



Retirement Commission

WHIRIWHIRIA!

**2003**

**ANNUAL REPORT**



## Contents

|                                 |        |
|---------------------------------|--------|
| Mission statement and functions | ... 2  |
| Commissioner's overview         | ... 4  |
| Activity at a glance            | ... 6  |
| 2002 – 2003 Highlights          | ... 8  |
| The year in review              | ... 12 |
| Looking ahead                   | ... 20 |
| Financial statements            | ... 22 |
| Report of the Auditor-General   | ... 41 |

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



## Mission statement and functions

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 Commission 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 Commission by this Act or any other enactment.



## Commissioner's overview

### The Commission exists to help New Zealanders with a critical and personal part of their lives – financial preparation for retirement.

Personal finances are complex, hard work, and quite a private matter. Our ability to manage finances is affected by significant personal and family events, incomes and financial misfortunes. Then there are changes to the economy, and to laws and regulations, which affect our plans.

Financial planning for retirement is also a tough challenge for the nation. Like the rest of the world, New Zealand has struggled with the complex issue of developing a practical approach to help people prepare adequately. The Commission is a key independent resource for them.

I accepted the role of Commission because I want to help New Zealanders improve their financial management. Throughout my career – working as a probation officer, and more recently in the financial services industry – I have seen how closely personal and social well-being is related to financial well-being.

It is the Retirement Commission's role to ensure that reliable, impartial and insightful information is made available to a wide range of people – from policy-makers, to employers, to mums and dads, students and retirees.

We measure ourselves by the difference we make to people and the nation. Over half a million people have responded to our advertising messages and have used the tools and information on our Sorted website. Tens of thousands have picked up our information booklets. People will continue to look for assistance from the Commission at different times throughout their lives as their financial needs change.

Our research shows that the majority of visitors to the Sorted site have taken action as a result of using our tools and information – proof that our educational role is making a difference.

With each success we find new jobs to be done. What about those not responding to our messages or without web access to Sorted?



What about those who found their financial circumstances too complex or pressured to save or pay off debt? What about new generations?

I intend in the coming year for the Commission to take on those new challenges – to extend our services to new groups of people, especially school children, and to reinforce the way we help all New Zealanders with their long term financial planning.

My role on the Periodic Report Group is one of the central contributions the Commission makes to the retirement policy monitoring and review procedure.

We will continue to mine and analyse data from the indispensable *Household Savings Survey*, which has provided reliable, high quality data about the households' financial standing and preparedness. We have never had that depth and quality of information before.

I would like to thank Colin Blair, who completed his term as Commission halfway through this financial year. It is largely due to his work that the authority of the Commission's research and its provision of reliable, impartial information to inform government policy is unquestioned.

Now the Commission looks to a future where we will communicate that body of knowledge, skills and useful planning tools to an even wider audience. We will highlight retirement issues and the needs of New Zealanders who are struggling to plan, and save for retirement.

We aim to connect with a wide range of New Zealanders, because planning for retirement, for most people, requires making good financial decisions throughout life.

A handwritten signature in black ink, appearing to read 'Diana Crossan'.

Diana Crossan

***Retirement Commissioner***



## Activity at a glance

### Research and policy

Periodic Report Group 2003



# Retirement Commission

WHIRIWHIRIA!

### Retirement Income Research Centre

- Clearing house for national and international research
- Promoting discussion
- Key research projects
  - Household Savings Survey

## Public education

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

## Schools

- Sponsorship of Financial Literacy Programme in secondary schools
- Project to embed financial literacy in New Zealand Curriculum

## Māori

- Partnering with Ngāi Tahu to run financial education pilots

## Monitoring

- Financial Ombudsman review
- Financial attitudes & behaviour



## 2002–2003 Highlights – education

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

when you want to get sorted... use your mouse



**Sorted** public education campaign is making a difference to New Zealanders. Unique visitors have reached over half a million. The majority of those surveyed say they take action as a result of using the Sorted website to get personal financial information and tools.



The Commission launched **Sorted Students**, a section of the Sorted website to help tertiary students emerge from studies in a stronger financial position and with increased financial awareness.



Development began on a new **Kids & Money** section of the Sorted website. This imaginative concept will use activities and games to engage children at home and at school in financial concepts relevant to their age.



The **Financial Literacy Programme**, run in over 100 secondary schools, gained NCEA accreditation. This valuable programme is owned and run by the Enterprise New Zealand Trust and is sponsored by the Commission and the Reserve Bank. NCEA accreditation will help increase uptake of the programme which focuses on identifying attitudes and values, in addition to developing financial skills and understanding.



**Te Rūnanga o NGĀI TAHU**

The Commission entered into a partnership with **Ngāi Tahu** to develop financial education pilot programmes for young Maori.



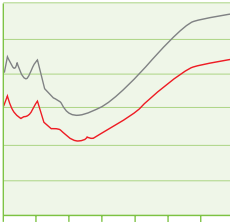
A **workplace resource kit** was developed for people at work to access Sorted information and tools through their intranets.



Financial sector experts and decision-makers attended the **Retirement Commission Symposium** on the Household Savings Survey in June 2003 to analyse and discuss the survey results.



**Household Savings Survey** completed in August 2002, showing for the first time an accurate picture of the financial net worth of New Zealanders.



Commission began work on a **retirement income research centre** that will be a clearing house for national and international retirement income research.

Commissioner a member of the 2003 **Periodic Report Group** the six-yearly review of retirement income policy in New Zealand.

The Commission, along with the Ministry of Education and Enterprise New Zealand Trust, brought US personal finance expert **Professor Lewis Mandell** to New Zealand. He gave seminars, spoke with educationists, industry representatives and media about why it counts to teach healthy financial habits early and in schools.

The Commission assisted with the visit of **Professor Daniel Halperin**, of Harvard Law School, an expert in workplace superannuation in the USA. This contributed to our ongoing programme of promoting discussion and quality research on retirement income issues.



## The year in review

### Sorted

Sorted is now well into its second year. So far, more than half a million people have visited the website. When surveyed, 50% of New Zealanders say they have heard of the Sorted website, and awareness increases to 80% among key target groups. Our advertising by-line "*When you want to get sorted on money matters, use your mouse*", is recalled by 60%, (AC Nielsen General Public Survey, 2003). Well over a million calculations have been done using the raft of calculators available on the site.

Our research has shown an improvement in the intentions and actions of website visitors to improve their retirement planning and/or financial situation after using the tools. User feedback shows it is providing exactly the kind of help they are looking for, and that they are taking action based on that assistance.

Their responses are linked to their age and stage of life: people in their twenties are likely to be starting their life-long financial plans; and those in their forties and fifties tend to be reviewing their options.

The main actions taken by people after using Sorted, responding to an AC Nielsen 2002 web survey, are:





The Sorted website has had a significant impact in terms of new savings activity, restructuring debt, and planning for the longer term.

- Drawing up a financial plan – primarily respondents assessing their financial situation and/or updating a plan (mentioned by 69%)
- Starting, or changing to a specific savings scheme (66%)
- Revisiting Sorted (57%)
- Making some new financial goals (47%)
- Making or reviewing budgets (45%)
- Starting or changing a debt reduction plan (42%).

Responses to the question *What difference has Sorted made to you?* indicate the website has had significant impact in terms of new savings activity, restructuring debt, and planning for the longer term. For some, it has provided a start to gaining control over their finances, rather than feeling as though their finances are out of control. For others, Sorted has confirmed that they are in fact on the right track.

Sorted now has a regular set of 42,000 visitors who use the *My Plan* function to update their budgets and their financial plans.

## Students and schools

Sorted has helped those over 20 years old sort their finances, but there are new generations emerging that could be helped at an earlier stage in their lives.

Research shows that people who experience personal financial education at school ultimately save and accumulate more financial assets during their adult lives (Bernheim, Journal of Public Economics 980 (2001)). The Commission is committed to youth education, as good financial habits started early in life are critical for many people to reach a comfortable financial position at retirement.

Therefore, in February 2003, the Commission launched an addition to the Sorted website, **Sorted Students**. Aimed at tertiary students and transitioning senior secondary students, it provides tools and information to help students manage their money right now. It is designed to meet their needs of the moment, but also to aid longer-term financial planning that will place them in a better position throughout life and in retirement.

A unique feature is a calculator that helps students estimate the future financial value to them of qualifications they are working towards or considering studying.

Other tools on the site help students work out what the student loan is costing them, how much they can save by paying it off sooner, what their budget ought to look like, and whether the cost of getting qualified is money well spent. They can also take the Money Personality Profiler quiz to learn their money management strengths and weaknesses.

The Commission is committed to youth education, as good financial habits started early in life are critical for many people to reach a comfortable financial position at retirement.



For children we have started the development of a new section of Sorted called **Kids & Money**, aimed at parents, whanau and teachers to help and children learn about the world of money.

Kids & Money is an imaginative concept designed to engage children aged 5-12 years in learning financial concepts relevant to their age. It will be a flexible resource closely linked to the New Zealand Curriculum so that it can also be useful in classroom situations.



Our support of the Enterprise New Zealand Trust's **Financial Literacy Programme**, designed to help young people improve their money management skills, has continued. Over 100 secondary schools run the programme. Achieving NCEA accreditation this year is a major milestone for the programme, as it increases the attractiveness of the programme to young people and their teachers. Lyn Morris of Enterprise New Zealand Trust is to be congratulated for this achievement.

This year has shown increasing international interest in the way in which financial literacy is being taught in New Zealand. The Financial Literacy Programme in particular has been the subject of interest from overseas experts as a model for teaching financial skills and knowledge due to its unique approach of linking an understanding of a person's attitudes and values to their financial understanding.

It is our view that personal financial education should be embedded within the school curriculum, so that every young New Zealander has the opportunity to develop these skills. We therefore began work during the year with the Ministry of Education on just that.

The Commission, along with the Ministry of Education and Enterprise New Zealand Trust was instrumental in bringing to New Zealand the American personal finance expert Professor Lewis Mandell.

He spent two days in the country telling people why it counts to teach healthy financial habits early and in schools.

Prof Mandell said western society was becoming financially very complex, with a confusing array of choices, options and pressures. That means there is a higher than usual requirement for New Zealand to equip people with financial skills when they are younger.

Although he was impressed with the high standard of the Financial Literacy Programme, he warned that those children to whom we fail to teach personal finance skills will make critical financial mistakes and errors as adults.

Every person of working age needs to know that NZ Superannuation provides only a basic income in retirement. Anyone who wants more than \$245 a week (after tax on current rates) for a single person living alone, or \$12,755 a year, needs to make financial plans accordingly.



### Research and policy

The 2002 – 2003 year has seen a continuation of a high level of political, industry and public interest in retirement income policies.

2003 is also a year in which the **Periodic Report Group (PRG)** was established. The group meets every six years. Its terms of reference require it to specifically look at suggestions for the adjustment of any of the Government's retirement income policies in order to enhance the provision of private retirement income, including those relating to:

- Employer-based superannuation schemes and their role in encouraging private provision of retirement income; and
- The impact of the tax system on the private provision of retirement income.

The PRG will also comment on the ability of specific groups, including women, Maori and Pacific people, to make private provision for retirement income.

The Retirement Commissioner is an ex-officio member of the PRG. The PRG consists of private sector experts and officials and is required to report to Government by 31 December 2003.

The PRG is making good progress. It has consulted widely, and is working through a structured research programme.

It is important that some form of monitoring and review procedure is a part of New Zealand's retirement income policy. The PRG currently meets that need. But it was established under a different environment when the multi party Accord was operative. Consideration could be given to a different monitoring and review process in the future.

The previous PRG (1997) noted the lack of good quality information on which to base its deliberations. That lack of quality information has changed since then with the completion of two major research projects:

1. *The Living Standards of Older New Zealanders*. This work concluded that most older people were doing quite well and had relatively few material restrictions and hardships. A minority (around 5% of the sample) had quite marked material hardship, and a further 5 – 10% had some difficulties. Older people tended to report fewer material restrictions and difficulties than younger people.
2. *The Household Savings Survey* (also known as The Net Worth of New Zealanders Survey) This survey measured the value of assets and debts of New Zealand households. Analysis of the projected retirement wealth of 45-55 year olds provides some preliminary evidence that people in this age group may be saving enough to maintain their current consumption in retirement. However, there may well be individuals within that cohort who are not saving at a high enough rate. The report also concluded that New Zealand Superannuation significantly reduces the inequality of retirement wealth and provides up to 30% of retirees (those on the lowest incomes) with a level of retirement income that is similar to their pre-retirement income. This implies that it would not be expected that this group would make additional private provision for retirement.

Neither report suggests that there is any reason whatsoever for complacency. The position of future retired people may well be different from the position of the currently retired. There are certainly many people of working age who are able to make financial provision but are not doing so. Changes and financial shocks can radically change the position people will be in at retirement.

Every person of working age needs to know that New Zealand Superannuation provides only a basic income in retirement. Anyone who wants more than \$245 a week (after tax on current rates) for a single person living alone, or \$12,755 a year, needs to make financial plans accordingly.

The new research finally provides policy-makers, politicians and the public with a firmer base from which to review the effectiveness of retirement income policies. Undoubtedly the research has busted a few myths.

It is critically important to the taxpayer, the Government and to retired people that retirement income policies are developed using quality information rather than guesswork or uninformed opinion.

Consequently, the Commission will be putting considerable effort and resources into developing a **Retirement Income Research Centre**. The Commission's symposium on the Household Saving Survey, held in Wellington in June 2003, was one way we moved towards achieving this. It was attended by 150 researchers, policy-makers, savings industry representatives, academics and media.

A research report on the different approaches countries take to encouraging or ensuring private provision for retirement was also commissioned, as a contribution to the PRG.

Not only will we continue our push for relevant and timely research, but the Commission will become a "clearing house" for quality information, to see this information is widely disseminated to politicians, the financial services industry and the public.

It is critically important to the taxpayer, the Government and to retired people that retirement income policies are developed using quality information rather than guesswork or uninformed opinion.



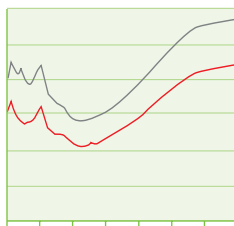


## Looking ahead

We have had a busy year, and one to be proud of.  
2004 promises to be even better.

This year the Commission has made financial management relevant to many people's lives. 2004 promises to be even better – we will capitalise on the work to date, and look for new ways to get our resources closer to all New Zealanders.

Some of the highlights will be:



A stronger commitment to research with a dedicated **Retirement Income Research Centre** operated by the Commission. This will provide policy-makers and individuals with high quality information. This will involve the launch of a new website containing research relevant to New Zealanders, links to international research and research scholarships.

Work with community organisations to make **Sorted resources** available to low income families.



Launch of a ground breaking new section on the Sorted website to assist **Retirees** in managing their retirement income.



Promotion of our **workplace-based intranet resource kit** to link staff to Sorted information and tools.



Launch of an exciting new section on Sorted called **Kids & Money** for children, their parents, whanau and teachers.

Partnering with **Ngāi Tahu** to run financial education pilots for children and whanau, in bi-lingual schools.



**Te Rūnanga o NGĀI TAHU**

Development of a long term project to strengthen financial literacy skills in the **school curriculum**.



Continue to encourage students and people considering tertiary study to visit **Sorted Students**.



## Financial statements

### 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 Commission's financial reporting.

In our opinion these financial statements fairly reflect the financial position and operations of the Retirement Commission for the period ended 30 June 2003.

D B Crossan

*Retirement Commissioner*

D Feslier

*Executive Director*

## Statement of service performance

### Output class: Retirement Commission's Programme

#### Funding

Funding from the Crown for the 2002/03 year was set at \$2,362,667 (GST exclusive). Funding received was \$2,256,000 (GST exclusive).

This reduction was owing to funding for functions related to retirement villages not being received, as the Retirement Villages Bill was not enacted in the financial year.

| Revenue from the Crown      | Expenditure                 |
|-----------------------------|-----------------------------|
| \$2,256,000 (excluding GST) | \$3,139,460 (excluding GST) |

Revenue from the Crown was allocated as follows:

|  |                    |
|--|--------------------|
| Public education and information programme | \$1,500,444        |
| Research, monitoring, office costs         | \$755,556          |
| <b>Total</b>                               | <b>\$2,256,000</b> |

#### Advice

##### 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  |
|---|---|---|
| Quantity will be determined by requests made by the Minister during the year, and by other reports the Commission delivers to the Minister. | To meet all requests made by the Minister, and to provide quarterly and annual reports. | The Commission provided quarterly reports to the Minister, a report on the financial sector ombudsmen, and the 2001/02 Annual Report. |

## Quality

| <i>Measure</i>  | <i>Target</i>           | <i>Actual</i>   |
|---|-------------------------|---|
| 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 "the reports by the Commissioner have been provided on a timely basis, have been easy to read and cover the range of activities the Commission undertakes. Overall the Commission has provided high quality advice and support". |

## Timeliness

| <i>Measure</i>  | <i>Target</i>                      | <i>Actual</i>             |
|---|------------------------------------|---------------------------|
| Key dates will be met and will reflect agreed priorities. | As specified in each project plan. | All time frames were met. |

Section 6(e) of the Retirement Income Act 1993 requires the Commission to monitor the effectiveness of the financial sector ombudsmen. A report called *Monitoring the Banking Ombudsman and the Insurance and Savings Ombudsman Schemes* was completed during the year.

## 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

| <i>Measure</i>                          | <i>Target</i> | <i>Actual</i>                                |
|---|---------------|--|
| Number of research/monitoring projects. | 4             | 6 reports produced, plus ongoing monitoring. |

### **Research and monitoring activities included:**

#### *Survey of net worth and saving*

Three reports were produced from this survey:

1. *Household Savings Survey: A Report on their Assets and Debts*
2. *Household Savings Survey: An Analysis of the Household Savings Survey*
3. *An Analysis of Private Savings for Retirement in New Zealand: An Initial Assessment Based on the Household Savings Survey.*

These reports were presented at a symposium in June 2003. Policy-makers, the 2003 Periodic Report Group (PRG), and the financial services industry will use the results.

### **International trends**

The report *Private Provision for Retirement: Case Studies of Australia, Canada, Ireland, Germany, the United States and the United Kingdom* was drafted during the financial year, and completed in July 2003. Findings were presented to the 2003 PRG.

The Commission also monitors retirement income policies in other countries and has established networks of experts.

### **Evaluation of communications programme**

The survey *Sorted and Financial Provision for Retirement* was undertaken during the financial year. It assessed the effectiveness of the Commission's Sorted education programme, and measured attitudes and behaviours towards financial preparation for retirement.

### **Other projects**

A report called *Are Retirement Savings Different From Other Forms of Savings? An Overview of the Issues* was produced in the financial year.

### **Monitoring others' research**

We maintained networks to ensure we know of and can use research material on retirement income that others undertake, including academics, the financial services industry, government agencies (e.g. The Treasury and the Ministry of Social Development), and overseas organisations.

## Quality

| <i>Measure</i>  | <i>Target</i>                      | <i>Actual</i>   |
|---|------------------------------------|---|
| 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. | <p>The plans for, and reports of, the Household Savings Survey were thoroughly reviewed by Statistics New Zealand to ensure correct use of the database. Checks were undertaken within the Treasury and the University of Waikato. Comments were sought on the draft reports at presentations and a symposium. Comments are currently being sought from an overseas expert.</p> <p>The International Trends report was peer reviewed. As a result some amendments were made to the report in terms of content and layout.</p> |

## Timeliness

| <i>Measure</i>  | <i>Target</i>                      | <i>Actual</i>       |
|---|------------------------------------|---------------------|
| Key dates will be met and will reflect agreed priorities. | As specified in each project plan. | Key dates were met. |

## Education and information

### Description

The education and information part of the output class includes developing education and information programmes that improve the public's understanding of lifetime financial management; improve the public's knowledge of how to go about financial planning; and encourage the public to make voluntary savings.

## Quantity

### Measure

Education and information programme developed, implemented and maintained, consisting of the components below:

- Young people: a programme for young people (5 – 25) will be developed, aimed at providing personal financial educational material.
- Maori programme: the Commission is working with Maori organisations and Te Puni Kokiri to provide personal financial education to Maori, particularly young Maori.
- Promotional component: television (and other media) is the way the Commission draws attention to its education programme, the material on the Sorted website, and available brochures.
- Schools programme: provides participating schools with resources aimed at improving the financial literacy of senior secondary school students.
- A programme for retired people will be developed, aimed at providing older people with educational financial information.
- Interview programme: interviews with media will be sought as appropriate, in order to explain the Commission's activities, or encourage private provision for retirement.

### Actual

1

A new section of the Sorted website was launched for tertiary students. Development is also well underway for a section of the site for children aged 5-12 years, their parents, whanau and teachers.

A partnership relationship with Ngai Tahu is being established, and pilots will be implemented in 2003/04. Te Puni Kokiri has provided financial support.

Television, online, print and radio advertising has been successful at attracting over 300,000 unique visitors to [www.sorted.org.nz](http://www.sorted.org.nz) this year. As a result, well over a million calculations have occurred on our calculators. This represents a total number of over 520,000 visitors to Sorted since launch in October 2001.

*The Pathways to Financial Literacy Programme* is being run in over 100 secondary schools.

This programme includes a section on [www.sorted.org.nz](http://www.sorted.org.nz) with interactive calculators to help retired people manage their money in retirement. The programme was substantially developed this year, and will be launched in the next financial year.

Ongoing interviews with media have been maintained.

## Measure

- Article programme: articles will be written and provided to various media, in order to explain the Commission's activities or encourage private provision for retirement.
- Speeches programme: speeches will be made to a variety of audiences in order to explain the Commission's activities or encourage private provision for retirement.
- Website: the website will be regularly refreshed and updated.
- Workplace: educational material will be available for employers who are considering establishing a workplace programme.

## Actual

Regular articles provided to media.

Ongoing programme of speeches maintained.

Ongoing programme of enhancement maintained.

Workplaces can be provided with an intranet package that provides staff with personal financial information through links to [www.sorted.org.nz](http://www.sorted.org.nz) and downloadable printed material in the form of *Sorted Offline*.

## Quality

### Measure

Quality of the Education and Information Programme is assured by obtaining independent review, or piloting or pre-testing as considered appropriate for each project.

### Target

Quality checks included:

- Expert review was undertaken by consumers, financial experts, communications experts, and appropriate interest groups.
- Research was undertaken that measured consumers' views on the education programme.
- Monitoring of programmes was undertaken.
- Results indicate that the education programme is effective.

## Timeliness

### *Measure*

---

Key dates will be met and will reflect agreed priorities.

### *Target*

---

Key dates were met except for the development work on educational material for retired people and the financial education pilots with young Maori. Both took longer than expected. Both will be launched in 2003/04.

---

## Statement of accounting policies

For the year ended 30 June 2003

### **Reporting entity**

The Retirement Commissioner was appointed in September 1994 under the Retirement Income Act 1993. The Retirement Commission 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 Section 41 of the Public Finance Act 1989.

### **Measurement base**

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

### **Accounting policies**

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

### ***Budget figures***

The budget figures are those approved by the 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 Commission derives revenue through the provision of outputs to the Crown, for services to third parties and interest on its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

### ***Goods and Services Tax (GST)***

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

### ***Fixed assets***

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

### **Depreciation**

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

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

|                        |            |               |
|------------------------|------------|---------------|
| Office equipment       | 2-13 years | 7.8% – 48.0%  |
| Furniture and fittings | 5-15 years | 6.5% – 18.6%  |
| Computer equipment     | 3-6 years  | 15.5% – 36.0% |

### **Commitments**

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

### **Leases**

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

### **Financial instruments**

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

### **Investments**

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

### **Taxation**

The Retirement Commission is exempt from income tax under Section 9 of the Second Schedule of the Retirement Income Act 1993.

### **Employment entitlements**

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

The Commission does not provide long service leave or retirement leave.

**Accounts receivable**

Accounts receivable are stated at net realisable value.

**Statement of cashflows**

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

Definitions of the terms used in the *Statement of cashflows* are:

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

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

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

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

**Changes in accounting policies**

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

## Statement of financial performance

For the year ended 30 June 2003

|   | Notes | 2003<br>Actual<br>\$ | 2003<br>Budget<br>\$ | 2002<br>Actual<br>\$ |
|---|-------|----------------------|----------------------|----------------------|
| <b>Revenue</b>                            |       |                      |                      |                      |
| Revenue crown                             |       | 2,256,000            | 2,362,667            | 2,956,444            |
| Interest income                           |       | 109,935              | 73,799               | 120,392              |
| Gain on sale of fixed assets              |       | –                    | –                    | 667                  |
| Sundry income                             | 1     | 10,724               | –                    | 81,935               |
| <b>Total revenue</b>                      |       | <b>2,376,659</b>     | <b>2,436,466</b>     | <b>3,159,438</b>     |
| <b>Expenditure</b>                        |       |                      |                      |                      |
| Advice and research                       |       | 155,062              | 275,000              | 1,117,373            |
| Audit fees                                |       | 8,397                | 7,896                | 7,900                |
| Depreciation – office equipment           |       | 4,355                | 4,520                | 6,090                |
| Depreciation – computer equipment         |       | 16,234               | 16,845               | 20,113               |
| Depreciation – furniture and fittings     |       | 8,803                | 9,135                | 8,963                |
| Education and information programme       | 2     | 2,328,427            | 2,691,000            | 2,696,266            |
| Rent                                      |       | 55,459               | 51,600               | 50,967               |
| Retirement villages                       |       | –                    | 106,667              | –                    |
| Salaries                                  |       | 404,846              | 404,964              | 414,010              |
| Other operating costs                     |       | 157,877              | 148,920              | 142,282              |
| <b>Total expenditure</b>                  |       | <b>3,139,460</b>     | <b>3,716,547</b>     | <b>4,463,964</b>     |
| <b>Net surplus/(deficit) for the year</b> |       | <b>(762,801)</b>     | <b>(1,280,081)</b>   | <b>(1,304,526)</b>   |

*The Statement of accounting policies and notes form part of and are to be read in conjunction with these financial statements.*

## Statement of movements in equity

For the year ended 30 June 2003

|   | 2003<br>Actual<br>\$ | 2003<br>Budget<br>\$ | 2002<br>Actual<br>\$ |
|---|----------------------|----------------------|----------------------|
| Public equity at the start of the year                    | 1,829,939            | 1,829,939            | 3,134,465            |
| Net surplus/(deficit) for the year                        | (762,801)            | (1,280,081)          | (1,304,526)          |
| <b>Total recognised revenue and expenses for the year</b> | <b>(762,801)</b>     | <b>(1,280,081)</b>   | <b>(1,304,526)</b>   |
| <b>Public equity at the end of the year</b>               | <b>1,067,138</b>     | <b>549,858</b>       | <b>1,829,939</b>     |

*The Statement of accounting policies and notes form part of and are to be read in conjunction with these financial statements.*

## Statement of financial position

As at 30 June 2003

|  | Notes | 2003<br>Actual<br>\$ | 2003<br>Budget<br>\$ | 2002<br>Actual<br>\$ |
|--|-------|----------------------|----------------------|----------------------|
| <b>Current assets</b>                      |       |                      |                      |                      |
| Cash at bank                               |       | 325,605              | 722,894              | 249,822              |
| Short term deposits                        |       | 1,511,320            | –                    | 1,647,752            |
| Accrued interest                           |       | 4,307                | 8,781                | 8,781                |
| Accounts receivable                        |       | 1,174                | –                    | 574                  |
| GST refund due                             |       | 88,182               | 39,104               | –                    |
| Prepayments                                |       | 1,154                | 795                  | 795                  |
| <b>Total current assets</b>                |       | <b>1,931,742</b>     | <b>771,574</b>       | <b>1,907,724</b>     |
| <b>Non-current assets</b>                  |       |                      |                      |                      |
| Fixed assets                               | 3     | 62,623               | 72,105               | 62,605               |
| <b>Total assets</b>                        |       | <b>1,994,365</b>     | <b>843,679</b>       | <b>1,970,329</b>     |
| <b>Current liabilities</b>                 |       |                      |                      |                      |
| Accounts payable                           |       | 908,246              | 271,663              | 111,221              |
| GST payable                                |       | –                    | –                    | 7,011                |
| Provision for employee entitlements        |       | 18,981               | 22,158               | 22,158               |
| <b>Total current liabilities</b>           |       | <b>927,227</b>       | <b>293,821</b>       | <b>140,390</b>       |
| <b>Public equity</b>                       |       |                      |                      |                      |
| Taxpayer funds                             |       | 200,000              | 200,000              | 200,000              |
| Accumulated surplus                        |       | 867,138              | 349,858              | 1,629,939            |
| <b>Total public equity</b>                 |       | <b>1,067,138</b>     | <b>549,858</b>       | <b>1,829,939</b>     |
| <b>Total public equity and liabilities</b> |       | <b>1,994,365</b>     | <b>843,679</b>       | <b>1,970,329</b>     |

*The Statement of accounting policies and notes form part of and are to be read in conjunction with these financial statements.*

## Statement of cashflows

For the year ended 30 June 2003

|  | Notes | 2003<br>Actual<br>\$ | 2003<br>Budget<br>\$ | 2002<br>Actual<br>\$ |
|--|-------|----------------------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>    |       |                      |                      |                      |
| <b>Cash was provided from:</b>                 |       |                      |                      |                      |
| Revenue crown                                  |       | 2,256,000            | 2,362,667            | 2,956,444            |
| Interest income                                |       | 114,409              | 73,799               | 135,938              |
| Sundry income                                  |       | 10,191               | 574                  | 83,884               |
|  |       | 2,380,600            | 2,437,040            | 3,176,266            |
| <b>Cash was applied to:</b>                    |       |                      |                      |                      |
| Net GST paid                                   |       | (11,512)             | (25,917)             | (22,270)             |
| Payments to suppliers and employees            |       | (2,400,327)          | (3,545,803)          | (4,430,217)          |
|  |       | (2,411,839)          | (3,571,720)          | (4,452,487)          |
| <b>Net cashflows from operating activities</b> | 4     | <b>(31,239)</b>      | <b>(1,134,680)</b>   | <b>(1,276,221)</b>   |
| <b>Cash flows from investing activities</b>    |       |                      |                      |                      |
| <b>Cash was provided from:</b>                 |       |                      |                      |                      |
| Sale of fixed assets                           |       | –                    | –                    | 667                  |
| <b>Cash was applied to:</b>                    |       |                      |                      |                      |
| Purchase of fixed assets                       |       | (29,410)             | (40,000)             | (19,035)             |
| <b>Net cashflows from investing activities</b> |       | <b>(29,410)</b>      | <b>(40,000)</b>      | <b>(18,368)</b>      |
| <b>Cash flows from financing activities</b>    |       |                      |                      |                      |
| <b>Cash was provided from:</b>                 |       |                      |                      |                      |
| Taxpayer contribution                          |       | –                    | –                    | –                    |
| <b>Net cashflows from financing activities</b> |       |                      |                      |                      |
| <b>Net increase in cash held</b>               |       | <b>(60,649)</b>      | <b>(1,174,680)</b>   | <b>(1,294,589)</b>   |
| Plus cash at the start of the year             |       | 1,897,574            | 1,897,574            | 3,192,163            |
| <b>Cash held at the end of the year</b>        |       | <b>1,836,925</b>     | <b>722,894</b>       | <b>1,897,574</b>     |
| <b>Represented by:</b>                         |       |                      |                      |                      |
| Cheque account                                 |       | 325,605              | 722,894              | 249,822              |
| Short term investments                         |       | 1,511,320            | –                    | 1,647,752            |
| <b>Cash held at the end of the year</b>        |       | <b>1,836,925</b>     | <b>722,894</b>       | <b>1,897,574</b>     |

*The Statement of accounting policies and notes form part of and are to be read in conjunction with these financial statements.*

## Notes to the financial statements

For the year ended 30 June 2003

### 1. Sundry income

Sundry Income includes registration fees for a savings symposium held by the Commission in June 2003.

### 2. Education and information

|  | 2003<br>Actual<br>\$ | 2002<br>Actual<br>\$ |
|--|----------------------|----------------------|
| Consultant fees                        | 20,957               | 86,215               |
| Education, research and advertising    | 2,307,470            | 2,610,051            |
| <b>Total education and information</b> | <b>2,328,427</b>     | <b>2,696,266</b>     |

### 3. Fixed assets

|  | 2003<br>Actual<br>\$ | 2002<br>Actual<br>\$ |
|--|----------------------|----------------------|
| <b>Office equipment</b>                        |                      |                      |
| At cost  | 49,099               | 48,588               |
| Accumulated depreciation                       | (43,820)             | (39,465)             |
| <b>Office equipment – net book value</b>       | <b>5,279</b>         | <b>9,123</b>         |
| <b>Furniture and fittings</b>                  |                      |                      |
| At cost  | 90,962               | 87,925               |
| Accumulated depreciation                       | (63,862)             | (55,059)             |
| <b>Furniture and fittings – net book value</b> | <b>27,100</b>        | <b>32,866</b>        |
| <b>Computer equipment</b>                      |                      |                      |
| At cost  | 188,292              | 162,430              |
| Accumulated depreciation                       | (158,048)            | (141,814)            |
| <b>Computer equipment – net book value</b>     | <b>30,244</b>        | <b>20,616</b>        |
| <b>Total fixed assets</b>                      |                      |                      |
| At cost  | 328,353              | 298,943              |
| Accumulated depreciation                       | (265,730)            | (236,338)            |
| <b>Total carrying amount of fixed assets</b>   | <b>62,623</b>        | <b>62,605</b>        |

#### 4. Reconciliation of net surplus to net cashflow from operating activities

For the year ended 30 June 2003

|   | 2003<br>Actual<br>\$ | 2003<br>Budget<br>\$ | 2002<br>Actual<br>\$ |
|---|----------------------|----------------------|----------------------|
| <b>Net surplus/(deficit) for year</b>                       | <b>(762,801)</b>     | <b>(1,280,081)</b>   | <b>(1,304,526)</b>   |
| Plus non-cash items:  |                      |                      |                      |
| Depreciation  | 29,392               | 30,500               | 35,166               |
|   | <b>(733,409)</b>     | <b>(1,249,581)</b>   | <b>(1,269,360)</b>   |
| <b>Add/(less) movements in other working capital items:</b> |                      |                      |                      |
| (Increase)/decrease in accrued interest                     | 4,474                | –                    | 15,546               |
| (Increase)/decrease in prepayments                          | (359)                | –                    | (177)                |
| Increase/(decrease) in accounts payable                     | 797,025              | 160,442              | 7,833                |
| (Increase)/decrease in accounts receivable                  | (600)                | 574                  | 1,754                |
| (Increase)/decrease in GST refund due                       | (95,193)             | (46,115)             | (23,896)             |
| Increase/(decrease) in holiday pay accrual                  | (3,177)              | –                    | (7,254)              |
|   | <b>(31,239)</b>      | <b>(1,134,680)</b>   | <b>(1,275,554)</b>   |
| <b>Add/(less) items classified as investing activities:</b> |                      |                      |                      |
| Net (gain) on sale of assets                                | –                    | –                    | (667)                |
| <b>Net cashflow from operating activities</b>               | <b>(31,239)</b>      | <b>(1,134,680)</b>   | <b>(1,276,221)</b>   |

#### 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 Commission does not extend credit and places its cash with high credit-rated quality financial institutions.

Maximum exposures to credit risk at balance date are:

|                        | 2003<br>\$ | 2002<br>\$ |
|------------------------|------------|------------|
| Bank balances          | 325,605    | 249,822    |
| Short term investments | 1,511,320  | 1,647,752  |

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

#### **6. Employees' remuneration**

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

|                       | <b>2003</b> | <b>2002</b> |
|-----------------------|-------------|-------------|
| \$110,000 – \$119,999 | 1           | 2           |

#### **7. Related party transactions**

There were no related party transactions.

## Statement of contingent liabilities

As at 30 June 2003

There are no contingent liabilities at balance date (2002: nil).

## Statement of commitments

As at 30 June 2003

There are no capital commitments at balance date (2002: nil).

Commitments existed for non-cancellable operating leases as follows:

|                            | 2003<br>\$ | 2002<br>\$ |
|----------------------------|------------|------------|
| Less than one year         | 47,080     | 25,343     |
| Between one and two years  | 46,800     | 0          |
| Between two and five years | 27,300     | 0          |
| Later than five years      | 0          | 0          |



## Report of the Auditor-General

### To the readers of the financial statements of the Office of the Retirement Commissioner

For the year ended 30 June 2003

We have audited the financial statements on pages 23 to 40. 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 2003. This information is stated in accordance with the accounting policies set out on pages 30 to 32.

#### 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 in New Zealand that fairly reflect the financial position of the Office of the Retirement Commissioner as at 30 June 2003, the results of its operations and cashflows and service performance achievements for the year ended on that date.

#### Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Retirement Commissioner. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed A J Shaw, 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 the Auditing Standards published by the Auditor-General, which incorporate 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 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 23 to 40:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Office of the Retirement Commissioner’s financial position as at 30 June 2003;
  - the results of its operations and cashflows for the year ended on that date; and
  - its 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 24 September 2003 and our unqualified opinion is expressed as at that date.



A J Shaw

Audit New Zealand

On behalf of the Controller and Auditor-General

Wellington, New Zealand

## Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Retirement Commissioner for the year ended 30 June 2003 included on the Office of the Retirement Commission's website. The Commissioner is responsible for the maintenance and integrity of the Retirement Commission's website. We have not been engaged to report on the integrity of the Office of the Retirement Commissioner's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Retirement Commissioner's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 September 2003 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Retirement Commission  
Level 3, Gleneagles Building  
69-71 The Terrace  
PO Box 12-148, Thorndon  
Wellington, New Zealand  
[office@retirement.org.nz](mailto:office@retirement.org.nz)