

Our Vision

New Zealanders
are financially
sorted

Annual Report 2010

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 REMAIN EFFECTIVE AND STABLE
- THE FINANCIAL SERVICES SECTOR IS TRUSTWORTHY
- ALL RETIREMENT VILLAGES MEET SOCIETAL EXPECTATIONS AND QUALITY STANDARDS

The continuing impact on everyday New Zealanders of the global financial crisis, the recession and finance company collapses in New Zealand has kept both the need and demand high for financial education and information. Our independent review of retirement income policy has also been to the forefront in 2010. This year saw the first of the baby boomer generation reach the age of entitlement for New Zealand Superannuation (NZ Super) – a reminder of the national financial challenge we face over the next few years as the per capita cost of NZ Super, health and residential care begins rising steeply.

THREE-YEARLY REVIEW OF RETIREMENT INCOME POLICY

The Commission has had a team working on our three-yearly review of the government's retirement income policies that we are required to do under the New Zealand Superannuation and Retirement Income Act 2001. The review widens New Zealand's understanding of current retirement income policy and practices and where they are heading. We have commissioned ten research projects to inform this year's review, which will be released in December.

As we approach the release date there has been continued interest in issues around our national savings rate and the affordability of NZ Super. It's heartening to see the country continue to engage with these important issues when there are serious choices that will need to be made around retirement income policy over the next few years.

HELPING NEW ZEALANDERS MAKE INFORMED FINANCIAL DECISIONS

The effects of the economic crisis continued to be felt throughout the year through a sluggish economy, soft job market, uncertain housing market and low levels of investor confidence in the financial markets. For many New Zealanders the immediate focus was on budgeting, for others the key question was where to put their money.

The Commission continued to see a strong demand for our financial information and financial education resources – via the **sorted.org.nz** website, booklets, seminars, and our new social media channels (Sorted blog, Facebook page, Twitter account) and mobile phone site **m.sorted.org.nz**.

Approximately two million people have used Sorted resources in the twelve months to June 2010 and nearly nine million calculations were made on the Sorted website.

NATIONAL STRATEGY FOR FINANCIAL LITERACY

The economic climate continued to highlight the importance of financial education throughout the past year, and this gave added impetus to our work in refreshing New Zealand's National Strategy for Financial Literacy. The strategy and new five-year action plan are the outcome of consultation with a wide range of key stakeholders and together they form the foundation of better co-ordination of financial education activities in New Zealand.

Aligned with the National Strategy the Commission has developed a strategy and five-year action plan to reach Māori. The strategy was released in November 2010 and the five-year action plan will be released early in 2011.

INTERNATIONAL LEADERSHIP

Financial literacy remains high on public policy agendas around the world. We have continued to engage with the international financial education community so that New Zealanders can be sure that we are implementing international best practice at home.

New Zealand is internationally recognised as a leader in financial education activities and we are often sought out by other countries for expertise. Equally, we are able to learn from other countries and share best practice. We are delighted to see that other countries are modelling some of their initiatives on ours. For example, the Australian Securities and Investments Commission has modelled their new consumer-targeted website on **sorted.org.nz**. The American National Strategy for Financial Literacy has also drawn heavily from New Zealand's strategy.

Representing New Zealand, I am an active member of the OECD International Network on Financial Education. Earlier this year I was appointed to the OECD Financial Literacy Experts Group, an international panel that will oversee the first-ever global financial literacy component of the Programme for International Student Assessment (PISA) from 2012. The PISA test measures the comparative ability of 15-year-old students across a range of subjects.

FINANCIAL EDUCATION IN SCHOOLS AND TERTIARY QUALIFICATIONS

Since 2004 the Commission has been helping to integrate personal financial education programmes into the school curriculum for Years 1-10. The project was handed over to the Ministry of Education in 2009. The Commission has continued to promote the programmes, work with the Ministry of Education to provide support, and monitor the effectiveness of the roll out.

For several years the Commission has been working with the Tertiary Education Commission, NZQA, the Industry Training Federation, business and union representatives and tertiary education providers to include financial education as a core part of many tertiary qualifications. Free teaching resources for seven unit standards were made available in 2009. We will continue to work with these groups to embed the resources in industry training and with tertiary institutions.

WORKING WITH THE FINANCE INDUSTRY

Financial literacy works best as a collaborative approach and we are very pleased that three major finance industry bodies – the New Zealand Bankers' Association, Workplace Savings NZ and the Investment Savings and Insurance Association – have joined us as co-funders of financialliteracy.org.nz, home of the National Strategy for Financial Literacy and an important financial education resource for all of New Zealand.

RETIREMENT VILLAGE MONITORING

In our role under the Retirement Villages Act 2003, we undertook a monitoring project on operators of retirement villages.

It has been an important year for the Retirement Commission. We now look forward to helping New Zealand and New Zealanders meet our shared challenges over the next twelve months.



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 sets the direction for improving financial literacy in New Zealand. It provides

a range of approaches that will achieve this improvement. Its focus is on developing the quality of financial education, extending its delivery, sharing what works and working together. These strategies together will help achieve our goal of a financially literate population.

In light of the economic climate the National Strategy has been revised to ensure it is relevant for today. The revised strategy is the outcome of wide consultation with a range of key stakeholders. A five-year action plan, which will be reported on in the future, has been created during the consultation process and implementation rests with the many stakeholders involved.

CONTRIBUTORS TO PERSONAL FINANCIAL WELLBEING



WHO WE ARE

The Retirement Commission is the secretariat for the strategy and hosts the website financialliteracy.org.nz which is home of the National Strategy.

The website is co-funded by three finance industry bodies – the Investment Savings and Insurance Association, the New Zealand Bankers' Association and Workplace Savings NZ.

An advisory group reports on progress every six months to the Minister of Finance, stakeholders and the public.

financialliteracy.org.nz
BUILDING FINANCIAL CAPABILITY

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 2009/10 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>Many organisations from the public and private sectors and NGOs are aligned with the National Strategy and they are developing resources and delivering programmes.</p> <p>The Retirement Commission has developed a Māori Strategy for Financial Literacy. It is aligned with the National Strategy but its focus is on whānau, hapū and iwi, and Māori engagement models. An advisory group will monitor progress and a five-year action plan has been developed. The strategy was released in November 2010 and the five-year action plan will be released early in 2011.</p>
<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>The New Zealand Skills Strategy no longer exists but there are a number of initiatives targeted at the workplace. (See Recommendation 11.)</p>

Environmental prerequisites

3. That the Retirement Commission hosts the National Strategy for Financial Literacy on its website and takes 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.

The Retirement Commission plays a key role in ensuring that there is co-ordination across the various financial education activities in New Zealand and is the secretariat for the National Strategy for Financial Literacy.

In light of the current environment and growing interest in financial literacy the Advisory Group recommended in late 2009 that it was an appropriate time to refresh the National Strategy. The revised strategy is the outcome of wide consultation with a range of key stakeholders. A five-year action plan has been created during the consultation process and implementation rests with the many stakeholders involved. Progress on the action plan will be reported every six months. The action plan will be reviewed every five years.

The strategy and action plan are aimed at encouraging agencies and organisations to work together towards a shared understanding of goals and the commitment and pathways to achieve them. In this way we can gain the greatest value from the work we are doing to ensure that all New Zealanders have the opportunity to benefit from financial education and information. The revised strategy will be available in November 2010.

The **financialliteracy.org.nz** website sponsors, who came on board in January 2010, are The New Zealand Bankers' Association, Workplace Savings NZ and the Investment Savings and Insurance Association.

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.

Work in progressing in this area. There is a move in the industry for more effort to ensure that material is clear and understood by consumers. Workplace Savings NZ leads the way in this area with their industry communication awards which recognise and encourage the use of clear, plain English. Work is being done by the Securities Commission in regards to KiwiSaver disclosures.

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.

The Code of Professional Conduct for Authorised Financial Advisers, which was approved by the Minister of Commerce in September 2010, sets out the minimum standards of competence, knowledge and skill, and ethical behaviour. The Commissioner for Financial Advisers has responsibility in this area.

Financial adviser regulation has extended the Securities Commission's traditional delivery of investment education to a wider public audience, including diverse ethnic groups. Visibility and expectations of the regulator will only intensify as proposed new powers under the Financial Markets Authority further extend the Securities Commission's public reach. The Securities Commission will be applying its investment expertise and tools to deliver its public education campaign on the financial adviser regulation and other key messages to improve investors' understanding.

Under its financial adviser regulation powers, the Securities Commission will be licensing and monitoring several thousand financial advisers as well as banks, insurance companies and other large providers of financial advice and products. A key obligation for these groups is ensuring consumer protection including understandable disclosure and information about their products and services that will assist consumers to make informed choices. Through its regulatory relationships with industry participants and their professional bodies, the Securities Commission will be monitoring this activity to foster higher standards over time.

The Commission's ongoing Financial Reporting Surveillance Programme is targeted at those that prepare the financial records for issuers (as well as auditors). It helps to ensure the financial records are clear, accurate and are understandable to the general public and potential investors so as to aid better understanding and decision making about investments. Information on the financial adviser regulation can be found on the Securities Commission's website – www.seccom.govt.nz.

The Securities Commission's Look Learn Invest website continues to provide a useful resource to aid investor understanding. A communications strategy is planned for late 2010 to inform and educate the investing public on what the new financial adviser regulation coming into force on 1 July 2010 will mean for them.

Through www.sorted.org.nz the Retirement Commission continues to provide information about what questions New Zealanders need to ask financial advisers.

Financial education

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.

The Ministry of Education has responsibility for personal financial education programmes in the curriculum for Years 1-10. The Retirement Commission has continued to promote the programmes, work with the Ministry of Education to provide support, and monitor the effectiveness of the roll out.

Both the New Zealand Curriculum and Te Marautanga o Aotearoa recognise the importance of developing financial literacy or capability in school students. The number of schools offering financial education is increasing which we can tell by NZQA statistics and the number of Sorted booklets ordered. More organisations are helping with resources and delivery e.g. the ASB Bank and Shareholder’s Association school programmes. The Commission is also working with other organisations that have expressed an interest in being involved.

The Ministry of Education is working with the Education Review Office to incorporate financial education within ERO reviews.

A representative from the Ministry of Education is now working with Australian state curriculum specialists on a regular basis to share ideas and initiatives about financial literacy in schools.

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.

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.

Professional development relating to The New Zealand Curriculum and NCEA Business Studies was provided by the Ministry of Education in Auckland, Wellington and Dunedin in September 2009, covering aspects of financial education from a business perspective. There has however been no progress since due to the Ministry of Education’s budget cuts.

<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. This website can also be accessed from the financialliteracy.org.nz website.</p> <p>It is evident that there is a deficit of teaching and learning resources available for Years 9 to 11. This will be an area of focus over the next three years.</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>The key guiding principles of financial education, which are included in the National Strategy for Financial Literacy, are impartiality, appropriateness for the audience, non-judgemental, accessible, timely and evidence-based.</p> <p>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>10. That community partnerships be developed 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>A new focus area of 'Working together' has been included in the revised National Strategy for Financial Literacy as financial education works best when organisations work together towards a common goal. Partnerships continue to be developed with the private and public sectors, NGOs and private sector, and NGOs and public sector e.g. the Māori Womens' Welfare League and BNZ, Ngāi Tahu and ANZ.</p> <p>Discussions are underway to develop partnerships with The Village Trust, Pasefika Pulse Trust and with a number of Pacific Island churches and community groups in the Wellington region through Massey University.</p>

<p>11. The Retirement Commission continues 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 been working with the Tertiary Education Commission, NZQA, the Industry Training Federation, business and union representatives and tertiary education providers to include financial education as a core part of many tertiary qualifications. Free teaching resources for seven unit standards were made available in 2009.</p> <p>The number of private training establishments offering financial education is increasing but the challenge now is to find as many opportunities as possible to talk to people involved in tertiary education and training – there is a lot of positive interest but human resources and time to do the training are proving a barrier. NZQA is monitoring the uptake of the unit standards to build a picture of their usage.</p> <p>During May and June the Retirement Commission ran a series of workplace communications with employers via a mix of targeted articles in industry publications, the distribution of 3000 employer DVDs to Employers and Manufacturers Association (EMA) members and presentations to their members and other key groups.</p> <p>Over 1500 seminars were downloaded from the Sorted website and it is estimated they were attended by over 30,000 New Zealanders. 30% of all Sorted booklet orders are for seminar attendees (around 2000 packs per month or 15,000 booklets).</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>Aligned with the National Strategy, the Retirement Commission has developed a Māori Strategy for Financial Literacy. The strategy focus is on whānau, hapū and iwi, and Māori engagement models. A separate advisory group will monitor progress and a five-year action plan has been developed. It will be finalised early in 2011.</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>Work is underway with a number of Pacific Island community-focused providers in Auckland and with the Ministry of Pacific Affairs’ regional offices. There will be a concentrated effort over the next five years to increase the number of providers delivering financial education programmes.</p>
<p>Monitoring and reporting</p>	
<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 next ANZ-Retirement Commission Financial Knowledge Survey will be in 2012.</p> <p>In 2010 the first ANZ-Ngāi Tahu Financial Knowledge Survey of 400 iwi members was carried out. The results showed that the financial knowledge of iwi members is on a par with the general New Zealand population – 40% (43% NZ) high financial knowledge, 31% (26% NZ) medium and 29% (31% NZ) low financial knowledge.</p> <p>The results provide a useful benchmark not only for Ngāi Tahu to develop new initiatives to grow their financial knowledge, but also for other iwi wanting to carry out similar research. It will enable the results to be benchmarked against those of all adult New Zealanders in the ANZ-Retirement Commission Financial Knowledge Survey. The survey will also be useful alongside the Māori strategy developed by the Retirement Commission.</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>The new OECD evaluation guidelines were signed off in June 2010 and will be promoted to various agencies that are delivering financial education programmes. The Retirement Commission is working with ASB, BNZ, Ngāi Tahu and Plunket to incorporate them into their programme evaluation. The Commission is planning to evaluate Sorted resources using the same model.</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>See recommendation 15.</p>
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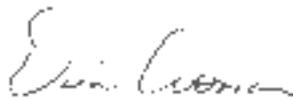


Statement of Responsibility

I 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 my 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 2010.



D B CROSSAN
RETIREMENT COMMISSIONER

12 November 2010



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 2009/12 Statement of Intent.

The Retirement Commission provides services under the following output areas:

- Advice to its responsible Minister¹
- Research and Monitoring
- Education and Information
- Retirement Villages

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

Funding from the Crown for the 2009/10 year was budgeted to be \$5,682,000 (GST exclusive).

Actual funding received was \$5,682,000 (GST exclusive).

Crown Revenue Actual	SOI Budgeted	Expenditure Actual	SOI Budgeted
\$5,682,000	\$5,682,000	\$5,833,680	\$6,181,404

Refer to note 20 for explanation of variance.

The following income was received from interest and sundry sources:

- Interest income \$49,671
- Sundry income \$114,464
- Other Government Departments \$240,000

Allocation is as follows:	Actual	Budgeted (SOI)
Education and information:	\$3,317,138	\$3,607,000
– Public education and information programme		
– Workplace education		
Retirement villages (includes \$55,000 of overhead costs)	\$196,361	\$215,000
Research, advice, monitoring, office costs	\$2,320,181	\$2,359,404
Total	\$5,833,680	\$6,181,404

¹ Minister for Social Development and Employment



OUTPUT – ADVICE

The advice part of the output class includes advising and reporting to the Minister on retirement income and related issues and undertaking the periodic review of retirement income policies as required by section 84 of the New Zealand Superannuation and Retirement Income Act 2001. These activities contribute to the following outcome: government's retirement income policies remain effective and stable.

Key deliverables	Actual performance
Advice as may be requested by the Minister, or provided to the Minister by the Commissioner.	Achieved. Advice was prepared on the Terms of Reference for the 2010 review of retirement income policies. Other information as considered necessary was provided to the Minister throughout the year on a 'no surprises' basis.
Periodic review of retirement income policies as required by the Act.	<p>Achieved. The 2010 review of retirement income policies is on track and nearing completion. The report will be released in December 2010.</p> <p>The Commissioner discussed the Terms of Reference with the Minister which were set in December 2009. One advisory group and three reference groups were established early in 2010 (officials, finance sector, NGOs) and related research projects started. Public submissions, which closed on 30 April, generated a similar number to the number received for the 2007 review. (25 compared to 23 in 2007).</p> <p>Ten research projects were commissioned to inform and input into the 2010 review.</p> <p>The Institute of Policy Studies, Victoria University ran a conference on Intergenerational Income and Retirement Income to contribute to the Review. The conference was attended by 135 delegates and the presentations are available online at: ips.ac.nz/events/previous_events-2010.html</p> <p>Full conference proceedings will be available after the 2010 Review report is released in December.</p>
Measures	
A letter will be sent to the Minister at the end of the financial year seeking feedback about whether the Minister was satisfied or more than satisfied with the quality and timeliness of any advice provided.	<p>Achieved (exceeded). The Minister was more than satisfied with the quality and timeliness of any advice provided.</p> <p><i>This measure has been further developed in the 2010/13 Statement of Intent to include advice to other Ministers.</i></p>

Indicators	
Quality	
The Minister is satisfied or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice.	Achieved (exceeded). The Minister was more than satisfied with the quality and timeliness of any advice provided.
The review of retirement income policies is carried out in accordance with the New Zealand Superannuation and Retirement Income Act 2001.	Achieved. The Terms of Reference were agreed before the required date.
Quantity	
All advice requested by the Minister is provided to the Minister by the Commissioner.	Achieved (exceeded). The Minister was more than satisfied with the quality and timeliness of any advice provided.
The 2010 review of retirement income policies is started.	Achieved.
The review of retirement income policies is carried out in accordance with the New Zealand Superannuation and Retirement Income Act 2001.	Achieved.
Timeliness	
All advice to the Minister is delivered within agreed timeframes.	Achieved. Advice on the Terms of Reference was delivered on time.



Retirement Commission

Whiriwhiria!

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 BUILDING FINANCIAL CAPABILITY

OUTPUT – RESEARCH AND MONITORING

The research and monitoring part of this output class includes continuing to develop the Retirement Income Research Unit, and monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning. These activities contribute to the following outcomes: government's retirement income policies remain effective and stable; New Zealanders have more trust in the financial services sector.

Key deliverables	Actual performance
<p>Research and monitoring projects that meet the needs of the three-yearly reviews of retirement income policies. These projects will help inform the 2010 review.</p>	<p>Achieved. An advisory group and three reference groups were established early in 2010 (officials, finance sector, NGOs).</p> <p>A range of research projects were commissioned to inform and input into the 2010 review. The project reports, which are complete or near completion, will be available in December 2010. They include:</p> <ul style="list-style-type: none"> • Retirement income policy trends and developments since 2007 • Government agencies working together for effective retirement income policy • Income streams in retirement: managing income and assets • Trust and confidence in the financial services sector and products they should be providing • Wellbeing of current and future retirees • The impact of, and issues arising from the global financial crisis • Data requirements for policy development • NZ Super and intergenerational equity • Changes to retirement income-related tax policy • Australian retirement income policy: Implications for New Zealand <p>The Institute of Policy Studies, Victoria University, ran a conference on Intergenerational Income and Retirement Income to contribute to the 2010 Review. The conference was attended by 135 delegates and the presentations are available online at: ips.ac.nz/events/previous_events-2010.html</p> <p>Full conference proceedings will be available after the 2010 Review report is released in December.</p>
<p>Operation and promotion of the Retirement Income Research Unit and its website, retirement.org.nz. The unit's material is available for use by researchers, policy analysts and the financial services industry.</p>	<p>Achieved. The Unit has continued to commission and monitor New Zealand research and monitor overseas research.</p> <p>The retirement.org.nz and the financialliteracy.org websites have been maintained and updated regularly. The Commission launched the new financialliteracy.org.nz website in June 2009. The website is home of the National Strategy for Financial Literacy and provides information on financial literacy activities in New Zealand and overseas, including research.</p>

New Zealand's 2009 Ian Axford Fellow from the United States, completed new research called 'The Sorted Kiwi: The Effect of Identity on the Achievement of Financial Well-Being in New Zealand'. The research focussed on how the stereotypes associated with being a New Zealander affect the way we think about everyday money (Aug 09). The research is helping the Commission with education programme development.

The Commission undertook qualitative research with Nielsen to help understand more about how to assist the next generation of older New Zealanders make sound financial decisions. Current analysis has treated the 55+ age group as one demographic. The Commission's goal was to segment this group to address the different issues faced by older New Zealanders across the segments (Aug 09). The research helped with the development of advertising campaigns aimed at New Zealanders aged 65 plus in November 2009 and June 2010.

A report by Dr Judith Davey, Senior Research Associate, Institute of Policy Studies, Victoria University, commissioned by the Retirement Commission, on the spending patterns of retired people in New Zealand. 'Expenditure in Retirement' will help younger people see what they may need to save to support themselves in retirement (Nov 09).

The Commission, in association with the Ministry of Economic Development (MED), undertook research with Colmar Brunton into 'Financial Investors' Information Needs'. The findings will be used by the Commission and MED to improve consumer understanding of financial products (Dec 09).

The Retirement Commission and Families Commission completed further joint research on the indebtedness of New Zealand families – 'Beyond Reasonable Debt: The extent to which financial behaviour can explain over-indebtedness amongst some New Zealand families' (Dec 09).

A new research project with Colmar Brunton into how financial knowledge impacts financial behaviour is nearing completion and will be released in October 2010. The purpose of the research is to assist the Commission in developing strategies to ensure New Zealanders have adequate knowledge to make informed financial decisions.

The Commission also hosted:

- Launch of Enhancing Wellbeing in an Ageing Society: 65-84 year old New Zealanders in 2007, edited by Charles Waldegrave and Peggy Koopman-Boyden (Aug 09).

<p>Review the need for research into the impacts of financial company collapses on investors' behaviour when considering the terms of reference for the 2010 review of retirement income policies.</p>	<p>Achieved. The role of New Zealand's financial services sector in relation to retirement income provision was included in the terms of reference for the 2010 review. Reports have been completed which will contribute to the 2010 review:</p> <ul style="list-style-type: none"> • The impact of, and issues arising from the global financial crisis • Trust and confidence in the financial services sector and products they should be providing.
<p>Promotion of research and debate about ways of improving trust in, and the efficiency of, the wider financial services sector.</p>	<p>Achieved. Consumer NZ undertook a mystery shopping project on financial advisers. The Retirement Commission, Securities Commission and Ministry for Economic Development participated in an interagency group that assisted in scoping the research. The research was part-funded by the Retirement Commission and MED. The report was published in the November 2009 issue of <i>Consumer</i> magazine.</p> <p>Regular meetings were held with financial institutions in Auckland and Wellington. Options for improving trust in the financial services sector were considered and the findings will form part of the 2010 review report.</p> <p>The Commissioner addressed several conferences and spoke at sector workshops during the year. This included being one of five guest speakers at the launch of Financial Awareness Week, organised by the Institute of Financial Advisers. The discussion topic was 'Overhauling the Financial Advice Industry – What is being done to ensure Kiwis get good financial advice?' (Sept 09).</p>
<p>Measures</p>	
<p>Independent review panels will assess each research project.</p>	<p>Achieved. Advisory and reference groups were established for the 2010 review of retirement income policies.</p> <p>Independent, external expert peer-reviewers were engaged to assist with related reports and research relating to the 2010 review.</p> <p><i>This measure has been revised in the 2010/13 Statement of Intent – see page 21.</i></p>
<p>Occasional online and other surveys of users of the website, retirement.org.nz, will be undertaken.</p>	<p>Achieved. An online user survey was undertaken in April. Although the response was lower than expected, virtually everyone who responded was positive about the site and provided useful ideas.</p>

Indicators	
Quality	
Each research or project evaluation obtains a 'satisfactory or better' assessment from an independent review panel.	While no specific rating was provided, reviewers were satisfied with the research and supported publication. Peer-reviewers prefer not to give specific ratings as they would seldom agree 100% with the research paper or project.
A benchmark will be set for the proportion of website users finding retirement.org.nz 'useful' or 'very useful' in regular online surveys.	Achieved. 80% of a small sample (20) pop-up survey found the site either 'useful' or 'very useful'. <i>70% is the benchmark for future surveys (Statement of Intent 2010/13). We will ensure that the sample used in future years is increased.</i>
Quantity	
Three newsletters from the Retirement Income Research Unit will be produced and distributed to stakeholders to promote the unit and website. These newsletters will also contain items concerning building trust in the financial services sector.	Two newsletters from the Retirement Income Research Unit were sent out in April and June 2010. An email was sent to all stakeholders in September 2009 to ensure the Commission's database of stakeholders was up-to-date. Stakeholders also had the opportunity to subscribe to the Commission's financial literacy newsletter. Several emails with invite details were sent to stakeholders leading up to the Institute of Policy Studies' Intergenerational Income and Retirement Income conference in May and June 2010.
Two seminars will be held with the financial services sector to discuss issues related to building New Zealanders' trust in the sector.	Achieved. Two meetings were held with key financial institutions in Auckland and Wellington in April 2010. Options for improving trust in the financial services sector were discussed and the findings will form part of the 2010 review report. Institutions represented at the meetings included: ANZ, ASB, AXA, BNZ, First NZ Capital, Gareth Morgan Investments, New Zealand Superannuation Fund, Sovereign, SuperLife and Tower.
The quantity of research and monitoring projects will be determined once the terms of reference for the 2010 periodic review are available.	Achieved. See page 18.
Timeliness	
All projects are delivered on time.	Achieved. Review projects running to time. Other projects completed on time.

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. These activities contribute to the following outcomes: New Zealanders are better educated in financial matters and can make more informed financial decisions; New Zealanders have more trust in the financial services sector.

Key deliverables	Actual performance
<p>The Sorted website, booklets and seminars will be regularly refreshed and updated, and added to as required. This will ensure all information remains current and relevant for users.</p>	<p>Achieved. sorted.org.nz content, interactive tools and related resources continued to be enhanced and developed. The Sorted suite of resources now has over 40 interactive tools, nine booklets and six seminar modules.</p> <p>New or refreshed online tools and resources launched in the 2009/10 year included:</p> <ul style="list-style-type: none"> • Insurance calculator – New Zealand’s first online, independent insurance calculator (Aug 09) • Insurance booklet (Aug 09) • Sorted Blog, Twitter account and Facebook page (Aug/Sept 09) • Education resources for teachers of Years 11 to 13 students covering cover credit cards mortgage, budgeting and savings (Sept 09) • My Sorted – a confidential, secure online account where users can save their calculator results (Mar 10) • Set your goals, Budgeting and Managing debt seminar modules (Across year) • Downloadable ‘Talking Points’ for older New Zealanders (Jun 10). <p>All Sorted resources were updated to reflect 1 April 2010 changes to investment tax, NZ Super and student loan content.</p>

<p>The Sorted website and resources will be promoted regularly to New Zealanders to ensure widespread awareness of the information available.</p>	<p>Achieved. The Sorted website and related resources were promoted using broadcast media, online print advertising and PR across the year.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> Sorted Journeys campaign (television, online and PR) featured real life Kiwis using Sorted resources (July/Aug 09) Taking Stock campaign (television, online and PR) updated the Sorted Journeys stories 'three months on' after using Sorted resources (Aug/Sept 09) Investing campaign (online, print and PR) encouraging New Zealanders (with a focus on those aged 55+ with investments or contemplating investing) to investigate before they invest with Sorted's help (Nov/Dec 09) New Year goal setting, budgeting and cashflow campaign (TV, online and PR) (Jan 10) Budget 2010 (PR, online). Communications focused on encouraging Kiwis to review their own budget in light of the 2010 Budget changes (Apr 10) New Zealanders 65+ communications (print, online advertising, PR) focused on providing more information relevant to the life stages of older Kiwis, including information for families supporting older New Zealanders (80+) (June 10) E-newsletters to My Sorted users, employers and community groups (Across the year). <p>All campaigns and communications produced the expected increase in web traffic, booklet ordering and seminar module use. Approximately two million people used Sorted resources from 1 July 2009 to 30 June 2010.</p>
<p>The National Strategy for Financial Literacy will be promoted to key stakeholders to encourage a range of contributions to improving New Zealanders' financial literacy.</p>	<p>Achieved. An e-newsletter was sent to stakeholders in July 2009 following the Financial Literacy 09 Summit. A second newsletter was sent in January 2010 which included the first six-monthly strategy report to the Minister of Finance.</p> <p>A review of the strategy began in January 2010 to ensure it's relevant for today. Four workshops were held in Auckland and Wellington with key stakeholders and feedback has been incorporated into the revised strategy which will be re-launched in November with a five-year action plan.</p> <p>The Commission has also developed a financial literacy strategy and five-year action plan to reach Māori. The strategy was released in November 2010 and a five-year action plan will be released early in 2011.</p>

<p>The workplace financial education programme will continue to be delivered to help New Zealanders make more informed decisions about KiwiSaver and other workplace savings options.</p>	<p>Achieved. Seminars were run during the year through employer and community groups. Over 1500 seminars were downloaded and we estimate they were attended by over 30,000 New Zealanders. 30% of all booklets orders are for seminar attendees (around 2000 packs per month or 15,000 booklets).</p> <p>Sorted KiwiSaver tools continued to be widely used and the Quick KiwiSaver calculator remained throughout the year in the top five Sorted calculators used each month.</p> <p>Recent research showed:</p> <p>28% of sorted.org.nz users access the website from work.</p> <p>25% of sorted.org.nz users seek KiwiSaver information from the website.</p> <p>After considering Sorted KiwiSaver tools and information the most popular actions are:</p> <ul style="list-style-type: none"> • 52% talk to workmates or their boss about KiwiSaver • 50% talk to friends and family about KiwiSaver • 42% join KiwiSaver. <p>(Nielsen, December 2009)</p> <p>The Commission also communicated directly with employers via a mix of targeted articles in industry publications, the distribution of 3000 employer DVDs to Employers and Manufacturers Association (EMA) members and presentations to their members and other key groups (Apr-Jun 2010).</p> <p>The employers' section of sorted.org.nz now includes videos of various employers and their staff highlighting the benefits of financial education.</p>
<p>Measures</p>	
<p>Satisfaction levels of users of Sorted resources will be measured annually (such measures will include usefulness).</p>	<p>Achieved. The latest Sorted user survey showed that:</p> <p>75% of Sorted users are repeat users of the website.</p> <p>93% of users report taking action after visiting Sorted.</p> <p>Actions include:</p> <ul style="list-style-type: none"> • Assessing financial situation (51%) • Making new financial goals (23%) • Work out a financial plan (23%) <p>75% of people visiting the KiwiSaver sections of Sorted report taking some action, with joining KiwiSaver being the most likely action (34%).</p> <p>(Nielsen, May 2010)</p>

The number of employees who report that they had enough information to make a decision about workplace savings will be measured.	Achieved (Exceeded). Research report from Inland Revenue's KiwiSaver Evaluation Team, August 2009 – see below.
Reviews will be carried out, at least once a quarter, to ensure sorted.org.nz contains up-to-date information with functioning links.	Achieved.
Indicators	
Quality	
Reviews to ensure that sorted.org.nz contains up-to-date information with functioning links will be carried out at least quarterly.	Achieved.
The proportion of people rating the Sorted website as useful or very useful increases from 62% to 65%.	Achieved. The latest Sorted user survey shows that 65% of users rank the website as useful or very useful. This rises to 77% for users that return within a few weeks after their initial visit. (Nielsen, May 2010)
At least 50% of New Zealanders who have used Sorted resources report that they have enough information to make an informed decision about KiwiSaver.	Achieved (Exceeded). 91% of the 19% KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver. 82% of the 21% of non-KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver. (Colmar Brunton, August 2010)
Quantity	
Reviews to ensure that sorted.org.nz contains up-to-date information with functioning links will be carried out at least quarterly.	Achieved.
Sorted booklets are reviewed and updated, if necessary, at least once a year.	Achieved.
Sorted seminars are reviewed and updated, if necessary, at least once a year.	Achieved.

<p>The National Strategy for Financial Literacy is promoted through a national summit at least once every two years, starting in June 2009.</p>	<p>Achieved. The first national summit was held in June 2009. The next summit will be held in June 2011.</p>
<p>Timeliness</p>	
<p>All updates to the Sorted website and resources are made on time to coincide with changes taking effect, e.g. changes to NZ Super rates.</p>	<p>Achieved.</p>
<p>Other Indicators</p>	
<p>To reduce the size of the lowest knowledge group from 33% to 25% by 2012.</p>	<p>31% as at April 2009 (ANZ Retirement Commission Financial Knowledge Survey, June 2009). The next survey will be carried out in 2012. The results of the first ANZ-Ngāi Tahu Financial Knowledge Survey of 400 iwi members were released in October 2010. The survey was supported by the Retirement Commission. The results showed that the financial knowledge of iwi members is on par with the general New Zealand population – 40% (43% NZ) high financial knowledge, 31% (26% NZ) medium and 29% (31% NZ) low financial knowledge.</p>
<p>The workplace financial education programme will also be evaluated to assess the impact of KiwiSaver decision making information and tools.</p>	<p>Achieved. 91% of KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver. 82% of non-KiwiSaver members who used Sorted resources said they had enough information to make an informed decision about KiwiSaver. (Colmar Brunton, August 2010)</p>

<p>Sorted Uptake To increase the percentage of New Zealanders who use Sorted resources from 19% to 30% by September 2010 with over half the interaction being through the workplace.</p>	<p>As at December 2009, 28% of New Zealanders have used Sorted resources. 28% of users access sorted.org.nz from the workplace. 83% access sorted.org.nz from home. (Nielsen, December 2009) <i>The September 2010 survey has been postponed until early 2011 to ensure that survey questions align with the Commission's new marketing plan.</i> <i>The 2009 ANZ-Retirement Commission Financial Knowledge Survey showed that 34% of survey respondents had at some time visited the Sorted website or read a Sorted booklet, and 24% had done so in the last year.</i> <i>The 2010 ANZ-Ngāi Tahu Financial Knowledge Survey showed that 43% of survey respondents had at some time visited the Sorted website or read a Sorted booklet, and 27% had done so in the last year.</i></p>
<p>To increase the percentage of Sorted visitors who find the website useful from 62% to 65% by June 2010</p>	<p>Achieved. The latest Sorted user survey showed that 65% of users ranked the website as useful or very useful. This percentage rose to 76% for users who returned within a few weeks after their initial visit. (Nielsen, May 2010)</p>
<p>Sorted Usage Visits to sorted.org.nz 130,000 – 160,000</p>	<p>Achieved: 130,467 rolling monthly average (1 July 2009 to 30 June 2010).</p>
<p>Calculations made via sorted.org.nz 600,000 – 800,000</p>	<p>Achieved: 742,103 rolling monthly average (1 July 2009 to 30 June 2010).</p>

sorted.org.nz

YOUR INDEPENDENT MONEY GUIDE

FROM JULY 2009 TO JUNE 2010

2m Approximately 2 million people used Sorted resources	1.5m Over 1.5 million people visited sorted.org.nz	8.9m Over 8.9 million calculations were made	436,000 Over 436,000 Sorted booklets were distributed	30,000 Approximately 30,000 people attended a Sorted seminar
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TOP FIVE MOST POPULAR CALCULATORS JULY 2009-JUNE 2010

- Budget calculator
- Mortgage repayment calculator
- Quick KiwiSaver calculator
- Quick mortgage calculator
- Regular savings calculator



TOP FIVE MOST POPULAR BOOKLETS JULY 2009-JUNE 2010



- Budgeting
- Investing
- Managing Debt
- Set Your Goals
- Your Money in Retirement

SINCE SORTED.ORG.NZ WAS LAUNCHED IN 2001

7m Over seven million people have visited sorted.org.nz	34m Over 34 million calculations have been made	1.2m Nearly 1.2 million booklets distributed since 2006	210,000 210,000 people have opened their own My Sorted account
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OUTPUT – RETIREMENT VILLAGES

The Retirement Commissioner has advisory, monitoring, education, and appointment of disputes panel functions under the Retirement Villages Act 2003. The education and general information responsibility is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice on our monitoring and Code of Practice functions. These activities contribute to the following outcome: all retirement villages move to meet societal expectations and current quality standards.

Key deliverables	Actual performance
Recommendations to the Minister for Building and Construction on any draft codes of practice.	No recommendations were required as there were no draft codes of practice in the 2009/10 year.
A monitoring and research programme on the effects of the Act, regulations and the Code of Practice when in force.	<p>Achieved. This year's monitoring project was on operators of retirement villages. Interviews with operators and key stakeholders and an online survey of operators were carried out in November 2009. The project on operators was completed in March 2010 and the report is available online at: retirement.org.nz/retirement-villages/monitoring</p> <p>The Commissioner met with the Minister for Building and Construction and the Retirement Villages Association to discuss the project report and spoke at two operator workshops about the report findings.</p> <p>Scoping work began in June 2010 on the Commission's 2010/11 monitoring project which will focus on how retirement village residents understand and view the Act.</p>
Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions.	The Code of Practice came into force on 2 October 2009 but no advice was required during the 2009/10 year.
Approving suitable people for appointment by operators to disputes panels.	No further appointment action was required during the 2009/10 year.
Measures	
Peer review of the work carried out under the monitoring and research programme.	<p>Achieved. A sector Reference Group peer-reviewed the findings of the operator monitoring project report.</p> <p>A peer review process has been included within the design of 2010/11 monitoring project.</p>

<p>A letter will be sent to the Minister at the end of the financial year seeking feedback on the quality and timeliness of any recommendations provided on any draft codes of practice. The Minister will be asked to assess the completeness and clarity of the recommendations.</p>	<p>No feedback was sought as there were no draft codes of practice in the 2009/10 year.</p>
Indicators	
Quality	
<p>Work done under the monitoring and research programme is judged to be satisfactory or better by the peer review process.</p>	<p>Achieved. The monitoring report on operators of retirement villages was peer reviewed by the Reference Group but no ranking was sought. There were no significant issues or concerns expressed by the Group.</p>
<p>The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice.</p>	<p>No feedback was sought as there were no draft codes of practice in the 2009-10 year.</p>
Quantity	
<p>One monitoring report is carried out each year on a group or area within the retirement villages sector.</p>	<p>Achieved. The 2009/10 monitoring project on operators was completed in March 2010 and is available at: retirement.org.nz/retirement-villages/monitoring Scoping work began in June 2010 on the Commission's 2010/11 monitoring project which will focus on retirement village residents' understanding and views of the Act.</p>
<p>Recommendations are provided on any draft code of practice as required.</p>	<p>Not required.</p>
<p>Approving appointments to disputes panels as vacancies arise.</p>	<p>Not required.</p>
Timeliness	
<p>Key dates as specified in the project plans are met and reflect agreed priorities.</p>	<p>Achieved.</p>

	2010 Actual \$	2010 Budget \$
Total revenue	6,086,135	5,726,915
Total expenditure	5,833,680	6,181,404



Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual \$	Revenue	Notes	2010	2010
			Actual \$	Budget \$
5,681,778	Revenue from Crown	1	5,682,000	5,682,000
168,867	Other Government department funding		240,000	–
132,273	Interest income		49,671	44,915
603,016	Other income		114,464	–
6,585,934	Total revenue		6,086,135	5,726,915
	Expenditure			
17,349	Remuneration to Auditors	2	17,036	16,750
834,945	Personnel costs	3	943,940	868,175
47,069	Depreciation	6	43,272	38,036
482,952	Amortisation	7	394,639	388,229
70,423	Property expenses		85,276	69,080
7,489	Leasing		7,788	10,000
282,663	Other operating costs		375,629	419,134
475,244	Advice and research		205,709	200,000
4,760,736	Marketing and education		3,317,138	3,607,000
151,191	Retirement villages	8	141,361	215,000
–	Review of retirement income policy		128,574	150,000
379,954	Curriculum and schools		173,318	200,000
7,510,015	Total expenditure		5,833,680	6,181,404
(924,081)	Net surplus/(deficit) for the year		252,455	(454,489)
(924,081)	Total comprehensive income/(expenditure)		252,455	(454,489)

Explanations of significant variances against budget are detailed in note 20.

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 2010

2009 Actual \$		Notes	2010	2010
			Actual \$	Budget \$
	Current assets			
1,718,696	Cash and cash equivalents	4	1,499,434	615,045
268,393	Debtors and other receivables	5	168,925	105,794
209,041	Prepayments		1,564	1,390
2,196,130	Total current assets		1,669,923	722,229
	Non-current assets			
89,872	Property, plant & equipment	6	67,438	51,094
350,024	Intangible assets	7	337,656	394,652
439,896	Total non-current assets		405,094	445,746
2,636,026	Total assets		2,075,017	1,167,975
	Current liabilities			
1,344,359	Creditors and other payables	9	673,288	472,215
165,000	Income in advance		–	–
53,123	Employee entitlements	10	75,730	48,235
1,562,482	Total current liabilities		749,018	520,450
1,073,544	Net assets		1,325,999	647,525
	Public equity			
200,000	Taxpayer funds		200,000	200,000
873,544	Accumulated surplus		1,125,999	447,525
1,073,544	Total public equity		1,325,999	647,525

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 2010

2009 Actual \$		2010 Actual \$	2010 Budget \$
1,997,625	Public equity at start of the year	1,073,544	1,102,014
(924,081)	Total comprehensive income/(expenditure) for the year	252,455	(454,489)
1,073,544	Public equity at end of the year	1,325,999	647,525

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



Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual \$		Notes	2010	2010
			Actual \$	Budget \$
	Cash flows from operating activities			
	<i>Cash was provided from:</i>			
5,681,778	Receipts from crown revenue		5,682,000	5,682,000
333,867	Other Government department funding		75,000	–
133,016	Interest received		49,007	44,915
689,865	Other income		164,153	–
4,310	Net GST paid		704	17,134
6,842,836			5,970,864	5,744,049
	<i>Cash was applied to:</i>			
(6,513,201)	Payments to suppliers and employees		(5,786,521)	(6,301,125)
329,635	Net cash flows from operating activities	13	184,343	(557,076)
	Cash flows from investing activities			
	<i>Cash was provided from:</i>			
–	Sale of property, plant & equipment		222	–
	<i>Cash was applied to:</i>			
(41,621)	Purchase of property, plant & equipment		(21,556)	–
(250,789)	Purchase of intangible assets		(382,271)	(400,000)
(292,410)	Net cash flows from investing activities		(403,605)	(400,000)
37,225	Net increase in cash held		(219,262)	(957,076)
1,681,471	Plus cash at the start of the year		1,718,696	1,572,121
1,718,696	Cash held at the end of the year		1,499,434	615,045
	<i>Represented by:</i>			
1,718,696	Cash and cash equivalents		1,499,434	615,045
1,718,696	Cash held at the end of the year		1,499,434	615,045

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 2010

REPORTING ENTITY

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

The 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 2010, and were approved by the Retirement Commissioner on 12 November 2010.

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 meets the criteria set out in the Framework for Differential Reporting.

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

Paragraph 17 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 AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD

NZ IAS 1 on presentation of financial statements, which prescribes the basis for general purpose financial statements and minimum requirements for their structure, became effective during the year to 30 June 2010 and this has resulted in minor changes in the presentation of the information, including introducing the statement of comprehensive income for the first time.

STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

Various standards, amendments and interpretations have been issued by the Accounting Standards Review Board but have not been adopted by the Retirement Commission as they are not yet effective and the Retirement Commission has not chosen to early adopt them.

New and amended financial reporting standards that have not been early adopted by the Retirement Commission.

NZ IAS 24: Related Party Disclosures (revised 2009)

NZ IAS 24 was revised in November 2009 and is effective for periods commencing on or after 1 July 2011.

The amendment to the standard affected primarily the definition of a related party. Whilst the change to that definition is significant, application of the amended criteria would not have resulted in the identification of any further parties related to the Retirement Commission. The amended disclosure requirements also include related party "commitments". The existing process of identification of related party transactions within the Retirement Commission has not included a review of commitments however the frequency of such transactions occurring is likely to be low. All the other disclosures required in the amended standard are already being made by the Retirement Commission.

NZ IFRS 9: Financial Instruments – Phase 1: Classification and Measurement

NZ IFRS 9 Phase 1 was issued in November 2009 and is effective for periods commencing on or after January 2013.

The new standard simplifies the classification criteria for financial assets, compared to the current requirements of NZ IAS 39. The new standard results in a reduced number of categories of financial assets and some consequential amendments to disclosure required by NZ IAS 1 "Presentation of Financial Statements" and NZ IFRS 7 "Financial Instruments: Disclosures". The Retirement Commission would not have any transactions to disclose under the new NZ IAS 1 and NZ IFRS 7 disclosure requirements relating to a gain or loss arising on derecognition of financial assets measured at amortised cost.

Other standards, amendments and interpretations to existing standards have been published and are mandatory for periods commencing on or after 1 January 2010. The Retirement Commission has not early adopted them as they are not applicable to the Retirement Commission or the interpretation of the standards as clarified by amendments was the same as already applied by the Retirement Commission.

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 'the link between financial education and financial behaviour', consumer information, and Māori Financial Literacy levels.

Other income has been received from a number of sources but mainly: three financial services sector peak bodies as sponsorship of the Commission's websites www.financialliteracy.org.nz and www.retirement.org.nz, and from overseas research institutions for project work or travel reimbursement, the Industry Training Federation for promotion, marketing and evaluation of personal financial management unit standards and other education resources.

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 comprehensive income.

Cash and cash equivalents

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

Debtors and other receivables

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

Property, plant and equipment

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

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

Office equipment	2 – 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 comprehensive income.

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 comprehensive income 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.

Cash flow statement

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

Definitions of the terms used in the cash flow statement are:

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

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

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

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

CRITICAL JUDGEMENTS IN APPLYING THE RETIREMENT COMMISSION’S ACCOUNTING POLICIES

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

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

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



Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

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 (2009: nil).

	2010 Actual \$	2009 Actual \$
2. REMUNERATION TO AUDITORS		
Audit of the financial statements	17,036	17,349
Total remuneration to Auditors	17,036	17,349

3. PERSONNEL COSTS

	Notes	2010 Actual \$	2009 Actual \$
Salaries and wages		859,469	776,569
Employer contributions to defined contribution plans		61,864	53,488
Increase/(decrease) in employee entitlements	10	22,607	4,888
Total personnel costs		943,940	834,945

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

	Notes		
		2010 Actual \$	2009 Actual \$
4. CASH AND CASH EQUIVALENTS			
Cash on hand		45	45
Cash at bank		49,714	58,654
Call account		1,449,675	1,659,997
Total cash and cash equivalents		1,499,434	1,718,696

	Notes		
		2010 Actual \$	2009 Actual \$
5. DEBTORS AND OTHER RECEIVABLES			
Trade debtors		25,600	81,750
Related party receivable		24,868	–
Accrued interest		777	114
GST receivable		117,680	186,529
Total debtors and other receivables		168,925	268,393

The carrying value of receivables approximates their fair value.

A breakdown of aged trade debtors is detailed below:

Not past due		23,676	81,723
Past due 1 -30 days		1,924	27
Past due 31 – 60 days		–	–
Past due > 61 days		–	–
Total		25,600	81,750

6. PROPERTY, PLANT AND EQUIPMENT	Office equipment \$	Computer equipment \$	Furniture and fittings \$	Leasehold improve- ments \$	Total \$
	Gross carrying amount				
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
Balance at 1 July 2009	39,938	126,727	117,700	70,227	354,592
Additions	5,684	15,872	–	–	21,556
Sales/transfers	(15,958)	(10,143)	(8,490)	–	(34,591)
Balance at 30 June 2010	29,664	132,456	109,210	70,227	341,557
Accumulated depreciation and impairment					
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
Balance at 1 July 2009	35,405	99,245	89,308	40,762	264,720
Depreciation expense	2,572	24,383	5,836	10,481	43,272
Sales/transfers	(15,391)	(10,140)	(8,342)	–	(33,873)
Balance at 30 June 2010	22,586	113,488	86,802	51,243	274,119
Net carrying amounts					
At 1 July 2008	6,175	14,484	34,715	39,946	95,320
At 30 June 2009 & 1 July 2009	4,533	27,482	28,392	29,465	89,872
At 30 June 2010	7,078	18,968	22,408	18,984	67,438

7. INTANGIBLE ASSETS	Software	Website	Total
	\$	\$	\$
Gross carrying amount			
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
Balance at 1 July 2009	44,351	1,319,807	1,364,158
Additions	7,297	374,974	382,271
Sales/transfers	(6,217)	–	(6,217)
Balance at 30 June 2010	45,431	1,694,781	1,740,212
Accumulated amortisation			
Balance at 1 July 2008	23,854	507,328	531,182
Amortisation expense	7,916	475,036	482,952
Sales/transfers	–	–	–
Balance at 30 June 2009	31,770	982,364	1,014,134
Balance at 1 July 2009	31,770	982,364	1,014,134
Amortisation expense	12,039	382,600	394,639
Sales/transfers	(6,217)	–	(6,217)
Balance at 30 June 2010	37,592	1,364,964	1,402,556
Net carrying amount			
At 1 July 2008	911	581,276	582,187
At 30 June 2009 & 1 July 2009	12,581	337,443	350,024
At 30 June 2010	7,839	329,817	337,656

8. RETIREMENT VILLAGES

Only direct costs are disclosed as expenditure for Retirement Villages. The Retirement Commission have calculated that approximately \$55,000 (2009: \$33,000) worth of overheads can also be attributed to Retirement Villages during the year. The total amount of expenditure on Retirement Villages is therefore approximately \$196,000 (2009: \$184,000).

	2010 Actual \$	2009 Actual \$
9. CREDITORS AND OTHER PAYABLES		
Trade creditors	646,051	1,315,508
Accruals	27,237	28,851
Total Creditors and other payables	673,288	1,344,359

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.

	2010 Actual \$	2009 Actual \$
10. EMPLOYEE ENTITLEMENTS		
Accrued salaries and wages	10,893	6,000
Annual leave	64,837	47,123
Total employee entitlements	75,730	53,123

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:

	2010 Actual \$	2009 Actual \$
<i>Loans and receivables</i>		
Cash and cash equivalents	1,499,434	1,718,696
Debtors and other receivables	168,925	268,393
Total loans and receivables	1,668,359	1,987,089
<i>Financial liabilities</i>		
Creditors and other payables	673,288	1,344,359
Total financial liabilities	673,288	1,344,359

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 2010.

	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	29,389	–	29,389
- Cash at bank – cash management	0.25	20,325	–	20,325
- Call account	2.75	1,449,675	–	1,449,675
- Cash on hand	–	–	45	45
Debtors and other receivables	–	–	168,925	168,925
Total financial assets:		1,499,389	168,970	1,668,359
Financial liabilities				
Creditors and other payables	–	–	673,288	673,288
Total financial liabilities:		–	673,288	673,288

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 \$
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	2.5	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

The Retirement Commission is party to letters of credit with Westpac Bank of \$39,000 (2009: \$39,000)

Sensitivity analysis

As at 30 June 2010, 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 \$80,000 higher / \$50,000 lower (2009: \$100,000 higher/\$105,000 lower). The sensitivity is less in 2010 than in 2009 due to lower interest rates.

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:

	2010 Actual \$	2009 Actual \$
Cash and cash equivalents	1,499,434	1,718,696

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 (2009: 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:

	2010 Actual \$	2009 Actual \$
<i>Net surplus/(deficit) for the year</i>	252,455	(924,081)
Non cash items:		
Depreciation	43,272	47,069
Amortisation	394,639	482,952
Net loss on Disposal of Assets	496	–
	690,862	(394,060)
<i>Movements in net assets and liabilities</i>		
(Increase)/decrease in accrued interest	(664)	743
(Increase)/decrease in prepayments	207,477	(207,651)
(Increase)/decrease in trade debtors	56,150	183,618
(Increase)/decrease in related party receivable	(24,868)	–
(Increase)/decrease in GST refund due	68,849	(100,641)
Increase/(decrease) in trade creditors	(671,070)	754,105
Increase/(decrease) in unearned income	(165,000)	88,633
Increase/(decrease) in employee entitlements	22,607	4,888
	(506,519)	723,695
Net cash inflow from operating activities	184,343	329,635

14. EMPLOYEE REMUNERATION

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

	2010	2009
\$130,000 – \$139,999	1	1
\$140,000 – \$149,999	0	1
\$150,000 – \$159,999	1	0
\$160,000 – \$169,999	0	0
\$170,000 – \$179,999	1	1

A member of key management personnel included in the above analysis was overpaid in error during the year. That employee has been included in the salary band that excludes the amount of the overpayment. See note 15.

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 \$5,682,000 of funding from the Crown (2009: \$5,681,778).

Due to a payroll error an amount of \$15,418 (net of PAYE) was overpaid to a member of key management personnel during the year. The error was discovered after year end, and the amount was therefore owing from the member of the key management personnel at 30 June 2010 (2009: nil). A process is in place to repay the amount as soon as possible.

There were no other related party transactions in for the year ended 30 June 2010 (2009: Nil).

16. COMMITMENTS

(i) Capital commitments

There are no capital commitments at reporting date (2009: \$Nil).

(ii) Operating lease commitments

Commitments existed for non-cancellable operating leases as follows:

	2010 Actual \$	2009 Actual \$
Less than one year	81,548	76,868
Between one and two years	50,815	76,868
Between two and five years	5,192	53,277
Later than five years	–	–
Total operating lease commitments	137,555	207,013

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 \$73,760 per annum (GST exclusive), and the final rental review was undertaken in February 2010.

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 (2009: \$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 2010 (2009: Nil).

19. LEGISLATIVE COMPLIANCE

The Commission has breached the Crown Entities Act 2004 in that the audited financial statements were not available within four months after the end of the financial year required under section 156 (2b). The financial statements were delayed due the late identification of an error that required adjustment. See note 15.

20. MAJOR BUDGET VARIANCES

Explanation for significant variations from the Retirement Commissions budgeted figures in the statement of intent are as follows:

Expenditure

Other operating costs

The other operating costs category consists of approximately twenty variable cost codes. Given their variable nature, some were over spent and some under spent. The total result was a 10% under spend for the year.

The significant other operating costs variances were:

- Overseas travel was considerably more than planned as the Commissioner was required to travel to the OECD and to other organisations regularly during the year. However, most of these costs were reimbursed by the organisations visited.
- Accounting fees were less than expected as we streamlined our systems and transferred payroll to a less expensive supplier.
- Legal fees were greater than expected owing to more advice being sought on financial services regulation for submissions, and more regular checking of contracts.

Marketing and education

Marketing and education was under spent by \$290,000 during the year. It was planned that this expenditure would be carried forward to the next financial year as the Retirement Commission was forewarned that the period from July to September 2010 would contain a number of potentially negative economic announcements (low growth and higher unemployment).

Such announcements provide triggers for people to think about their own financial situation. At these times it is beneficial for the Retirement Commission to advertise its Sorted resources as people are more likely to use Sorted when there is negative economic publicity in the media. For this reason, a television campaign which was planned for May to June 2010 was delayed until this period.

Retirement Villages

Retirement villages' expenditure was under spent by \$74,000 during the year. The majority of this is explained by the overhead allocation detailed in note 8.

Assets

Intangible assets

Intangible assets being \$57,000 lower than budget at 30 June 2010 is a combination of:

- Additions of intangible assets for the year being \$20,000 less than budgeted
- Amortisation expense being \$6,000 over budget
- The opening estimate of Intangible assets in the Statement of Intent at 30 June 2009 being \$30,000 higher than the actual balance of intangible assets in the 30 June 2009 accounts.

Liabilities

Creditors and other payables

Creditors and other payables is \$201,000 higher than budget due to the total actual expenditure for the month of June 2010 less non cash and expenses paid during the month (Salaries, Rent, Depreciation and Amortisation) being higher than budgeted in the Statement of Intent. This resulted in larger than budgeted trade creditors' balance at 30 June 2010.



Audit Report

TO THE READERS OF THE RETIREMENT COMMISSION'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

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 on her behalf. 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 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Commission on pages 32 to 52:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Commission's financial position as at 30 June 2010; 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 15 to 31 (excl page 28):
 - 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 12 November 2010, 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 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 2010 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 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 New Zealand Institute of Chartered Accountants.

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

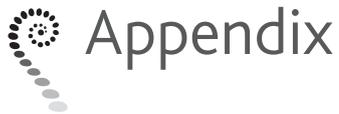


Ajay Sharma

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 2009/10 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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