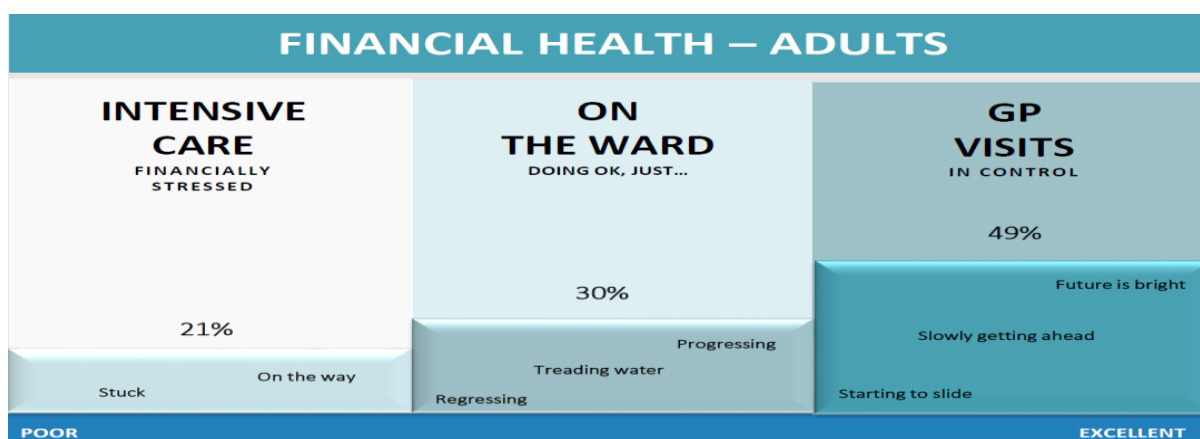
Our key objectives

- Carry out our responsibilities as detailed in legislation.
- Work with all generations of New Zealanders, acknowledging our focus is on the retirees of today and tomorrow.
- Increase our focus on the vulnerable and our work with low income New Zealanders.
- Focus on sustainable and enduring behaviour change.
- Optimise our output by:
 - Driving efficiencies internally and delivery via our in-house capability, which has a culture that builds core skills including critical thinking and stakeholder engagement, and is pragmatic, lean, and commercially and tech savvy; and,
 - Operating as a strategic centre and test hub, and maximising the resources of our extensive national stakeholder group across the commercial and NGO sectors and other government agencies.
- Ensuring good cooperation, coordination and information-sharing with other government agencies is critical to our success. We work closely with agencies such as the Financial Markets Authority, Inland Revenue and the Commerce Commission, to facilitate a good exchange of information and drive efficiencies where possible.
- Exploit the cost efficiencies of new technology and online channels.
- Become a greater provider of content for multiple channels.

- Continue to drive awareness and debate of the big issues.

Building financial capability

- 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.
- In December 2014, the Commission made the shift from talking about literacy to capability and last year we invested time and resource in explaining the difference between what you 'know' and what you 'can do'.
- It's good to see that New Zealanders have broadly embraced the change and we now see the term 'capability' more widely understood and used consistently. The goal of translating knowledge into action has informed our thinking and our priorities.
- Our work building financial capability across all generations and ethnicities is critical for the financial resilience and health of our future retirees and the country as a whole.
- We are working to deploy best practice behavioural economics by understanding: how social norms affect behaviour, how to mitigate present bias (where today seems more important than tomorrow), and what we can do about the mentality of scarcity that robs people of their ability to plan long-term.
- We know that reaching retirement in good shape is about 'little and long' term actions that create changes across a lifetime and as such, the starting point has to be embedding financial capability in key priority areas. This includes Education, Community, Māori and Pacific spaces. We've made good progress across these areas and developed content which is now available nationally, but there is a need to deliver greater scale across these sectors.
- We continue to challenge ourselves on our effectiveness in building financial capability, making difficult calls on where we should be deploying our resources, and what will have the biggest impact on New Zealand overall.
- In early 2016 the Commission re-framed the way we define the financial needs and behaviours of New Zealanders by developing a health analogy, which informs the resources and support that CFFC provides.
- Our qualitative and quantitative research has supported our work to develop a triage tool, placing people in one of three groups: 'Intensive Care', 'In the Ward' and 'GP Visits' and our face-to-face programmes have a greater focus on those in the ward and in intensive care (51% of the country).

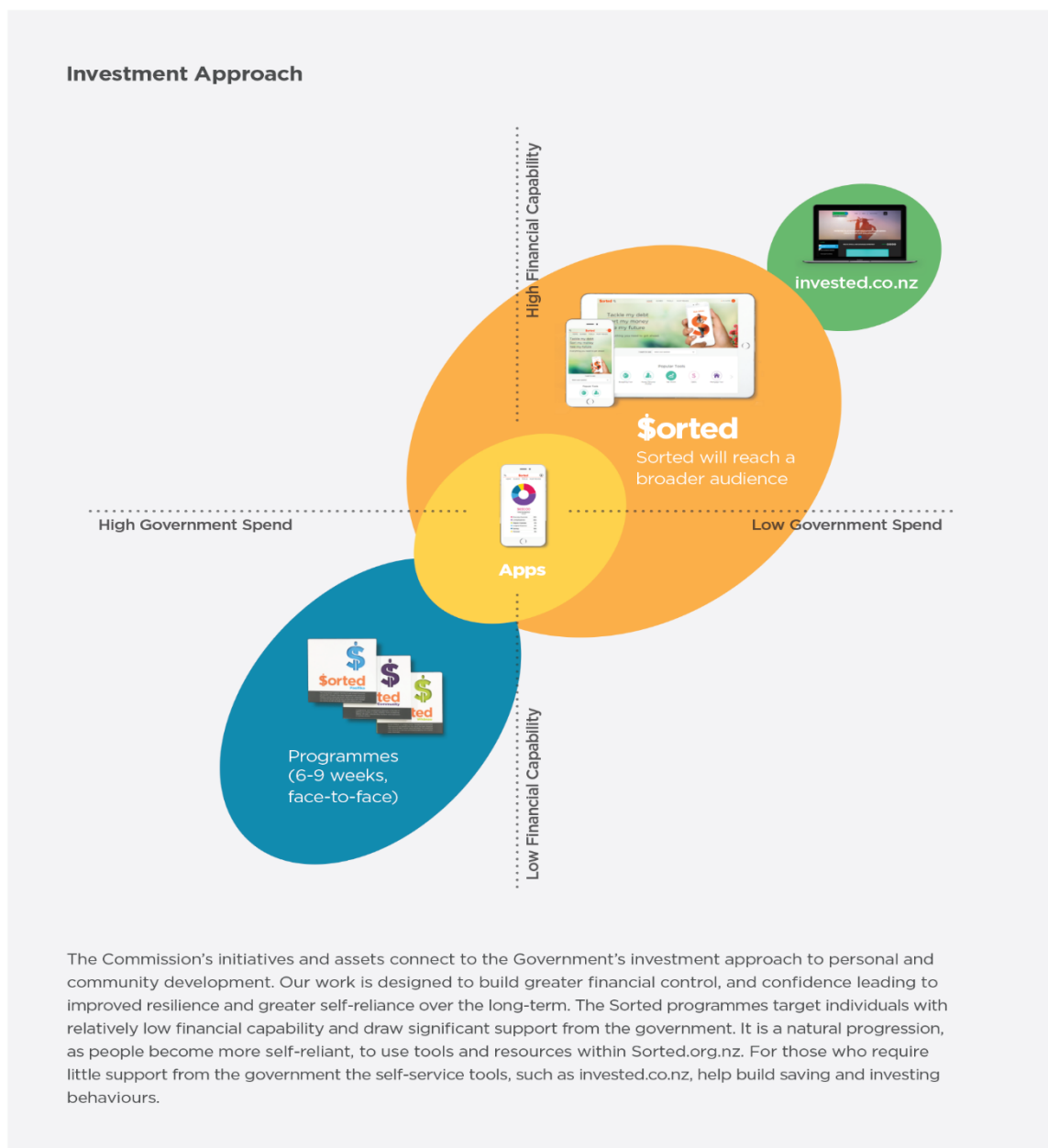


- This framework enables us to 'triage' our work, to ensure that our resources are allocated in the right way, and delivers a deeper understanding of the barriers to behaviour change.
- Over 2015/16 the Commission has done extensive research amongst each group, informing our planning and materials, and is about to launch a barometer that will track change in knowledge and behaviour over time.



- The Commission's research and work to date, shows that ages from five to sixteen years is a critical time period to build financial capability and knowledge. Significant insight has been gained from the delivery of two successful Sorted Schools clusters pilots.

- Research has also consistently identified Māori and Pasifika as having low levels of financial capability. This combined with younger populations and higher birth rates, relative to other groups, is a significant long-term liability to the taxpayer.
- Success of the Commission's initiatives are measured via a mixture of internal and external evaluations and qualitative and quantitative research.
- We also manage the tensions between mass digital tools like Sorted, which we know equip people to navigate financial choices, versus our face-to-face programmes that address more ingrained beliefs and habits around money. The programme model is based on an investment approach, meaning the work is resource intensive and smaller in scale, but the impact is greater because it addresses long-term liabilities.



- For some New Zealanders, the first introduction to the Sorted site and tools (sorted.org.nz) is during our six to nine week face-to-face programme that they may have gone through as part of a community, iwi, or church initiative or through their workplace.
- The programmes: Sorted Community, Pasifika, Whānau and Workplace cover debt, cultural obligations, KiwiSaver, wills, consumer rights, and more. They equip people to build up a rainy-day buffer, something we know makes a substantial difference to financial resilience and long-term financial health. They also build confidence which is, in reality, the core ingredient for building capability.
- All programmes include a pre and post-evaluation so that we can track change, and a sub-set undergo a more extensive evaluation to test the sustainability of the change, alongside the secondary but important life changes such as changed diet, smoking cessation, family cohesion etc.
- A new Home Ownership programme is currently being rolled out, and two others 'Women and Money' and 'Investor Education' are being developed. The addition of a GM Community (1Q16) and two further full-time roles working with Māori and Pasifika (4Q17), have extended the scale and reach of our work.

Review of Retirement Income Policies

- During 2016 the Commission undertook its three-yearly Review of Retirement Income Policies. The reviews findings were released in December via a series of interactive videos, containing 226 items of content, and a document with the full recommendations was tabled on 20 December 2016. The government has indicated that it will formally respond to the reviews recommendations in early 2017.
- A key goal of the review was to start a national conversation about the impact of existing retirement policies on current and future generations of New Zealanders. To take a closer look at the issues and generate public engagement we broke the review into seven topics over seven months. This new approach proved to be effective in raising awareness and revealed a depth of insight into policy settings across the topics.
- We spoke to people up and down the country and recorded interviews on video which have had more than 210,000 views. Online surveys were completed by more than 11,000 people who also contributed over 11,600 comments. Review webpages have had almost 40,000 unique visitors who viewed more than 116,000 pages of content. The media were also engaged and ran 1,450 stories about the review.
- As part of our approach we held forums on KiwiSaver, decumulation, and the ageing workforce, met with social service providers, and in October hosted an OECD/INFE global symposium. The Commission also engaged with key government agencies and sector experts to review data and test working ideas for improvements to the policy framework. We drew on the substantial volume of existing research and, where necessary, commissioned papers to help inform our thinking and consideration of issues.
- The key theme impacting our future retirement policy and broader economic position is the permanent structural demographic change that New Zealand is undergoing. The effects are wide-ranging and recommendations reflect the need to view the policy framework as an 'eco-system', and to give serious attention today to issues that affect future generations and retirees.
- Findings from the review will be built into the Commission's future work programme, which has underlined the importance of raising the level of New Zealanders' financial capability over a lifetime. We will continue to work on further developing key recommendations and look forward to continuing the policy conversation.

Retirement villages

- In 2015/16 the Commission consulted on proposed variations to clauses 31-36 of the Retirement Villages Code of Practice in accordance with Section 91 of the Act.
 - The focus of the proposed variations is on resolving issues as early as possible, preferably within the village through a well-functioning complaints system.
 - The Commission provided recommendations for changes to the complaints facility provisions of the Code of Practice to the Minister for Building and Housing in August 2016 and met the Minister to discuss the proposals.
- Public seminars provided by the Commission across New Zealand target intending retirement village residents and continue to attract sustained demand around the country.
- The Commission is currently working on the design of new web-based information resources and a portal to support the increased operational requirements associated with the approved changes to the Code of Practice.
- As noted above, the Commission is responsible for administering the Retirement Villages Act disputes process. The Commission currently has three formal dispute notices with one awaiting the panel's decision, one awaiting appointment of a panel and one on-hold due to the resident's illness.
- Looking forward, we will be drafting a term of reference for a plain English review and simplification of the Retirement Villages Code of Practice and will be reporting on research into the legal advice provided to intending village residents (being the Commission's thematic monitoring project for 2016/17).

Budget bid

Redacted under s9(s)(f)(iv) of the OIA

- This is a priority for the government and forms part of the Business Growth Agenda, Building Investment work stream. Greater financial resilience and capability enables New Zealanders to better manage debt, accumulate savings, realise home ownership aspirations and weather shocks, and so reduce the government's long-term liabilities associated with an ageing population.
- There is growing recognition that financial capability is a strategic imperative for driving social outcomes for New Zealand. It will help improve the wellbeing of families and communities, reduce hardship, increase investment and grow the economy.
- This initiative will fund a package of new education and community programmes that seek to significantly increase CFFC's reach and build the financial capability of New Zealanders. The proposed initiatives are fully costed and are not expected to result in any flow-on costs for other appropriations, votes or agencies.

Redacted under s9(s)(f)(iv) of the OIA

- following a strategic review of its current operating model the Commission has identified a best practice approach to designing and delivering financial capability programmes, that have been tailored for a variety of community-based audiences. Cross-government collaboration and CFFC's delivery of scale and extended reach across New Zealand are linked as both rely on building CFFC's capacity and capability to develop and support effective government, NGO and community partnerships. Specifically, these are partnerships where financial capability has been identified as a key element of achieving other agencies' outcomes and CFFC's support is required for programme content, training and quality assurance of delivery.

Efficiency & Effectiveness Review

- Deloitte was engaged to perform an Efficiency & Effectiveness Review to support the Commission's 2017/18 budget bid. Deloitte found that the Commission is maximising its use of existing funding and without an increase in its baseline funding the Commission will not be able to significantly extend its reach and build the financial capability of New Zealanders.
- Deloitte concluded that the Commission *"demonstrates it has undertaken some significant and necessary changes in its organisational construct and overall operating model over the past three years to improve its levels of efficiency, agility and responsiveness ... There is potential to increase the scope of the CFFC which has the capability to scale-up to a broader remit and size. While there is some discretion in what activities the CFFC engage in, they are well placed to effectively use additional funding in specific and targeted areas."*

Sorted

- Our Sorted website (sorted.org.nz) continues to provide an excellent resource with information, calculators, and tools including the KiwiSaver Fund Finder accessed by approximately 1 million unique visitors each year.
- In 2015/16 the Sorted website was rebuilt and relaunched and now renders on mobiles and tablets:
 - We've seen an immediate and substantial decrease in our 'bounce rate' because the user is finding what they need, on the device of their choice.
 - The navigation is clearer, the language simplified, the finger-wagging tone removed, and we've dialled up the use of graphics and visuals.
 - We've also added more content, blogs and tips to keep people coming back. Sorted has a new budgeting app, with user numbers hitting 14,000 per month.
- The Sorted mouse retired to make way for a new look that is more tailored to the individual, and more reflective of New Zealand today. He still makes the odd appearance but we needed to acknowledge that we have a new generation of users who grew up swiping screens not clicking a mouse, and for whom he had little relevance.
- The new Sorted continues to perform strongly with both traffic and engagement tracking close to or above budget for all the quarterly metrics.
- Work recently commenced on the build of a data-warehouse to sit behind Sorted so we can understand more about our users in order to improve the personalisation of Sorted. The data-warehouse will also provide valuable insights around users' personal finances and how they are changing over time.

- A new goal planner has been launched, which helps people to organise what is important to them as short, medium and long-term goals. It was designed as a mobile first experience so that people could easily use it on their phones. This has quickly risen to be one of the most popular tools on Sorted and users remain on site for a relatively long period indicating the user experience is working for them. In 3 months to 30/09/2016, it has been used over 17,500 times.
- The project to develop a mobile phone game-based educational application around consumer debt has been extensively tested by two groups of students at Henderson High School. The testing was a resounding success and indicated the game design and playing experience was working for the target market. The evaluation also showed that it was successful in changing attitudes and beliefs around debt and increasing conversations with parents about their experiences and beliefs around debt. Some changes to game mechanics and visual design, prompted by the testing, are being implemented prior to a full launch of 'Debt Empire'.

Investor education

- We are developing a wide range of investor education materials and continue to build a strong and extensive national media presence, run campaigns on social media platforms, and organise investor education seminars around the country, covering areas including KiwiSaver, financial scams and income in retirement.
- With more than 2.6 million New Zealanders in KiwiSaver, we focus on helping them to see themselves as investors, not savers, and give them resources to make better-informed decisions that could have a significant effect on their future financial wellbeing.
- We have also run industry and government agency forums and will continue to build on our ongoing consultation with a wide range of groups. This has helped to inform some of our review recommendations around KiwiSaver, which were developed to improve investors' long-term financial outcomes.
- We have created the Invested website (invested.co.nz), aimed at people with their foot on the first rung of the investing ladder, and are expanding this by increasing the number of topics and breadth of videos available.

Investor portal

- The Commission is working with MBIE on the build of a web-based solution to help consumers understand their investing options, learn more about investing, and search and compare investment products.
- This tool (nested within sorted.org.nz) will provide an 'investor portal' that has the potential to improve the investing capability of New Zealanders who are already investing, and those whose interest in investment is increasing. This is consistent with the goals of the Business Growth Agenda 2015, in particular the need to improve the financial capability of all New Zealanders and encourage personal savings and investment.
- The investor portal will be built in two phases. The first phase will concentrate on providing information on managed funds and the second phase will provide information on other investment options such as bonds and shares.
- The portal tool will take information provided by financial institutions through the Disclose Register and re-package it within the consumer oriented Sorted website.
- The project team are preparing a business case to confirm the capital funding and expect to start building the portal in early 2017. Ongoing operational funding is still to be resolved.

National Strategy

- It's worth noting that although developed by the Commission, the National Strategy is not the Commission's strategy, it is New Zealand'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.
- The Auckland and Wellington Financial Capability Networks each host a meeting of cross-sector National Strategy partners during the quarter.
- In 4Q16 both meetings were opened by Minister Goldsmith and included a total of 110 people representing 63 organisations.
- Discussions regarding potential cross-government collaboration continue with MSD (Budgeting Services), Inland Revenue (Life Stages Project), HPA/MoH (Smokefree) and MBIE (Consumer Protection).

Community and workplace

- 1Q17 had the largest number of intensive Sorted behaviour change programmes successfully completed in any quarter (41 programmes delivered to 546 participants).
- This was due to the ongoing roll out of national workplace partnerships with NZPFCU, NZDF, The Warehouse Group and a national community partnership with ADRA.
- Targeted community partnerships continue with TRC's 'Pathway to Housing Independence' programme and Vaka Tautua's support for Pacific families dealing with disabilities.

Education

- The Commission continues to work on embedding the relatively new Financial Capability Progressions as part of the New Zealand school curriculum.
- The Commission's approach was to pilot its initiatives via a programme in Upper Harbour, which focussed on clusters of schools and tested how a learning network approach can overcome the barriers to change. The pilot was independently evaluated and, on the basis of interim findings, the Commission expanded the programme to South Auckland in 2015.
- The Commission's South Auckland Sorted Schools cluster of 9 schools reached an additional 1,836 students in 1Q17 taking the total to 6,296 (exceeding the annual target of 5,000).
- Teaching resources developed as part of the 2015 Upper Harbour Sorted Schools programme have been released on MoE's TKI website.
- The Commission is developing an Online Learning Hub for teachers that will aggregate all relevant financial capability resources (incl. MoE, YET and Sorted) and provide facilitated online support to help teachers incorporate financial capability in their teaching practices.

MBIE Māori project

- Additional funding of \$900K for Maori Financial Capability programmes was provided by MBIE for delivery in 2016/17.
- This project scales up pilots completed in 2015 to foster financial literacy and capability among Māori: one to build capability among marae trustees (led by Māori Women's Development Inc), and the other to support leadership in land trusts and incorporations (led by Te Tumu Paeroa).

- In accordance with the project's terms of reference we recently provided MBIE with a follow-up evaluation report from the piloting phase and key directions for the scale up for next year.
- Participants who we contacted in December 2016 for the follow-up indicated that the pilots:
 - Improved their confidence;
 - Improved their understanding of financial reports;
 - In some cases, improved their spending practices to prioritise wants and needs;
 - Supported whānau-based learning; and,
 - Applied learning in governance roles.

Northland project

- A cluster of three Northland schools are being supported to change their curriculum to include financial capability via a project scheduled to finish 4Q17.
- In addition to ongoing professional development workshops provided by the Sorted Schools facilitator, CFFC staff regularly travel to Kaikohe to present to the lead teachers from the three participating schools on Maori initiatives that have the potential to support their teaching practices and engagement with students and whanau (Maori students comprise 95% of Northland College).

Money Week

- The Commission runs an annual event called Money Week with seminars, competitions, and quizzes etc. held nationwide by schools, businesses and community groups.
- Money Week 2016 was a success, exceeding targets with double digit growth across all metrics.
 - The launch at Britomart was featured on three television networks, with the 'Show Me The Money Week' theme resonating with both consumers and participating organisations.
 - There were 850 registered events and activities (growth of 23% over Money Week 2015) and over 200 organisations taking part (growth of 25% over Money Week 2015). There were more than 445 pieces of media in Money Week itself and over 27,000 website interactions over Money Week.
- Money Week 2016 also saw the launch of 'Sorted Putea' which is specifically targeted to Māori. The content which includes videos linking NZ's currency to stories around personal finance, has been extremely well received. The content was recognised as a finalist in three categories at the 2016 Nga Tohu Reo (Māori Language Awards).
- Money Week 2017 will be held from 14 to 21 August 2017.

Content and media

- We have established an in-house production team to create videos, news stories, podcasts and blogs, which allows us to tailor our messages to specific audiences and contribute to the 'talk' stream of the National Strategy.
- We have deliberately switched our strategy away from TV advertising and put a much stronger focus on reaching people through social media, where the level of interaction is greater and the engagement is more meaningful.
- We have developed a range of ongoing video series, including 'Tales from the top' featuring the stories and opinions of those aged 65+; 'Tales from the tent', which is a mobile recording

studio that travels the country capturing the public's thoughts on a range of financial capability issues; and 'Toys talk retirement' – our interactive video platform to engage the public with the Review of Retirement Income Policies.

- We also have a strong relationship with the mainstream media which in the past financial year saw 6,420 stories written or broadcast about our work.

Financial capability barometer

- The Commission will shortly be launching a new research tool to assess New Zealanders financial capability and how that is changing over time.
- This research will involve a nationally representative sample of 4,000 people over a year. This will enable us to identify the impact of initiatives such as Money Week on financial capability.
- Key metrics will be updated bi-month and survey results reported six-monthly.

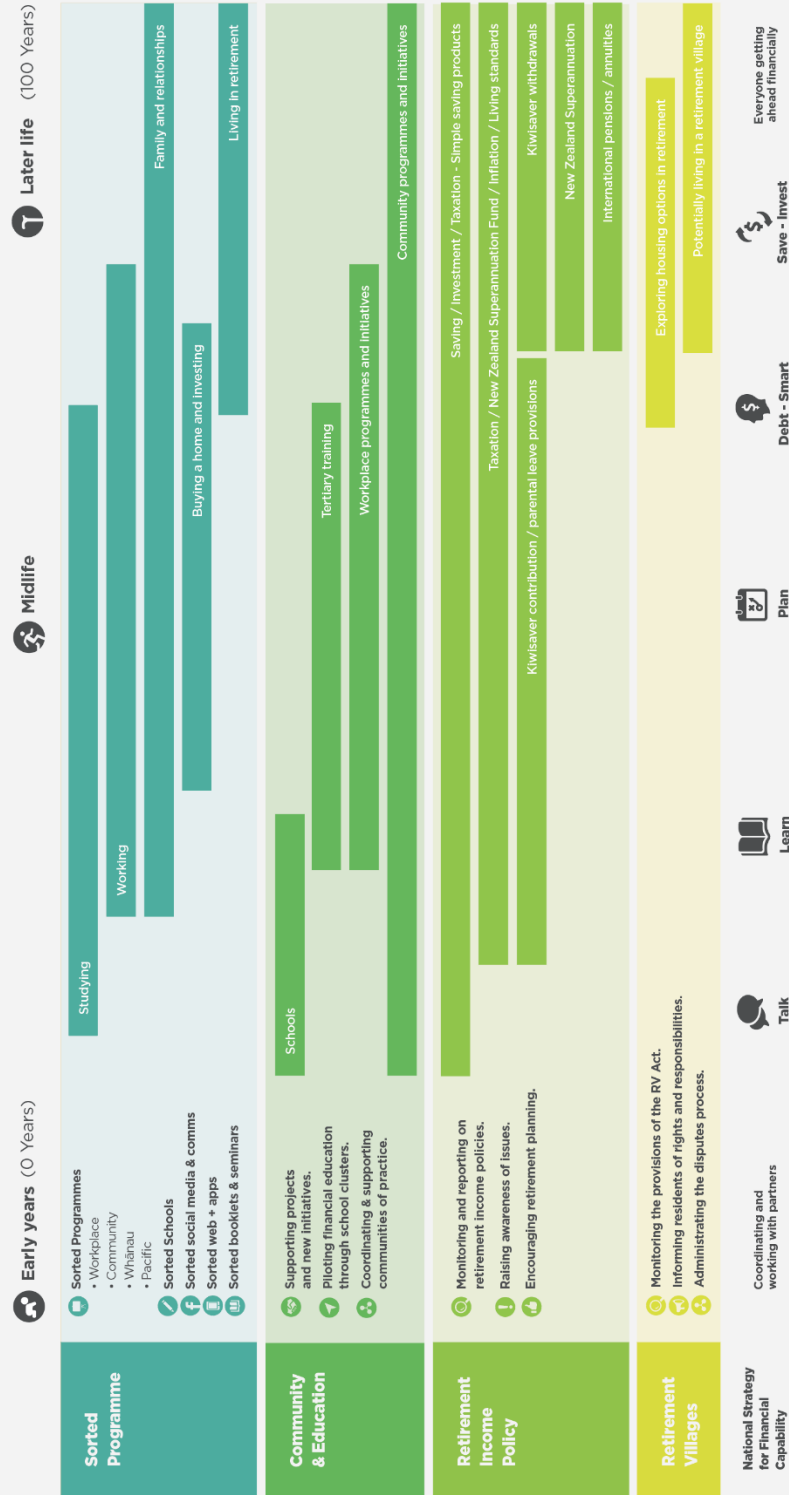
Legislative update

- Minor changes to the NZ Superannuation and Retirement Income Act 2001 (via the Regulatory Systems Amendment Bill) are currently underway to better describe the financial capability work that the Commission performs and to clarify that the Commissioner may perform any additional functions directed by its Ministers

Appendix 1: What we do

What we do

We drive change on a face-to-face basis, on a mass scale through our digital channels, and by influencing policy.



Appendix 2: National Strategy for financial capability

