

Our Vision

New Zealanders
are financially
sorted

Annual Report 2009

Our Mission

Helping
New Zealanders
to be financially
well prepared
for retirement

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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



OUR VISION

NEW ZEALANDERS ARE FINANCIALLY SORTED

OUR GOALS

- NEW ZEALANDERS ARE WELL EDUCATED IN FINANCIAL MATTERS AND CAN MAKE INFORMED FINANCIAL DECISIONS THROUGHOUT THEIR LIVES
- THE GOVERNMENT'S RETIREMENT INCOME POLICIES ARE EFFECTIVE AND STABLE
- THE FINANCIAL SERVICES SECTOR IS TRUSTED
- ALL RETIREMENT VILLAGES MEET SOCIETAL EXPECTATIONS AND QUALITY STANDARDS

During the 2008/09 year the Retirement Commission's operating environment changed significantly with the worldwide economic downturn and finance company collapses in New Zealand. As well as highlighting the importance of financial literacy, the crises caused a considerable increase in demand for financial education – it certainly has been a teachable moment.

While our focus remained the same with our key goal that New Zealanders are financially sorted, we responded by providing current and relevant information through sorted.org.nz and other channels to help people make informed financial decisions in the face of changing interest rates, rising unemployment and falling house values. Usage of the Sorted website and resources increased significantly – in the 2008/09 year visits to sorted.org.nz calculators were up 29% on the previous year.

Through the Retirement Commission's successful programmes, New Zealand is recognised for its financial education activity and is often sought out by other countries for expertise. As Commissioner, I was invited to be an active member in the Organisation for Economic Co-operation and Development (OECD) financial education network and sub-committees and attended two international meetings during the year.

Internationally, the financial crisis has prompted more recognition of the need for financial education than ever before. At a meeting in May the OECD Secretary General Angel Gurría said:

“the low level of financial literacy observed in most countries has been, if not a direct cause of the crisis, at least one of the aggravating factors”.

A key highlight of the year was the Financial Literacy 09 summit hosted by the Retirement Commission in June 2009. The summit marked the end of the first year of New Zealand’s National Strategy for Financial Literacy.

One year on we are pleased with how the strategy has been positively acknowledged by a variety of public and private sector players as a cornerstone for better co-ordination of financial education activities in this country. The Minister of Finance asked at the summit that the Strategy advisory group report to him twice a year.

The results of the 2009 ANZ-Retirement Commission Financial Knowledge Survey were also released in June. They show an overall improvement in New Zealanders’ financial knowledge with more people having a high level of knowledge. However, they also show that there has been little improvement in the past three years in the number of New Zealanders with the lowest level of financial knowledge. The survey will help ensure our initiatives are tailored to improve financial knowledge for the people of greatest need.

To coincide with the summit and the release of the survey results the Retirement Commission launched a new website financialliteracy.org.nz – home of the National Strategy and an important financial education resource for all of New Zealand.

For the last few years the Retirement Commission has been working closely with the Ministry of Education and other agencies to develop a framework to help teach students about managing everyday money. A successful pilot, funded by the banks, ran in 10 schools during the year to test the framework. In June 2009 the Retirement Commission formally handed the responsibility for financial education in New Zealand schools to the Ministry of Education.

We have also been working with tertiary education providers and industry training organisations to include financial education as a core part of many tertiary qualifications. The Commission is part of a working group assisting the New Zealand Qualifications Authority develop NCEA qualifications for use in senior secondary schools and tertiary institutions.

We continued to enhance the Sorted website with more information and calculators. Over eight million calculations were made in the 12 months to June 2009. A reflection of the website’s success is that it has been used by nearly 30% of New Zealanders.

We extended our range of printed booklets and seminar resources to reach more people in the workplace and community.

As well as our financial literacy activities, under the New Zealand Superannuation and Retirement Income Act 2001, we are required to review the retirement income policies being implemented by Government every three years. The review helps widen our shared understanding of current retirement income policy and where it is heading. We began work during the year on the framework for the 2010 review.

In our role under the Retirement Villages Act 2003, we undertook a monitoring project on the role and function of Statutory Supervisors under the Act.

In the 2009/10 financial year our activities will continue to centre on helping New Zealanders to be financially sorted throughout their lives.

I look forward to another exciting and challenging year, as we work towards achieving our shared vision and goals.



DIANA CROSSAN
RETIREMENT COMMISSIONER

New Zealand's National Strategy for Financial Literacy

VISION: PERSONAL FINANCIAL WELLBEING FOR NEW ZEALANDERS

MISSION: NEW ZEALANDERS ARE FINANCIALLY WELL-EDUCATED AND CAN MAKE INFORMED FINANCIAL DECISIONS THROUGHOUT THEIR LIVES

In June 2008, with involvement from many individuals and organisations across the public, private and voluntary sectors, New Zealand's National Strategy for Financial Literacy was launched. The strategy, one of the first in the world, sets a direction for improving financial literacy and indicates a range of tactics needed for improving financial literacy in New Zealand.

Its focus is on developing quality, through extending delivery of financial education, and sharing what works in order to achieve the outcome of a financially literate population.

Advisory committee

An advisory committee monitors progress on the implementation of the National Strategy. The committee now reports twice a year to the Minister of Finance, a reflection of the Government's interest in financial literacy.

The committee members are Alan Bollard (Governor, Reserve Bank), Sean Carroll, Chair (Chair, Investment Savings and Insurance Association), Diana Crossan (Retirement Commissioner), Jane Diplock (Chair, Securities Commission), Manuka Henare (Associate Dean Māori and Pacific Development/Director Mira Szásy Research Centre, University of Auckland) and Karen Sewell (Secretary for Education).

Components of personal financial wellbeing

Financial literacy is important in enabling people to achieve personal financial wellbeing in an increasingly complex environment. But it is one of a number of components that contribute to achieving this wellbeing, as shown in the diagram.





National Strategy for Financial Literacy – Update on Recommendations

Support for New Zealand's National Strategy for Financial Literacy is gaining momentum across many sectors. In the 2008/09 year good progress has been made against the recommendations.

Recommendation	Progress
Individual prerequisites	
<p>1. That financial education and information initiatives be tailored flexibly to reach all groups of New Zealanders at times, places and in forms most relevant to them.</p>	<p>There is a considerable amount of work happening in this area with over 30 financial education initiatives listed on the financialliteracy.org.nz website.</p> <p>Some examples are:</p> <ul style="list-style-type: none"> • Plunket's two-hour programme for new parents • specialised advice from the Ministry of Consumer Affairs on car finance • several banks have resources and programmes for their staff and customers.
<p>2. That strategic initiatives for financial literacy be aligned with the broader New Zealand Skills Strategy, in order to develop the skills and knowledge necessary for self-efficacy.</p>	<p>There are a number of initiatives targeted at the workplace. Specifically, the Retirement Commission has facilitated meetings between the Tertiary Education Commission (TEC), Industry Training Federation, New Zealand Council of Trade Unions (NZCTU), Business New Zealand, New Zealand Qualifications Authority (NZQA) and other stakeholders to include financial education into trade and pre-employment training.</p> <p>Resources for teaching seven unit standards were developed which will be available to use towards National Certificates of Educational Achievement (NCEA) credits for senior students and by tertiary education providers. Resources were developed to support the standards in conjunction with the TEC, Industry Training Organisations (ITOs) and others.</p>
Environmental prerequisites	
<p>3. That the Retirement Commission hosts the National Strategy for Financial Literacy on its website and take responsibility for linking people and resources cross-agency. In its co-ordinating role, the Retirement Commission will develop and maintain a database of providers of financial education and information in New Zealand.</p>	<p>The Retirement Commission launched financialliteracy.org.nz in June 2009, an independent, authoritative website for all of New Zealand.</p> <p>It is home of the National Strategy and includes a database of financial education providers in New Zealand.</p> <p>Sponsorship is being sought to develop the website to enable development to the next level to give an interactive 'voice' to the website and allow a dedicated resource to build on existing content – news, information and research – to keep it current, relevant and fresh.</p>

<p>4. The National Strategy endorses the development of new standards for transparent, plain language and user friendly forms of financial disclosure and description of products and services, in order to enhance consumer understanding subject to meeting regulatory objectives.</p>	<p>This is a work in progress. There is a move in the industry for more effort to ensure that material is clear and understood by all readers. The Association of Superannuation Funds of New Zealand Incorporated (ASFONZ) leads the way in this area with their industry communication awards which recognise and encourage the use of clear, plain English.</p>
<p>5. Best practices be developed for assessing and improving the competency of, and providing professional support to, financial advisers. Alongside this the Retirement Commission will continue to alert the public to questions they should ask an adviser.</p>	<p>The Retirement Commission is working with other government agencies and the finance sector to help raise the bar on the quality of financial advisers' product, service, information and advice.</p> <p>Through sorted.org.nz the Commission provides information about what questions New Zealanders need to ask financial advisers.</p>
Financial education	
<p>6. The National Strategy for Financial Literacy supports the inclusion of a financial education teaching and learning programme, as part of the New Zealand Curriculum launched in 2007. The Retirement Commission will work with the Ministry of Education, and other interested parties to ensure that as many students as possible benefit from this programme.</p>	<p>The Retirement Commission has been working closely with the Ministry of Education and other agencies to develop a framework to help teach students about managing everyday money.</p> <p>A successful pilot, funded by the banks, ran in 10 schools during the year to test the framework. The Retirement Commission formally handed the responsibility for financial literacy in New Zealand schools to the Ministry of Education in June.</p> <p>Young Enterprise Trust (YET) continues to provide financial education in some primary and secondary schools. They are working with the same curriculum as the programme above and are planning to increase the number of schools they work with over the next few years.</p>
<p>7. That professional development courses be offered to increase teachers' knowledge of the importance of financial education and their skill in delivering effective financial education teaching and learning programmes.</p>	<p>Professional development for teachers is on the Ministry of Education's agenda for the 2009/10 year.</p> <p>Professional development relating to The New Zealand Curriculum and NCEA Business Studies was held by the Ministry of Education in Auckland, Wellington and Dunedin in September 2009, covering aspects of financial education from a business perspective.</p>
<p>8. That high quality resources be developed to support classroom teachers to teach financial education effectively.</p>	<p>Teaching resources for Years 1 to 10 students are now available online at: nzcurriculum.tki.org.nz/Financial-capability</p>

<p>9. That financial education be delivered in a manner which is impartial, judgement-free and seeks to empower people to best manage the reality of their financial circumstances.</p>	<p>Work is progressing in this area. Financial education providers are required to meet certain criteria before their programme is listed on financialliteracy.org.nz. Criteria includes that they have to be independent, transparent, and peer-reviewed.</p> <p>Our approach is to find ways that the financial sector can deliver impartial information without product-pushing.</p>
<p>10. That community partnerships be redeveloped with those working on the ground to identify locations and channels where financial education/ information may most effectively be delivered for those not in the workforce or not able to access financial education/ information at work.</p>	<p>The Retirement Commission has made contact with over 20 organisations and community groups including Ngāi Tahu, Pacific Business Trust, Rural Education and Activities Programme (REAP) and other adult education providers.</p> <p>Discussions have led to some groups using or trialling Sorted resources with their members, and exploration of ways in which Sorted resources can be further developed to meet the needs of different groups.</p>
<p>11. That the Retirement Commission continue to work with employers, unions and industry groups to decide the tactics most suitable to delivering financial education/ information to their employees.</p>	<p>The Retirement Commission has a work programme with workplaces throughout the country to deliver financial education and help employees make decisions regarding KiwiSaver. We estimate that around 75,000 employees have had access to the Sorted seminar modules for use in workplaces. The Council of Trade Unions is also making use of these resources. There are also other good workplace programmes such as those run by Westpac and the FLOW charitable trust.</p>
<p>12. That partnerships be established with Te Puni Kōkiri, Ngāi Tahu and other iwi to extend the delivery of successful school financial education programmes to the Māori community. Collaboration will aim to identify channels through which financial education can be tailored effectively for delivery to Māori whānau.</p>	<p>Little progress was made in 2008/09 with other iwi. The development of a five-year strategy is underway in the 2009/10 year to encourage more involvement.</p>
<p>13. That the Retirement Commission work with Pacific communities, the Ministry of Pacific Island Affairs and relevant stakeholders to facilitate financial education programmes tailored to Pacific peoples to provide the information and skills necessary to become well informed and knowledgeable consumers of financial products and services, to manage money effectively on a daily basis, and to plan for the future.</p>	<p>The focus of our work in 2008/09 has been on stakeholder engagement.</p> <p>We have been working with the Ministry of Pacific Affairs to include Sorted resources within their financial education programme and remittances project.</p> <p>The 2009 ANZ-Retirement Commission Financial Knowledge Survey shows that Pacific Islanders use Sorted resources relatively less than the rest of New Zealand's population (21% compared to 34%).</p>

Monitoring and reporting	
<p>14. That the financial knowledge of the adult New Zealand population be measured on a 4-yearly cycle, with the next national survey in 2009.</p>	<p>The results of the 2009 ANZ-Retirement Commission Financial Knowledge Survey were released in June 2009. They show an overall improvement in New Zealanders' financial knowledge with more people having a high level of knowledge. However, they also show that there has been little improvement in the past three years in the number of New Zealanders with the lowest level of financial knowledge. The survey will help ensure our initiatives are tailored to improve financial knowledge to the areas of greatest need. The Commission acknowledges ANZ's ongoing support with their commitment to fund the 2012 ANZ-Retirement Commission Financial Knowledge Survey.</p>
<p>15. That the Retirement Commission, in its leadership role, work with research and evaluation professionals to develop instruments to capture the long-term effects of financial education and financial literacy on peoples' personal financial well being.</p>	<p>Evaluation and measurements are now being explored by several countries. The OECD and countries are being encouraged to use a standard model so that comparisons can be made internationally.</p> <p>The Retirement Commissioner is Chair of the Subgroup on Evaluation, International Network on Financial Education, at the OECD, which will further develop evaluation methodologies.</p> <p>The Retirement Commission continues to encourage all organisations in New Zealand who set up a new programme to build in evaluation from the beginning.</p> <p>The Retirement Commission monitors what is happening in other countries.</p>
<p>16. That a standard evaluation framework be developed that providers of financial education can adopt and adapt, in order to evaluate the effectiveness of their programmes. In addition, guidance be provided, and experiences and best practices shared in order to learn by doing and continuously modify programmes.</p>	<p>The OECD Financial Education Evaluation Sub-Group committee is working towards best practice guidelines for evaluating financial education. A draft should be complete in December 2009.</p> <p>Annamaria Lusardi, Professor of Economics at Dartmouth College, USA, was one of the keynote speakers at Financial Literacy 09. She is an expert in the field of financial literacy and is the expert assigned to the OECD Subgroup, on Evaluation, International Network on Financial Education.</p> <p>We plan to test these draft guidelines on some of our Sorted programmes in the coming year.</p>



Statement of Responsibility

We acknowledge responsibility for:

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

In our opinion these financial statements and Statement of Service Performance fairly reflect the financial reporting position and operations of the Retirement Commission statements for the year ended 30 June 2009.



D B CROSSAN
RETIREMENT COMMISSIONER



D FESLIER
EXECUTIVE DIRECTOR

Date: 20 October 2009



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 2008/11 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.

Output: Retirement Commissioner

Funding from the Crown for the 2008/09 year was budgeted to be \$5,682,000 (GST exclusive).

Actual funding received was \$5,681,778 (GST exclusive).

Crown Revenue Actual	SOI Budgeted	Expenditure Actual	SOI Budgeted
\$ 5,681,778	\$ 5,682,000	\$ 7,510,015	\$ 5,664,900

Refer to note 19 for explanation of variance.

The following income was received from interest and sundry sources:

- | | |
|--------------------------------|------------|
| • Interest income | \$ 132,273 |
| • Sundry income | \$ 603,016 |
| • Other Government Departments | \$ 168,867 |

Allocation is as follows:	Actual	Budgeted (SOI)
Marketing and Education:	\$ 4,760,736	\$ 3,600,000
- Public education and information programme		
- Workplace education		
Retirement villages (includes \$33,000 of overhead costs)	\$ 184,000	\$ 215,000
Research, advice, monitoring, office costs	\$ 2,565,279	\$ 1,849,900
Total	\$ 7,510,015	\$ 5,664,900



OUTPUT – 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
Advice as may be requested by the Minister, or provided to the Minister by the Commissioner.	Achieved. Four quarterly reports and one Annual Report provided.

Performance measures	Actual performance
Quality	
A letter will be sent to the Minister at the end of each financial year seeking feedback on the quality of any advice provided.	The Minister is satisfied with the quality of advice provided.
Timeliness	
Any advice is provided on time.	The Minister is satisfied with the timeliness of advice provided.



financialliteracy.org.nz
RETIREMENT COMMISSION

OUTPUT – 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
Ongoing activities/projects	
Provide research and monitoring programmes that meet the needs of the three yearly reviews of retirement income policy.	Achieved. Work continued on developing the research needed to inform the 2010 review of retirement income policies. The research is available on: retirement.org.nz/retirement-income-research/recent-research financialliteracy.org.nz/research-programme/research-library
Operate and promote the Retirement Income Research Centre and its website retirement.org.nz . The Centre is available for use by researchers, policy analysts and the financial services industry.	Achieved. The Retirement Income Research Centre continued to operate and its website maintained and developed. A review was undertaken to avoid overlap with the new financial literacy website. To coincide with the release of the 2009 ANZ-Retirement Commission Financial Knowledge Survey results and the Financial Literacy 09 summit the Retirement Commission launched a new website financialliteracy.org.nz in June 2009. The website provides information about: <ul style="list-style-type: none"> • The National Strategy for Financial Literacy and its supporters • The Centre for Financial Literacy's activities including research and events • Financial education programmes in New Zealand.
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.	Achieved. The Commission regularly monitors the effect of its communications programme through monitoring feedback and surveys of the public and target audiences. Sorted brand awareness was measured and Sorted user research undertaken. Overall, usage of sorted.org.nz increased from 19% (2006) to 28% (April 2009) of the New Zealand population. Usefulness of sorted.org.nz for visitors has increased from 50% (2007) to 62% (April 2009). 89% of visitors have taken action after visiting sorted.org.nz (April 2009).

Report on the effectiveness of the Insurance and Savings Ombudsman and the Banking Ombudsman.	Achieved. The report has been released.
Research projects	
Survey of Family Income and Employment (SoFIE): In association with Treasury, work will continue on the analysis of the SoFIE in 2008/09 to determine the adequacy of private financial provision for retirement.	<p>Achieved. Work continued on the analysis of SoFIE and a preliminary report, Savings Rates of New Zealanders: A New Wealth Approach was presented by Treasury in June 2009. This has not progressed as quickly as either Treasury or the Retirement Commission would like owing to delays in obtaining access to the dataset from Statistics NZ.</p> <p>As well as work on the SoFIE report, four other reports were completed:</p> <ul style="list-style-type: none"> • ANZ-Retirement Commission Financial Knowledge Survey • Beyond Reasonable Debt undertaken in association with the Families Commission • Expenditure in Retirement • Retirement Income in New Zealand – the historical context.

Performance measures	Actual performance
Quality	
Independent review panels will assess the appropriateness of the research projects.	<p>Achieved. Steering Committees were established to provide guidance to the teams working on the ANZ-Retirement Commission Financial Knowledge Survey and the Beyond Reasonable Debt project.</p> <p>Expert peer reviewers were engaged to assist with the Expenditure in Retirement and Retirement Income in New Zealand reports.</p>
Timeliness	
Key dates as specified in the project plans will be met and reflect agreed priorities.	Most key dates were met, although the Savings Rates of New Zealanders: A Net Wealth Approach was later than expected due to delays in obtaining access to the dataset from Statistics NZ.

OUTPUT – EDUCATION AND INFORMATION

The education and information part of the output class includes developing education and information programmes to improve public understanding of lifetime financial management; improve public 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
Ongoing activities/projects	
Resources: the Sorted website will be regularly refreshed and updated. An expanded range of Sorted brochures will be printed to help deliver Sorted information to those without internet access.	<p>Achieved. Sorted.org.nz content and interactive tools continued to be enhanced and developed. These included online tools covering budgeting and goal setting. Users can now select to have e-mail or text reminders sent regarding goals. There are now 38 interactive tools on sorted.org.nz.</p> <p>A new booklet, Sorted – Your guide to getting there, was launched with a related seminar (covering the first six steps to becoming Sorted).</p> <p>Sorted booklets extended to a range of nine (from six in June 2007).</p> <p>All Sorted resources were updated to reflect changes to KiwiSaver, personal tax rates, NZ Superannuation and student loans. Text-based content was reviewed in light of the economic climate.</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>Achieved. All mediums were used successfully during the 2008/09 year.</p> <p>The Sorted journeys TV, online and PR campaign produced a significant increase in resource use.</p> <p>28% of New Zealanders have used Sorted, up from 23% 12 months ago.</p>
Other educational activities	
Māori programme: based on the evaluation of the Ngāi Tahu-Retirement Commission programme being conducted, the Retirement Commission will provide advice to other iwi wishing to implement financial education programmes for young Māori in schools during 2008/09.	<p>Little progress was made in 2008/09 with other iwi. The development of a five-year strategy is underway in the 2009/10 year to encourage more involvement.</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>Achieved. The Commission continues to support the programme. Until the Ministry of Education begins to provide financial education more widely, the Young Enterprise Trust (formerly Enterprise New Zealand Trust) programme is currently the best, albeit with limited coverage.</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>Schools project</p> <p>Achieved. This project has been completed. The material was formally handed over to the Ministry of Education at the Financial Literacy 09 summit.</p> <p>This is a pleasing outcome with the project having been completed within the originally proposed timeframe and with acceptance by the MoE to take responsibility for the ongoing promotion and development of the Financial Literacy Framework.</p> <p>The Retirement Commission is part of a working group assisting the New Zealand Qualifications Authority in developing NCEA qualifications for use in senior secondary schools.</p> <p>Tertiary project</p> <p>Achieved. Resources for seven unit standards were developed which will be available for use by tertiary education providers. These were developed in conjunction with the Tertiary Education Commission, Industry Training Organisations, the Council of Trade Unions, Business New Zealand and others.</p> <p>Expert steering groups were established for both the schools and tertiary programmes.</p>

<p>National strategy: to lead a national strategy for financial education in New Zealand. The strategy, led by the Retirement Commissioner with the assistance of an advisory committee, will identify what must be done to lift New Zealanders' financial literacy.</p>	<p>Achieved. The National Strategy is a blueprint for moving financial literacy forward in New Zealand. It coordinates and monitors the activities of all agencies involved in financial education.</p> <p>The first meeting of the Advisory Committee was held in July 2008.</p> <p>In June 2009, to coincide with the National Strategy 'one year on', the Retirement Commission hosted Financial Literacy 09. This one-day summit brought together around 200 people from education, finance and research communities and NGOs interested in improving the financial Literacy of New Zealanders.</p> <p>At the summit the Minister of Finance asked the Advisory Committee of the National Strategy to report to him twice a year on strategy progress.</p>
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Performance measures	Actual performance
Quality	
The effectiveness of all Sorted resources (website, printed resources etc.) is being measured in 2008 and will form a benchmark for future years.	Achieved. We established a benchmark of user ratings. A follow-up report on the effectiveness of Sorted was completed in November 2008. It showed that 55% of sorted.org.nz users rated the website 'very useful' or 'useful'. A Brand Awareness Monitor and Sorted User Survey were completed in April 2009. 89% of users indicated they've taken action with their personal finances as the result of visiting sorted.org.nz.
The effectiveness of education programmes will be measured through annual surveys.	Achieved. Regular user surveys on the effectiveness and usefulness of Sorted were undertaken.
Timeliness	
Key dates as specified in the project plans will be met and reflect agreed priorities.	Achieved. Key dates were met and reflected agreed priorities.
The personal financial education curriculum for schools will be completed by 31 December 2009.	Achieved. Project completed ahead of schedule.



OUTPUT – 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
Recommendations to the Minister on any draft codes of practice.	Achieved. 300 submissions were received on the Code of Practice 2008. Following analysis, the Retirement Commissioner made recommendations to the Minister for Building and Construction.
A monitoring and research programme on the effects of the Act, regulations and Code of Practice when in force.	Achieved. A monitoring report on the role and functions of the Statutory Supervisor under the Retirement Villages Act 2003 has been completed. This report is available at: retirement.org.nz/retirement-villages/monitoring Discussions with the Trustees Corporations Association have been held over the recently completed monitoring report with a view to incorporating the report's findings into a 'best practice' guide for statutory supervisors.
Advice to the Minister ¹ when requested or required by the Act. (Delegated to the Department of Building and Housing, apart from specific advice to our monitoring and Code of Practice functions.)	Achieved. Advice on the Code of Practice was given to the Minister for Building and Construction. We have provided advice to the Department of Building and Housing on the issue of exemptions within the Code of Practice 2008.
An education programme aimed at informing residents and intending residents, operators and advisers as appropriate. (Delegated to the Ministry of Building and Housing.)	The Commission has supported the establishment of several regional residents' associations.
Approving and overseeing suitable people for appointment by operators to disputes panels.	No further appointment action was needed. There are seven panel members. This number is sufficient. Seven disputes have been taken since the Act came into force. Dispute reports are available at: retirement.org.nz/retirement-villages/disputes/decisions

Performance measures	Actual performance
Quality	
Peer review of the work done under the monitoring programme.	Achieved. The Statutory Supervisors' Monitoring Report was peer reviewed.

¹ Minister for Building and Housing

OUTPUT – WORKPLACE FINANCIAL EDUCATION PROGRAMME

The 'workplace financial education programme' part of the output class includes the provision of education materials to employees including 'at risk' groups, employers, self-employed and information conduits, so that individuals can make informed decisions on participation in KiwiSaver or other savings options in the context of their wider personal financial situation.

Key deliverables	Actual performance
Add specific information, tools and employer resources on KiwiSaver to the Sorted website, to help employees make an informed decision. Provide the same resources in other formats as appropriate.	Achieved. All Sorted resources (website, booklets and seminar modules) were updated to reflect 1 April 2009 changes to the KiwiSaver scheme.
Deliver the programme through a mix of printed educational information, workplace and public personal finance seminars, other financial educational information, employer packs and similar programmes.	Achieved. Web, printed material, employer packs and seminars were promoted. A direct mail campaign to over 20,000 employers during February and May 2009 produced an increase in resource use.
Evaluate and monitor through research to inform the development and delivery of this programme.	Achieved. Monitoring is continually undertaken through feedback from industry association and employers. Visits with New Zealand's top 50 employers (in terms of employee numbers) began in March 2009.

Performance measures	Actual performance
Quality	
The effectiveness of the workplace education programme will be measured by KiwiSaver evaluation showing at least 50% of employees report that they had enough information to make an informed decision about workplace savings, as measured 12 and 24 months after July 2007.	Deferred until the next survey in February 2010. A Sorted user survey in April 2009 showed that 22% of users came to sorted.org.nz for KiwiSaver information. Of this group, 77% indicated that sorted.org.nz had influenced them 'to do something' in regards to KiwiSaver.
Timeliness	
Key dates as specified in the project plans will be met and reflect agreed priorities.	Achieved. Some dates required review due to external factors (e.g. unexpected legislation changes).

SOME KEY MEASURES

Performance measures	Actual performance
<p>All outputs will be delivered in accordance with the Output Agreement to be negotiated annually between the Minister for Social Development and Employment and the Retirement Commissioner. More detailed performance and quality measures and reporting requirements will be included in the 2008/09 Output Agreement.</p> <p>Particular measures will include:</p>	
Quantity	
<p>Sorted resource use – monthly average over 12 months.</p> <ul style="list-style-type: none"> • Visits to sorted.org.nz – 110,000 – 140,000. • Calculations made via sorted.org.nz – 500,000 – 700,000. • Sorted booklets distributed 8000-10,000. • Four major research and monitoring projects. • One financial education programme for the New Zealand workforce. • Retirement village disputes panel members maintained and overseen. • One personal financial education curriculum for schools. • One national strategy for financial education in New Zealand. 	<p>Achieved. 124,580 average monthly visits to sorted.org.nz.</p> <p>Achieved (Exceeded). 721,515 average monthly calculations on sorted.org.nz.</p> <p>Achieved (Exceeded). 39,366 booklets average monthly distribution.</p> <p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p> <p>Achieved.</p>

	2009 Actual \$	2009 Budget \$
Total revenue	6,585,934	5,778,844
Total expenditure	7,510,015	5,664,900



Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2009

		Notes	2009	2009
2008			Actual	Budget
Actual	Revenue		\$	\$
5,746,667	Revenue from Crown	1	5,681,778	5,682,000
692,214	Other Government department funding		168,867	–
192,585	Interest income		132,273	96,844
169,555	Other income		603,016	–
6,801,021	Total revenue		6,585,934	5,778,844
	Expenditure			
23,250	Remuneration to Auditors	2	17,349	12,900
764,837	Personnel costs	3	834,945	850,000
42,463	Depreciation	6	47,069	44,100
354,769	Amortisation	7	482,952	500
63,278	Property expenses		70,423	62,400
8,388	Leasing		7,489	10,000
355,614	Other operating costs		282,663	420,000
73,741	Advice and research		475,244	250,000
3,999,512	Marketing and education		4,760,736	3,600,000
179,534	Retirement villages	8	151,191	215,000
204,816	Review of retirement income policy		–	100,000
268,360	Curriculum and schools		379,954	100,000
6,338,562	Total expenditure		7,510,015	5,664,900
462,459	Net surplus / (deficit) for the year		(924,081)	113,944

Explanations of significant variances against budget are detailed in note 19.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.



Statement of Financial Position

AS AT 30 JUNE 2009

2008 Actual \$		Notes	2009	2009
			Actual \$	Budget \$
	Current assets			
1,681,471	Cash and cash equivalents	4	1,718,696	797,115
352,113	Debtors and other receivables	5	268,393	99,295
1,390	Prepayments		209,041	1,305
2,034,974	Total current assets		2,196,130	897,715
	Non-current assets			
95,320	Property, plant & equipment	6	89,872	105,507
582,187	Intangible assets	7	350,024	–
677,507	Total non-current assets		439,896	105,507
2,712,481	Total assets		2,636,026	1,003,222
	Current liabilities			
590,254	Creditors and other payables	9	1,344,359	396,839
76,367	Income in advance		165,000	–
48,235	Employee entitlements	10	53,123	38,600
714,856	Total current liabilities		1,562,482	435,439
1,997,625	Net assets		1,073,544	567,783
	Public equity			
200,000	Taxpayer funds		200,000	200,000
1,797,625	Accumulated surplus		873,544	367,783
1,997,625	Total public equity		1,073,544	567,783

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.



Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual \$		Notes	2009	2009
			Actual \$	Budget \$
1,535,166	Public equity at start of the year		1,997,625	453,839
462,459	Surplus / (deficit) for the year		(924,081)	113,944
462,459	Total recognised income and expenses for the period		(924,081)	113,944
1,997,625	Public equity at end of the year		1,073,544	567,783

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.



Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual \$		Notes	2009	2009
			Actual \$	Budget \$
	Cash flows from operating activities			
	<i>Cash was provided from:</i>			
5,746,667	Receipts from crown revenue		5,681,778	5,682,000
437,214	Other Government department funding		333,867	–
193,903	Interest received		133,016	131,359
10,039	Other income		689,865	–
80,274	Net GST paid		4,310	84,460
6,468,097			6,842,836	5,897,819
	<i>Cash was applied to:</i>			
(6,772,527)	Payments to suppliers and employees		(6,513,201)	(5,744,596)
(304,430)	Net cash flows from operating activities	13	329,635	153,223
	Cash flows from operation activities			
	<i>Cash was applied to:</i>			
(14,086)	Purchase of property, plant & equipment		(41,621)	(30,000)
(551,559)	Purchase of intangible assets		(250,789)	–
(565,645)	Net cash flows from investing activities		(292,410)	(30,000)
(870,075)	Net increase in cash held		37,225	123,223
2,551,546	Plus cash at the start of the year		1,681,471	673,892
1,681,471	Cash held at the end of the year		1,718,696	797,115
	<i>Represented by:</i>			
1,681,471	Cash and cash equivalents		1,718,696	797,115
1,681,471	Cash held at the end of the year		1,718,696	797,115

The GST (net) component of operating activities reflects the net GST paid and received with Inland Revenue. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Statement of Accounting Policies and the Notes to the Financial Statements form an integral part of these financial statements.



Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2009

REPORTING ENTITY

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001. The Retirement Commissioner is a Crown entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. The Retirement Commission is the office of the Commissioner. As such, the Retirement Commission's ultimate parent is the New Zealand Crown.

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

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

The financial statements for the Retirement Commission are for the year ended 30 June 2009, and were approved by the Retirement Commissioner on 20 October 2009.

BASIS OF PREPARATION

Statement of Compliance

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

The financial statements comply with NZ IFRSs, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

Differential reporting

The Commission qualifies for Differential Reporting exemptions as it has no public accountability and does not qualify as large under the criteria set out in the Framework for Differential Reporting.

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

Paragraph 16 of NZ IAS 24 Related Party Transactions

Measurement base

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

Functional and presentation currency

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

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives the Retirement Commission the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Retirement Commission intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Revenue from the Crown

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

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

Interest

Interest revenue is recognised using the effective interest method.

Other revenue

The Commission received income from other Government agencies for market research into financial education and for costs involved in the Financial Literacy 09 summit.

Other income is from NZ Banks (through the NZ Bankers Association) to develop a pilot for the Personal Financial Education Framework in schools, the ANZ for a survey of financial knowledge, the Industry Training Federation for the web enablement of tertiary unit standards and education resources, and companies from the financial services industry for costs involved in the Financial Literacy 09 summit.

Operating leases

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

Cash and cash equivalents

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

Debtors and other receivables

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

Property, plant and equipment

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

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

Additions

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

Subsequent costs

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

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

Depreciation

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

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

Office equipment	2 – 5 years	7.8% - 21.6%
Furniture and fittings	4 – 15 years	6.5% - 25.2 %
Computer equipment	2 – 3 years	36.0% - 48.0%
Leasehold improvements	7 years	14.93%

Intangible assets**Software acquisition**

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

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

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

Website development

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

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

Costs associated with the development and maintenance of the Retirement Commission's website are recognised as an expense as incurred.

Amortisation

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

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

Software	2-3 years	36.0% - 48.0%
Website	2 years	48.0%

Impairment

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Short-term employee entitlements

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

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

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

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

Superannuation schemes

Defined contribution schemes

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

Good and Service Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

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

Budget figures

The SOI budget figures are derived from the statement of intent as approved by the Retirement Commissioner at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Retirement Commission for the preparation of the financial statements.

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.

Critical judgements in applying the Retirement Commission’s accounting policies

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

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

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



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

1. REVENUE FROM CROWN

The Retirement Commission has been provided with funding from the Crown for the specific purpose of the Retirement Commission as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to the government funding (2008: nil).

	Notes	2009	2008
		Actual \$	Actual \$
2. REMUNERATION TO AUDITORS			
Audit of the financial statements		17,349	16,750
Audit for NZ IFRS translation		–	6,500
Total remuneration to Auditors		17,349	23,250

	Notes	2009	2008
		Actual \$	Actual \$
3. PERSONNEL COSTS			
Salaries and wages		776,569	703,952
Employer contributions to defined contribution plans		53,488	51,250
Increase/(decrease) in employee entitlements	10	4,888	9,635
Total personnel costs		834,945	764,837

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

	Notes		
		2009 Actual \$	2008 Actual \$
4. CASH AND CASH EQUIVALENTS			
Cash on hand		45	45
Cash at bank		58,654	79,831
Call account		1,659,997	1,601,595
Total cash and cash equivalents		1,718,696	1,681,471

	Notes		
		2009 Actual \$	2008 Actual \$
5. DEBTORS AND OTHER RECEIVABLES			
Trade debtors		81,750	265,368
Accrued interest		114	857
GST receivable		186,529	85,888
Total debtors and other receivables		268,393	352,113

6. PROPERTY, PLANT AND EQUIPMENT	Office equipment	Computer equipment	Furniture and fittings	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2007	36,486	85,106	107,066	70,227	298,885
Additions	3,452	–	10,634	–	14,086
Sales/transfers	–	–	–	–	–
Balance at 30 June 2008	39,938	85,106	117,700	70,227	312,971
Balance at 1 July 2008	39,938	85,106	117,700	70,227	312,971
Additions	–	41,621	–	–	41,621
Sales/transfers	–	–	–	–	–
Balance at 30 June 2009	39,938	126,727	117,700	70,227	354,592
Accumulated depreciation and impairment					
Balance at 1 July 2007	31,593	47,326	76,469	19,800	175,188
Depreciation expense	2,170	23,296	6,516	10,481	42,463
Sales/transfers	–	–	–	–	–
Balance at 30 June 2008	33,763	70,622	82,985	30,281	217,651
Balance at 1 July 2008	33,763	70,622	82,985	30,281	217,651
Depreciation expense	1,642	28,623	6,323	10,481	47,069
Sales/transfers	–	–	–	–	–
Balance at 30 June 2009	35,405	99,245	89,308	40,762	264,720
Net carrying amounts					
At 1 July 2007	4,893	37,780	30,597	50,427	123,697
At 30 June 2008 & 1 July 2008	6,175	14,484	34,715	39,946	95,320
At 30 June 2009	4,533	27,482	28,392	29,465	89,872

7. INTANGIBLE ASSETS	Software	Website	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2007	23,991	537,819	561,810
Additions	774	550,785	551,559
Sales/transfers	–	–	–
Balance at 30 June 2008	24,765	1,088,604	1,113,369
Balance at 1 July 2008	24,765	1,088,604	1,113,369
Additions	19,586	231,203	250,789
Sales/transfers	–	–	–
Balance at 30 June 2009	44,351	1,319,807	1,364,158
Accumulated amortisation			
Balance at 1 July 2007	22,807	153,606	176,413
Amortisation expense	1,047	353,722	354,769
Disposals	–	–	–
Balance at 30 June 2008	23,854	507,328	531,182
Balance at 1 July 2008	23,854	507,328	531,182
Amortisation expense	7,916	475,036	482,952
Disposals	–	–	–
Balance at 30 June 2009	31,770	982,364	1,014,134
Net carrying amount			
At 1 July 2007	1,184	384,213	385,397
At 30 June 2008 & 1 July 2008	911	581,276	582,187
At 30 June 2009	12,581	337,443	350,024

8. RETIREMENT VILLAGES

Only direct costs are disclosed as expenditure for Retirement Villages. The Retirement Commission have calculated that approximately \$33,000 (2008: \$43,000) worth of overheads can also be attributed to Retirement Villages during the year. The total amount of expenditure on Retirement Villages is therefore approximately \$184,000 (2008: \$222,500).

	2009 Actual \$	2008 Actual \$
9. CREDITORS AND OTHER PAYABLES		
Trade creditors	1,315,508	554,563
Accruals	28,851	35,691
Total Creditors and other payables	1,344,359	590,254

The average credit period on purchases is 30 days and for the majority of trade payables no interest is charged, therefore the carrying value of creditors and other payables approximates their fair value. The Retirement Commission has a financial risk management policy in place to ensure that all payables are paid within the credit timeframe.

	2009 Actual \$	2008 Actual \$
10. EMPLOYEE ENTITLEMENTS		
Accrued salaries and wages	6,000	2,948
Annual leave	47,123	45,287
Total employee entitlements	53,123	48,235

11. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	2009 Actual \$	2008 Actual \$
<i>Loans and receivables</i>		
Cash and cash equivalents	1,718,696	1,681,471
Debtors and other receivables	268,393	352,113
Total loans and receivables	1,987,089	2,033,584
<i>Financial liabilities</i>		
Creditors and other payables	1,344,359	590,254
Total financial liabilities	1,344,359	590,254

Financial risk management objectives

The Retirement Commission does not enter into or trade financial instruments for speculative purposes. The Retirement Commission's activities expose it primarily to the financial risks of interest rates.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Retirement Commission is exposed to fair value and cash flow interest rate risk as it has cash on call at floating interest rates. The Retirement Commission manages its interest risk by investing in on-call and short term deposits with high credit-rated financial institutions.

The following table details the Retirement Commission's exposure to interest rate risk as at 30 June 2009.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents				
- Cash at bank – cheque	1.00	38,380	–	38,380
- Cash at bank – cash management	0.25	20,274	–	20,274
- Call account	2.50	1,659,997	–	1,659,997
- Cash on hand	–	–	45	45
Debtors and other receivables	–	–	268,393	268,393
Total financial assets:		1,718,651	268,438	1,987,089
Financial liabilities				
Creditors and other payables	–	–	1,344,359	1,344,359
Total financial liabilities:		–	1,344,359	1,344,359

11. FINANCIAL INSTRUMENTS cont.

The following table details the Retirement Commission's exposure to interest rate risk as at 30 June 2009.

	Weighted average effective interest rate %	Variable interest rate bearing \$	Non interest bearing \$	Total \$
(i) Financial assets				
Cash and cash equivalents				
- Cash at bank	4.50	79,831	–	79,831
- Call account	8.25	1,601,595	–	1,601,595
- Cash on hand	–	–	45	45
Debtors and other receivables	–	–	352,113	352,113
Total financial assets:		1,681,426	352,158	2,033,584
(ii) Financial liabilities				
Creditors and other payables	–	–	590,254	590,254
Total financial liabilities:		–	590,254	590,254

The Retirement Commission is party to letters of credit with Westpac Bank of \$39,000 (2008: \$Nil)

Sensitivity analysis

As at 30 June 2009, if the interest rates earned on cash and cash equivalents had been 5% higher or lower, with all other variables held constant the surplus/deficit for the year would have been \$100,000 higher / \$105,000 lower (2008: \$26,000 higher / \$141,000 lower). The sensitivity is similar in 2009 to 2008.

Credit risk management

Credit risk is the risk that a third party will default on its obligation to the Retirement Commission, causing the Retirement Commission to incur a loss.

Financial instruments which potentially subject the entity to credit risk principally consist of bank balances. The Retirement Commission very rarely extends credit and places its cash with Westpac. Westpac is part of the Crown Retail Deposit Guarantee Scheme and all deposits up to \$1 million held with Westpac are guaranteed by the Crown.

Maximum exposures to credit risk at reporting date are:

	2009 Actual \$	2008 Actual \$
Cash and cash equivalents	1,718,696	1,681,471

No collateral is held on the above amounts. There is no maturity date on the current bank balances as these represent cash held in transactional and cash management accounts. Term deposits classed as cash and cash equivalents have a maturity date of less than three months.

Fair value of financial instruments

The Retirement Commissioner considers that the carrying amount of assets and financial liabilities recorded in the financial statements approximates their fair values.

Liquidity risk

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

All of the Retirement Commission's commitments owing at balance date, comprising trade and other payables, have a contractual maturity of less than 6 months (2008: maturity also less than six months). The Retirement Commission has sufficient cash on hand to meet these commitments as they fall due.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Retirement Commission is not subject to currency risk as it does not participate in any such financial instruments.

12. CAPITAL MANAGEMENT

The Retirement Commission's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Retirement Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Retirement Commission manages its equity as a by-product of prudently managing income, expenses, assets, liabilities, investments, and general financial dealings to ensure the Retirement Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

13. NET CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of Statement of Financial Performance surplus with net cash flow from operating activities:

	2009 Actual \$	2008 Actual \$
<i>Net surplus/(deficit) for the year</i>	(924,081)	462,459
Non cash items:		
Amortisation	482,952	354,769
Depreciation	47,069	42,463
	(394,060)	859,691
<i>Movements in net assets and liabilities</i>		
(Increase)/decrease in accrued interest	743	1,318
(Increase)/decrease in prepayments	(207,651)	(41)
(Increase)/decrease in trade debtors	183,618	(265,368)
(Increase)/decrease in GST refund due	(100,641)	193,656
Increase/(decrease) in trade creditors	754,105	(924,688)
Increase/(decrease) in unearned income	88,633	(178,633)
Increase/(decrease) in employee entitlements	4,888	9,635
	723,695	(1,164,121)
Net cash inflow from operating activities	329,635	(304,430)

14. COMMISSIONER AND EMPLOYEE REMUNERATION

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

	2009	2008
\$100,000 - \$109,999	0	0
\$110,000 - \$119,999	0	0
\$120,000 - \$129,999	0	1
\$130,000 - \$139,999	1	0
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	0	0
\$160,000 - \$169,999	0	0
\$170,000 - \$179,999	1	1

15. RELATED PARTY TRANSACTIONS

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

The Retirement Commission has entered into a number of transactions with Government departments, Crown agencies, and state-owned entities on an arm's length basis and in the course of their normal dealings.

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

During the period, the Retirement Commission received \$5,681,778 of funding from the Crown (2008: \$5,746,667). There were no amounts outstanding as at 30 June 2009 (2008: \$Nil).

There were no other related party transactions in for the year ended 30 June 2009 (2008: The Retirement Commissioner Diana Crossan was a Director on the Board of New Zealand Post up until November 2007. During 2008, New Zealand Post provided goods and services on an arms length basis to the Retirement Commission to the value of \$987). There were no amounts outstanding as at 30 June 2009 (2008: \$Nil)

16. COMMITMENTS

(i) Capital commitments

There are no capital commitments at reporting date (2008: \$Nil).

(ii) Operating lease commitments

Commitments existed for non-cancellable operating leases as follows:

	2009 Actual \$	2008 Actual \$
Less than one year	76,868	62,948
Between one and two years	76,868	62,948
Between two and five years	53,277	86,386
Later than five years	–	–
Total operating lease commitments	207,013	212,282

The Retirement Commission commenced a lease for its premises on 1 July 2005 and the lease has a term of six years and seven months. The lease expense is \$69,080 per annum (GST exclusive), and the final rental review was undertaken in February 2009.

Operating lease commitments also include a photocopier lease of \$7,788 per annum (GST exclusive) which expires in Feb 2013.

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

17. CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date (2008: \$Nil)

18. SUBSEQUENT EVENTS

There are no events subsequent to reporting date, that the Retirement Commissioner is aware of, that would have a material impact on the financial statements for the period ended 30 June 2009 (2008: Nil).

19. MAJOR BUDGET VARIANCES

Explanation for significant variations from the Retirement Commission's budgeted figures in the Statement of Intent are as follows:

Statement of Financial Performance

Advice and research

The Commission, in association with ANZ, undertook a major research project during the 2009 financial year (the ANZ-Retirement Commission Financial Knowledge Survey). Funding for this was confirmed during the financial year which consequently resulted in a variance from the original budget.

Marketing and education

This variance in expenditure is due to three main factors: Higher demand for current resources (demand for booklets was much higher than expected), demand for expansion of our resources into new topic areas, and good media opportunities.

It is likely that both promotion of the Sorted website and the economic climate resulted in a higher demand for resources as New Zealanders placed more emphasis on improving household financial management.

Curriculum and schools

This was a priority project for the Commission culminating in responsibility for the development of financial education in schools being transferred from the Commission to the Ministry of Education for finalisation and implementation. All New Zealand banks contributed to the development of new education resources to be made available to schools.

Statement of Financial Position

Intangible assets and amortisation

Under previous NZ GAAP all costs related to the Sorted website were expensed in the period which they were incurred. NZ IFRS requires enhancements to interactive aspects of the website to be capitalised as an intangible asset. The effect of this change was to increase spending on intangibles, by \$231,000, and amortisation expense, by \$475,000, for the year and decrease expenditure on marketing and education by \$231,000. It was not known that this change would be required when the Commission prepared its statement of intent for the 2009 financial year.

The remainder of the intangible assets and amortisation variance is the capitalisation and amortisation of software which was included as property plant and equipment and depreciation in the statement of intent for the 2009 financial year.



Audit Report

TO THE READERS OF THE RETIREMENT COMMISSION'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of the Retirement Commission (the Commission). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Commission on pages 22 to 42:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Commission's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 10 to 21:
 - 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 20 October 2009, 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 Commissioner and the Auditor, and explain our independence.

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 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 the 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 and 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.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Responsibilities of the Commissioner and the Auditor

The Commissioner is responsible for preparing the financial statements and 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 Commission as at 30 June 2009 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 Commission'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 Commissioner's responsibilities arise from the Crown Entities Act.

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 Commission.



Ajay Sharma

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand



Appendix

Good employer practices and Equal Opportunities

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

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

1. Leadership, accountability and culture

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

2. Recruitment, selection and induction

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

3. Employee development, promotion and exit

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

4. Flexibility and work design

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

5. Remuneration, recognition and conditions

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

6. Harassment and bullying prevention

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

7. *Safe and healthy environment*

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

During the 2008/09 year:

- Our EEO and good employer policy was communicated to all staff.
- Each staff member worked with their manager to prepare their own professional development plan.
- We continued to take a flexible approach to part-time work and encourage the achievement of work life balance.





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