

2013–16

Statement of Intent

Commission for
Financial Literacy
and Retirement Income

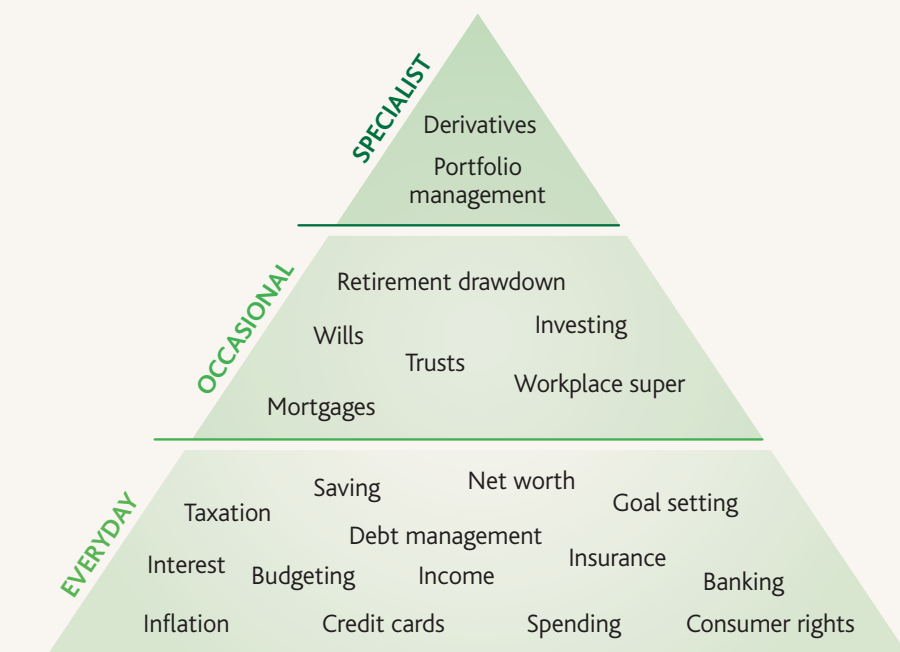


The financial literacy journey

Financial literacy is a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

In New Zealand we have adopted the following definition used by the International Network on Financial Education of the Organisation for Economic Co-operation and Development (OECD) in its guiding principles on national strategies¹:

The following diagram reflects the breadth of topics and different levels of skill and knowledge that everyone needs to live in a modern economy.



¹ OECD/INFE, OECD/INFE high-level principles on national strategies for financial education, 2012, www.oecd.org.



While personal financial literacy is important in achieving good financial outcomes, it is not sufficient in itself to achieve financial wellbeing. Other factors include:

- » sufficient income
- » availability of suitable financial products at an affordable price
- » appropriate regulation

Personal financial wellbeing results from people making informed financial decisions that fit the circumstances of their own lives. Financial literacy contributes to this overarching 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. The above diagram reflects the contributors to personal financial wellbeing. The Commission for Financial Literacy and Retirement Income is one of many contributors to this outcome.

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Statement of Intent 2013–16



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*Presented to the House of Representatives.
Pursuant to section 149 of the Crown Entities Act 2004.*

Foreword
**From the Interim
Retirement Commissioner**



Financial literacy remains a key theme for New Zealand and New Zealanders, alongside our savings rate and financial preparation for retirement.

The Commission continues to work on both sides of the retirement income question: how best to financially prepare people for retirement, and the role of government in providing for retirees. It's a discussion that affects us all across age, ethnicity and gender, and plays a significant role in New Zealand's long-term economic and social outlook. We are all aware of the demographic and fiscal challenges ahead, and the responsibility we have to get this right for the next generation and those that follow.

Our ongoing work in financial literacy seeks to equip people to navigate their way through a lifetime of financial choices, make smart decisions, and have the confidence to ask questions and seek clear answers. We have an increasing focus on evaluation and efficacy, and a clear commitment to driving sustainable behavioural change. We aim to demonstrate clear, measurable progress, not just in what people know, but also in what they do.

We also recognise that evolving technology means our methods of communication and engagement need to change to ensure we keep pace, stay relevant and stay connected. And as New Zealand becomes increasingly diverse we need to meet the needs of our population as it is today, but with a clear eye on tomorrow.

One of the unifying things about the team at the Commission is a passion for making a difference. This Statement of Intent lays out how we intend to do that over the next 3 years, with a particular focus on the next 12 months, and a clear commitment to bringing about positive, sustainable outcomes for New Zealand.

A handwritten signature in dark ink, appearing to read 'D Maxwell'.

Diane Maxwell
Interim Retirement Commissioner

The Retirement Commissioner 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 for Financial Literacy and Retirement Income is the office of the Retirement Commissioner.

As Interim Retirement Commissioner, I am responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based. I acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

The prospective financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The 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 13 May 2013.

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



Diane Maxwell
Interim Retirement Commissioner

Consultation and reporting to the responsible Minister

The Retirement Commissioner received a Letter of Expectations 2013–14 from 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. The Minister will also be provided with an annual report as required by the Crown Entities Act 2004 and quarterly reports outlining the Commission's performance against the Statement of Intent. 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.

The Retirement Commissioner is an autonomous Crown entity. The Commission for Financial Literacy and Retirement Income is the office of the Retirement Commissioner. 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.

One of the Government’s main priorities is to build a more competitive and productive economy. The Commission contributes to this priority by helping New Zealanders make well-informed financial decisions throughout their lives in preparation for their retirement and during their retirement.

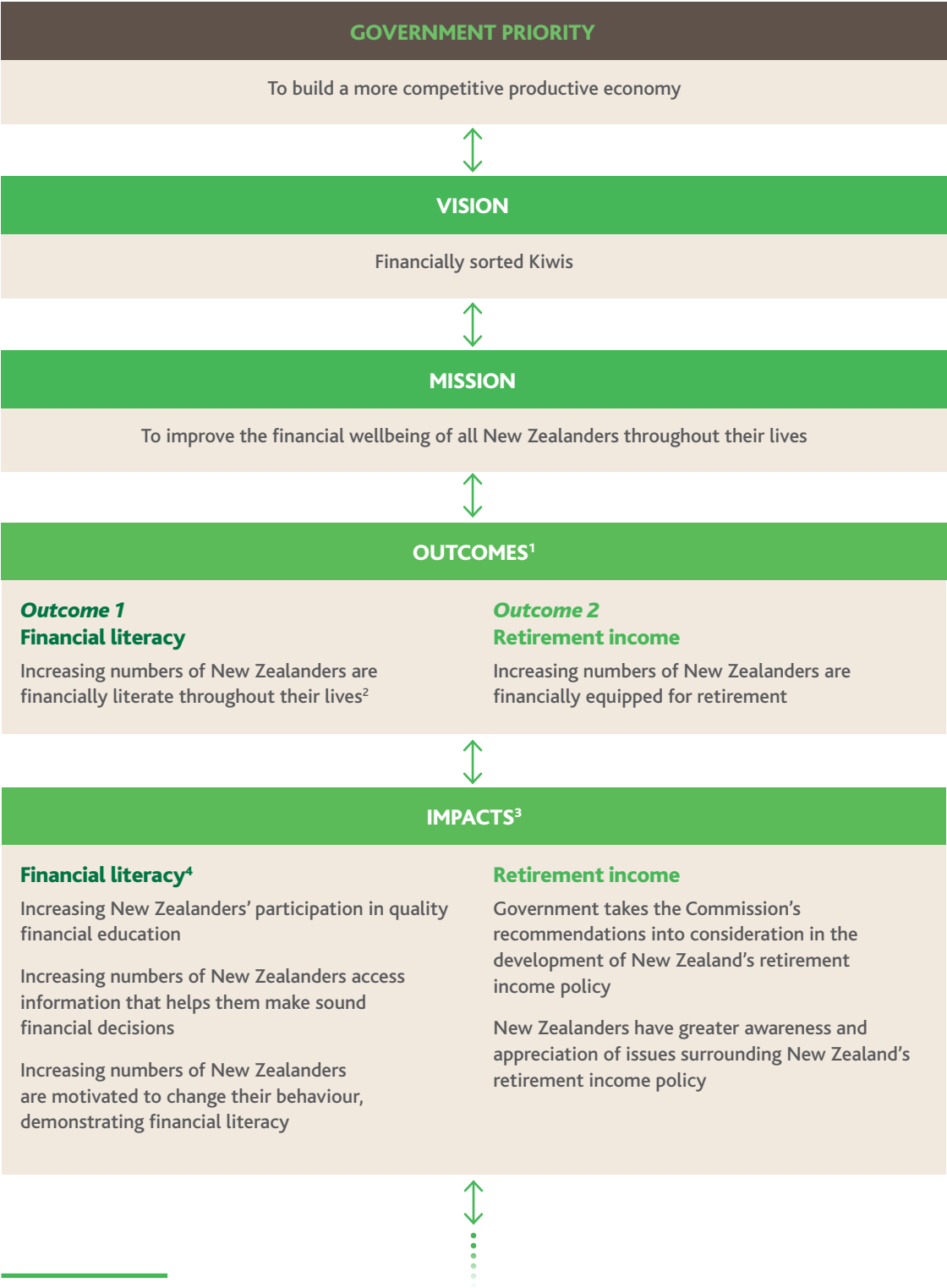
Our work contributes to the Government’s broader objectives, including delivering better public services to New Zealanders and helping to improve New Zealanders’ financial literacy, which may lead to improved job prospects. The Commission also participates in all-of-government procurement opportunities.

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

Our values

We work with **integrity** to deliver outcomes that are **visionary, credible and sustainable**.

The Commission's strategic framework

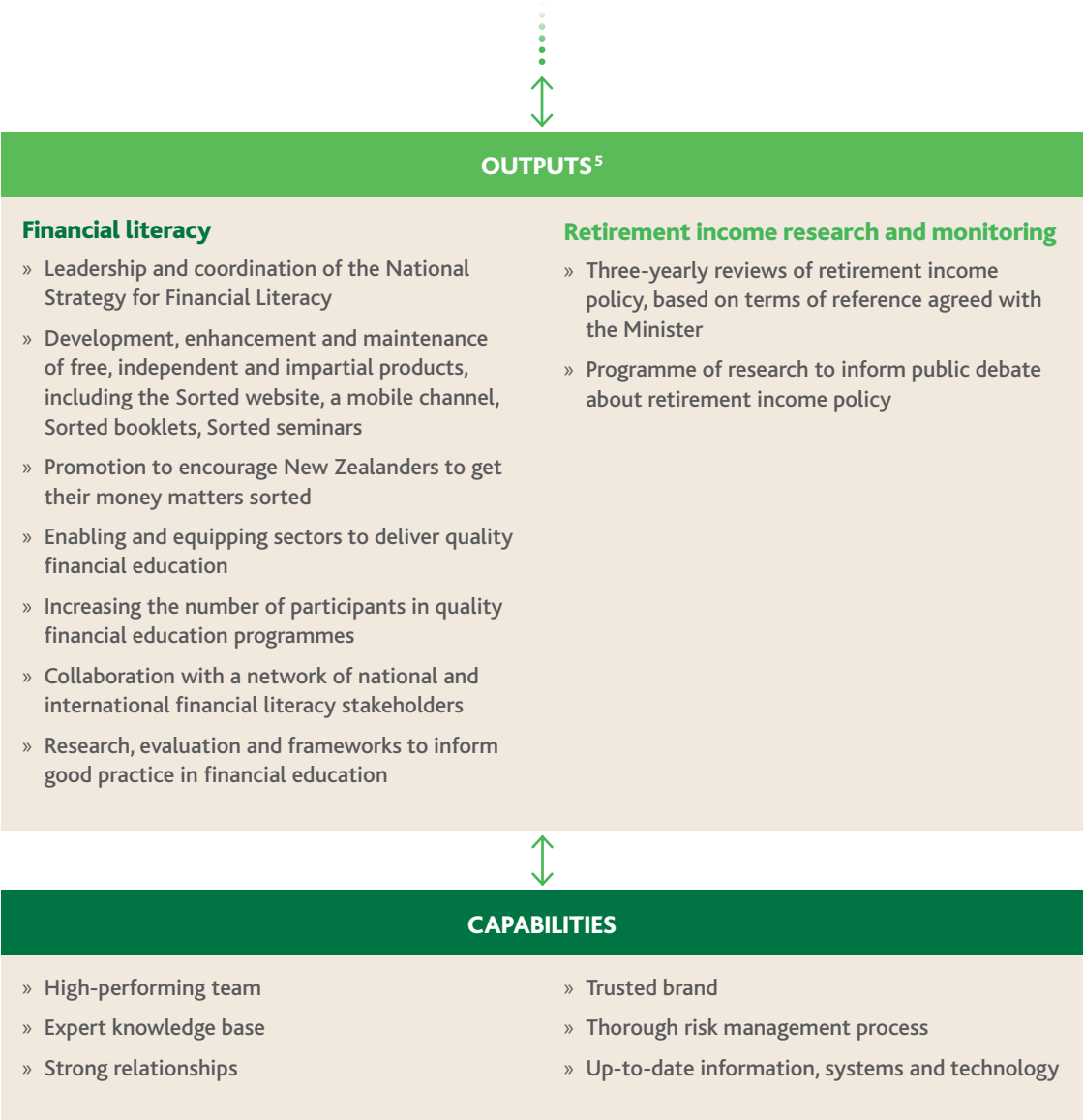


1 See Appendix A on page 32 for outcome measures

2 Outcome 1 contributes to a shared outcome with the Financial Markets Authority: Well-informed investors who understand risk.

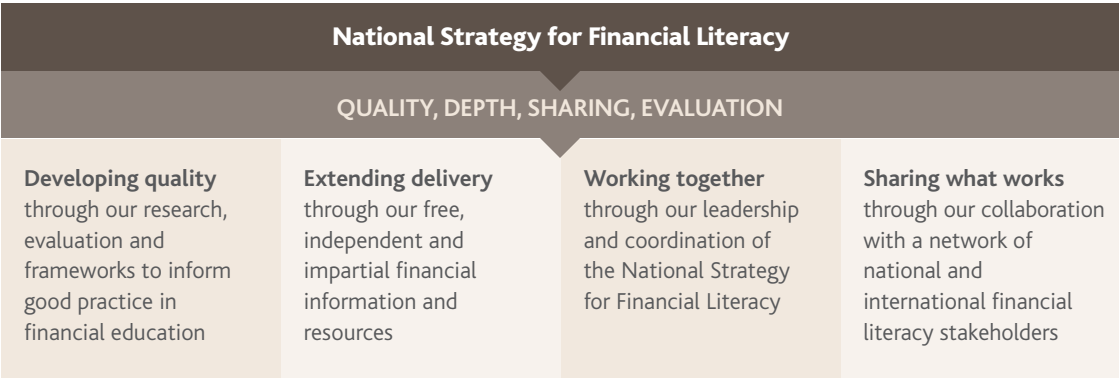
3 See Appendix A on page 33 for impact measures

4 These three impacts contribute to a shared impact with the Financial Markets Authority: Investors have access to resources to increase understanding about financial risk. This is a component of overall financial literacy.



How our work fits with the National Strategy for Financial Literacy

The Commission provides leadership and coordination of New Zealand’s National Strategy for Financial Literacy. The following diagram shows how we link into the strategy’s four focus areas.



5 Deliverables and performance measures for these outputs are detailed on pages 18-23

The Retirement Commissioner has advisory, monitoring⁶, education and appointment of disputes panel functions under the Retirement Villages Act 2003. These functions are fulfilled by a part-time staff member for two days a week.

The Commission is one of several agencies contributing towards the outcome and impacts below. We measure progress through our output measures – see page 23.

OUTCOME 3

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

IMPACTS

The effects of the Retirement Villages Act 2003 are independently monitored, and those in the sector understand their rights and responsibilities under the Act.

Residents and intending residents are able to access information about retirement villages so they understand their rights and make informed decisions.

Outputs

- » Monitoring aspects of the Retirement Villages Act 2003.
- » Advice and recommendations are given to the Minister for Building and Construction on any draft codes of practice and monitoring issues. Approving appointments to disputes panels as vacancies arise.

6 The Retirement Commissioner’s education and general information responsibility is delegated to the Ministry of Business, Innovation and Employment. The advice responsibility is also delegated to the department, apart from specific advice relating to the Commission’s monitoring and code of practice functions.

Financial literacy remains a key theme for New Zealand and New Zealanders, alongside the rate of savings and financial preparation for retirement.

The Commission continues to work on both sides of a key retirement question: how to best financially prepare people for retirement, and the role of government in financially providing for retirees. Alongside most other OECD countries New Zealand has an ageing population who are living longer, combined with increased health costs and a tight fiscal environment.

For financial literacy initiatives there is an increasing focus on evaluation and efficacy, combined with a clear commitment to driving behavioural change. Behavioural change needs to be sustainable, recognising that habits formed across a lifetime require a programme of engagement and education to effect long-term change. The Commission will continue to build that understanding into its work and to demonstrate clear, measureable progress in not just raising levels of literacy but also bringing about sustainable change.

A new Retirement Commissioner

In December 2012 Diana Crossan ended her tenure as Retirement Commissioner after ten years in the role, having made a significant contribution in the areas of financial literacy and retirement income policy review. An Interim Commissioner is in place until 30 June 2013 while the recruitment process is underway. A new Commissioner is to be announced with an intended start date of 1 July for a three-year term.

Three-yearly Review of Retirement Income Policy

The 2013 Review of Retirement Income Policy is underway. The process involves wide-ranging consultation, submissions, research and analysis, culminating in a comprehensive report which will be released in September. The final due date for the report is December 2013.

To support the 2013 Review we have commissioned a series of position papers which explain each of the eight objectives of retirement income policy, set out the Commission's view and discuss how we can ensure the sustainability of New Zealand's policy in the future. These papers are intended to serve as background papers to promote discussion, crystallise the issues and move us closer to consensus on recommended policy settings.

Building New Zealanders' financial literacy *National Strategy for Financial Literacy*

The National Strategy has played an important role in driving awareness, galvanising opinion and finding areas of consensus on financial literacy. Going forward the Commission seeks to continue to play a leadership role: setting a direction, prioritising audiences and constantly evolving methods of measurement to ensure our work is effective in driving behavioural change.

Three years into the strategy's five-year action plan, the Commission is leading a review of financial literacy in New Zealand to establish which factors have the greatest impact on New Zealanders in order to enable them to make well-informed financial decisions.

The review will deliver clearer direction for the strategy's action plan and provide recommendations that strategy supporters can draw from.

For the 2013–14 year the members of the strategy's advisory group, a group of influential New Zealanders who provide direction and monitor strategy progress, are: Diane Maxwell (Interim Retirement Commissioner), Graeme Wheeler (Governor, Reserve Bank), Manuka Henare (Associate Dean Māori and Pacific Development/ Director Mira Százy Research Centre, University of Auckland Business School), Kirk Hope (Chief Executive, New Zealand Bankers' Association), Sean Hughes, Chair (Chief Executive, Financial Markets Authority), Anne Jackson (Deputy Secretary, Tertiary, International & System Performance Group – Ministry of Education) and Peter Neilson (Chief Executive, Financial Services Council of New Zealand).

Planning is underway for the 2013 Financial Literacy Summit in Auckland in June. The summit is a key platform for discussion and debate across the public and private sector. We are delighted that the Governor-General of New Zealand, His Excellency Lieutenant General The Right Honourable Sir Jerry Mateparae, will deliver the opening address at the summit.

Money Week 2013

Building on the success of last year's first-ever Money Week, the Commission will be coordinating Money Week 2013 from 1–7 September, rolling out a nationwide series of financial education activities and events for all New Zealanders. In collaboration with many organisations across the education, finance, government and community sectors, Money Week will showcase the breadth of the National Strategy for Financial Literacy in action with more events planned across the country. The Commission hosts moneyweek.org.nz, a website designed specifically to promote this event.

Measuring the impact of New Zealanders' financial knowledge and behaviour

Our research and evaluation over the next three years will continue to give us a deeper understanding of the positive shifts in New Zealanders' levels of financial literacy and further shape the Commission's work in financial literacy and retirement income.

In partnership with ANZ, the results of our four-yearly Financial Knowledge and Behaviour Survey will be launched at the Financial Literacy Summit in June. The survey measures the financial knowledge levels, attitudes and behaviour of New Zealanders aged 18 and older.

The results of the 2012 Programme of International Student Assessment (PISA) are another important measurement tool. For the first time, financial literacy has been included in this global comparative assessment of high school students, with the results due to be released early in 2014. New Zealand is also confirmed to take part in the next assessment in 2015, which will provide a valuable benchmark on the financial literacy levels of our young New Zealanders.

Information needs in our current climate

To equip New Zealanders to make more informed investment choices, the Commission has worked with the Financial Markets Authority (FMA) and eight financial institutions to develop an investor education framework and action plan. The next stage of the plan is under development and will be a focus of the Financial Literacy Summit in June.

The number of KiwiSaver members now exceeds two million and \$12.9 billion funds under management. The next three years will see the Commission continue to work with the finance sector, the FMA and the Ministry of Business, Innovation and Employment (MBIE) on product disclosure and providing clear and comparable information on performance and fees. Our new Sorted KiwiSaver performance calculator, to be launched this year, will not only provide comparable information on fees but also returns based on new disclosure regulations. We are also participating in the KiwiSaver evaluation group.

Insurance premiums globally and locally have increased as a result of natural disasters and other financial pressures. In addition to the upcoming changes to house insurance effective 1 July this year we anticipate a growing need for our independent Sorted insurance resources as people review their insurance needs.

Financial literacy for Māori and Pacific communities

The Commission will shortly have a dedicated resource to work on initiatives within Māori and Pacific communities, recognising that the work needs to be tailored to meet cultural and community needs.

We will continue to implement our Financial Education with Māori framework which recognises the importance of a holistic approach delivered via the Whānau Ora programmes and also the need to work alongside iwi. The Commission is also committed to working on financial literacy with Māori in line with Goal 3 of the Crown-Māori Economic Growth Partnership Action Plan.

We will also continue to collaborate with the Ministry of Pacific Island Affairs (MPIA) to better understand the connection points between our work and theirs, to share information, learnings and materials.

Sorted targets behaviour

The Sorted programme will continue to strengthen its focus on behaviour change – a complex and ambitious goal. Evaluation and reporting will help us to better understand what works and ensure it complements the education activities of the Commission.

The Think, Shrink & Grow framework, progressively introduced to New Zealanders since March 2012, continues to provide the foundation for Sorted’s marketing, supplemented with activity that leverages key life events and responds to topical issues in personal finance.

We will redevelop the Sort Me tool and launch a new one that will allow New Zealanders to easily compare KiwiSaver funds, so that they can consider the best fund for their circumstances and goals.

The Commission’s new digital strategy is coming into focus. It is clear that future content for Sorted needs to be delivered in a way that matches the variety of platforms and devices used by consumers.

Supporting teachers, tutors and trainers to deliver quality financial education

Increasing New Zealanders’ participation in quality financial education is one of the Commission’s key impacts. To deliver this we need to ensure that at ground level our teachers, tutors and trainers are equipped with the necessary support, skills and resources. We have a wide-ranging workplan in place for the 2013–14 year to build engagement, competency and familiarity in the teaching of financial literacy – from establishing and supporting a network of teachers in schools to enabling industry, community educators and student teachers to take part in formal financial literacy training.

We have recently completed a comprehensive review and initial selection of education providers who meet our criteria for delivering quality financial literacy education programmes. We will continue to support them together with our Sorted seminar facilitators to deliver seminars within the community and workplace.

International alignment

New Zealand is an active participant in international efforts to understand the drivers of financial literacy. New Zealand initiatives are highly regarded, and the Retirement Commissioner is a key player in OECD and APEC advisory and expert working groups. We will continue to represent New Zealand internationally through sharing of best practice, ideas and information.

New structure

Mid 2013 the Commission will implement a new organisational structure that will build in-house competency in some key areas such as media management and reduce reliance on external contractors. The changed structure delivers better efficiencies of spend, but also ensures that skills and knowledge are developed and retained within the organisation.

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. Our stakeholders include:



Our capability comprises a highly skilled team, an expert knowledge base, up-to-date systems and technology, a trusted brand and strong relationships with stakeholders.

We ensure that staff have a high level of expertise and 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 members need to develop a good knowledge of retirement and personal finance issues.

Organisational design

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 Commission is based in a small office in Wellington, currently with 10.5 staff and the Interim Retirement Commissioner.

A restructure of the organisation is planned (effective 1 July 2013) which will increase the headcount to 17 staff plus the Retirement Commissioner.

The increase of 6.5 FTE staff will be a fiscally neutral change and is possible due to a corresponding reduction in use of contractors and external agencies.

One resignation (effective 30 June 2013) is also providing an opportunity to disestablish a current full-time position.

Drivers for structural change

The current flat structure, where the Executive Director has direct line management of eight permanent staff and various contractors, and manages the needs of the Retirement Commissioner, is not ideal for the organisation. The situation is complicated by the Executive Director having to manage some outsourced functions (e.g. financial management).

The new structure displayed overleaf will lead to improved management support and better coordination and integration of the different streams of activity within the Commission. We believe such coordination will lead to unity of action, encourage team spirit, create efficiencies and provide clearer direction for the organisation.

Current staff members have been consulted in regard to the restructure. No staff will lose employment, but to continue some staff will experience a small degree of change to current responsibilities.

Good employer practices and Equal Opportunities statement

The Commission encourages the achievement of a 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 opportunities plan (Appendix C).

Training and development

Staff are encouraged to identify required competencies and future training needs and 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 throughout the year.

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. for extra server capacity that is required during television advertising periods.

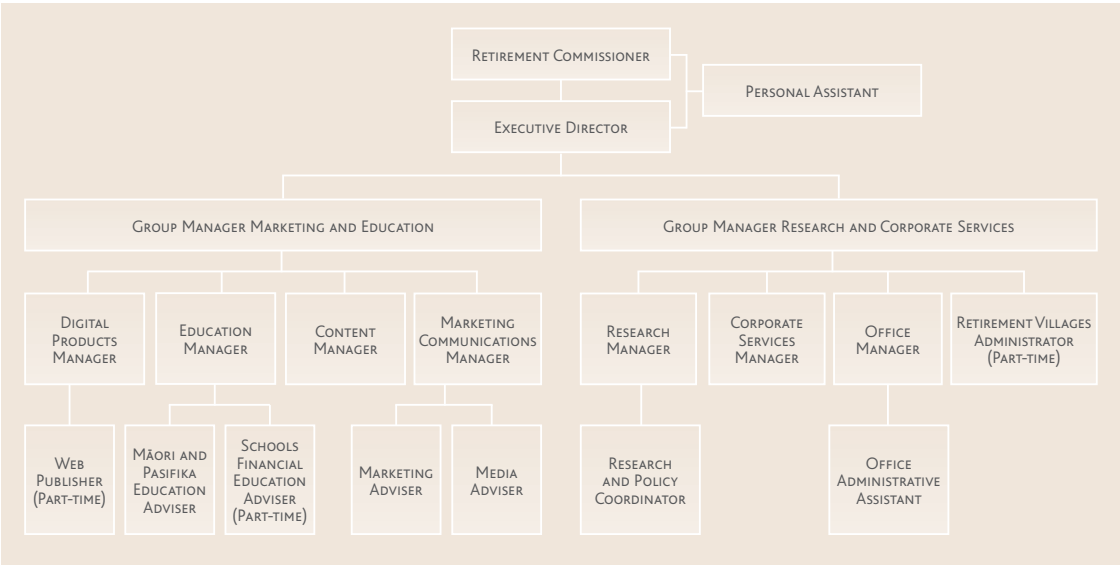
Resourcing

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 is inadequate for the Commission’s current staff numbers. From July 2013 more space will be required and our landlord is facilitating a move to a larger office near our current location.

Proposed new structure



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 |
|--|---|
| Privacy and data security | Sorted website users can choose to store personal data within their My Sorted account. The Commission engages an independent security company to annually conduct a risk assessment and penetration testing for Sorted to ensure protection against malicious attacks and to identify any potential weaknesses that may lead to Sorted’s data being compromised. All risks identified are added to a risk register. Appropriate controls are immediately implemented to mitigate the likelihood and impact of data and security breaches. |
| An emergency or natural disaster | There is an independent website server based in Auckland which would be unaffected if the Wellington server was not operational. The Commission has designated response personnel. There are clear, explicit and up-to-date procedures and a call-out list covering both business and non-business hours. An asset register is updated monthly (or as required) and stored offsite. A workstation and laptop register is stored offsite. New staff receive a comprehensive briefing of their role in an emergency as part of their induction. |
| Losing credibility as the lead provider of quality information about personal finances | 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. |
| Loss of focus on priorities | We will base our business planning on managing for the outcomes specified in this Statement of Intent. We will prioritise our work according to its contribution to achieving the impacts we are seeking. |
| We are not valued by stakeholders | We will maintain good working relationships with stakeholders. We will respect our stakeholders’ views and interests and, as appropriate, assist their relations with central government. We will look to undertake appropriate joint ventures to better integrate public and private sector initiatives aimed at improving personal financial management. |
| Government cutbacks affect our budget | We will reprioritise the Commission’s priorities and strategies in consultation with Ministers. |
| Loss of reputation for well-researched, robust information and advice | Our advice to the Government will be authoritative and based on evidence. 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. |

Forecast financial statements

Introduction

This section contains the following forecast financial statements:

- » 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.

Forecast statement of service performance

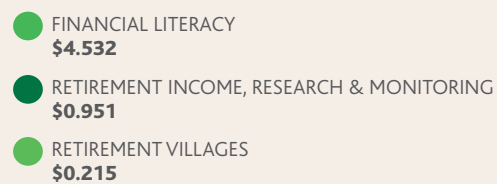
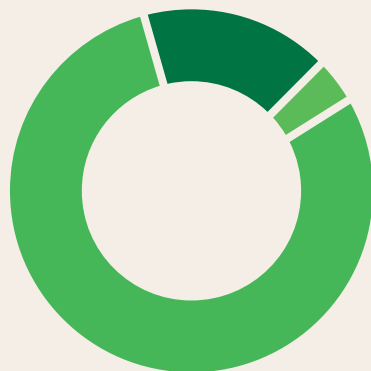
Summary of output revenue and costs (excl GST)

| Output class | 2013–14 revenue (\$0.000M) | 2013–14 cost (\$0.000M) |
|--|----------------------------|-------------------------|
| Financial literacy | 4.667 | 4.532 |
| Retirement income, research and monitoring | 0.979 | 0.951 |
| Retirement villages | 0.215 | 0.215 |
| Total | 5.861 | 5.698 |

Note: Indicative application of costs only. The Retirement Commissioner has a single appropriation.

SUMMARY OF OUTPUT CLASS COST 2013–14

COST \$0.000M



TOTAL \$5.698

Performance measures across the Commission's three output classes are:

- » The annual key stakeholder survey shows 70% or more of survey respondents assess the quality of the Commission's work towards its strategic goals as good or better.
- » The quality of the Commission's advice to Ministers is rated as satisfactory or better.

Output class

Financial literacy

| Key deliverables 2013–14 | Performance measures | Setting our measures |
|---|--|--|
| Review of the National Strategy for Financial Literacy to deliver a clear and comprehensive articulation of both the problem and the solutions to improve financial literacy and effect behavioural change. The strategy seeks to provide a unified proposition to inform financial literacy initiatives sector-wide. | Review released by 31 January 2014. | The National Strategy for Financial Literacy, to which hundreds of organisations and individuals have signed up as supporters, now requires detail and recommendations that all interested sectors can draw from. |
| Coordinating an annual national Money Week with key stakeholders. | <p>Money Week will be held between 1 and 7 September 2013.</p> <p>Measures for Money Week 2013 have been developed from the 2012 benchmark participant survey:</p> <ul style="list-style-type: none"> » Awareness of Money Week – 20% or higher (1:5) » Increase in the number of participants – 17,000 or higher » Increase in the number of organisations taking part – 130 or higher » Increase in the number of workplaces taking part – 80 or higher » Increase in the number of external events – 120 or higher | <p>Benchmark participant survey results for Money Week 2012:</p> <ul style="list-style-type: none"> » Awareness of Money Week – 15% (1:6) » Participants – 13,000 » Organisations taking part – 100 » Workplaces taking part – 50 » Events – 81 |
| Coordinating and hosting financial literacy Community of Practice meetings. | Four meetings held by 30 June 2014. | Four meetings held in 2012–13 plus biennial financial literacy summit. |
| Contributing to, and aligning the Commission's Financial Education with Māori framework with, the He-Kai-Kei-Aku-Ringa-Action-Plan Goal 3, Recommendations 8 and 9, developed by the subgroup on Financial Literacy for the Crown-Māori Economic Growth Partnership ⁷ . | Key milestones met as per the action plan by 30 June 2014. | New measure. |

⁷ He-Kai-Kei-Aku-Ringa-Action-Plan - Goal 3 – Increased financial literacy and savings. Recommendation 8 considers the options for education and home ownership savings schemes for whānau and households on low incomes. Recommendation 9 ensures financial literacy services are meeting the needs of Māori whānau.

| Key deliverables 2013–14 | Performance measures | Setting our measures |
|--|---|---|
| User satisfaction and engagement for the redeveloped Commission website cflri.org.nz . | Performance measures developed by 30 June 2014 based on user engagement and satisfaction. | Performance measures will be developed from a benchmark user survey which will be carried out in June 2013. |
| Action plan measures developed to track the impact of the National Strategy on New Zealanders' financial knowledge and literacy. | Measures developed by 31 January 2014. | Measures developed following the financial literacy review. See first deliverable. |
| New Zealand Financial Behaviour Index. | Index updated every six months. (November 2013 and May 2014). | Trends in results help shape the Commission's future work. |
| Encourage and support industry organisations to use quality resources to increase delivery of financial education. | Five industry organisations embed financial education into their courses using the Commission's Adult Competency Framework ⁸ (including the use of Unit Standards) by 30 June 2014. | New measure. |
| Establish and support a network of primary and secondary school financial literacy teachers. Support the network with a programme of professional development. | Benchmark to be established by 30 June 2014 to measure: <ul style="list-style-type: none"> » the increase in financial education in the schools within the network » the number of other teachers within the network schools who are enabled to teach financial education | New measures. |
| Enable industry and community educators to receive formal training in financial literacy education through Massey University Fin-Ed Centre's programme. | Ten community educators, with financial support from the Commission, complete the Massey University Fin-Ed Centre programme by 30 June 2014. | New measure. |
| Student teachers receive training in the teaching and learning of financial literacy within social sciences using the new BCUSS resource ⁹ . | Programme of pre-service training designed for students and implemented in one teachers' training institution by 30 June 2014. Benchmark developed for pre-service training by 30 June 2014. | New measure. |

⁸ The Commission has developed a financial literacy competency framework to guide financial education providers as they design and deliver programmes so they cover all the core elements of financial literacy. The framework can also help in evaluating existing programmes.

⁹ As part of the Building Conceptual Understandings in the Social Sciences (BCUSS) series, Taking Part in Economic Communities provides teachers with methods to develop their students' financial literacy within the context of social sciences. The resource, published in November 2012, was developed by the Ministry of Education in partnership with the Commission and Learning Media, and is the Ministry's first financial literacy resource for social sciences.

| Key deliverables 2013–14 | Performance measures | Setting our measures |
|--|--|--|
| Work with teachers to build engagement, competency and familiarity in the teaching of financial literacy. | Deliver a pilot programme of professional learning and development in financial literacy, including the use of the BCUSS resource, with 75% of participating pilot teachers increasing their delivery of financial education in their schools by 30 June 2014. | New measure. |
| Enable tutors at Whitirea Polytechnic to participate in three Massey University Fin-Ed Centre papers in financial literacy and evaluate the outcomes. | 80% of tutors complete the course by 30 June 2014. 75% of tutors embed financial literacy in their courses by 30 June 2014. | New measure. |
| Increase industry training uptake of quality financial education programmes. | Benchmark developed for industry training by 30 June 2014. | New measure. |
| Undertake a stocktake of financial literacy initiatives in secondary schools. | Stocktake report completed by 30 June 2014. | New measure. |
| Relevant digital tools, content and a strategy for mobile delivery to keep pace with the changing technology landscape and the needs of Sorted website users. | Strategy for mobile delivery completed and development underway by 30 June 2014. | New measure. |
| Updates to Sorted resources are timely and respond to or coincide with legislative changes taking effect. Site content drives deeper engagement with Sorted information, tools and resources. | User satisfaction levels with Sorted resources are maintained or increased from the results of the June 2013 user satisfaction survey. Returning visitors to Sorted: 35% or higher. Average time on site: 5 minutes or longer. | Satisfaction levels will be derived from the 2013 survey which will be carried out in June 2013. Returning visitors to Sorted over the 12-month period from 12 March 2012 to 11 March 2013: 40.69%. <i>Source: Google Analytics</i> Average time on site over 12-month period from 12 March 2012 to 11 March 2013: 6.25 minutes. <i>Source: Google Analytics</i> |
| Work with the finance sector and other government agencies to improve product disclosure and provide clear comparable information on KiwiSaver. | KiwiSaver performance calculator live on the Sorted website by 30 June 2014. | New measure. |

| Key deliverables 2013–14 | Performance measures | Setting our measures |
|---|--|---|
| <p>Sorted booklets and posters are available through multiple channels:</p> <ul style="list-style-type: none"> » Sorted website » 0800 SORT MONEY » PAK'nSAVE supermarkets » Intermediaries such as community groups, employers. | <p>Annual volume of booklet orders: 2,000 or higher.</p> <p>Annual volume of booklets distributed: 190,000 or higher.</p> <p>(Targets are set at a level commensurate with the budget available for these resources.)</p> | <p>Forecast volume of booklet orders for 2012–13: 2580 <i>Source: Printlink data</i></p> <p>Forecast volume of booklets distributed for 2012–13: 185,000 <i>Source: Printlink data</i></p> |
| <p>The Sorted seminar facilitators listed on the Sorted website are supported to deliver high-quality seminars to community and workplaces.</p> | <p>Communication with Sorted seminar facilitators is regular and includes updates on product development and delivery and campaigns; workshops are held to further develop facilitators' delivery; facilitators are provided with resources that help them to promote Sorted seminars.</p> <p>Each seminar facilitator delivers at least four seminars during 2013–14.</p> | <p>This is a requirement that the new sorted seminar facilitators agreed to in April 2013.</p> |
| <p>An engagement plan for encouraging workplaces to deliver financial literacy programmes is developed and implemented.</p> | <p>Numbers of workplaces offering financial literacy programmes is benchmarked, and engagement plan milestones are achieved.</p> | <p>New measure.</p> |
| <p>Sorted marketing and communications activity:</p> <ul style="list-style-type: none"> » Builds on the Think, Shrink & Grow programme through continued advertising and media activity, as well as additional activity within workplaces and via the Sorted seminar facilitators. » Builds on the current life events activity, through introducing more life events and identifying partners to leverage this activity. » Introduction of new monitoring methodology and new provider. | <p>Continue to monitor marketing and communications activity via the Marketing Monitor.</p> <p>New benchmark measures for 2013–14 will be set with an increase in:</p> <p>Awareness of Sorted as a contributor to the conversation about personal money matters.</p> <p>Total recall of Sorted messages.</p> <p>Percentage of people aware of Sorted messages taking action as a result.</p> | <p><i>Source: December 2012 Marketing Monitor¹⁰</i></p> <p>Total awareness 30%.</p> <p>Total recall of Think TVC 36%.</p> <p>Total recall of Shrink TVC 68%.</p> <p>Percentage of people taking action as a result of Shrink TVC: 41%; this increases to 50% when adding other Sorted marketing and communications activity.</p> |

¹⁰ Total awareness of Sorted is currently 84% (Marketing Monitor) which is a different measure to that referenced which shows the proportion of people who are aware that Sorted is a contributor to the conversation about personal money matters.

Output class

Retirement income research and monitoring

| Key deliverables 2013–14 | Performance measures | Setting our measures |
|---|--|---|
| Engagement of officials, finance sector and non-governmental representatives in the review process. | 80% participant attendance at advisory group and reference group meetings. ¹¹ At least 30 quality review submissions received from individuals, groups and key stakeholders. | New measure. 25 submissions received for the 2010 Review. |
| Review report produced for the 2013 Review of Retirement Income Policy describing the effects of current retirement income policies and proposing methods of improving the effectiveness of those policies. | Review report completed by 31 December 2013. A review process designed and implemented within budget and milestones met or exceeded. Direct feedback from Ministers demonstrating satisfaction or better with the quality of the Retirement Commissioner's description, advice and recommendation. | Minister was satisfied with the Retirement Commissioner's advice in the 2011–12 year. Feedback for 2012–13 year not yet received at time of writing. |
| Follow up communication of review's findings and recommendations in the 2013 Review of Retirement Income Policy. | A communications and stakeholder programme to support the review's findings and recommendations. The programme will include public speaking opportunities for the Retirement Commissioner and Commission staff. At least 75% of media coverage for the 2013 Review of Retirement Income Policy is of medium or high impact. Benchmark public survey demonstrating awareness and appreciation of issues surrounding New Zealand's retirement income policy completed by 30 June 2014. | New measure. This is a qualitative measure relating to prominence, quality and reach of media interviews and articles. New measure. |
| Relevant, research-based reports on priority themes commissioned from external sources and published on the Commission's website cflri.org.nz . | 16 secondary research-based and peer reviewed reports. Benchmark measure of the number of research paper downloads from cflri.org.nz by 30 June 2014. | New measure. New measure. |
| Participation in inter-agency research projects aimed at improving the availability of data and information to inform retirement income policy, e.g. Statistics New Zealand (Household Economic Survey); Inland Revenue (KiwiSaver Evaluation). | As measured by attendance at meetings, meeting minutes and correspondence to 30 June 2014. | New measure. |

¹¹ Advisory group, Government Officials Reference Group, Finance Sector Reference Group, Non-Government Organisations Reference Group.

Output class

Retirement villages

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

| Functions | Key deliverables 2013–14 | Performance measures |
|----------------|---|---|
| Advisory | Advice and comprehensive recommendations to the Minister for Building and Construction when requested or required by the Act relating to monitoring and code of practice functions. | The Minister is satisfied or better with the completeness, clarity and timeliness of the Retirement Commissioner's advice or recommendations provided on any draft codes of practice. |
| Monitoring | Position/review papers which cover aspects of the Retirement Villages Act 2003. | Two position/review papers completed by 30 June 2014 on: <ul style="list-style-type: none"> » Issues in the Retirement Villages Act that should be reviewed » How the Retirement Villages Disputes process is working |
| Education | The Commission contributes \$70,000 annually to the Ministry of Business, Innovation and Employment's Retirement Villages Information and Education Plan. | The targets within the Ministry of Business, Innovation and Employment's Retirement Villages Information and Education Plan are met. |
| Disputes panel | Approving appointments to disputes panels as vacancies arise and providing information about the dispute process to residents. | Successful appointments are made to disputes panels as vacancies arise. The information provided by the Commission to residents is evaluated through the Ministry of Business, Innovation and Employment's Retirement Villages Information and Education Plan. |

Forecast financial statements

Forecast statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE

| | 2013–14 \$ | 2014–15 \$ | 2015–16 \$ |
|--|---------------|---------------|---------------|
| Revenue | | | |
| Revenue from Crown | 5,782,000 | 5,782,000 | 5,782,000 |
| Other revenue | 50,000 | 100,000 | 50,000 |
| Interest revenue | 28,540 | 29,507 | 29,191 |
| Total revenue | 5,860,540 | 5,911,507 | 5,861,191 |
| Expenditure | | | |
| Remuneration to Auditors | 18,850 | 19,350 | 19,350 |
| Personnel costs | 1,840,648 | 1,914,274 | 1,990,845 |
| Depreciation | 28,047 | 31,376 | 32,697 |
| Amortisation | 724,840 | 626,745 | 635,120 |
| Property expenses | 120,000 | 120,000 | 120,000 |
| Leasing | 15,000 | 15,000 | 15,000 |
| Other operating costs | 435,958 | 457,755 | 480,644 |
| Advice and research | 525,000 | 400,000 | 400,000 |
| Retirement villages | 215,000 | 215,000 | 215,000 |
| Marketing and communications* | 1,500,000 | 2,000,000 | 1,700,000 |
| Retirement income review | - | - | 125,000 |
| Education | 275,000 | 275,000 | 275,000 |
| Total expenditure | 5,698,343 | 6,074,500 | 6,008,656 |
| Net comprehensive income/(deficit) ¹² | 162,197 | (162,993) | (147,465) |

*Marketing and communications budget is split into:

| | | | |
|---|------------------|------------------|------------------|
| Market research and agencies | 250,000 | 333,333 | 283,333 |
| Financial education resources and campaigns | 1,150,000 | 1,533,334 | 1,303,334 |
| CFLRI communications | 100,000 | 133,333 | 113,333 |
| Total | 1,500,000 | 2,000,000 | 1,700,000 |

¹² The net comprehensive deficits forecast for 2014–15 and 2015–16 are primarily due to the non-cash impact of amortisation of intangible assets and depreciation of property, plant and equipment. The forecast cash flows statement shows that despite these forecast deficits, cash on hand will remain at a relatively constant level. The Commission expects an opening cash balance of \$521,109 at 30 June 2013, and is forecasting a closing cash balance of \$478,647 at 30 June 2016. Therefore, the expected decline in cash held is only \$42,462 over the three-year period.

Forecast statement of changes in equity

FOR THE YEAR ENDED 30 JUNE

| | 2013–14 \$ | 2014–15 \$ | 2015–16 \$ |
|---|---------------|---------------|---------------|
| <i>Public equity at beginning of year</i> | | | |
| Taxpayer funds | 200,000 | 200,000 | 200,000 |
| Retained earnings | 865,965 | 1,028,162 | 865,169 |
| Net comprehensive income | 162,197 | (162,993) | (147,465) |
| <i>Public equity at end of year</i> | | | |
| Taxpayer funds | 200,000 | 200,000 | 200,000 |
| Retained earnings | 1,028,162 | 865,169 | 717,704 |
| | 1,228,162 | 1,065,169 | 917,704 |

Forecast statement of financial position

AS AT 30 JUNE

| | 2013–14 \$ | 2014–15 \$ | 2015–16 \$ |
|--|---------------|---------------|---------------|
| Total current assets | 616,540 | 601,311 | 588,316 |
| Total non-current assets | 1,103,872 | 970,751 | 827,934 |
| Total assets | 1,720,412 | 1,572,062 | 1,416,250 |
| Total current liabilities | 492,250 | 506,893 | 498,546 |
| Total non-current liabilities | - | - | - |
| Total public equity | 1,228,162 | 1,065,169 | 917,704 |
| <i>Total public equity and liabilities</i> | 1,720,412 | 1,572,062 | 1,416,250 |

Financial statements

Forecast cash flows statement

FOR THE YEAR ENDED 30 JUNE

| | 2013–14 \$ | 2014–15 \$ | 2015–16 \$ |
|--|-----------------|-----------------|-----------------|
| <i>Cash flows from operating activities</i> | | | |
| Cash will be provided from: | | | |
| Receipts from Crown revenue | 5,567,000 | 5,567,000 | 5,567,000 |
| Receipts from retirement villages industry levy | 215,000 | 215,000 | 215,000 |
| Receipts from other income | 50,000 | 100,000 | 50,000 |
| Interest received | 28,540 | 29,508 | 29,191 |
| Net GST paid | 16,276 | (585) | (161) |
| | 5,876,816 | 5,910,923 | 5,861,030 |
| Cash will be applied to: | | | |
| Payments to suppliers and employees | (5,014,486) | (5,403,647) | (5,348,098) |
| <i>Net cash flows from operating activities</i> | 862,330 | 507,276 | 512,932 |
| <i>Cash flows from investing activities</i> | | | |
| Cash will be applied to: | | | |
| Purchase of property, plant and equipment | (25,000) | (25,000) | (25,000) |
| Purchase of intangible assets | (850,000) | (500,000) | (500,000) |
| Net cash flows from investing activities | (875,000) | (525,000) | (525,000) |
| <i>Net increase/(decrease) in cash held</i> | (12,670) | (17,724) | (12,068) |
| Plus cash at the start of the year | 521,109 | 508,439 | 490,715 |
| <i>Cash held at the end of the year</i> | 508,439 | 490,715 | 478,647 |

Statement of underlying assumptions

Significant assumption

The opening position of the forecast statements is based on unaudited results for 2012–13. The actual results for March to June 2013 are unavailable; therefore, the balance as at 30 June 2013 has been estimated using March to June 2013 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 12 FTEs to meet the work programme.

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

Nature of forecast financial statements

The forecast financial statements have been prepared as a best efforts indication of the Commission for Financial Literacy and Retirement Income'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 Commission is a Crown Entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Commission's ultimate parent is the New Zealand Crown.

The principal activity of the 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 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 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 meets the criteria set out in the Framework for Differential Reporting.

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

- » NZ IAS 24 Related Party Transactions
- » NZ IFRS 7 Financial Instruments: Disclosures

Statement of underlying assumptions *(continued)*

Measurement base

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

Functional and presentation currency

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

The functional currency of the Commission is New Zealand dollars.

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

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

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 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 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 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 its expected useful life to its estimated residual value.

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

| | | |
|------------------------|------------|-------------|
| Office equipment | 2–13 years | 7.8%–80.4% |
| Furniture and fittings | 3–15 years | 6.5%–30.0% |
| Computer equipment | 2–5 years | 21.6%–30.0% |
| Leasehold improvements | 7–15 years | 7.0%–14.93% |

Intangible assets

Software acquisition

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

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

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

Website development

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

Costs associated with the development of the new Sorted website are capitalised.

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

Costs associated with the development and maintenance of the Commission's cflri.org.nz and moneyweek.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%–50.0% |
| 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 CFLRI 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 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 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 schemes 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, Inland Revenue (IR) is included as part of receivables or payables in the forecast statement of financial position.

The net GST paid to, or received from IR, 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 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 given below.

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

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

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

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

Critical judgements in applying the Commission's accounting policies

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

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

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

Appendix A

Measuring outcomes and impacts

This appendix shows how we measure our outcomes¹³ and impacts within our strategic framework.

Outcome 1

Increasing numbers of New Zealanders are financially literate throughout their lives

Outcome measures for 2013–2016.

Positive shifts in New Zealanders' levels of financial literacy as measured by:

- » 2013 Financial Knowledge and Behaviour Survey. The survey measures the financial knowledge levels, attitudes and behaviour of New Zealanders 18 years and older, and is undertaken every four years. The next survey will be completed in June 2013.
- » New Zealand's Financial Behaviour Index. The six-monthly index is updated every May and November.
- » 2012 Programme of International Student Assessment for 15 year olds (PISA). PISA benchmark results will be available in 2014, and the next assessment will be in 2015.

Outcome 2

Increasing numbers of New Zealanders are financially equipped for retirement

Outcome measures for 2013–2016, as derived from existing government and industry data, the 2013 Financial Knowledge and Behaviour Survey and New Zealand's Financial Behaviour Index:

- » Adequacy of retirement income preparation by pre-retirees
- » Adequacy of retirement income for people in retirement
- » Living standards of people in retirement

¹³ The Commission for Financial Literacy and Retirement Income is one of many contributors to these outcomes

Impact 1A

Increasing New Zealanders' participation in quality financial education

Impact measures for 2013–2016, as measured by the:

- » Numbers of educators using the Commission's Financial Literacy Competency Framework for Adults
- » Participation rates in professional development programmes for teachers and tutors (e.g. Massey Centre for Personal Financial Education programme)
- » Numbers of schools, tertiary institutions and industry organisation offering financial education

Impact 1B

Increasing number of New Zealanders access information that helps them make sound financial decisions

Impact measures for 2013–2016, as measured by the:

- » 2013 Financial Knowledge and Behaviour Survey
- » Financial Behaviour Index
- » Sorted Marketing Monitor

Impact 1C

Increasing number of New Zealanders are motivated to change their behaviour, demonstrating financial literacy

Impact measures from 2013–2016, as measured by the:

- » 2013 Financial Knowledge and Behaviour Survey
- » Sorted Marketing Monitor
- » Financial Behaviour Index
- » Sorted User Survey

Impact 2A

Government takes the Commission's recommendations into consideration in the development of New Zealand's retirement income policy

Impact measures for 2013–2016:

- » Ministers are satisfied or better with the quality of the Retirement Commissioner's advice and recommendations (performance will be measured by requesting direct feedback from Ministers)
- » Officials are engaged in the review of retirement income policy, through participation in meetings and providing content and feedback

Impact 2B

New Zealanders have greater awareness and appreciation of issues surrounding New Zealand's retirement income policy

Impact measures for 2013–2016, as measured by the:

- » Percentage of key stakeholders who consider the quality of the Commission's work, in achieving its strategic goals, is good or better than good (determined through the annual key stakeholder/peak body survey)
- » Range and mix of stakeholder groups and individuals involved in the Commission's consultation processes
- » Quantity and quality of submissions to reviews of retirement income policy
- » Level and quality of informed media coverage

Appendix B

Economic environment

Immediate environment

The New Zealand economy is recovering gradually from a deep recession. The recession was cathartic in some ways. Households are spending more conservatively and are beginning to pay down debt, but it is not clear if these improvements will last. The recession sped up structural change, exacerbating a long-term declining trend in manufacturing jobs.

The Canterbury earthquake rebuild is now gathering pace and the outlook is brightening. There are knock-on effects with much higher insurance premiums, which may reduce access

to insurance for some. There is also a potential reduction of commercial property values which are not up to required compliance level, which is a risk to the owners.

New Zealanders have increasing participation in financial markets through KiwiSaver and partial floats of selected state-owned enterprises. This increases the need for financial literacy, better product disclosure and comparability. Retirement advice remains a perennial issue, with continued and accelerating growth of an older population.

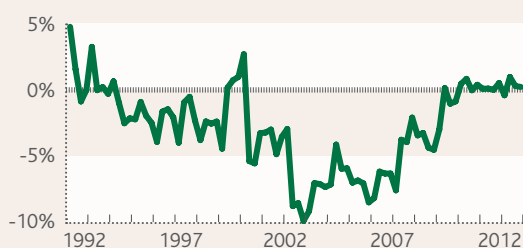
Recent changes in the Commission's operating environment

LINK AND IMPACT ON THE COMMISSION'S OPERATING ENVIRONMENT

RECENT TREND

SAVINGS

HOUSEHOLD SAVINGS RATE – % OF DISPOSABLE INCOME



Rising savings increase net wealth and improve prospects for retirement income.

Increased demand for financial literacy, greater need to support confidence in the financial services sector and the need to maintain positive savings level.

Savings have stabilised at around zero from deeply negative over recent years, an indicator that many New Zealanders are paying down debt and actively saving. This is a key opportunity for the Commission to provide information to help people maintain and grow these positive trends.

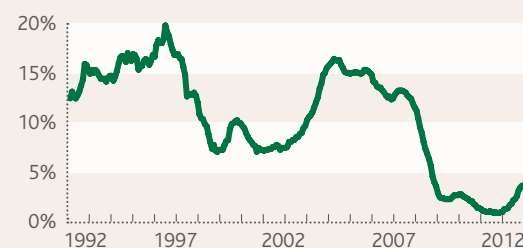
NZIER estimates the household savings rate has stabilised at 0% in 2010–2012, the highest level since the early 1990s.



Source: NZIER estimates

BORROWING

HOUSEHOLD BORROWING GROWTH – ANNUAL % CHANGE



Reduced borrowing lowers exposure to the economic cycle and implies greater savings.

Increased demand for financial literacy, greater need to support consumer confidence in the financial services sector and the need to maintain reduced reliance on debt.

New Zealanders still hold a lot of debt and borrowing growth is accelerating.

RBNZ data shows household debt growth is beginning to accelerate from a low of 1% in 2011 to 4% in 2012, but it is still below the 10%-15% rates during the 2000s housing boom.



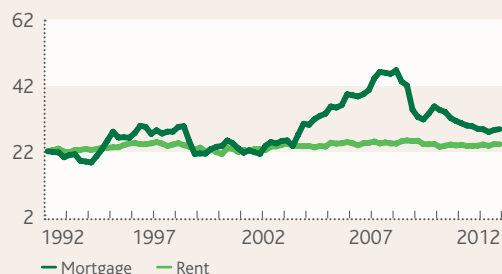
Source: RBNZ

LINK AND IMPACT ON THE COMMISSION'S OPERATING ENVIRONMENT

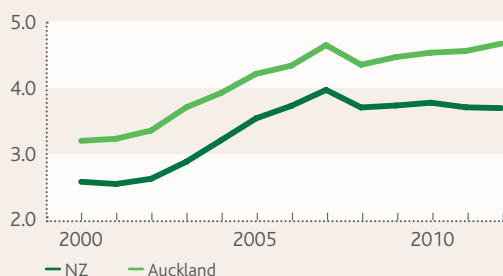
RECENT TREND

HOUSING AFFORDABILITY

MORTGAGE PAYMENT AND RENTS SHARE OF AVERAGE ANNUAL HOUSEHOLD INCOME



MEDIAN HOUSE PRICE RELATIVE TO THE MEDIAN INCOME OF A COUPLE AGED 30-34



High house prices may delay home ownership and/or asset accumulation.

Increased demand for financial literacy, greater need for transparency and confidence in the financial services sector.

House prices are becoming increasingly expensive, particularly in Auckland and Canterbury.

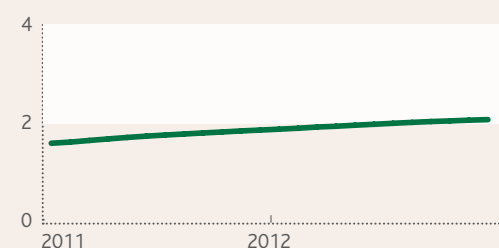
House prices are rising again in places like Auckland, relative to incomes. There is some relief through low mortgage rates, but those borrowing too much now could be vulnerable to interest rate increases. Some may choose to rent and invest the savings relative to mortgage payments, but financial investments need to be done properly.



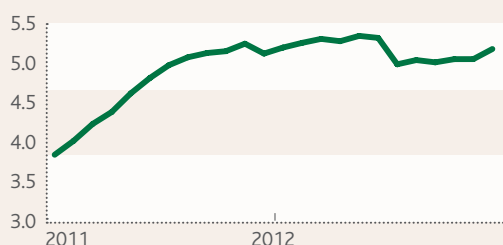
Source: Statistics NZ, REINZ, MBIE, NZIER

KIWISAVER

MILLIONS OF MEMBERS



\$ BILLIONS OF ANNUAL CONTRIBUTIONS TO PROVIDERS



Increasing KiwiSaver participation increases the connection to financial markets.

Increased demand for financial literacy and greater need to support consumer confidence in the financial services sector.

New Zealanders are saving around \$5 billion per year through KiwiSaver contributions.

IR data shows that there are just over 2 million KiwiSaver members and they transferred \$5.2 billion to KiwiSaver providers in 2012.



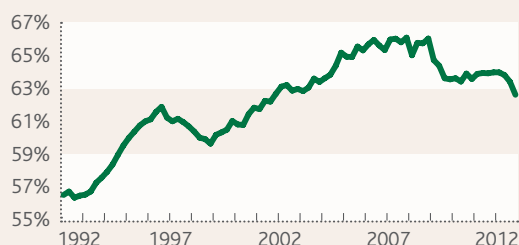
Source: KiwiSaver.govt.nz

LINK AND IMPACT ON THE COMMISSION'S OPERATING ENVIRONMENT

RECENT TREND

EMPLOYMENT

EMPLOYMENT RATE – % OF WORKING AGE POPULATION



Source: Statistics New Zealand

Higher employment means greater ability to save and prepare for retirement.

The Commission can provide information and encouragement to help people make informed choices about saving and retirement planning.

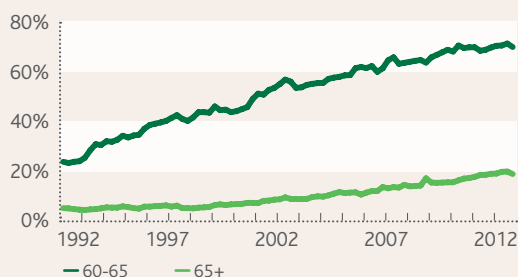
Employment was down slightly in 2012. Some sectors lost many jobs (agriculture, manufacturing, wholesale trade, government and education), but were offset by strong job gains in mining, logistics and skilled industries like ICT, financial and insurance services.

SNZ data shows 1,400 job losses in 2012.



RETIREMENT

LABOUR FORCE PARTICIPATION
% OF WORKING AGE POPULATION



Source: Statistics New Zealand

Later retirement increases the amount of time available to save for retirement, contributes to wealth and wellbeing, and helps offset the cost of NZS (through taxation on earnings and reduced amount of time in retirement).

The Commission can provide information to help people make informed saving and retirement choices.

Rising workforce participation in those close to 65 and 65+ SNZ data shows rising labour force participation rates over the five years to 2012:

60–64 year olds: 64% to 70%
65+ year olds: 15% to 19%.



ASSET PRICES

NZ EQUITY RETURNS AND HOUSE PRICE – INDEX, 2000 = 100



Source: DataStream, REINZ

Volatility in asset prices and persistent over-valuation in housing highlights the need for diversified savings and long-term retirement planning.

Increased demand for financial literacy, greater need for supporting confidence in the financial services sector, new need for advice on Mixed Ownership Model of Crown assets.

Asset prices are recovering strongly after the recession. There is a risk that asset prices are too high relative to economic fundamentals.

The New Zealand equity market is back to the pre-recession peak. Many international equity markets have scaled new heights, although some regional equity markets in Europe and Asia are still well below the pre-recession peak.

House prices are back to the pre-recession peak, but there are large regional differences. Auckland and Canterbury house prices have far exceeded the pre-recession peak due to excess demand, but prices in most other regions are still well below the pre-recession peak.



LINK AND IMPACT ON THE COMMISSION'S OPERATING ENVIRONMENT

RECENT TREND

INSURANCE

REAL PRICE OF INSURANCE – INDEX, 2000 = 100



Protection through insurance is a key aspect of managing financial health.

The Commission can provide information and encouragement to help people make informed choices about asset protection.

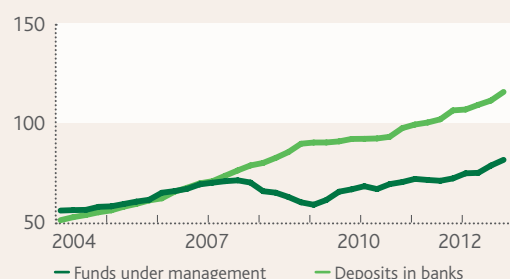
Insurance costs have risen following several natural disasters locally and internationally. Higher prices may dent demand for insurance.



Source: Statistics New Zealand, NZIER calculations

FINANCIAL MARKETS REPUTATION

MANAGED FUNDS & BANK DEPOSITS – \$B



Failure and fraud among financial institutions can undermine confidence in the system.

Need of further education, policies and enforcement to ensure a trustworthy financial services sector, including better product disclosure and comparability.

New Zealanders are more exposed to financial markets with over two million KiwiSaver accounts and the upcoming partial floats of SOEs.

The need for better product disclosure and legacy of finance company failures continue to undermine confidence.

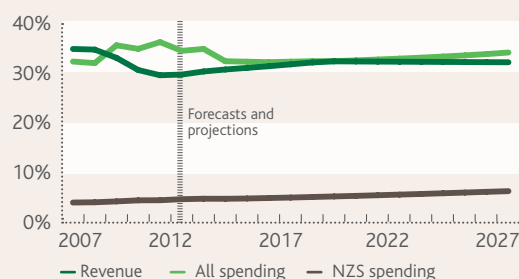
Investment flows into deposits continue to outstrip investment funds, despite very low deposit rates.



Source: RBNZ

FISCAL POSITION

GOVERNMENT SPENDING PROJECTIONS FOR SUPERANNUATION & OTHER – % OF GDP



A rising public debt profile puts focus on deriving value for money, including value for money from retirement and savings policy.

Policy changes need an informed debate.

Public debt will rise over the longer term due to pressures from superannuation and healthcare costs.

Treasury projects superannuation spending will rise from 5% of GDP in 2011 to 8% by 2050.



Source: Treasury

Long-term operating environment

The latest population projections from Statistics New Zealand reiterate that the population is ageing, living longer and there will be fewer younger people relative to those age 65 and over. In addition, baby boomers started to reach the age of 65 in 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. Some 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.

The implications of an ageing population will be different across regions. While Auckland and Wellington will remain relatively young, many small and rural regions will age rapidly, such as Marlborough, Nelson and the West Coast. This may have implications for the economic structure of the regions and the ability to meet the needs of an older population.

Demographic environments

The median age of New Zealand's population has risen from 26 years in 1971 to 37 years in 2012, and is expected to rise to 44 years by 2061. The number of those aged 65+ is likely to more than double by 2036. This age group has doubled since 1976, to 587,000 in 2011, and is expected to rise by 2.6 times to 1.55 million people in 2061. The largest growth will occur between 2011 and 2037 as baby boomers move into this age group.

On average, people are living much longer than previous generations, and in the future people are likely to be spending more and more years in retirement. 65-year-old men can now expect to live until they're 86, and 65-year-old women until they're 88. And longevity keeps increasing. Men reaching 65 in 2031 can expect to live until they're 88 and women until they're at least 90. The 85+ age group is projected to increase from 2% of the population in 2011 to 6% in 2061. There will be fewer working-age people per retiree. In 2011, there were five working-age people for every retiree. This is projected to fall to 2.3 people by 2061. This change indicates a greater call on taxpayers to support growing expenditure on government-funded retirement income.

However, while baby boomers reaching 65 from 2011 may create a bulge of retirees, many will choose to continue working. There has been a long-term trend of rising participation in the workforce for those 65+. Over the past decade, 65+ participation in the workforce has increased from 9% to 19%. This trend will help offset fiscal costs as older New Zealanders continue to contribute through taxes on their income (and on their savings and investments).

This suggests that the impacts of an ageing population will be complex and have dynamic impacts on the public purse and the Commission's operating environment.

Appendix C

Good employer practices and equal opportunities

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

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

1. Leadership, accountability and culture

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

2. Recruitment, selection and induction

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

3. Employee development, promotion and exit

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

4. Flexibility and work design

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

5. Remuneration, recognition and conditions

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

6. Harassment and bullying prevention

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

7. Safe and healthy environment

- » Proactive approach to employee health, safety and wellbeing
- » Managers and staff 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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