



Statement of Intent

Retirement Commission 2011/14



retirement.org.nz

sorted.org.nz
YOUR INDEPENDENT MONEY GUIDE

financialliteracy.org.nz
BUILDING FINANCIAL CAPABILITY



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Presented to the House of Representatives

Pursuant to section 149 of the Crown Entities Act 2004

Part 1:



Three Year Outlook

❖ FOREWORD

OUR VISION

Financially sorted Kiwis

OUTCOMES FOR NEW ZEALAND

There are three shared outcomes in relation to New Zealand's retirement income framework that we seek to achieve both through our own work, and through working with many other organisations, groups and individuals (see chart page 17).

- ❖ NEW ZEALANDERS ARE BETTER EDUCATED AND MOTIVATED TO MAKE INFORMED FINANCIAL DECISIONS THROUGHOUT THEIR LIVES
- ❖ NEW ZEALANDERS HAVE MORE TRUST IN THE FINANCIAL SERVICES SECTOR
- ❖ NEW ZEALAND'S RETIREMENT INCOME POLICY IS STABLE AND EFFECTIVE
- ❖ THE LEGISLATIVE FRAMEWORK FOR RETIREMENT VILLAGES IS EFFECTIVE IN PROTECTING RESIDENTS, MEETS SOCIETAL EXPECTATIONS AND THE SECTOR IS COMPLIANT WITH THE RETIREMENT VILLAGES ACT 2003

This is our sixth Statement of Intent, setting out the direction that the Retirement Commission intends to take over the next three years, with an emphasis on the activity we intend to concentrate on over the next twelve months.

The environment in which we operate presents us with a range of challenges and opportunities. The economy is making a slower than expected recovery from the recession as the effects of unexpected shocks such as the devastating Christchurch earthquakes are felt and the Government's call for austerity measures in public sector spending. In response to such uncertainty, New Zealand households have altered their financial behaviour and have become net savers for the first time since 1990. For the Retirement Commission and other organisations that count the encouragement of household savings as a goal, this is a teachable moment in which to emphasise financially sorted behaviour.

REVIEW OF RETIREMENT INCOME POLICY

2011 has seen the first of the baby boomers turn 65, the age of entitlement to receive New Zealand Superannuation (NZ Super). Increasingly from now onwards, New Zealand will have an ageing population and a range of associated challenges, such as the rising cost per capita of NZ Super. One of Commission's core responsibilities is to provide information, collect research and raise awareness of the range of retirement income issues to help ensure Government retirement income policy is stable and effective.

In December 2010, we released our latest three-yearly review of Retirement Income Policy, as per our statutory requirements under the New Zealand Superannuation and Retirement Income Act 2001. The review helps widen our understanding of current retirement income policy and practices and where they are heading. Going forward, the Commission will be carrying out research to progress the recommendations of the 2010 Review, as well as gathering research to work towards the next Review in 2013.

BUILDING NEW ZEALANDERS' FINANCIAL LITERACY

A revised National Strategy for Financial Literacy was released late in 2010 together with a new five-year action plan. They are the outcome of consultation with a wide range of key stakeholders and together they form the foundation for better co-ordination of financial education activities in New Zealand. We will continue to work with stakeholders and monitor the roll out of the action plan, to ensure we do all we can to improve the financial literacy of New Zealanders.

Financial literacy is best improved through a collaborative approach with other likeminded organisations. Co-funding financialliteracy.org.nz, home of the National Strategy for Financial Literacy, with the New Zealand Bankers' Association, Workplace Savings NZ and the Investment Savings and Insurance Association has been a positive step in providing this important financial education resource for all of New Zealand. We will continue to build our sense of shared mission with these, and other, likeminded organisations.

Aligned with the National Strategy the Commission has developed a strategy and five-year action plan to reach Māori.

This year the Commission will host the bi-annual financial literacy summit in June, funded by key organisations in the private and public sectors, bringing together representatives from the financial services sector, business community, government, special interest groups and educators.

THE INTERNATIONAL SCENE

Raising financial literacy remains high on the agenda for many governments around the world, as it does in New Zealand. I am an active member of the Organisation for Economic Co-operation and Development (OECD) International Network on Financial Education (INFE). Through this, and other channels, we have gained a great deal from sharing knowledge with the global financial education community. We will continue to do this to aim to implement international best practice at home within the resources available.

Through this involvement, we have established New Zealand as a leader within the global community of financial educators. The Australian Securities and Investments Commission has modelled their new consumer-targeted website on sorted.org.nz and the American National Strategy for Financial Literacy has also drawn heavily from New Zealand's strategy.

BUILDING A TRUSTWORTHY FINANCE SECTOR

The Commission continues to work actively with the financial services sector's key representative bodies and the Government (see chart page 17) to help New Zealanders understand how to get good financial advice and recognise sound financial products. We are aware that rebuilding consumer trust in some areas of the financial services sector will be a long term undertaking after many consumers had their confidence shaken and suffered significant losses during the economic crisis.

The Financial Advisers Act (2008), which comes into force in July 2011, aims to promote the sound and efficient delivery of financial advice, and to encourage public confidence in the professionalism and integrity of financial advisers. We welcome these changes and the Commission will work with the new Financial Markets Authority (FMA) and stakeholders sharing feedback and issues affecting consumers.

NEXT PHASE OF OUR SORTED JOURNEY

This year is the 10th anniversary of the Sorted website. Since its launch, over 34% of New Zealanders have used the Sorted website, booklets and seminars. After a decade of activity, it's time for the website to undergo significant redevelopment. A project has been established to do this, and the Retirement Commission has paid close attention to the suggestions and feedback users have had about Sorted. This, combined with our analysis of usage patterns, has been influential in helping us to define the requirements for the new website. We are looking forward to its re-launch during the 2011-12 year.

Accompanying this is a shift in focus for Sorted communications. To achieve our vision of financially sorted Kiwis we recognise that we need to motivate New Zealanders to take action with their finances. As a result, our communications activity over the next three years will be focused on achieving action and creating greater engagement.

WORKING WITH THE EDUCATION SECTOR

Integrating personal financial education programmes into the school curriculum for Years 1-10 has been part of the Commission's work programmes since 2004. Although the project was formally handed over to the Ministry of Education in 2009, the Commission continues to promote the programmes, provide support to the Ministry of Education and monitor the effectiveness of coverage.

To include financial education as a core part of many tertiary qualifications, free teaching resources for seven unit standards were made available in 2009. To embed these resources, the Commission continues to work with the Tertiary Education Commission, NZQA, the Industry Training Federation, business and union representatives and tertiary education providers.

TRANSFER TO THE MINISTRY OF ECONOMIC DEVELOPMENT

From 1 July 2011 transfer of responsibility for the Retirement Commissioner is changing from the Ministry of Social Development to the Ministry of Economic Development (MED). This reflects the economic significance of financial literacy to the nation, and the closer alignment this brings to other organisations with allied concerns that are also in the MED sphere, such as the Financial Markets Authority (FMA).

RETIREMENT VILLAGES MONITORING

In our small role under the Retirement Villages Act 2003, we undertake a monitoring project each year as part of our five-year monitoring programme. In the 2011/12 year our project will be on residents and intending residents of retirement villages.

The 2011/2014 Statement of Intent paints a valuable picture of the Commission's work and target results over the next three years, on our journey towards improving the financial wellbeing of New Zealanders.

I look forward to another exciting and challenging year ahead helping New Zealanders to become financially sorted throughout life.



DIANA CROSSAN
RETIREMENT COMMISSIONER

WHO WE ARE

The Retirement Commission, set up in 1993, is an autonomous Crown entity listed in Schedule 1, Part 2 of the Crown Entities Act 2004. Under legal mandate the Retirement Commissioner is required to fulfil the relevant functions and requirements of the New Zealand Superannuation and Retirement Income Act 2001 and certain functions under the Retirement Villages Act 2003. The Retirement Commission is the office of the Commissioner.

The Commission is funded to provide information that will help people make informed financial decisions throughout their lives in preparation for their retirement, and in their retirement. We do this in a way that fulfils the Government's expectations of ensuring value for money for New Zealanders and running a focused, efficient and productive organisation.

We are responsible to two Ministers – the Minister of Commerce and the Minister for Building and Construction (the responsible Minister for the Retirement Villages Act 2003).

Our business activities are also of interest to other Ministers. We keep the Minister for Social Development and Employment (the responsible Minister for the New Zealand Superannuation and Retirement Income Act 2001) informed about our work in retirement income research and monitoring; the Minister of Education informed about our work in schools and tertiary institutions; and through the Retirement Commission, the advisory committee for the National Strategy for Financial Literacy reports twice a year to the Minister of Finance.

WHAT WE DO

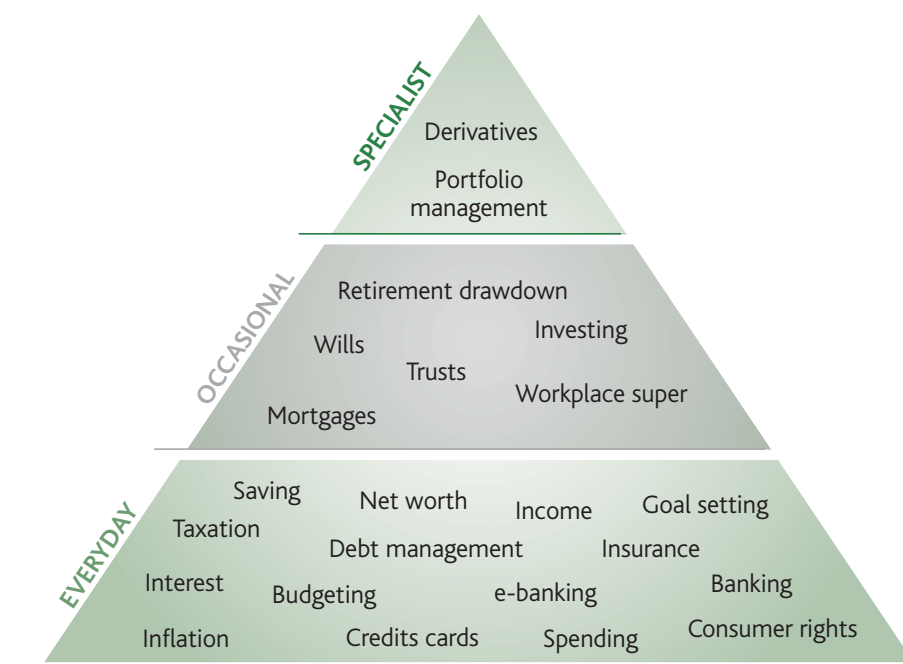
The Retirement Commission takes a lifetime approach to educating and informing New Zealanders about managing personal finances.

Our over-arching goal is to improve the personal financial wellbeing of all New Zealanders so that they are in the best possible financial state for their personal circumstances throughout life and in retirement.

Personal financial wellbeing results from people making informed financial decisions that fit the circumstances of their own lives. Financial literacy contributes to this over-arching goal as it gives people choices, helps protect them from unexpected events, fraud and scams, and enables them to have a voice as consumers and citizens. At an aggregate level, personal financial wellbeing contributes to the efficiency and prosperity of the national economy.



Financial literacy is defined as the ability to make informed judgements and make effective decisions regarding the use and management of money. The following diagram reflects the range of information and different levels of skill and knowledge that everyone needs to live in a modern economy.



❖ WHY WE DO IT

Our work through education, information and encouragement, contributes to three key elements that are vital to New Zealand's retirement income framework and to creating personal financial wellbeing for New Zealanders so that they are adequately provided for in retirement and have the confidence and ability to make informed and lasting decisions about their finances throughout their lives.

- ~ *New Zealanders are better educated and motivated to make informed financial decisions throughout their lives.*
- ~ *New Zealanders have more trust in the financial services sector.*
- ~ *New Zealand's retirement income policy is stable and effective.*

New Zealanders' standards of living in retirement will depend largely on what assets and income they have during their retirement years. Their income is likely to come from three major sources: government, private savings and investments, and workplace superannuation.

New Zealanders are faced with issues of funding education, home ownership, investing in businesses, debt management, and family financial obligations throughout their lives and they need to fit financial preparation for retirement into this framework. Simply saving some money for retirement may not be possible, nor indeed the best financial choice for some individuals and families at certain stages of life. And it is important that when people make their financial decisions – such as opting in or out of KiwiSaver – they are aware of all their options, and the issues and implications involved.

HOW WE DO IT

There are three goals that we seek to achieve both through our own work, and through working with many other organisations, groups and individuals towards our shared outcomes.

- ~ *Being financially sorted becomes a normal part of Kiwis' everyday lives.*
- ~ *Actively supporting the development of a trustworthy financial services sector.*
- ~ *Contributing to stable and effective government retirement income policy.*

The Retirement Commissioner is also responsible for monitoring the effects of the Retirement Villages Act 2003 and identifying suitable people for any disputes panel. The outcome we seek to achieve in this area is that the legislative framework for retirement villages is effective in protecting residents, meets societal expectations and the sector is compliant with the Retirement Villages Act 2003.

Our activities include:

- ~ *Developing and maintaining a network of stakeholders who support our goals.*
- ~ *Building and fostering a network of financial literacy provision.*
- ~ *Motivating New Zealanders to take action to improve their financial situation.*
- ~ *Providing free and independent source of information and tools.*
- ~ *Providing a secretariat role for the National Strategy for Financial Literacy.*
- ~ *Collecting research on, and analysis of, retirement planning behaviour and attitudes that aids development of national policies impacting on retirement.*
- ~ *Carrying out a three-yearly review of retirement income policy.*

And under the Retirement Villages Act:

- ~ *Monitoring the effects of the legislation.*
- ~ *Approving members of the disputes panel.*
- ~ *Providing information as required by the Act and making recommendations to the Minister for Building and Construction.*

The Retirement Commissioner's education and general information responsibility under the Retirement Villages Act 2003 is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice relating to our monitoring and Code of Practice functions.

The main tools that we use to do our job are:

- ~ *Communications across a range of media.*
- ~ *Information and education programmes (online, schools, tertiary, community and workplaces).*
- ~ *Relationships with stakeholders.*
- ~ *Partnerships with key organisations.*
- ~ *Liaison with the financial services sector.*
- ~ *Advice to Government and its agencies.*

The Commission operates three websites:

- ~ *www.retirement.org.nz – home of the Retirement Commission and the Retirement Income Research Unit.*
- ~ *www.sorted.org.nz – provides free, independent and impartial information and tools to help Kiwis to manage their personal finances throughout life.*
- ~ *www.financialliteracy.org.nz – home of the New Zealand Network for Financial Literacy, the National Strategy for Financial Literacy, research, surveys, evaluation and teaching and learning programmes.*

All our information is free, impartial and independent.



❖ HOW DO WE KNOW IT'S WORKING?

The Commission can only achieve its intended results to improve New Zealanders' ability to make sound financial decisions through the commitment of other stakeholders and our overall effectiveness will be determined by the quality of our working relationships with the public, business, community agencies and government.

2011/12 is a transitional phase for the Retirement Commission. This year we will undertake new quantitative and qualitative benchmark surveys so that we can establish more meaningful measures of progress towards our outcomes for future years. In addition, many other factors influence our outcomes, and to suggest that the Commission's activities alone have resulted in a particular outcome would be misleading and may take credit (or blame) for the work of other individuals or agencies.

The following diagrams illustrate the linkages from the Commission's high level goals through to impacts, individual outputs – financial literacy, retirement income research and monitoring and retirement villages – and show how we will measure our performance.

OUR GOALS AND OUTCOMES

VISION

Financially sorted Kiwis

MISSION

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

GOALS	<p>Being financially sorted becomes a normal part of Kiwis' everyday lives</p>
OUTCOMES	<p>New Zealanders are better educated and motivated to make informed financial decisions throughout their lives.</p>
IMPACTS	<ul style="list-style-type: none"> ~ <i>New Zealand's National Strategy for Financial Literacy has a strong, motivated network of supporters working towards a shared goal.</i> ~ <i>New Zealanders have access to quality financial education and resources through schools, tertiary institutions, their communities, iwi and workplaces.</i> ~ <i>New Zealanders have access to free, independent and impartial information and tools delivered via the Sorted programme (online, print, seminars).</i> ~ <i>New Zealanders are encouraged to take action to manage their money well.</i>
MAIN MEASURES	<p>In 2011/12 benchmarks to measure progress towards this outcome for future years will be established around New Zealanders' access to financial education and taking action.</p> <ul style="list-style-type: none"> ~ <i>Increased number of secondary schools and tertiary institutions delivering financial education.</i> ~ <i>Increased number of National Strategy for Financial Literacy supporters.</i>
INDICATORS	<ul style="list-style-type: none"> ~ <i>Benchmark quantitative survey completed late 2011.</i> ~ <i>% growth in the number of supporters of the National Strategy for Financial Literacy.</i> ~ <i>% growth in providers of financial education in schools, tertiary, community, iwi and workplaces.</i> ~ <i>Redevelopment of Sorted resources and communications activity to reflect a more motivational approach.</i> ~ <i>Key stakeholder/peak body annual survey about the Commission's work in contributing to its strategic goals.</i> ~ <i>2013 ANZ-Retirement Commission Financial Knowledge Survey will be a monitor against progress.</i>
OUTPUT CATEGORY	<ul style="list-style-type: none"> ~ <i>Financial literacy</i>

Peak body – an association of industries or groups

Actively support the development of a trustworthy financial services sector (See chart page 17)

New Zealanders have more trust in the financial services sector.

- ~ The sector sets its own goals to increase the financial wellbeing of consumers.
- ~ 'Plain English' communication initiatives and information about the transparency and clarity of financial products are shared with the finance sector.
- ~ There is independent research and monitoring of the trustworthiness of the sector.

- ~ Research to ascertain industry commitment to improved forms of customer information, training processes and standards.
- ~ Public perception of the industry and its practices (through surveys and media commentary).

- ~ Key stakeholder/peak body annual survey about the Commission's work in contributing to its strategic goals.
- ~ Progress against the National Strategy for Financial Literacy Action Plan.

~ Financial literacy

Contribute to stable and effective government retirement income policy

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

- ~ The Government's retirement income policies are reviewed every three years.
- ~ The Government and key stakeholders receive sound advice on retirement income related issues.
- ~ Advice to Ministers and the statutory three-yearly review of retirement income policies are informed by a robust, ongoing research programme.
- ~ Greater stakeholder appreciation of issues surrounding New Zealand's retirement income framework.

- ~ The level of satisfaction from Ministers and key stakeholders with the Commissioner's advice.
- ~ Extent to which the Retirement Commissioner's advice to the Government and key stakeholders is respected.

- ~ Key stakeholder/peak body annual survey about the Commission's work in contributing to its strategic goals.
- ~ The Ministers are satisfied or better with the Retirement Commissioner's advice.
- ~ Research projects are undertaken and seminars held each year relating to retirement income policy.

~ Retirement income research and monitoring

RETIREMENT VILLAGES

GOAL	The interests of residents and intending residents of retirement villages are protected.
OUTCOME	The legislative framework for retirement villages is effective in protecting residents, meets societal expectations and the sector is compliant with the Retirement Villages Act 2003.
IMPACTS*	<ul style="list-style-type: none"> ~ <i>The effects of the Act are monitored.</i> ~ <i>The disputes process under the Act is administered efficiently and effectively.</i> ~ <i>The Minister for Building and Construction receives comprehensive recommendations on any draft codes of practice.</i> ~ <i>New Zealanders have access to information about retirement villages so that residents are able to understand their rights and intending residents will be able to make informed choices.</i>
MAIN MEASURES	<ul style="list-style-type: none"> ~ <i>Five-year monitoring programme focused on: statutory supervisors, owner/operators, residents, intending residents and the disputes panel process. Each year a monitoring report on one of these groups or areas will be produced.</i> ~ <i>Some analysis of the nature, numbers and trends in complaints, queries and disputes within retirement villages.</i>
INDICATOR	<ul style="list-style-type: none"> ~ <i>A report is completed annually as part of the five-year monitoring programme.</i> ~ <i>Disputes and complaints received by the Retirement Commission do not reflect significant compliance issues with the Retirement Villages Act 2003 and the Code of Practice.</i>
OUTPUT CATEGORY	~ <i>Retirement villages</i>

*The Retirement Commissioner's education and general information responsibility is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice relating to the Commission's monitoring and Code of Practice functions.

ENVIRONMENT

Immediate environment

The New Zealand economy is slowly recovering from a protracted recession following the global financial crisis. Canterbury's two recent devastating earthquakes have created significant economic disruption and this may have implications for jobs, savings, debt management and retirement planning. There has been considerable change in the economic landscape, household savings and the government's fiscal position. There have been encouraging improvements in household savings.

Recent changes in the Retirement Commission's operating environment

Element	Link	Recent trend	Impact on the Commission's operating environment
Savings	Rising savings improves retirement income.	Savings improved over the past year. <i>NZIER estimates the household savings rate has improved from: -3% in December 2009 to +2% in December 2010.</i>	+ Increased demand for financial literacy, greater need to support confidence in the financial services sector, maintain positive savings level.
Borrowing	Reduced borrowing lowers exposure to the economic cycle and implies greater savings.	Reduced borrowing growth over the past two years. <i>RBNZ data shows household debt growth has slowed from over 10% a year before 2007, to just 2% in 2010.</i>	+ Increased demand for financial literacy, greater need to support consumer confidence in the financial services sector, maintain reduced reliance on debt.
Employment	Higher employment means greater ability to save and prepare for retirement.	A small increase in employment over the past year although there is a risk of job losses outside of the construction sector following the Canterbury earthquakes. <i>SNZ data shows 27,000 job gains in 2010.</i>	+ The Retirement Commission can provide information and encouragement to help people make informed choices about saving and retirement planning.
Retirement	Later retirement increases the amount of time available to save for retirement and reduces the amount of time in retirement.	Rising workforce participation in those close to 65 and 65+. <i>SNZ data shows rising labour force participation rates over the four years to 2010: 60-64 year olds: 63% to 71% 65-69 year olds: 27% to 35% .</i>	+ Retirement Commission can provide information to help people make informed saving and retirement choices.

Element	Link	Recent trend	Impact on the Commission's operating environment
Asset prices	Volatility in asset prices highlights the need for diversified savings and long term retirement planning.	Asset prices fell slightly, following a post-GFC rebound in 2009. <i>NZ equity market rose by 8% in 2009 following a 34% decline in 2008, but fell by 2% in 2010.</i> <i>Median house price rose 10% in 2009, following a 5% fall in 2008, but fell by 2% in 2010.</i>	+ Increased demand for financial literacy, greater need for supporting confidence in the financial services sector.
Insurance	Protection through insurance is a key aspect of managing financial health.	Rising insurance costs following several natural disasters locally and internationally, and recent financial problems with local insurance companies such as AMI may dent confidence and demand for insurance.	+ The Retirement Commission can provide information and encouragement to help people make informed choices about asset protection.
Financial markets reputation	Failure and fraud among financial institutions can undermine confidence in the system.	Recent issues with some KiwiSaver providers and continued failure of finance companies continue to undermine confidence.	- Need of further education, policies and enforcement to ensure a trustworthy financial services sector (see chart page 17).
Fiscal position	A rising public debt profile puts focus on deriving value for money, including value for money from retirement and savings policy.	Rising public debt over the forecast horizon. <i>NZIER projects net debt to rise from 21% of GDP in 2010 to over 30% in 2016.</i>	+ Policy changes need an informed debate.

Source: Statistics New Zealand, RBNZ, Treasury, DataStream, REINZ, NZIER

Economic backdrop

The protracted recession has led to financial difficulty for many Kiwis through job losses and making do with less. Encouragingly, household savings have improved markedly over the past four years, from spending 10% more than income in late 2006 to saving 2% income in late 2010. The improving trend in household savings over the past four years is the most pronounced since the early 1990s.

The improvement in savings appears to be in response to job insecurity, stagnant asset prices and possibly a desire to boost retirement savings. Household debt growth has slowed and debt repayments have risen. Households are less reliant on credit cards and spending on discretionary 'splurge' items has fallen. Fewer new jobs, slower wage growth and rising costs of necessities like food and fuel reduced the ability to save in the early part of 2011.

As the economy emerges from recession, it will be important to sustain and build on recent improvements in savings habits. Financial knowledge and a reputable and trustworthy financial services sector are crucial ingredients.

Fiscal and policy backdrop

The Government's fiscal position has deteriorated, impacted by the prolonged recession and two devastating earthquakes in Canterbury. Without some sacrifices, government debt will rise rapidly. The Government is poised to make significant changes to return the fiscal position to surplus by 2015/16.

Trustworthiness of the financial services sector

Asset price volatility and very low interest rates following the global financial crisis, the failure of many local finance companies, and more recently, poor disclosure and reporting by some in the finance industry have tarnished the sector's image.

Rising participation in KiwiSaver (1.5 million participants in June 2010, up from 1.1 million the previous year) suggests the level of public engagement with the financial sector is increasing. Recent KiwiSaver performance reports have highlighted the need for greater disclosure and conformity. Greater co-ordination, implementation and enforcement are required to ensure full confidence in the sector.

Long term operating environment

The latest population projections from Statistics New Zealand reiterate that the population is ageing, the older will get older and there will be fewer working age people relative to those in retirement. In addition, baby boomers will begin to reach the age of 65 from 2011. The medium term environment should be seen in the context of the latest Long Term Fiscal Strategy from Treasury, which shows an unsustainable deterioration in public finances unless policy changes are made to address growing healthcare and other ageing related costs.

The concept of retirement and expectations for retirement are changing. Many will choose to retire earlier than 65 (the age of eligibility for New Zealand Superannuation) and many will work well into their later years. In addition the rising demand for high quality aged care shows changing expectations of the 'older' old.

Trends

- ~ *The median age of our population has risen from 26 years in 1971 to 37 years in 2009, and is expected to rise to 43 years by 2061. The number of those 65+ is likely to more than double by 2061. This age group has doubled since 1976, to 550,000 in 2009, and is expected to rise by 2.6 times to 1.44 million people in 2061. The largest growth will occur between 2011 and 2037 as baby boomers move into this age group.*
- ~ *The 85+ age group is projected to increase from 2% of the population in 2009 to 6% in 2061. This will have considerable implications for retirement planning and fiscal pressures.*
- ~ *There will be less working age people per retiree. In 2009, there were 5.2 working age persons for every retiree. This is projected to fall to 2.3 persons by 2061. This indicates a greater burden on tax payers supporting growing expenditure on healthcare and government funded retirement income.*
- ~ *While baby boomers reaching 65 from 2011 may create a bulge of retirees, many may choose not to retire. There has been a long term trend of rising participation in the workforce for those 65+. Over the past decade, 65+ participation in the work force has increased from 8% to 18%. This suggests that an ageing population will have a complex and dynamic impact on the Retirement Commission's operating environment.*

Other trends and issues that may hold long term implications include:

- ~ *High level of personal indebtedness, such as mortgages, student loans and credit card debt.*
- ~ *High levels of consumption expenditure.*
- ~ *People buying homes later in life as a result of housing affordability pressures.*
- ~ *International employment opportunities and patterns.*
- ~ *Changes in career patterns and workforce participation.*
- ~ *Women's ability to 'save for retirement' as a result of lower earnings and labour force participation rates.*

WHO WE WORK WITH

As well as working closely with several Ministers and Members of Parliament we partner with many organisations and groups to work towards our shared goals for New Zealand.

GOALS

- ~ *Being financially sorted becomes a normal part of Kiwis' everyday lives.*
- ~ *Actively support the development of a trustworthy financial services sector.*
- ~ *Contribute to stable and effective government retirement income policy.*
- ~ *The interests of residents and intending residents of retirement villages are protected.*

Our stakeholders include:

Government agencies

Commerce Commission
 Department of Building and Housing
 Department of Labour
 Education Review Office
 Families Commission
 Financial Markets Authority
 Inland Revenue Department
 Ministry of Consumer Affairs
 Ministry of Economic Development
 Ministry of Education
 Ministry of Pacific Island Affairs
 Ministry of Social Development
 Ministry of Women's Affairs
 Ministry of Youth Development
 NZQA
 Office of Ethnic Affairs
 Office for Senior Citizens
 Te Puni Kōkiri
 Tertiary Education Commission
 Treasury

Finance sector

Accountants, lawyers
 Actuaries, economists
 Banking Ombudsman
 Banks
 Employers
 Financial planners
 Insurance and Savings Ombudsman
 Insurance companies
 KiwiSaver providers

Education sector

Financial education providers
 Industry training organisations
 Non-Governmental Organisations (NGOs)
 Private education providers
 Schools
 Tertiary education and training institutions
 Universities

In the workplace

Business NZ
 Employers
 Industry associations
 Training providers
 Unions

In the community

ACE Aotearoa
 Age Concern
 Citizens Advice Bureaux
 Community groups
 English language providers
 Grey Power
 Iwi
 Literacy Aotearoa
 Māori Womens' Welfare League
 New Zealand Federation of Family Budgeting Services
 SeniorNet

News media

OUR PEOPLE, SKILLS AND STRUCTURE

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

Our capability comprises our skilled people, resources, systems and relationships with stakeholders. We need the right mix of these to achieve the results we seek.

People: We must ensure that staff are skilled in a broad range of competencies with an emphasis on communications and marketing, relationship management and knowledge of the machinery of government. Additionally, staff need to develop a good knowledge of retirement and personal financial issues.

The specific skills required are:

- ~ *Marketing and related areas – promotion, public relations and web management.*
- ~ *Education curriculum design and delivery.*
- ~ *Relationship management with government and private sector stakeholders.*
- ~ *Research – market, economic and policy-related.*

Good employer practices and Equal Opportunities statement: The Commission encourages the achievement of work life balance and is a family-friendly workplace. It takes a flexible approach to part-time work. Technology allows some staff to work remotely from home when necessary. Staff turnover is low. The Commission has an Equal Opportunity plan (Appendix A).

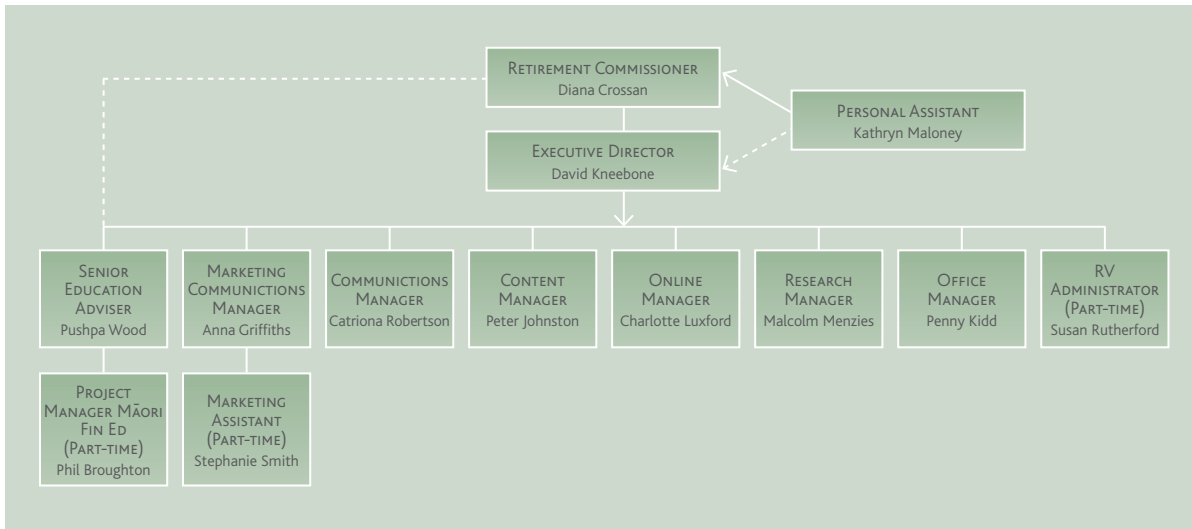
Training and development: Staff are encouraged to identify required competencies and future training needs and to undertake relevant training. The Commission has a dedicated staff training budget. A personal development policy has been developed and provided to staff. All staff have a personal development plan which is reviewed annually. The Commission also runs some team training sessions over the year.

Organisational design: The Commission is a small organisation. The Retirement Commissioner is a 'corporation sole' and is 'the board' for the purposes of parts of the Crown Entities Act 2004. The Executive Director manages the operations. The intention is to keep the organisation small, adaptive and nimble. Certain functions are contracted out in full or part such as: information technology; web design, research; public relations and advertising; and some project and programme management. We have a stable staff and thereby retain core institutional knowledge within the Commission.

Systems: Information technology is critical to the success of the Commission because of the high strategic value of its Sorted website. Apart from basic computing hardware, all technology functions are outsourced to ensure our organisation can make use of the best resources available at an appropriate cost, e.g. extra server capacity required during television advertising periods.

Resourcing: The Commission works in a cost effective manner within its current resources. Sorted is an example of achieving a major impact within available resources.

Accommodation: The present leased accommodation provides value for money and is reviewed regularly.



❖ RISK MANAGEMENT

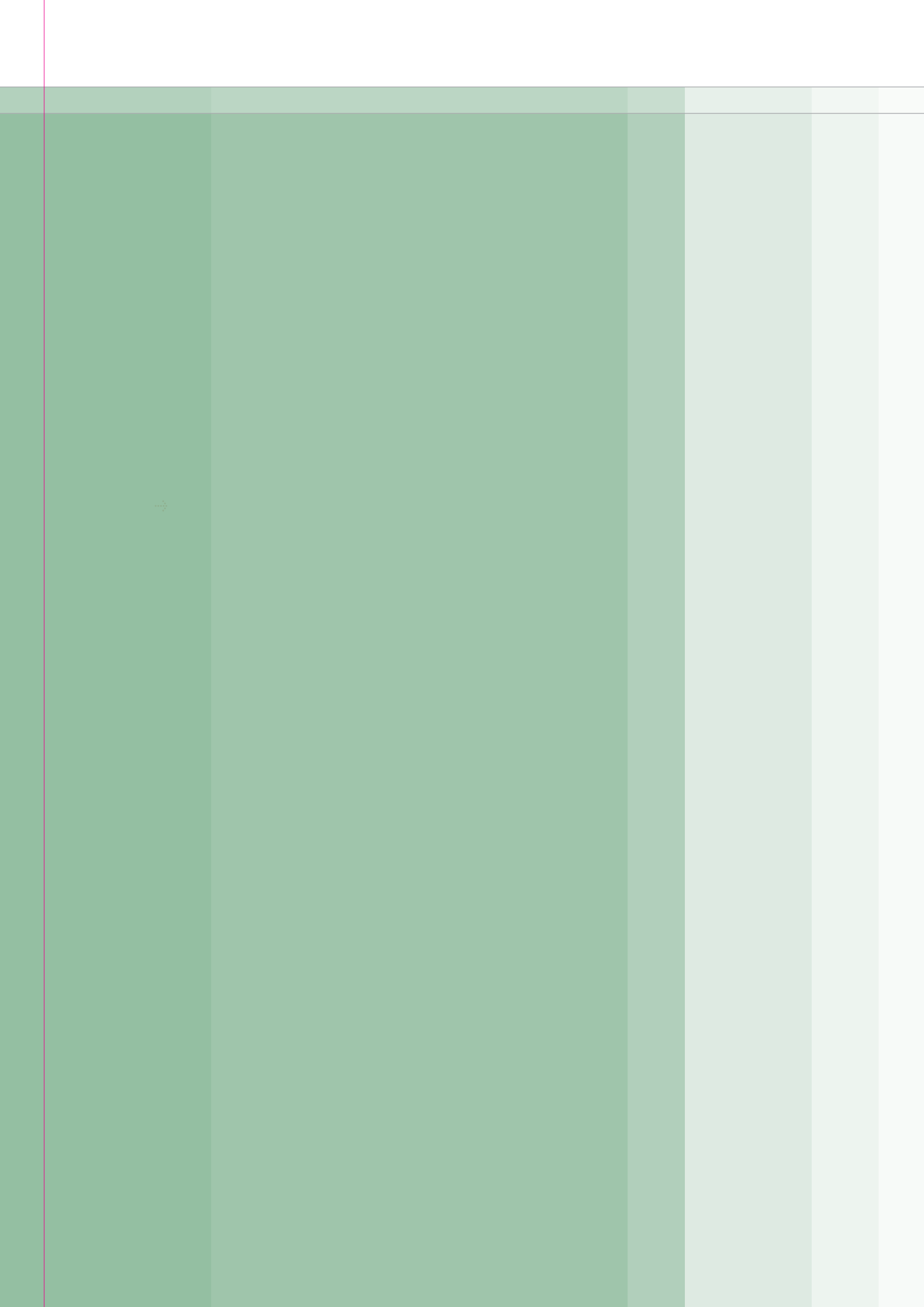
The management of risk is a strategic activity and an essential part of ensuring that we meet our performance goals and results, provide value for money and avoid duplication. We have identified our exposure to potential vulnerabilities and what could go wrong. We have reduced this exposure by ensuring that we have the skills, capability and strategies to manage these risks and maintain our performance.

Risks	Response
<i>In the event of an emergency or natural disaster.</i>	<p>The Auckland website servers are independent and would be unaffected if the Wellington server was not operational.</p> <p>The Commission has designated response personnel.</p> <p>There are clear, explicit and up-to-date procedures and call-out list covering both business and non-business hours.</p> <p>The office server is backed up and sent offsite daily.</p> <p>An asset register is updated monthly or as required, and stored offsite.</p> <p>A workstation and laptop register is stored offsite.</p> <p>New staff receive a comprehensive briefing of their role in an emergency as part of their induction.</p>
<i>Losing credibility as the lead provider of quality information about personal finances.</i>	<p>All resources are peer reviewed for accuracy and completeness, and tested with users where possible. We follow best practice regarding product development. We remain abreast of changes and trends within the sector, and update our resources appropriately. We monitor resource use and make adjustments as required.</p>
<i>Loss of focus on priorities.</i>	<p>We will base our business planning on managing for the outcomes specified in this Statement of Intent.</p> <p>We will prioritise our work according to its contribution to achieving the impacts we are seeking.</p>
<i>We are not valued by stakeholders.</i>	<p>We will maintain good working relationships with stakeholders.</p> <p>We will respect our stakeholders' views and interests and as appropriate assist their relations with central government.</p> <p>We will look to undertake appropriate joint ventures to better integrate public and private sector initiatives aimed at improving personal financial management.</p>

Risks	Response
<i>Government cutbacks affect our budget.</i>	We will re-prioritise the Commission's priorities and strategies in consultation with Ministers.
<i>Loss of reputation for well-researched, robust information and advice.</i>	Our advice to the Government will be authoritative and evidence-based. We will ensure that we work effectively with other government agencies to inform and assist their retirement-related policy development. We will initiate and support research and evaluation work, as appropriate, to better inform all aspects of retirement-related financial planning. We will always ensure that our research is peer-reviewed.
<i>The Commission is perceived as promoting KiwiSaver.</i>	We ensure all information regarding KiwiSaver is fact-based and requires individuals to consider whether KiwiSaver is right for their individual circumstances.

❖ CONSULTATION AND REPORTING TO THE RESPONSIBLE MINISTER

The Commission will develop an Output Agreement for 2011/12 with the Minister of Commerce, setting out details on the way in which it will continue to consult and report on the Government's purchase and ownership interests in the entity. We will continue to work with the Minister on a 'no surprises' basis and raise issues at the earliest opportunity rather than waiting for formal reporting to be done. We will continue to brief the Minister on significant publications and releases.



Part 2:

Forecast Financial Statements

INTRODUCTION

This section contains the following forecast financial statements:

- ~ *Statement of Responsibility*
- ~ *Statement of Forecast Service Performance*
- ~ *Statement of Forecast Comprehensive Income*
- ~ *Statement of Forecast Changes in Equity*
- ~ *Statement of Forecast Financial Position*
- ~ *Statement of Forecast Cash Flows*
- ~ *Statement of Underlying Assumptions to explain the basis on which the Office of the Retirement Commissioner has compiled the forecast financial statements.*

The forecast financial statements comply with NZ IFRS. Caution should be taken when reviewing the forecast financial statements as it is likely that the actual financial results will vary from the information presented and the variations may be material. The purpose of these forecast financial statements is to provide a base against which the Retirement Commissioner's actual performance can be assessed.

Summary of Output Costs (excl GST)

Output Category	2011/12 Cost \$0.000M	2012/13 Cost \$0.000M	2013/14 Cost \$0.000M
Retirement Income Research and Monitoring	0.619	0.967	0.703
Financial Literacy	5.880	4.941	5.198
Retirement Villages	0.215	0.215	0.215
Total	6.714	6.123	6.116

NB: Indicative application of costs only. The Retirement Commissioner has a single output expense.



⇨ STATEMENT OF RESPONSIBILITY

The Retirement Commission is an autonomous Crown entity under the Crown Entities Act 2004 with its role established under the New Zealand Superannuation and Retirement Income Act 2001.

The Commission is responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based.

The prospective financial statements have been prepared in accordance with NZ IFRS. The Retirement Commission does not intend to update and republish the prospective financial statements.

The prospective financial statements have been developed for the purpose of presenting the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the prospective financial statements and the variation may be material.

I have authorised the issue of the financial statements and the Statement of Forecast Service Performance on this day, 20 May 2011.

I am of the opinion that the financial statements fairly reflect the expected financial position and operations for the Commission.



DIANA CROSSAN
RETIREMENT COMMISSIONER

❖ FORECAST STATEMENT OF SERVICE PERFORMANCE

The outputs and performance standards for the Commission in 2010/11 are provided below.

They are drawn from, and set out in more detail, in the Commission's work programme for 2010/11.

The Retirement Commission provides services under the following output areas:

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

A key deliverable within each output is an annual key stakeholder/peak body survey about the Commission's work in contributing to its strategic three goals.

❖ OUTPUT – FINANCIAL LITERACY

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

- ~ *New Zealanders are better educated and motivated to make informed financial decisions throughout their lives.*
- ~ *New Zealanders have more trust in the financial services sector.*

Key deliverables for 2011/12	Quantity	Quality	Timeliness
<p><i>Promotion of, and secretariat functions for, the National Strategy for Financial Literacy.</i></p> <p><i>Promotion and hosting of the financialliteracy.org.nz website.</i></p>	<p>% growth in the number of National Strategy for Financial Literacy supporters.</p> <p>A national financial literacy summit will be held at least once every two years.</p> <p>Two six-monthly reports on the five-year action plan will be sent to Minister of Finance and stakeholders.</p> <p>Two seminars will be held relating to financial literacy.</p> <p>Programme of stakeholder meetings and speaking engagements.</p> <p>Communications activity promoting the latest news and initiatives on financialliteracy.org.nz.</p> <p>Quarterly reviews to ensure that financialliteracy.org.nz contains up-to-date information with functioning links.</p>	<p>Financial literacy summit feedback (participant survey).</p> <p>70% or more of website users find financialliteracy.org.nz useful or better in an annual survey. (benchmark survey – June 2010).</p>	<p>Benchmarks are established by June 2012 to measure progress in future years.</p> <p>Reports are completed every six months (February and August 2012).</p> <p>The next national summit will be held in June 2011.</p> <p>All stakeholder newsletters and updates to financialliteracy.org.nz are made on time to ensure currency.</p>

Key deliverables for 2011/12	Quantity	Quality	Timeliness
<i>Financial education activity with schools, tertiary, iwi, community and workplaces.</i>	<p>% growth in financial education providers in schools, tertiary, community, iwi and workplaces.</p> <p>Co-ordinated programme of activity with schools, tertiary, iwi, community and workplaces.</p> <p>Continued implementation of the Retirement Commission's Māori Strategy for Financial Literacy.</p> <p>Programme of stakeholder meetings and speaking engagements.</p>	<p>Gap analysis in financial education provision.</p> <p>Database of financial education provision.</p>	<p>Benchmarks are established by June 2012 to measure progress in future years.</p>
<i>Redevelopment of the Sorted website, associated resources, and accompanying programme of communications activity.</i>	<p>Enhanced Sorted website launched.</p> <p>New communications activity launched.</p> <p>Sorted resources (website, booklet and seminars) are kept up-to-date.</p>	<p>Benchmark quantitative survey to measure progress towards the outcome 'New Zealanders are better educated and motivated to make informed financial decisions throughout life.'</p> <p>Maintain the % of users that rate the Sorted website as useful or better (65%, 2010).</p>	<p>Benchmarks are established by June 2012 to measure progress in future years.</p> <p>Enhanced Sorted website launched by June 2012.</p> <p>Updates to the Sorted website and resources are timely e.g. coincide with legislative changes taking effect.</p>
<i>Active stakeholder engagement and understanding to support the development of a trustworthy financial services sector.</i>	<p>Programme of financial services sector stakeholder meetings and speaking engagements.</p> <p>Action plan developed in conjunction with peak bodies to address gaps in research and issues around consumer trust.</p> <p>Register of communication and education initiatives from the financial services sector which empower the consumer.</p>	<p>Benchmarks to be developed to measure progress towards the outcome 'New Zealanders have more trust in the financial services sector'.</p> <p>Gap analysis of existing research and issues around consumer trust.</p> <p>Submissions made on all relevant legislation relating to a trustworthy financial services sector.</p>	<p>All submissions are made by due dates.</p>

Sorted User Survey 2010, Nielsen (65%)

❖ OUTPUT – RETIREMENT INCOME RESEARCH AND MONITORING

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

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

Key deliverables	Quantity	Quality	Timeliness
<i>Research programme</i>	Two research projects completed relating to retirement income trends and issues. Two seminars held relating to retirement income trends and issues. Contribute to the development of better data sources on saving.	Each research project obtains a robust assessment from external, independent reviewers. Saving data developers report satisfaction with the Retirement Commission's contribution. 70% or more of website users find retirement.org.nz useful or better in annual survey (benchmark survey – April 2010)	Two research projects are completed, and two seminars held by June 2012.
<i>2013 review of retirement income policy as required by the Act.</i>	Ongoing research programme relating to the 2010 Review recommendations and issues of importance for the 2013 Review. Agree terms of reference for the 2013 review of retirement income policy. Complete the 2013 Review.	Feedback from the Minister and stakeholders as to whether the 2013 Review met its terms of reference and was complete, balanced and clear.	The 2013 Review is completed by 31 December 2013 on time and within budget.
<i>Advice as may be requested by the Minister, or other Ministers, or provided to the Minister, or other Ministers, by the Commissioner.</i>	All advice requested by the Minister or other Ministers is provided.	In the annual feedback surveys the Minister, or other Ministers, are satisfied or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice.	All advice to the Minister, or other Ministers, is delivered within agreed timeframes.

❖ OUTPUT – RETIREMENT VILLAGES

These activities contribute to the following outcome:

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

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

The education and general information responsibility is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice to our monitoring and Code of Practice functions.

Key deliverables	Quantity	Quality	Timeliness
<i>A five-year monitoring programme focused on: statutory supervisors, owner/operators, residents, intending residents and the disputes panel process.</i>	A monitoring report on one of these groups or areas will be produced each year.	Work done under the monitoring and research programme is judged to be satisfactory or better by the peer review process. Disputes and complaints received by the Retirement Commission do not reflect significant compliance issues with the Retirement Villages Act 2003 and the Code of Practice.	Key dates as specified in the project plans are met and reflect agreed priorities.
<i>Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions.</i>	Recommendations are provided on any draft code of practice as required.	The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice.	
<i>Approving suitable people for appointment by operators to disputes panels.</i>		Approving appointments to disputes panels as vacancies arise.	



Forecast statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE			
	2011/12 \$	2012/13 \$	2013/14 \$
Revenue			
Revenue from Crown	5,782,000	5,782,000	5,782,000
Other revenue	50,000	300,000	50,000
Interest revenue	48,979	33,066	26,018
Total revenue	5,880,979	6,115,066	5,858,018
Expenditure			
Remuneration to Auditors	17,036	17,769	17,769
Personnel costs	976,035	1,000,436	1,025,447
Depreciation	32,169	25,564	31,795
Amortisation	241,566	351,742	492,296
Property expenses	90,000	100,000	100,000
Leasing	15,000	15,000	15,000
Other operating costs	402,150	422,257	443,370
Advice and research	300,000	500,000	300,000
Retirement villages	215,000	215,000	215,000
Marketing and education	3,950,000*	3,000,000	3,000,000
Retirement income review	150,000	150,000	150,000
Schools and tertiary	325,000	325,000	325,000
Total expenditure	6,713,956	6,122,768	6,115,677
Net surplus/(deficit) for the year	(832,977)†	(7,702)	(257,659)

*Marketing and education budget is split into:

Market research and agencies	700,000
Education resources and campaigns	3,100,000
Retirement Commission communications	150,000
Total	3,950,000

†As three key 2010/11 projects have been re-scheduled for the 2011/12 year, retained earnings are higher than usual going into the 2011/12 financial year. Project delays have been caused by external factors (e.g. Budget 2011 speculation delaying the re-launch of sorted.org.nz).

The projected net deficit for the 2011/12 year brings retained earnings to appropriate levels for the year following.



Forecast statement of changes in equity

FOR THE YEAR ENDED 30 JUNE			
	2011/12 \$	2012/13 \$	2013/14 \$
<i>Public equity at beginning of year</i>			
Taxpayers funds	200,000	200,000	200,000
Retained earnings	1,386,717	553,740	546,038
Surplus/(deficit) for the year	(832,977)	(7,702)	(257,659)
<i>Public equity at end of year</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	553,740	546,038	288,379
	753,740	746,038	488,379



Forecast statement of financial position

AS AT 30 JUNE			
	2011/12 \$	2012/13 \$	2013/14 \$
Total current assets	870,765	719,847	343,303
Total non-current assets	615,922	768,616	774,525
Total assets	1,486,687	1,488,463	1,117,828
Total current liabilities	732,947	742,425	629,449
Total non-current liabilities	–	–	–
Total public equity	753,740	746,038	488,379
<i>Total public equity and liabilities</i>	1,486,687	1,488,463	1,117,828



Forecast cash flows statement

FOR THE YEAR ENDED 30 JUNE			
	2011/12 \$	2012/13 \$	2013/14 \$
<i>Cash flows from operating activities</i>			
Cash will be provided from:			
Receipts from Crown revenue	5,782,000	5,782,000	5,782,000
Receipts from other income	50,000	300,000	50,000
Interest received	48,979	33,066	26,018
Net GST paid	(15,098)	36,373	(22,764)
	5,865,881	6,151,439	5,835,254
Cash will be applied to:			
Payments to suppliers and employees	(6,559,997)	(5,737,220)	(5,689,826)
<i>Net cash flows from operating activities</i>	(694,116)	414,219	145,428
<i>Cash flows from investing activities</i>			
Cash will be applied to:			
Purchase of intangible assets	(500,000)	(500,000)	(500,000)
Purchase of property, plant and equipment	(30,000)	(30,000)	(30,000)
<i>Net cash flows from investing activities</i>	(530,000)	(530,000)	(530,000)
Net increase/(decrease) in cash held	(1,224,116)	(115,781)	(384,572)
Plus cash at the start of the year	1,924,200	700,084	584,303
<i>Cash held at the end of the year</i>	700,084	584,303	199,731



❖ STATEMENT OF UNDERLYING ASSUMPTIONS

Significant assumption

The opening position of the forecasted statements is based on un-audited results for 2010/11. The actual results for March - June 2011 are unavailable, and therefore, the balance as at 30 June 2011 has been estimated using March - June 2011 forecast figures.

Other assumptions

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

The budget reflects the staffing levels of nine FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

❖ NATURE OF FORECASTED FINANCIAL STATEMENTS

The forecasted financial statements have been prepared as a best efforts indication of the Retirement Commission's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

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

The principal activity of the Retirement Commission is to help New Zealanders prepare financially for their retirement. The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

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

Basis of Preparation

Statement of Compliance

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

Differential reporting

The Commission qualifies for Differential Reporting exemptions as it has no public accountability and does not qualify as large under 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:

NZ IAS 24 Related Party Transactions

NZ IFRS 7 Financial Instruments: Disclosures

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

The functional currency of the Retirement Commission is New Zealand dollars.

Significant Accounting Policies

The following accounting policies, which materially affect the measurement of the forecast financial performance and financial position, have been applied.

Revenue

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

REVENUE FROM THE CROWN

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

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

OTHER REVENUE

Revenue may also be obtained from the private sector.

INTEREST

Interest revenue is recognised using the effective interest method.

Operating leases

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

Cash and cash equivalents

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

Debtors and other receivables

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

Property, plant and equipment

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

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

ADDITIONS

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

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

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the forecast statement of comprehensive income.

SUBSEQUENT COSTS

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

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

DEPRECIATION

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

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

~ Office equipment	2 – 13 years	7.8% – 48.0%
~ Furniture and fittings	4 – 15 years	6.5% – 25.2%
~ Computer equipment	2 – 6 years	18.0% – 48.0%
~ Leasehold improvements	7 – 15 years	7.0% – 14.93%

Intangible assets

SOFTWARE ACQUISITION

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

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

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

WEBSITE DEVELOPMENT

Costs that are directly associated with interactive aspects of the Sorted website are capitalised on an annual basis.

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

Costs associated with the development and maintenance of the Retirement Commission's retirement.org.nz and financialliteracy.org.nz websites are recognised as an expense as incurred.

AMORTISATION

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

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

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

Impairment

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are recognised when the Retirement Commission becomes obliged to make future payments resulting from the purchase of goods and services.

Employee entitlements**SHORT TERM EMPLOYEE ENTITLEMENTS**

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

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

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

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

Superannuation schemes**DEFINED CONTRIBUTION SCHEMES**

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

Goods and Services Tax (GST)

All items in the forecast 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 forecast 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 forecast statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Cash flows statement

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

Definitions of the terms used in the forecast 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 judgments in applying the Retirement Commission's accounting policies

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

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

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



Appendix

Good employer practices and equal opportunities

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

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

1. Leadership, accountability and culture

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

2. Recruitment, selection and induction

- ~ *Impartial, transparent employment process.*
- ~ *No barriers or biases to employing the best person for the job.*

3. Employee development, promotion and exit

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

4. Flexibility and work design

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

5. Remuneration, recognition and conditions

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

6. Harassment and bullying prevention

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

7. Safe and healthy environment

- ~ *Pro-active approach to employee health, safety and well-being.*
- ~ *Managers and staff trained on their rights and responsibilities.*
- ~ *Obstacles for people with disabilities reduced.*
- ~ *Environment that supports and encourages employee participation in health and safety.*



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