

OFFICE OF THE
**RETIREMENT
COMMISSIONER**
KIA TITIKAHA I TE AHUNGARUA



OFFICE OF THE RETIREMENT COMMISSIONER

annual report 2001

Presented to the House of Representatives pursuant to section 14 (1) of the Retirement Income Act 1993 and section 41 (1) of the Public Finance Act 1989


31 August 2001

Hon Steve Maharey
Minister of Social Services and Employment
Executive Wing
Parliament Buildings
WELLINGTON

Dear Minister

Pursuant to section 14 (1) of the Retirement Income Act 1993 and section 41 (1) of the Public Finance Act 1989, I hereby present the seventh annual report of the Retirement Commissioner.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Colin Blair".

Colin Blair
Retirement Commissioner

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Mission Statement

Through education, information and
promotion, assist current and
future generations of New Zealanders
to have an adequate amount of
income in retirement.

Functions

The Commissioner's statutory functions are specified in the Retirement Income Act 1993:

- (a) To develop and promote methods of improving the effectiveness of the retirement income policies from time to time implemented by the Government in New Zealand, which function shall include promoting education about retirement income issues and publishing information about such issues.
- (b) To monitor the effects of retirement income policies that are being implemented in New Zealand.
- (c) To advise the Minister of the tasks that need to be undertaken, and the information that needs to be collected, to enable the preparation of each periodic report under section 22 of this Act and to monitor the undertaking of those tasks.
- (d) To advise on retirement income issues, when requested to do so by the Minister.
- (e) To monitor the effectiveness of persons (whether referred to as ombudsman or by any other term) who have been appointed (other than under statutory authority) to consider complaints and disputes about savings and investments; and to consider any issues addressed to the Retirement Commissioner by any such person and, if appropriate, to make recommendations to any person.
- (f) To collect and publish information for the purpose of enabling the fulfilment of any of the functions referred to in this section.
- (g) To perform such other functions as are conferred on the Retirement Commissioner by this Act or any other enactment.

Commissioner's Overview

PUBLIC EDUCATION

The year has concluded with the Office looking forward with confidence to the launch of a new focus and a new public education programme. Funding issues have dominated the past year but as mentioned in our 2000 report this was always going to be a year of change, a year when the Office needed to review the objectives and focus of its public education programme.

The Change of Focus

The main objective in our public education programmes to date has been to increase awareness of the desirability of making private provision for retirement. Our aim has been to assist individuals in establishing their own goals and plans for achieving them. All of our research and informal feedback indicate that the programmes have been successful. However there is a limit to the number of ways in which the messages and information can be given. Early in the year we detected diminishing returns in terms of public reaction. It was not that the information was not required, but that we had reached a high percentage of the original target audience. We needed to reach a wider audience with additional information to that already provided.

We were very aware from our research that a significant percentage of the population was alert to the desirability of saving for their retirement years. But many adults were not confident or comfortable about making a range of decisions relating to the management of their own financial affairs. Many people were seeking independent information and assistance relating to: the use and management of debt; when and how much to save; how to identify the appropriate savings vehicles and products; adjusting current expenditure to facilitate long-term financial goals; and similar issues.

These questions had to some extent been addressed in our existing programmes but we have identified a need to go further. Research has shown that the financial position of many in retirement is substantially influenced by financial and lifestyle

decisions made in their younger years; decisions which in many cases are unrelated to retirement planning, for example the compounding interest impact of a decision to borrow a significant amount to fund consumption or discretionary expenditure when young.

The Securities Commission has also been highlighting the significant number of cases where people are being enticed by the promise of high returns into dubious and sham arrangements. There has also been emphasis from the Tax Review 2000 and others on the need to lift the quality, as well as the quantity, of New Zealanders' saving and investment decisions.

We have therefore decided to shift the emphasis of our public education programmes away from private provision for retirement, per se, to improved personal financial management throughout life. The long-term outcome should be more people reaching retirement satisfied with their financial position.

The programme, when fully developed, will include information suitable for those at school and at tertiary level, those entering the workforce, and those well established in the paid workforce or in other activities. We are also considering developing information to help those in retirement make well reasoned decisions about the ways in which they can make best use of their financial and other assets.

Government has given support to the proposed shift of emphasis.

Funding

For the five years from 1996 to 2000 our Government funding was supplemented by contributions from a number of the major financial institutions. The last of those private-sector funding arrangements terminated on 30 June 2000. In addition, Government funding of our public education programme was committed only until 30 June 2001.

Our objective was to develop new education programmes during the 2000/2001 year. We could not, however, commit expenditure to development costs until we were satisfied that the ongoing funding needed to deliver those programmes was assured. Government was of the view that the savings industry should continue to make a substantial contribution towards the costs of our public education programme. For reasons mentioned later in this report the major financial institutions did not agree.

Following a review of the Office by officials from Treasury and the Ministry of Social Policy, and a number of discussions with the relevant Ministers, the Office was tentatively advised in March 2001 that funding of \$1.5 million plus GST would

be available on an annual basis. Confirmation of that funding was contained in the Budget presented to Parliament on 24 May 2001.

We made the decision to use a substantial part of our 2000/2001 funding for the development and launch of our new programme and to use most of the 2001/2002 funding for the promotion and delivery of the programme. However, in recognition of the lower level of funding, we have focused our delivery efforts on the internet, which will be less expensive to maintain in the long term.

In the last two months of the year all personnel have been very heavily committed to the development of our new web site and other aspects of the proposed new programme. Prior to that we did what we could, with limited expenditure, to keep our information in front of the public. Staff were involved in maintaining ongoing programmes in the workplace and schools, in areas of research and in concept development of new programmes.

The result is that we are reasonably placed financially to complete the development and delivery of new initiatives in 2001/2002. Beyond that we will be very limited in terms of what more we can achieve with the existing level of funding. That is a challenge for the future.

ACTIVITIES IN 2000/2001

Financial Education in Schools

The Office's change of focus provides new opportunities to communicate the benefits of financial skills education to younger New Zealanders. This represents a good long-term investment.

Current activity in schools will now be supported with a wider programme of raising awareness and knowledge of the value of personal financial skills education amongst parents and teachers. This will be a feature of our youth strategy in 2001/2002, a large component of which will be web based. Online activity will be targeted at teachers, parents and children, to support and encourage financial skills education in schools and in homes throughout the country.

This year the Office has continued to co-sponsor, with Tower and the Reserve Bank, the *Pathways to Financial Literacy* programme, and to work closely with the Enterprise New Zealand Trust, which supports the programme in schools. There

are 108 secondary schools and three polytechnics participating in the programme. Approximately 6,000 students participated during the year.

Consistent effort is made by the Enterprise New Zealand Trust to increase uptake of the programme in schools. This has been done through direct support of teachers, and recently formalising the assessment process for the programme, to make it more attractive to teachers and students alike. These efforts will continue with the Office's support in the coming year.

The Office ran a competition for secondary school students. The competition, which was initiated by the Super 2000 Task Force and sponsored by Armstrong Jones (NZ) Ltd, required students to work in inter-disciplinary teams involving geography, statistics and economics. Their task was to develop a proposal for retirement income policy in New Zealand. Students had to interact with others in their schools and their local communities to research and analyse information for their proposal. The primary objective of the competition was to increase understanding of some of the key issues surrounding retirement policy. The competition generated a great deal of interest nationwide and proved a very challenging task. The overall winner was James Hargest High School, Invercargill. Other section winners included Macleans College (Auckland), Wesley College (Pukekohe), Gisborne Girls' High School, and Wellington College.

Retire at Work Programme

A key component of our public education programme is providing financial planning education to New Zealanders at work. The workplace provides an excellent environment for reaching people where they earn their income. Employers have an important role to play in helping us reach them.

Retire at Work was launched in April 2000. It is designed to provide employers with independent and impartial information about how they can help their staff make financial preparation for retirement.

As well, we encourage employers to run a simple video-based seminar that introduces employees to the various approaches to financial preparation for retirement that they can consider.

Since the programme was launched around 5,500 employees have benefited from the *Retire at Work* seminar.

Over the past year we have made considerable effort to better understand the needs of employers and the barriers they face in supporting staff with financial planning for retirement. With the often-competing business demands employers face, implementing workplace saving initiatives is inevitably not top of the list of priorities. Our aim has been to develop simple and effective solutions for employers so that offering employees the benefit of impartial financial planning information and education becomes a relatively easy process. The work we have done in the past year shows that where employers do adopt *Retire at Work*, staff appreciate the programme.

However, the resources required to deliver a comprehensive workplace education programme and to achieve widespread uptake by employers are simply beyond our budget.

Feedback collated from employers and employees involved in the pilot campaign outlined a desire for a greater level of in-depth retirement planning information on issues outside the Retirement Commissioner's public education objectives: social, health, and leisure.

Based on the feedback and results of a pilot campaign, we plan to do what we can to meet the needs of both employers and employees through the use of our web site. This will involve:

- Providing a greater level of information on money management concepts, tools and resources via the web site.
- Encouraging employers to provide access to the web-based information and education for all staff.
- Informing employers and employees on the options for saving via the workplace.
- Providing employers with a shortlist of independent money management and/or retirement planning seminar providers.

GENERAL PUBLIC EDUCATION AND INFORMATION

How Much? Campaign

Our general public education activities over the year were designed to keep the financial planning issue in front of the public sufficiently to maintain awareness and action levels while we began developing programmes to support our new focus.

In September and October, the *How Much?* television commercials were rerun. This campaign, which first aired in January 2000, was designed to encourage people to assess how much they should aim to save for retirement and when and how they should make those savings.

The *How Much?* advertisements specifically encouraged people to use the web-based calculators at **www.retirement.org.nz** to work out their savings target.

As has become the pattern, advertising serves to significantly increase traffic to our web site, and this campaign was no exception. Between 4000 and 4200 visitors accessed the site each month during and following the advertising.

Market research confirmed our own view that people are increasingly preferring to tackle financial planning issues in the web site environment because it makes the process easy, and allows people to work at their own pace in privacy.

It also confirmed for us that an expanded web-based approach would allow us to satisfy people's increasing desire for personalised financial planning tools and information that allow for variations in personal circumstances and life-stages. In achieving a more personalised approach, using simple-to-use tools, we believe there is significant potential to engage a wider audience in the financial planning process than has previously been the case with our current web site.

For those without internet access, we continued to make available the booklet *Your Retirement Action Planner* and a series of pamphlets on specific topics.

Calculators on CD Rom

Over the past two years, the retirement calculators have become the "flagship" financial planning tool of our public education programme; allowing users to quickly and easily work out how much money they want in retirement, how much they need to save to achieve that income, and a plan for reaching their savings target.

With the financial support of Royal & SunAlliance, we converted the calculators into a stand-alone CD Rom version, which doesn't require internet access to run the calculators. We thank Royal & SunAlliance for this support.

RESEARCH

Survey of Net Worth and Saving

The major research project undertaken during the year was the continuation of the development of the *Survey of Net Worth and Saving*. The Office has commissioned Statistics New Zealand to undertake this survey costing \$2.3 million over three years.

The *Survey of Net Worth and Saving* is part of an ongoing strategy to improve the information available to aid decision-makers in the area of retirement income provision.

The survey will collect information on the level, composition, distribution and accumulation of household net worth.

For the first time, disaggregated data will be available on household net worth. Approximately 4,500 households (over 6,500 people) will be surveyed.

In the 2000/2001 financial year, the questionnaire was designed (electronic questionnaires i.e. laptop computers are being used to collect these data); two field tests were conducted; over 100 interviewers were trained; and ministerial approval was gained to undertake the survey.

Results will start to become available from mid-2002. A major user of the survey findings will be the group established to prepare the 2003 periodic report on retirement income policies.

2003 Periodic Report

The Retirement Income Act 1993 requires that a report on New Zealand's retirement income policies be prepared every six years. The next report is due at the end of 2003.

The Office is charged with advising the Minister of the tasks that need to be undertaken and the information that needs to be collected to enable the preparation of this report.

We are working with officials from the Ministry of Social Policy and Treasury on this project. As well as statistics on private saving and net worth, it is hoped to collect information on the private savings environment, and the determinants and adequacy of private savings.

With the recent release of the *Survey of the Standard of Living of Retired People*, the release next year of the *Survey of Net Worth and Saving*, as well as other research into savings issues that has been undertaken (particularly by Treasury), the 2003 periodic report group will have significantly more information than the previous (1997) group.

Other Research

We released *Age Dependency: A Review of the International Literature*. This report surveys international literature that might shed light on ways to measure the impact on society of an ageing population. (Available on our web site www.retirement.org.nz.)

Retirement Income in New Zealand: the Historical Context was updated and re-released in January. This booklet provides a history of New Zealand's retirement income policies. There is a steady demand for copies of this publication, which is also available on our web site.

We continued to evaluate the effectiveness of our public education programmes, monitor overseas research, and host discussion groups amongst academics, policy analysts, and the financial sector on retirement and saving issues. Finally, the Office organised the symposium *Retirement and Saving: New Perspectives* held in July 2001, attended by over 130 representatives of the financial services, academic, news media and research sectors.

EXTERNAL RELATIONSHIPS

The Office appreciated the financial support of its public education programmes provided by several of the major financial institutions over the years 1996 to 2000. That support enabled us to significantly raise public awareness of the importance of private provision for retirement. Those private sector funders are still supporters of public education. However, they have expressed the view that unless the total savings industry is voluntarily contributing to a public education

programme, then individual companies must, to protect their own interests, put their funds into the promotion of their own savings products. We respect that decision.

Several companies in the industry do provide good educational material and in various ways contribute to the public understanding of savings and investment issues. Challenges for the industry currently include promoting long-term savings while at the same time ensuring that public expectations with regard to likely levels of return are realistic. Coupled with this is the need to maximise efficiency and ensure that fees payable by average savers do not materially erode the net returns available to the individual.

As the saving public becomes better informed they will be more demanding in terms of value for money and service from investment advisers and fund managers.

The benefits of access to group saving schemes, such as workplace superannuation schemes, and to retirement planning education in the workplace are recognised by the Office. We have been concerned about the reduced level of access to such schemes.

We were therefore pleased to join with the Council of Trade Unions, the Employers' Federation (now Business New Zealand), the Investment Savings and Insurance Association and the Association of Superannuation Funds of New Zealand to examine ways of stimulating more workplace activity. This informal grouping has met with interested Ministers and spokespersons for most parties represented in Parliament. We have advocated exempting employer superannuation schemes from the onerous requirement of producing a prospectus and are hopeful of a favourable outcome. The group has also discussed taxation issues relating to savings products and will continue to meet as required to discuss matters of common interest.

The Office made submissions to Tax Review 2001 and has a regular dialogue with officials from Treasury, Inland Revenue and the Ministry of Social Policy about retirement income and savings issues.

POLICY ENVIRONMENT

Any sound debate on pension reform should not be represented or seen as an attack on pensioners. Open discussion and better information are essential in ensuring that agreed objectives relating to retirement income policy are met in ways that are both fiscally and politically sustainable.

Both major political parties and some of the minor parties have made it clear that they will not change New Zealand Superannuation in a way that would adversely impact on those currently in or near retirement. That is an important step towards creating an environment where retirement income issues can be discussed without political considerations and self-interest dictating the outcome.

The present coalition Government has gone further and indicated that its policy for the foreseeable future is to retain the existing “65 at 65” approach. That is, a pension for a couple equal to a minimum of 65% of average after-tax ordinary time wage payable from age 65. The equivalent percentage for a single person is around 40%. Government has said that the partial pre-funding scheme is intended to help the ability of future governments to retain the “65 at 65” policy without the need for sudden and significant future tax increases.

It is clear however that with the strength of some of the political opposition to the partial funding arrangement, the debate on long-term retirement income policy is far from over.

The quality of that debate is in our view extremely important. It will be unfortunate if it becomes a struggle between parties to win the votes of those for whom retirement income is of immediate or short-term concern. The welfare of that group is obviously important. But the most important objective must be that as a nation we produce sufficient goods and services to meet the reasonable needs of all generations. Our retirement income policies must be in tune with that overriding objective of increased national productivity.

An election-based debate on pension policy will be one which most members of the public will find very difficult to adjudicate. Not because they lack the intelligence, but simply because it is one of those complex issues where there is no single right or wrong answer. In a recent paper prepared for the International Monetary Fund, Professor Nicholas Barr from the London School of Economics, having emphasised what he terms the “centrality of output to the macroeconomic viability of pensions”, identified eight questions to be considered in the design of

pension policy. He made the point that simple yes/no answers to just the eight questions could yield up to 256 possible combinations, “the answers to which will depend on economic variables and on a country’s culture and history”. The eight questions by no means exhausted the list. For example, the role of tax incentives was not included.

Professor Barr argues that rational policy design starts by agreeing objectives. He says that the objectives of pension systems are threefold: poverty relief, consumption smoothing, and insurance (for example, against longevity risk). His eight questions relate to issues such as the size and level of redistribution in the first tier to cover poverty relief; whether there should be a second tier to provide consumption smoothing between pre- and post-retirement years and, if so, whether that tier should be integrated with the first, be funded or pay-as-you-go (PAYG), be defined benefit or defined contribution, and be managed publicly or privately; whether people should be able to opt out of a State second tier into a private scheme; and finally to what extent the State should assist with indexing pensions.

Professor Barr advocates that only when the policy issues are defined and agreed should the debate turn to the detail of the instruments for achieving the policy objectives.

We would be very surprised if New Zealanders were able to say what the policy objectives of the various political parties are relating to our State pension and retirement income policies. It is certainly not clear whether party differences over issues such as partial pre-funding and design features of New Zealand Superannuation arise because of different policy objectives or simply represent different approaches to achieving similar objectives.

We would urge any political parties which wish to seek public support for their policies to start by clearly articulating their policy objectives. We may be surprised at how much commonality there is between parties. On the other hand, if significant philosophical differences arise then the public will be better placed to understand the reasoning behind differences in approach.

We mention the above because one of our main functions is to assist New Zealanders, through education and information, to make decisions which assist them in meeting their retirement objectives. People cannot properly determine the action they should take without having a clear understanding of the role of the State in this area.

After a quarter century of ad hoc change, most New Zealanders are looking to our political leaders to clearly enunciate a pension policy which is based on consideration of questions such as those raised by Professor Barr and which takes account of our economic position as well as our culture and history.


Whatever happens at political level, the Office will continue to promote the benefits of private saving. We will do what we can to ensure that New Zealanders have access to good information and education relating to the effective management of their personal financial resources. That is the modest but important contribution we can make to the economic growth of New Zealand and to the financial security of New Zealanders.

Statement of Responsibility

We acknowledge responsibility for the preparation of these financial statements and for the judgements used herein.

We acknowledge responsibility for establishing and maintaining a system of internal control designed to provide a reasonable assurance as to the integrity and reliability of the Commissioner's financial reporting.

In our opinion these financial statements fairly reflect the financial position and operations of the Office of the Retirement Commissioner for the period ended 30 June 2001.



G C Blair
Retirement Commissioner



D Feslier
Executive Director

31 August 2001

Statement of Service Performance

For the year ended 30 June 2001

FUNDING

Funding from the Crown for the 2000/2001 year has been set at \$4,251,556 (GST exclusive).

As well as this, some private sector organisations in the financial services industry may provide additional funding in relation to education and information.

Crown Revenue	Expenditure
\$4,251,556 (excluding GST)	\$2,326,525 (excluding GST)

This amount is allocated as follows:

Public Education and Information Programme	\$2,500,000
Advice, research, monitoring, office costs	\$755,555
Survey of Net Worth and Saving	\$900,000
Schools' Competition	\$96,000

ADVICE AND REPORTING

Description

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

Quantity

Measure	Target	Actual
Number of regular reports* or briefings to the Minister:	5	5
Other reports or briefings will be provided as required.	3 - 5	7

* annual and quarterly reports

Quality

Measure	Target	Actual
The Minister will be asked annually to provide an assessment of the quality, timeliness and appropriateness of advice provided by the Commissioner.	Satisfactory or better.	The Minister's assessment was that overall the Office has provided very high quality advice and support.

Timeliness

Measure	Target	Actual
Key dates will be met and will reflect agreed priorities.	As specified in each project plan.	Most key dates were met.

RESEARCH AND MONITORING

Description

The research and monitoring part of the output class includes consulting widely on the tasks that need to be undertaken to enable the preparation of each six-yearly periodic report, and to monitor the undertaking of those tasks. This will include monitoring the effects of retirement income policies that are being implemented in New Zealand; establishing benchmarks; and monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning. It also includes monitoring the effectiveness of private sector financial ombudsmen.

Quantity

Measure	Target	Actual
Number of research/monitoring projects.	7	7 3,166 research reports were distributed.

Research and monitoring activities have included:

Survey of Net Worth and Saving

- This is a major project spanning three financial years. The aim of the project is to improve understanding of the levels of savings and net worth of New Zealanders, at an aggregate and household level, and will involve commissioning and managing the Survey of Net Worth and Saving. The results will be used by policy makers and future periodic reporting groups. In the 2000/2001 year major activities included questionnaire development and testing, field testing, and output design.

International Trends

- The Office monitored activities of other countries in the retirement income area.

Evaluation of Communications Programme

- We monitored the effect the Education and Information Programme is having on the awareness, knowledge, attitudes and behaviours of New Zealanders to retirement provision.

Monitoring Others' Research

- The Office maintained networks to ensure we know of and can use research material on retirement income that others undertake, including academics, industry, government agencies, and overseas organisations.

Quality

Measure	Target	Actual
Quality over each project is assured by obtaining independent review as considered appropriate for each project. These reviews will be sought both prior to the implementation of the project and upon completion to ensure a satisfactory level of quality is maintained. Terms of reference for assessing quality will include appropriateness, timeliness and management.	As specified in each project plan.	Quality checks included: project teams to advise on major projects; considerable testing with respondents before finalising projects; and peer review before being finalised.

Timeliness

Measure	Target	Actual
Key dates will be met and will reflect agreed priorities.	As specified in each project plan.	Key dates were met.

EDUCATION AND INFORMATION

Description

Finally, the education and information part of the output class includes developing education and information programmes that: improve the public's understanding of retirement income policy; improve the public's knowledge of how to go about planning for retirement; and encourage the public to make voluntary savings for their retirement. These programmes will be developed and implemented in partnership with the various stakeholders, including employers and the savings industry. This part of the output class will also include identifying initiatives that will assist the Office in communicating with Maori within the target audience.

Quantity

Target	Actual
Education and Information Programme developed, implemented and maintained, consisting of the components below.	1
<ul style="list-style-type: none"> • Workplace programme: aimed at encouraging employers to establish a suitable programme for employees in the workplace, and at encouraging employees to consider participating in the programme. 	The <i>Retire at Work</i> programme was maintained throughout the year. Enhancements were tested.
<ul style="list-style-type: none"> • Television component: this will maintain public awareness of the importance of making financial preparation for retirement, encourage those who can to take action, and provide access to material to assist the public. 	The <i>How much?</i> campaign was broadcast in September and October 2000.
<ul style="list-style-type: none"> • Schools programme: provides participating schools with resources aimed at improving the financial literacy of senior secondary school students. 	The <i>Pathways to Financial Literacy</i> programme is being run in over 100 secondary schools.
<ul style="list-style-type: none"> • Booklet: the <i>Your Retirement Action Planner</i> booklet will be maintained and updated, and distributed through an 0800 number and supporting companies. The booklet provides information to assist readers in understanding retirement income issues, and to work out their own retirement plan. 	21,198 copies of <i>Your Retirement Action Planner</i> were distributed during the year. In total, 294,180 planners have been distributed since launch.
<ul style="list-style-type: none"> • Pamphlets: pamphlets on a variety of topics will be maintained and updated, and distributed through appropriate channels. Other pamphlets will be developed as required. 	Five pamphlets on various topics related to financial planning were available during the year. 86,295 were distributed.
<ul style="list-style-type: none"> • Interview programme: interviews with media will be sought as appropriate, in order to explain the Office's activities or encourage private provision for retirement. 	Regular interviews were held with the media.

Quantity *continued*

Target	Actual
<ul style="list-style-type: none"> • Article programme: articles will be written and provided to various media, in order to explain the Office's activities or encourage private provision for retirement. 	Regular articles were provided to the media.
<ul style="list-style-type: none"> • Speeches programme: speeches will be made to a variety of audiences in order to explain the Office's activities or encourage private provision for retirement. 	An ongoing programme of speeches was maintained.
<ul style="list-style-type: none"> • Web site: the web site will be maintained and developed, in order to provide users with information on retirement income issues and tools which assist users in working out their own plan for retirement. 	The web site was regularly updated. There were 421,093 page requests during the year. A CD Rom version of the calculators on the web site was produced.
<ul style="list-style-type: none"> • Schools' Competition: this competition is aimed at improving young people's understanding of retirement income issues. 	Over 100 teams registered interest in this competition.

Quality

Target	Actual
Quality of the Education and Information Programme is assured by obtaining independent review as considered appropriate for each project. These reviews will be sought both prior to the implementation of the project and upon completion to ensure a satisfactory standard of quality is maintained. Terms of reference for assessing quality will include appropriateness, timeliness and management. For the Schools' Competition, judging of the competition will meet the standards as agreed with NZQA.	<p>Quality checks included:</p> <ul style="list-style-type: none"> • Expert review undertaken by consumers, employers and others. • Research was undertaken which measured consumers' views on the education programme. • Monitoring of uptake of various programmes was undertaken. • Judging of the Schools' Competition met the standards agreed with NZQA. • Results indicated that the education programme has been well received and has had a positive effect.

Timeliness

Measure	Target	Actual
Key dates will be met and will reflect agreed priorities.	As specified in each project plan.	Key dates were met.

Statement of Accounting Policies

For the year ended 30 June 2000

REPORTING ENTITY

The Retirement Commissioner was appointed in September 1994 under the Retirement Income Act 1993. The Office of the Retirement Commissioner is a Crown entity under the Public Finance Act 1989. These financial statements have been prepared in accordance with the requirements of the Retirement Income Act 1993 and the Public Finance Act 1989.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the entity.

ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement and reporting of earnings and financial position on a historical cost basis are followed:

Budget Figures

The budget figures are those approved by the Commissioner at the beginning of the financial year.

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

Revenue

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

Good and Services Taxation

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which are stated inclusive of GST. The GST refund due at balance date is included in current assets.

Fixed Assets

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

Depreciation

Depreciation is provided on a straight line basis on all fixed assets, at rates calculated to allocate the assets' cost less estimated residual value, if any, over their estimated useful lives.

The depreciation rates were:

Office equipment	7.8% – 48%
Furniture and fittings	6.5% – 18.6%
Computer equipment	15.5% – 36%

Commitments

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

Leases

The Office leases office premises, car parks and office equipment. As all the risks and ownership are retained by the lessor these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Financial instruments

The Office is party to financial arrangements in the form of bank accounts, accounts receivable and accounts payable as part of its everyday operations. These are reflected in the Statement of Financial Position at historical cost. Revenue and expenses in relation to the financial instruments are recognised in the Statement of Financial Performance in arriving at the operating result.

Investments

Investments are valued at cost.

Taxation

The Office of the Retirement Commissioner is exempt from income tax under section 9 of the Second Schedule of the Retirement Income Act 1993.

Provision for Employment Entitlements

Annual leave is recorded on an entitlement basis at current rates of pay.

Accounts Receivable

Accounts receivable are stated at net realisable value.

Changes in Accounting Policies

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

Statement of Financial Performance

For the year ended 30 June 2001

2000 Actual \$	Note	2001 Actual \$	2001 Budget \$
Revenue			
4,006,222		4,251,556	4,251,595
400,000		-	-
80,794		129,948	98,063
13,275		13,016	-
4,500,291		4,394,520	4,349,658
Expenditure			
340,356		662,007	888,307
7,100		6,944	6,900
40,130		41,243	43,034
774		-	-
3,243,962	1	833,037	2,789,251
51,341		48,956	42,996
490,684		488,888	502,873
196,569		245,450	202,368
4,370,916		2,326,525	4,475,729
129,375	2	2,067,995	(126,071)

Statement of Movements in Equity

For the year ended 30 June 2001

2000 Actual \$		2001 Actual \$	2001 Budget \$
937,095	Public equity at the start of the year	1,066,470	1,066,470
129,375	Net surplus/(deficit) for the year	2,067,995	(126,071)
	Total recognised revenue and		
129,375	expenses for the period	2,067,995	(126,071)
1,066,470	Public equity at the end of the year	3,134,465	940,399

Statement of Financial Position

As at 30 June 2001

2000 Actual \$	Note	2001 Actual \$	2001 Budget \$
Current assets			
150,822		77,631	150,822
1,338,479		3,114,532	1,381,305
4,289		24,327	4,289
5,135		2,328	–
23,475		–	52,472
528		618	528
1,522,728		3,219,436	1,589,416
Non-current assets			
115,414	3	78,736	81,082
1,638,142		3,298,172	1,670,498
Current liabilities			
550,185		103,388	708,612
–		30,907	–
21,487		29,412	21,487
571,672		163,707	730,099
Public equity			
200,000		200,000	200,000
866,470	2	2,934,465	740,399
1,066,470		3,134,465	940,399
1,638,142		3,298,172	1,670,498

Statement of Cash Flows

For the year ended 30 June 2001

2000 Actual \$	Note	2001 Actual \$	2001 Budget \$
Cash flows from operating activities			
Cash was provided from:			
4,006,222	Crown revenue	4,251,556	4,251,595
400,000	Supporting companies	-	-
84,656	Interest received	109,910	98,063
10,270	Sundry income	16,135	5,135
62,552	Net GST refunded	4,401	(71,678)
4,563,700		4,382,002	4,283,115
Cash was applied to:			
(4,611,622)	Payments to suppliers and employees	(2,674,575)	(4,231,587)
(4,611,622)		(2,674,575)	(4,231,587)
(47,922)	Net cash flows from operating activities	1,707,427	51,528
Cash flows from investing activities			
Cash was provided from:			
3,800	Sale of fixed assets	-	-
Cash was applied to:			
(43,243)	Purchase of fixed assets	(4,565)	(8,702)
(39,443)	Net cash flows from investing activities	(4,565)	(8,702)
Cash flows from financing activities			
Cash was provided from:			
-	Taxpayer contribution	-	-
(87,365)	Net increase in cash held	1,702,862	42,826
1,576,666	Plus cash at the start of the year	1,489,301	1,489,301
1,489,301	Cash held at the end of the year	3,192,163	1,532,127
Represented by:			
150,822	Cheque account	77,631	150,822
1,338,479	Short-term investments	3,114,532	1,381,305
1,489,301	Cash held at the end of the year	3,192,163	1,532,127

Notes to the Financial Statements

For the year ended 30 June 2001

1. Education and information

2000 Actual \$		2001 Actual \$
311,251	Consultant fees	183,711
2,559,481	Education, research and advertising	640,412
88,603	Telephone and tolls	-
284,627	Printing and stationery	8,914
3,243,962	Total education and information	833,037

2. Accumulated Surplus

The total accumulated surplus results from the decision to re-orient the public education programme (as described in the Commissioner's Overview). Consequently, some education activities that were planned for the 2000/2001 year were cancelled. Approval was obtained from the Minister of Social Services and Employment to carry forward the surplus into the 2001/2002 financial year. The surplus will be used for developing, launching and maintaining the new education programme.

3. Fixed assets

2000 Actual \$		2001 Actual \$
	Office equipment	
46,756	At cost	48,358
(26,540)	Accumulated depreciation	(33,375)
20,216	Office equipment – net book value	14,983
	Furniture and fittings	
87,925	At cost	87,925
(37,095)	Accumulated depreciation	(46,096)
50,830	Furniture and fittings – net book value	41,829
	Computer equipment	
143,649	At cost	146,649
(99,281)	Accumulated depreciation	(124,725)
44,368	Computer equipment – net book value	21,924
	Total fixed assets	
278,330	At cost	282,932
(162,916)	Accumulated depreciation	(204,196)
115,414	Total carrying amount of fixed assets	78,736

4. Reconciliation of net surplus to net cash flow from operating activities for the year ended 30 June 2001

2000 Actual \$		2001 Actual \$	2001 Budget \$
129,375	Net surplus/(deficit) for year	2,067,995	(126,071)
	Plus non-cash items:		
774	Loss on sale of assets	-	-
40,130	Depreciation	41,243	43,034
170,279			
	Plus movements in other working capital items:		
3,862	(Increase)/decrease in accrued interest	(20,038)	-
1,996	Decrease/(increase) in prepayments	(90)	-
(263,784)	Increase in accounts payable	(446,797)	158,427
(549)	(Increase)/decrease in accounts receivable	2,807	5,135
39,626	(Increase)/decrease in GST refund due	54,382	(28,997)
648	Increase in holiday pay accrual	7,925	-
(47,922)	Net cash flow from operating activities	1,707,427	51,528

5. Financial instruments

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

Maximum exposures to credit risk at balance date are:

	2001 \$	2000 \$
Bank balances	77,631	150,822
Short-term investments	3,114,532	1,338,479

No collateral is held on the above amounts.

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

There is no currency risk.

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

6. Employee remuneration

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

	2001	2000
\$100,000 – \$109,999	1	1

Statement of Contingent Liabilities

As at 30 June 2001

There are no contingent liabilities at balance date (2000 nil).

Statement of Commitments

As at 30 June 2001

There are no capital commitments at balance date (2000 nil).

Commitments existed for non-cancellable operating leases as follows:

2000		2001
\$		\$
48,360	Less than one year	45,385
45,125	Between one and two years	25,083
25,083	Between two and five years	-
-	Later than five years	-

Report of the Audit Office



Audit New Zealand

To the readers of the financial statements of the Office of the Retirement Commissioner for the year ended 30 June 2001.

We have audited the financial statements on pages 19 to 36. The financial statements provide information about the past financial and service performance of the Office of the Retirement Commissioner and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 25 to 27.

Responsibilities of the Retirement Commissioner

The Public Finance Act 1989 requires the Retirement Commissioner to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Office of the Retirement Commissioner as at 30 June 2001, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 2001.

Auditor's responsibilities

Section 43 (1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Retirement Commissioner. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed S.J. Lewis, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Retirement Commissioner in the preparation of the financial statements; and

- whether the accounting policies are appropriate to the Office of the Retirement Commissioner's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Office of the Retirement Commissioner.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Office of the Retirement Commissioner on pages 19 to 36:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2001;
 - the results of its operations and cash flows for the year ended on that date; and
 - the service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 31 August 2001 and our unqualified opinion is expressed as at that date.



S.J. Lewis
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

