

OUR VISION

NEW ZEALANDERS  
ARE FINANCIALLY  
SORTED

ANNUAL REPORT 2007



Retirement Commission  
*Whiriwhiria!*



OUR VISION

NEW ZEALANDERS  
ARE FINANCIALLY SORTED

OUR MISSION

HELPING NEW ZEALANDERS  
TO BE FINANCIALLY  
WELL PREPARED FOR RETIREMENT

*COVER: Balancing the mortgage, debts and expenses was a tough task for Fuihui Tasi. Getting some free family budgeting advice turned everything around. Debts were cleared and she was able to provide more for her whanau.*

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



# FROM THE RETIREMENT COMMISSIONER

THE RETIREMENT COMMISSION HELPS INDIVIDUAL NEW ZEALANDERS AND THEIR FAMILIES PREPARE FINANCIALLY FOR RETIREMENT, THROUGH EDUCATION AND INFORMATION. WE ALSO WORK WITH GOVERNMENT AND THE FINANCE SECTOR TO ENSURE POLICIES AND PRACTICES HELP ACHIEVE THIS IMPORTANT GOAL.



Before the launch of KiwiSaver, the subjects of retirement income and retirement saving were not exactly top of mind for most New Zealanders.

But that all changed in the months leading up to 1 July 2007.

Back in 2005, the Retirement Commission was asked by the Government to run a general financial education programme to help New Zealanders make an informed decision on KiwiSaver. And to make that decision, they would need to know some things about personal finance, and to think about the state of their own finances.

While the initial focus of our education programme was on the workplace, changes to KiwiSaver announced in the May 2007 Budget made the scheme suddenly appear more attractive to a wider range of people, and also made our education task a lot broader.

The expanded education programme is allowing us to reach beyond the workplace, and beyond the users of our Sorted website. The best example of this is our partnership with the NZ Federation of Family Budgeting Services to deliver a free telephone helpdesk (with face-to-face follow up) called 0800 SORT MONEY.

Early indications are that our efforts in the workplace, which include making a range of KiwiSaver decision-making resources available to employers, have been very successful so far.

The Sorted website itself continued to achieve high uptake in 2006/07, with some high visitor numbers and calculations driven by demand for our KiwiSaver decision-making tools. In fact, June 2007 (the month leading up to KiwiSaver's introduction) recorded a record number of visits to Sorted – 288,566, a 100% increase on June 2006.

We are very aware that we have to keep improving our online service to meet the ever-increasing expectations of web users. A new design of Sorted launched in May, which as well as improving usability, also paves the way for future site enhancements.

But there's more to our work than websites and information programmes. Behind the scenes we've also been busy working on the 2007 review of retirement income policies. Terms of reference were developed, submissions were called for, research commissioned and advisory groups met.

The book *Implications of Population Ageing: Opportunities and Risks* was published in October by the Institute of Policy Studies. The book showed that older workers are of great value in the workplace because of their depth of experience and loyalty. As well as passing on skills and knowledge to younger staff, they help make a workplace more stable.

In December 2006 we held the inaugural New Zealand Symposium on Financial Literacy, which explored the importance of financial literacy and what's happening here in New Zealand and overseas. As a direct outcome of this very successful event, we are now working on developing a national strategy to identify what must be done to lift New Zealanders' financial literacy.

It's an important issue. International research suggests that financial literacy is linked to wealth: people with a high level of financial literacy make better informed financial decisions and therefore accumulate more assets.

And the need to make well-informed financial decisions doesn't stop when you hit age 65. The decision to buy into a retirement village for example, is no-less important than the decision to buy a first home, and is arguably more complex both legally and financially.

For this reason I was very pleased to see the Retirement Villages Act come fully into effect this year. Residents now have a Code of Residents' Rights under the Act, which gives them the right to get what they were promised and are entitled to.

The Code provides other important rights to

residents such as having the right to be informed and consulted over changes that affect them, and to have complaints and disputes resolved in a prompt and efficient way.

The Retirement Commissioner is responsible for monitoring the effects of the new legislation, but we are now in the process of transferring our education and advisory functions under the Act to the Department of Building and Housing – who as administrators of the Act will be better placed to do this.

At the other end of the age spectrum, our project to develop a personal financial education curriculum for schools is well on track, with a final draft completed for review.

The Retirement Commission is small in numbers but big in achievement. My thanks to each and every member of the team for rising to the challenges this year.

Looking forward to the 2007/08 financial year, the focus will be on continuing much of the work mentioned above. From the completion of the 2007 review of retirement income policies to the ongoing enhancement of the Sorted website, it will be another extremely busy year.



DIANA CROSSAN  
RETIREMENT COMMISSIONER





## STATEMENT OF RESPONSIBILITY

We acknowledge responsibility for:

- preparing these financial statements and the judgements used within them
- establishing and maintaining a system of internal control that provides reasonable assurance of the integrity and reliability of the Commissioner's financial reporting.

In our opinion these financial statements fairly reflect the financial position and operations of the Retirement Commission for the year ended 30 June 2007.

D B CROSSAN  
RETIREMENT COMMISSIONER

D FESLIER  
EXECUTIVE DIRECTOR





# STATEMENT OF SERVICE PERFORMANCE

This section reports on the actual performance of the Retirement Commission against the forecast Statement of Service Performance contained in the Retirement Commission's 2006/07 Statement of Intent.

The Retirement Commission provides services under the following output areas:

- Advice to its responsible minister
- Research and monitoring
- Education and information
- Retirement villages
- Workplace financial education programme

These outputs are all contained within one output class: Retirement Commissioner's Programme.

## Output class: Retirement Commissioner's Programme

Funding from the Crown for the 2006/07 year was budgeted to be \$6,432,667 (GST exclusive).

Actual funding received was \$6,432,667 (GST exclusive).

Crown Revenue Actual	Budgeted	Expenditure Actual	Budgeted
\$6,432,667	\$6,432,667	\$7,052,144	\$7,601,509

The following income was received from interest and sundry sources:

- Interest income           \$235,886
- Sundry income           \$644

Allocation is as follows:	Actual	Budgeted
Public education and information programme	\$2,759,672	\$2,958,780
Retirement villages	\$273,407	\$259,790
Research, advice, monitoring, office costs	\$267,447	\$346,386
Workplace education	\$3,751,618	\$4,036,553
Total	\$7,052,144	\$7,601,509

## Overall

Through education programmes, the Retirement Commission aims to improve the personal financial knowledge and capability of New Zealanders. The quality of the personal financial decisions New Zealanders make everyday will impact on the quality of life they have in retirement.

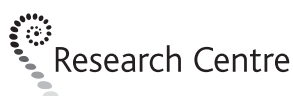
## OUTPUT 1 – ADVICE

The advice part of the output class includes advising and reporting to the Minister on retirement income and related issues.

Key deliverables	Actual performance
Review the retirement income policies being implemented by the Government.	The 2007 review of retirement income policies is progressing according to time and budget. See <i>Quality</i> and <i>Timeliness</i> below for details.
Advice as may be requested by the Minister, or provided to the Minister by the Commissioner.	Four quarterly reports and one annual report were provided to the Minister. Quarterly meetings were held.

Performance measures	Actual performance
<b>Quality</b>	
The review of retirement income policies meets the requirements of the New Zealand Superannuation and Retirement Income Act 2001, and the requirements of the terms of reference specified by the Minister.	<p>The 2007 review of retirement income policies has been undertaken to meet the requirements of the Act and, in particular, to address the requirements of terms of reference specified by the Minister.</p> <p>The work programme for the review was developed based on these requirements to ensure that data gathered for the review covered all the terms of reference.</p>
<b>Timeliness</b>	
The review of retirement income policies will be completed by 31 December 2007.	<p>The 2007 review of retirement income policies is now well advanced. A number of advisory and reference groups have been established to provide input to the review. Public submissions have also been sought. In addition, relevant research projects have been commissioned and undertaken for the purposes of the review.</p> <p>Overall review findings and recommendations are now being distilled. The review report will be completed and published in December.</p>





## OUTPUT 2 – RESEARCH AND MONITORING

The research and monitoring part of the output class includes continuing to develop the Retirement Income Research Centre, monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning. It also includes monitoring the effectiveness of private sector financial ombudsmen.

Key deliverables	Actual performance
<b>Ongoing activities/projects</b>	
Undertake research and monitoring programmes that meet the needs of the 2007 review.	<p>A research programme to inform the 2007 review of retirement income policies has been developed and implemented.</p> <p>Research projects are:</p> <ul style="list-style-type: none"> <li>• The situation for current retirees</li> <li>• Factors affecting future retirement provision</li> <li>• The wider economy</li> <li>• Sources of retirement income</li> <li>• The impact of retirement income provision on different groups</li> <li>• Alternative policies</li> <li>• Decumulation</li> <li>• Issues for women</li> <li>• Issues for Māori</li> <li>• Home equity release</li> <li>• Tax issues</li> <li>• Attitudes of younger people to consumption and saving</li> <li>• NZ/Australia retirement provision comparison</li> <li>• Employment of older people</li> <li>• Issues for people with disabilities</li> <li>• Independent assessment of the effectiveness of financial education.</li> </ul>
Operate and promote the Retirement Income Research Centre and its website, <a href="http://www.retirement.org.nz">www.retirement.org.nz</a> . The Centre will be available for use by researchers, policy analysts and the financial services industry.	<p>The website was regularly updated with new papers and reports. This included papers on:</p> <ul style="list-style-type: none"> <li>• 'Measuring the effectiveness of financial education'</li> <li>• 'Questions for our times about retirement savings and pensions'</li> <li>• 'Employment of older workers'</li> <li>• 'Implications of population ageing: opportunities and risk'</li> <li>• 'Home equity release schemes in New Zealand: consumer perspectives'</li> <li>• 'The policy implications of decumulation in retirement in New Zealand'.</li> </ul>

Evaluation of the communications programme: The Commission will regularly monitor the effect its education and information programme on personal financial planning and financial preparation for retirement is having on the awareness, knowledge, attitudes and behaviours of New Zealanders.	<p>Monthly statistics on website use and promotion are produced and analysed.</p> <p>An online survey of Sorted website users<sup>1</sup> was completed. Key findings are listed under Education and Information.</p> <p>A comprehensive review of the Sorted financial education programme (focusing on non-users) was conducted in November 2006<sup>2</sup>.</p>
<b>Research projects</b>	
Update the report 'Saving in New Zealand'.	This report was updated and published on the Retirement Income Research Centre at <a href="http://www.retirement.org.nz">www.retirement.org.nz</a> .
Survey of Family Income and Employment (Sofie): In association with Treasury, analysis of the Sofie will be undertaken in 2006/07 to determine the adequacy of private financial provision for retirement.	Treasury completed the analysis of this work and released the findings. The report is available on <a href="http://www.retirement.org.nz">www.retirement.org.nz</a> .

Performance measures	Actual performance
<b>Quality</b>	
Independent review panels will assess the appropriateness of the research projects.	Expert review of key research projects was sought and reports were adapted accordingly.
<b>Quantity</b>	
Four major research and monitoring projects, including the review of retirement income policies required under section 83 (c) of the New Zealand Superannuation and Retirement Income Act 2001.	Achieved. See <i>Key deliverables</i> above for more information.
<b>Timeliness</b>	
Key dates as specified in the project plans will be met and reflect agreed priorities.	All research and monitoring projects have been delivered on time.

<sup>1</sup> 'Sorted User Survey 2007' Nielsen.

<sup>2</sup> 'Sorted Brand – Plotting a Path 2006' ACNielsen.

**www.sorted.org.nz**

### OUTPUT 3 – EDUCATION AND INFORMATION

The education and information part of the output class includes developing education and information programmes to improve the public's understanding of lifetime financial management; improve the public's knowledge of how to go about financial planning; encourage those who can to make voluntary savings; and encourage other organisations to have similar goals.

Key deliverables	Actual performance
<b>Sorted</b>	
Website: the Sorted website will be regularly refreshed and updated.	<p>A new-look Sorted website was launched in May. The new site has been enhanced to improve usability and to allow for continuing development.</p> <p>The site now has the capacity to include new web technologies and conventions that will allow financial information to be presented in a wider variety of methods to appeal to different learning styles. New features include straightforward tab navigation, and the capacity to deliver rich media (video) and user comments.</p>
Promotional component: broadcast, online and print advertising and public relations are the ways the Commission draws attention to its education programme and the material on the Sorted website.	<p>The Commission continued to promote its public education material using integrated public relations and advertising this year. Independent research has shown that 19% of New Zealanders had visited Sorted, and that 38% were potential users<sup>3</sup>. The focus of this year has been to maintain existing users and to attract potential users.</p> <p>Other in-depth qualitative brand research<sup>4</sup> had shown that the Sorted brand needed to evolve to better appeal to these new audiences. As a result, we updated our strapline from 'When you want to get sorted on money matters, use your mouse' to 'Sorted.org.nz – Your independent money guide'. The new strapline reinforces the key offer of the Sorted website – independent, impartial personal financial information. The Sorted icon – the mouse – was also updated in response to the research, allowing it to retain its friendly characteristics, but to be more expressive and less child-like.</p>

<sup>3</sup> 'Brand Awareness and Perceptions of Sorted and the Retirement Commission – 2006' ACNielsen.

<sup>4</sup> 'Sorted Brand – Plotting a Path 2006' ACNielsen.

	<p>A new financial check-up tool called 'Sort Me' was launched and promoted – as a first step to making KiwiSaver decisions. Sort Me asks eight multi-choice questions about your personal financial situation and based on your answers gives you actions, and points you to relevant calculators and tools for more information. Television, radio and online advertising supported this initiative along with public relations activity.</p> <p>A new approach to our television and radio advertising this year featured the voices of a variety of ordinary New Zealanders talking about their real-life personal finances.</p> <p>Public relations coverage has increased again over the last 12 months, with the Retirement Commission successfully building on its position as an authority on financial planning. Coverage of Commission activities and personal financial resources has increased markedly with 661 articles appearing across all media in 2006. This reflects an increase in Retirement Commission generated articles, interviews and promotions. Ninety-nine percent of the coverage was neutral or positive, demonstrating that media is a useful tool for the Commission to grow its reputation and convey information to its audiences. The Commission is now regarded as an authority on financial education matters by the media. As such, the Retirement Commissioner is increasingly being called upon for comment on financial education, planning and retirement issues.</p>
<b>Other educational activities</b>	
<p>Māori programme: the joint Ngāi Tahu-Retirement Commission programme funded by Te Puni Kōkiri for young Māori in schools will continue to be provided in 2006/07.</p>	<p>During 2006 the programme was implemented in five schools – two in Christchurch, and one each in Arowhenua, Mātaura and Invercargill.</p> <p>The programme was delivered by Education Associates of Dunedin under contract to Ngāi Tahu, using the draft curriculum developed through the School Financial Curriculum project.</p> <p>Extensive professional development of the teachers was undertaken before teaching started.</p> <p>An independent evaluation of the programme was carried out by PricewaterhouseCoopers. The evaluation showed significant improvements in knowledge and skills by children in all five schools. Māori students had a better overall gain, as did older students.</p> <p>The findings have been presented to Te Puni Kōkiri, and the Ministry of Education. Further work with these agencies will continue during 2007/08 to build on the work to date.</p>

<p>Pathways to Financial Literacy programme: through Enterprise New Zealand Trust provides participating schools with resources aimed at improving the financial literacy of senior secondary school students.</p>	<p>The Enterprise New Zealand Trust is sponsored by the Commission to deliver the Financial Literacy Programme in secondary schools. Numbers have steadily increased with over 100 schools and more than 6500 students now participating.</p> <p>The Financial Literacy Programme raises awareness and provides practical opportunities for students to gain financial knowledge and skills. An examination is provided twice during each calendar year for students to test their progress. In 2006, just over 600 students took the examination. The first half-year examination for 2007 was held in June with 120 students registered to sit, compared with 89 for the mid-year examination in 2006. The bulk of students sit in the second half of the year and enrolments to date indicate that the 2007 total will be similar to or greater than 2006.</p>
<p>School Financial Curriculum programme: is aimed at providing teaching strategies and resources that can be used within the current curriculum to teach personal financial skills. This will include teacher training.</p>	<p>A final draft of the curriculum was completed and critiqued by an advisory committee of teachers and principals and by the project reference group. A small working group then edited the final draft to ensure that it was compatible in style and format with that used by the Ministry of Education for curriculum documents.</p> <p>After a tender process, a contract was let to the Dunedin College of Education to undertake an audit of financial education teaching resources for teachers and students. This was completed and delivered to the Commission in November 2006 in the form of a comprehensive database that cross references against the curriculum document. This database will be made available to teachers via a website once the best format and location has been determined.</p> <p>Agreement has been reached with the Ministry of Education for co-operative development of the curriculum. The Commission and the Ministry will work together to develop professional development programmes for teachers and further teaching resources. Funding is being sought for a substantive trial and evaluation of the curriculum and the teaching support, to be undertaken during the 2007/08 financial year.</p>

Performance measures	Actual performance
<b>Quantity</b>	
<p>Average number of monthly visits to Sorted website – 70,000 to 90,000.</p> <p>Average number of retirement income related calculations made on Sorted each month – 200,000 to 250,000.</p>	<p>The average number of monthly visits to Sorted was 140,057.</p> <p>The average number of calculations per month was 372,857.</p> <p>These high numbers were due to an unprecedented interest in Sorted's tools leading up to the launch of KiwiSaver in July 2007.</p>
One personal financial education curriculum for schools.	A final draft of the School Financial Curriculum was completed.
<b>Quality</b>	
Maintain or increase percentage (63%) of Sorted visitors who find the website useful <sup>5</sup> .	The Sorted User Survey, conducted in June 2007, revealed that 80% of Sorted visitors find the website useful to some degree – up from 73% in 2006.
The effectiveness of education programmes will be measured through annual surveys.	<p>The 2007 Sorted User Survey<sup>6</sup> revealed an increase in users taking action after visiting Sorted, from 92% in 2006 to 99% in 2007:</p> <ul style="list-style-type: none"> <li>• The number of people wanting to re-visit Sorted increased from 82% in 2006 to 96% in 2007.</li> <li>• 71% of Sorted visitors felt Sorted helped them better understand their personal finances to some extent, compared to 66% in 2006.</li> <li>• 80% of Sorted visitors indicate some degree of likelihood that they will take some action or change the way they are currently managing their money (compared to 77% in 2006).</li> </ul> <p>A follow-up email survey measured whether people intended to, or had taken action with their personal finances as a result of visiting Sorted. This type of survey was first undertaken in September 2002.</p> <p>Specific actions mentioned by email survey respondents in 2007 included:</p> <ul style="list-style-type: none"> <li>• Undertaking financial planning (104% total mentions, compared with 71% in 2002 and 82% in 2006).</li> <li>• Taking steps towards debt reduction (46% compared with 42% in 2002 and 54% in 2006).</li> <li>• Starting or changing a savings plan (61% compared with 66% in 2002 and 58% in 2006).</li> <li>• 96% of the email survey respondents also said they planned to revisit Sorted (compared with 58% in 2002 and 68% in 2006).</li> </ul>

<sup>5</sup> '2005 Visitor Perceptions of Sorted Website' ACNielsen.

<sup>6</sup> 'Sorted User Survey 2007' ACNielsen.



**Timeliness**

Key dates as specified in the project plans will be met and reflect agreed priorities.	Most projects were completed on time. However late changes to the KiwiSaver scheme caused some project delays, particularly in relation to planned development of the Sorted website.
The personal financial education curriculum for schools will be completed by 31 December 2009.	This project is on target for completion by 31 December 2009.

**Key Sorted statistics for 2006/07**

Total visitors	1,680,681
Total unique visitors	1,322,642
Total calculations	4,474,280
Average visitors per month	140,057
Average unique visitors per month	110,220
Average user session	4 minutes 55 seconds
Average calculations completed per month	372,857





## OUTPUT 4 – RETIREMENT VILLAGES

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

Key deliverables	Actual performance
A monitoring and research programme on the effects of the Act, regulations and Code of Practice when in force.	<p>All parts of the Retirement Villages Act 2003 and the Code of Practice finally came into force on 25 September 2007.</p> <p>A major survey of retirement village residents and operators was undertaken<sup>7</sup>. This forms a benchmark for further monitoring.</p> <p>Findings include:</p> <ul style="list-style-type: none"> <li>• Overall satisfaction is very high (99%) amongst residents, however, 13% of residents had made a complaint in the last year.</li> <li>• The biggest challenges facing operators relate to costs, staffing and resident issues.</li> <li>• Residents said the best things about village life are the security of the village and friendship and community spirit.</li> </ul> <p>To assist in monitoring, the Commission established and hosted quarterly meetings of the Retirement Villages Sector Group. The meetings were well attended by industry, residents, the legal profession, statutory supervisors, community and government agencies.</p>
Advice to the Minister <sup>8</sup> when requested or required by the Act.	<p>Advice was provided to the Department of Building and Housing on the three sets of draft regulations, in particular on the desirability for an easy-to-understand disclosure template and strengthening of the key statutory supervisor role. Significant comment was made and advice was thorough.</p> <p>Verbal advice was provided to the Minister, at his request, on the Code of Practice. Other advice was provided to the Minister through the Retirement Villages section of the quarterly reports.</p> <p>Advice was provided to the Department of Building and Housing on three proposed revisions to the draft Code of Practice.</p>

<sup>7</sup> 'Retirement Villages Survey 2006' Nielsen.

<sup>8</sup> Minister for Building and Construction.

An education programme aimed at informing residents and intending residents, operators and advisers as appropriate.	<p>Information for residents, intending residents and operators was maintained on both the Sorted website and the Retirement Commission website. This includes a summary of the Retirement Villages Act 2003, material for intending residents and residents, information for operators on their obligations under the Act, and information on the disputes process.</p> <p>The Retirement Villages section of <a href="http://www.retirement.org.nz">www.retirement.org.nz</a> was regularly updated with material on the legislation, regulations, dispute resolution and the code. Material was produced for the 1 October 2006 start date of the Act's complaints and disputes provisions.</p> <p>Nine Retirement Villages newsletters were issued to help keep stakeholders informed of issues. The newsletter is well-subscribed with over 1,000 recipients.</p> <p>The Commission also worked with the Department of Building and Housing to produce a brochure for operators.</p>
Approving and overseeing suitable people for appointment by operators to disputes panels.	Seven qualified people were appointed to the disputes panel.

Performance measures	Actual performance
<b>Quantity</b>	
Up to twelve retirement village disputes panel members approved.	Seven disputes panel members were approved. This number is sufficient.
<b>Timeliness</b>	
The retirement village disputes panel members will be approved prior to the relevant sections of the Retirement Villages Act 2003 coming into force.	Achieved.

## www.sorted.org.nz

### OUTPUT 5 – WORKPLACE FINANCIAL EDUCATION PROGRAMME

The 'Workplace Financial Education Programme' part of the output class includes development and delivery of education and information programmes that improve workers' understanding of lifetime financial management; improve workers' knowledge of how to go about financial planning; encourage workers to consider saving options offered through the workplace and encourage those who can to make voluntary savings; and encourage employers and others to provide financial education in the workplace.


Key deliverables	Actual performance
Finalise a full programme strategy and workplan for 2006/07 in consultation with relevant interest groups.	This was completed and included consultation with the project advisory group featuring officials from KiwiSaver, the Treasury and the Ministries of Economic Development and Social Development.
Enhance the 'At Work' section of the Sorted website to include information on work-based savings schemes.	The 'At Work' section was complemented by new sections to assist both individuals and employers make, or help others to make, informed decisions about KiwiSaver. This included the introduction of a number of new calculators.
Deliver the programme through a possible mix of printed educational information, workplace and public personal finance seminars, other financial educational information, employer packs and similar programmes.	<ul style="list-style-type: none"> <li>Printed material created includes a budgeting brochure, a KiwiSaver decision guide (available in six languages), and posters promoting both the KiwiSaver decision guide and the 0800 SORT MONEY budgeting service.</li> <li>Seminar modules were created on KiwiSaver basic rules and decision making (PowerPoint presentations, participant worksheets and facilitator guides).</li> <li>A direct mail programme was delivered, targeting both employers and their influencers and supported by advertising.</li> <li>A 10-part TVNZ production 'Your Money Sorted' was sponsored (on air July-September 2007).</li> <li>Considerable online, print, radio and TV advertising was used to promote Sort Me (Sorted's online financial health check), the KiwiSaver Decision Guide, and the 0800 SORT MONEY budgeting service.</li> </ul>
Evaluate and monitor through research to inform the development and delivery of this programme.	The Retirement Commission joined the KiwiSaver communication evaluation programme which will produce both qualitative and quantitative analysis of relevant Sorted communications during the first six months of the 2007/08 financial year.

Performance measures	Actual performance
<b>Quantity</b>	
One financial education programme for the New Zealand workforce as approved by the Minister for Social Development and Employment.	The programme was approved and delivered.
<b>Timeliness</b>	
Key dates as specified in the project plans will be met and reflect agreed priorities.	Enhancements to KiwiSaver announced in the 17 May Budget caused some changes to the programme timetable.

**We know a great way for you to help your employees.**  
Aside from paying them, that is.


The KiwiSaver scheme asks your employees to make some important choices about what's going to happen to their money. Here at Sorted we have all the resources you need to help them. The KiwiSaver Decision Guide is available online and in print. There are Sorted tools and calculators for your intranet, including Sort Me, and you can request brochures, posters and seminar modules. It's all free, independent and impartial, so order or download it today at the KiwiSaver for Employers section of [sorted.org.nz](http://sorted.org.nz). Resources available now at [sorted.org.nz](http://sorted.org.nz)

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YOUR INDEPENDENT MONEY GUIDE



**Sorted KiwiSaver Decision Guide**

A guide for helping you decide whether KiwiSaver is right for you and your financial situation



**sorted.org.nz**  
YOUR INDEPENDENT MONEY GUIDE



# STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

## 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 Office of the Retirement Commissioner is a Crown Entity under the Crown Entities Act 2004. These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004.

## MEASUREMENT BASE

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

## ACCOUNTING POLICIES

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

### Budget Figures

The budget figures are those approved by the Retirement Commissioner and are from the Statement of Intent for the year ended 30 June 2007.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Commissioner for the preparation of the financial statements.

### Revenue

The Office of the Retirement Commissioner derives revenue through the provision of outputs to the Crown, for services to third parties and interest on its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

### Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which are stated inclusive of GST.

### Fixed Assets

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

### Depreciation

Depreciation is provided on a straight line basis on all fixed assets at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office equipment	2-13 years	7.7% – 50%
Furniture and fittings	5-15 years	6.67% – 20%
Computer equipment	3-6 years	16.7% – 33.3%
Leasehold improvements	6 years 7 months	14.93%



**Commitments**

Future payments are disclosed as commitments at the point a contractual obligation arises.

**Leases**

The Office of the Retirement Commissioner leases office premises, a photocopier and a car park. As all the risks and ownership are retained by the lessor these leases are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

**Financial Instruments**

The Office of the Retirement Commissioner is party to financial instruments in the form of bank accounts, short term deposits, accounts receivable and accounts payable as part of its operations. These are recognised in the Statement of Financial Position and all revenue and expenses in relation to the financial instruments are recognised in the Statement of Financial Performance.

**Investments**

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance in the period in which they occur.

**Taxation**

The Office of the Retirement Commissioner is, as a public authority, exempt from income tax.

**Employment Entitlements**

Provision is made in respect of liability for annual leave. Annual leave is expected to be settled within 12 months (or approval gained to carry forward leave) of reporting date, and is measured at nominal values on an actual entitlement basis at current rate of pay.

The Office of the Retirement Commissioner does not provide long service leave or retirement leave.

**Accounts Receivable**

Accounts receivable are stated at net realisable value.

**Statement of Cash Flows**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the statement of cash flows 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.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies since the date of the last audited financial statements.



# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	Notes			
		2007 Actual \$	2007 Budget \$	2006 Actual \$
<b>Revenue</b>				
Crown Revenue		6,432,667	6,432,667	5,025,333
Other government department funding		–	83,056	232,640
Interest income		235,886	65,967	120,946
Private funding		–	–	100,000
Sundry income		644	–	–
<b>Total revenue</b>		<b>6,669,197</b>	<b>6,581,690</b>	<b>5,478,919</b>
<b>Expenditure</b>				
Advice and research		72,219	50,000	305,556
Audit fees		14,237	12,900	13,675
Depreciation – office equipment		2,382	2,430	2,706
Depreciation – computer equipment		14,415	10,076	14,484
Depreciation – furniture & fittings		4,589	3,799	4,852
Depreciation – leasehold improvements		10,481	11,922	9,319
Education and information programme		2,085,026	2,365,556	2,894,572
Rent		62,291	62,400	56,908
Retirement villages		223,541	225,000	124,060
2007 review		146,449	250,000	–
Te Puni Kōkiri/Ngāi Tahu		58,820	83,056	–
Salaries		827,488	633,198	635,732
Curriculum and schools		112,499	197,000	239,115
Loss on sale of fixed assets		–	–	2,125
Other operating costs		350,334	198,172	221,533
Workplace financial education and information programme		3,067,373	3,496,000	44,235
<b>Total expenditure</b>		<b>7,052,144</b>	<b>7,601,509</b>	<b>4,568,872</b>
<b>Net surplus/(deficit) for the year</b>		<b>(382,947)</b>	<b>(1,019,819)</b>	<b>910,047</b>

The Statement of Accounting Policies and notes form part of and are to be read in conjunction with these financial statements.



# STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual \$	2007 Budget \$	2006 Actual \$
Public equity at the start of the year	1,533,900	1,256,249	623,853
Net surplus/(deficit) for the year	(382,947)	(1,019,819)	910,047
<i>Total recognised revenue and expenses for the period</i>	(382,947)	(1,019,819)	910,047
Public equity at the end of the year	1,150,953	236,430	1,533,900

The Statement of Accounting Policies and notes form part of and are to be read in conjunction with these financial statements.



# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	Notes			
		2007 Actual \$	2007 Budget \$	2006 Actual \$
<b>Current assets</b>				
Cash at bank		323,267	23,205	593,185
Short term deposits		2,228,279	575,000	1,739,971
Accrued interest		2,175	400	8,297
Accounts receivable		–	–	67,526
GST refund due		279,544	144,576	28,261
Prepayments		1,349	1,305	1,405
<b>Total current assets</b>		<b>2,834,614</b>	<b>744,486</b>	<b>2,438,645</b>
<b>Non-current assets</b>				
Fixed assets	1	124,881	92,342	115,380
<b>Total assets</b>		<b>2,959,495</b>	<b>836,828</b>	<b>2,554,025</b>
<b>Current liabilities</b>				
Accounts payable		1,514,942	578,339	896,405
Income in advance		255,000	–	97,778
Provision for employee entitlements		38,600	22,059	25,942
<b>Total current liabilities</b>		<b>1,808,542</b>	<b>600,398</b>	<b>1,020,125</b>
<b>Public equity</b>				
Taxpayer funds		200,000	200,000	200,000
Accumulated surplus		950,953	36,430	1,333,900
<b>Total public equity</b>		<b>1,150,953</b>	<b>236,430</b>	<b>1,533,900</b>
<b>Total public equity and liabilities</b>		<b>2,959,495</b>	<b>836,828</b>	<b>2,554,025</b>

The Statement of Accounting Policies and notes form part of and are to be read in conjunction with these financial statements.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

	Notes			
		2007 Actual \$	2007 Budget \$	2006 Actual \$
<b>Cash flows from operating activities</b>				
<i>Cash was provided from:</i>				
Crown revenue		6,590,526	6,432,667	5,123,111
Other government department funding		–	83,056	172,617
Interest received		242,007	65,967	113,078
Private funding		60,023	–	100,000
Sundry income		645	–	–
		6,893,201	6,581,690	5,670,724
<i>Cash was applied to:</i>				
Payments to suppliers and employees		(6,389,027)	(7,599,430)	(4,412,234)
Net GST paid		(243,780)	26,175	161,918
		(6,632,807)	(7,573,255)	(4,412,234)
<b>Net cash flows from operating activities</b>	2	260,394	(991,565)	1,258,490
<b>Cash flows from investing activities</b>				
<i>Cash was applied to:</i>				
Purchase of fixed assets		(42,004)	(8,016)	(105,913)
<b>Net cash flows from investing activities</b>		(42,004)	(8,016)	(105,913)
<b>Net increase in cash held</b>		218,390	(999,581)	1,152,577
Plus cash at the start of the year		2,333,156	1,597,786	1,180,579
<b>Cash held at the end of the year</b>		2,551,546	598,205	2,333,156
<i>Represented by:</i>				
Cheque account		323,267	23,205	593,185
Short-term investments		2,228,279	575,000	1,739,971
<b>Cash held at the end of the year</b>		2,551,546	598,205	2,333,156

The Statement of Accounting Policies and notes form part of and are to be read in conjunction with these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual \$	2006 Actual \$
<b>1. FIXED ASSETS</b>		
<i>Leasehold improvements</i>		
At cost	70,227	70,227
Accumulated depreciation	(19,800)	(9,319)
<i>Leasehold improvements – net book value</i>	<b>50,427</b>	<b>60,908</b>
<i>Office equipment</i>		
At cost	36,486	36,486
Accumulated depreciation	(31,593)	(29,211)
<i>Office equipment – net book value</i>	<b>4,893</b>	<b>7,275</b>
<i>Furniture and fittings</i>		
At cost	107,066	97,689
Accumulated depreciation	(76,469)	(71,880)
<i>Furniture and fittings – net book value</i>	<b>30,597</b>	<b>25,809</b>
<i>Computer equipment</i>		
At cost	109,097	93,382
Accumulated depreciation	(70,133)	(71,994)
<i>Computer equipment – net book value</i>	<b>38,964</b>	<b>21,388</b>
<i>Total fixed assets</i>		
At cost	322,876	297,784
Accumulated depreciation	(197,995)	(182,404)
<i>Total carrying amount of fixed assets</i>	<b>124,881</b>	<b>115,380</b>





# NOTES TO THE FINANCIAL STATEMENTS CONT

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual \$	2006 Actual \$
<b>2. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2007</b>		
<i>Net surplus/(deficit) for year</i>	<b>(382,947)</b>	<b>910,047</b>
Add/(less) non-cash items:		
Depreciation	31,867	31,361
Loss on sale of assets	–	2,125
	<b>(351,080)</b>	<b>943,533</b>
<i>Add/(less) movements in other working capital items:</i>		
(Increase)/decrease in accrued interest	6,122	(7,868)
(Increase)/decrease in prepayments	56	(100)
Increase/(decrease) in accounts payable	618,536	215,196
(Increase)/decrease in accounts receivable	67,527	(67,526)
(Increase)/decrease in GST refund due	(251,284)	73,592
Increase/(decrease) in unearned income	157,859	97,778
Increase/(decrease) in holiday pay accrual	12,658	3,885
	<b>611,474</b>	<b>314,957</b>
<i>Net cash flow from operating activities</i>	<b>260,394</b>	<b>1,258,490</b>



# NOTES TO THE FINANCIAL STATEMENTS CONT

FOR THE YEAR ENDED 30 JUNE 2007

## 3. FINANCIAL INSTRUMENTS

Financial instruments which potentially subject the entity to credit risk principally consist of bank balances and short term money market deposits. The Office of the Retirement Commissioner does not extend credit and places its cash with high credit quality financial institutions.

Maximum exposures to credit risk at balance date are:

	2007 Actual \$	2006 Actual \$
Bank balances	323,267	593,185
Short term investments	2,228,279	1,739,971

No collateral is held on the above amounts.

The fair value of the above financial assets and liabilities is equivalent to the carrying amounts in the Statement of Financial Position.

The Office of the Retirement Commissioner is party to letters of credit with Westpac Bank of \$10,000 (2006: \$10,000).

There is no currency risk.

The Office of the Retirement Commissioner manages its interest risk by investing in short term deposits with high credit-rated financial institutions.

## 4. EMPLOYEES' REMUNERATION

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

	2007 Actual	2006 Actual
\$100,000 – \$109,999	1	1
\$110,000 – \$119,999	1	0
\$120,000 – \$129,999	0	0
\$130,000 – \$139,999	0	1
\$140,000 – \$149,999	1	0



# NOTES TO THE FINANCIAL STATEMENTS CONT

FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual \$	2006 Actual \$
<b>5. RETIREMENT COMMISSIONER'S REMUNERATION</b>		
The Retirement Commissioner's remuneration is set by the Remuneration Authority. As an office holder the Retirement Commissioner received the following remuneration and other benefits during the year:		
Total remuneration	157,365	134,628

## 6. MAJOR BUDGET VARIANCES

The main contributing factors to the lower than budgeted net deficit are:

- Interest income was \$170k higher than budget due to extra cash being available from lower than budgeted expenditure.
- 2007 review spend was \$104k less than budget due to expenditure being delayed to 2008 because of the unavailability of researchers.
- The changes to KiwiSaver announced in Budget 2007 required some financial education projects to be adjusted in terms of either content or timing. This contributed to the Education and Information programme spend being \$281k less than budget and Workplace Financial Education and Information programme being \$429k less than budget.

## 7. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Office of the Retirement Commissioner will be adopting NZ IFRS for the year ending 30 June 2008. The key differences identified that affect the accounts of the Office of the Retirement Commissioner are NZ IAS 38 Intangible Assets and NZ IAS 19 Employee Benefits. Details of the effects of these changes are detailed below.

### NZ IAS 38 Intangible Assets

The Office of the Retirement Commissioner will be required to account for any software purchases under NZ IAS 38 Intangible Assets. Software will be amortised over the useful life rather than depreciated as is current practice. The effect of this is expected to be minimal.

### NZ IAS 19 Employee Benefits

The Office of the Retirement Commissioner will be required to account for sick leave as part of the employee benefits liability. The effect of this is expected to be minimal due to the number of staff employed by the Office of the Retirement Commissioner.

It should be noted that the effect of the Office of the Retirement Commissioner adopting NZ IFRS may vary from the information presented above, and that variation may be material.



# NOTES TO THE FINANCIAL STATEMENTS CONT

## 8. RELATED PARTY TRANSACTION

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The Office of the Retirement Commissioner is a wholly owned entity of the Crown. The Government significantly influences the role of the Office of the Retirement Commissioner as well as being its major source of revenue.

All transactions entered into with government departments and other Crown entities are conducted at arm's length on normal business terms.

The Retirement Commissioner Diana Crossan is a Director on the Board of New Zealand Post, which has provided goods and services on an arm's length basis to the Retirement Commission to the value of \$4,750 (2006: \$1,129).

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## STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2007

There are no contingent liabilities at balance date (2006: Nil).



## STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2007

There are no capital commitments at balance date (2006: Nil).

Commitments existed for non-cancellable operating leases as follows:

Less than one year

52,956

55,308

Between one and two years

46,800

52,956

Between two and five years

120,900

140,400

Later than five years

–

27,300

**Total commitments**

**220,656**

**275,964**



# AUDIT REPORT

## TO THE READERS OF THE OFFICE OF THE RETIREMENT COMMISSIONER'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of the Office of the Retirement Commissioner (the Office). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Office for the year ended 30 June 2007.

### *Unqualified Opinion*

In our opinion:

- The financial statements of the Office on pages 18 to 29:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Office's financial position as at 30 June 2007; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Office on pages 5 to 17:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 17 October 2007, and is the date at which our opinion is expressed.

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



## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

### *Basis of Opinion*

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Retirement Commissioner;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

### ***Responsibilities of the Retirement Commissioner and the Auditor***

The Retirement Commissioner is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Office as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Office's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Office's responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

### ***Independence***

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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



Clare Helm  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand



## APPENDICES

### ***Appendix 1: Outcome measures***

The Retirement Commission's 2006/07 Statement of Intent identifies four high-level outcomes that the Commission's work is directly aimed at achieving.

These outcomes are:

- 1 New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives.
- 2 The financial services sector is trusted.
- 3 Government's retirement income policies are effective and stable.
- 4 All retirement villages meet societal expectations and current quality standards.

For some of these outcomes it is difficult to measure progress in the short-term.

Those that can be measured year-on-year (such as action taken as a result of visiting the Sorted website) are included in the Statement of Service Performance.

Other measures can only be assessed by more in-depth studies such as the three-yearly review of retirement income policies or the financial knowledge survey.

### ***Appendix 2: Good employer practices and Equal Employment Opportunities***

The Retirement Commission is a small organisation that nevertheless endeavours to model good state sector practices in all areas of its operation.

The Commission encourages the achievement of work life balance and is a family-friendly work place. It takes a flexible approach to part-time work.

During the 2006/07 year:

- An EEO and Good Employer policy was developed.
- Several staff worked reduced or flexible hours to meet childcare commitments.
- Staff turnover continued to be low.
- A professional development policy was developed. Staff then worked with their manager to prepare their own professional development plan.
- The State Sector Retirement Savings Scheme continued to be offered to all staff – despite the Commission not being funded for its employer contributions.



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[www.sorted.org.nz](http://www.sorted.org.nz)

*Elizabeth Rangi's dream of taking the whanau on a Cook Islands holiday wasn't looking like happening. She decided to turn to a free budgeting advice service for help, stopped dreaming and started planning.*