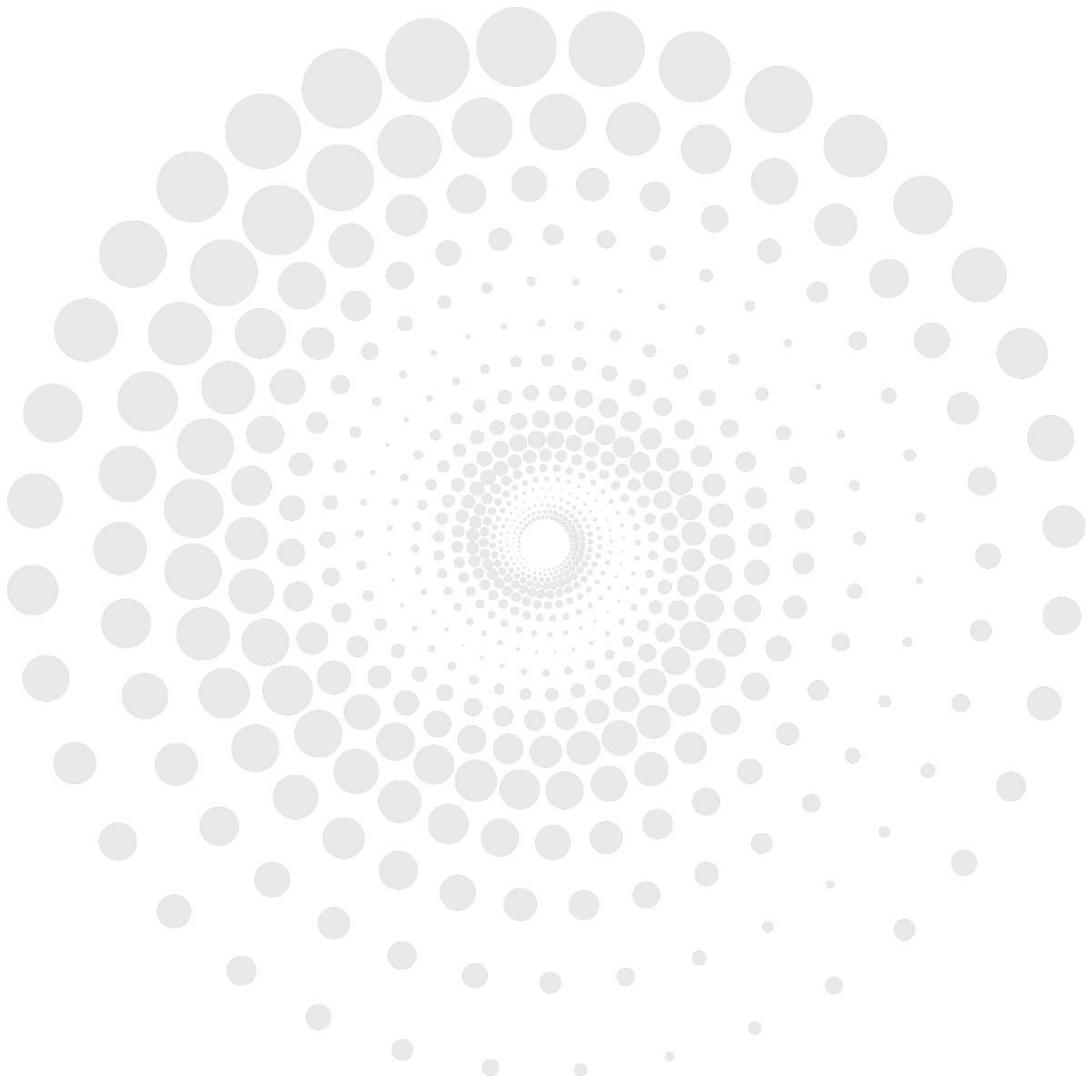




Commission for
Financial Literacy
and Retirement Income

Statement of Performance Expectations

for the financial year ending 30 June 2015



Presented to the House of Representatives by the Retirement Commissioner pursuant to section 149 of the Crown Entities Act 2004.

The Retirement Commissioner is an autonomous Crown entity under the Crown Entities Act 2004, with its role established under the New Zealand Superannuation and Retirement Income Act 2001.

The Commission for Financial Literacy and Retirement Income is the office of the Retirement Commissioner.



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Contents

Statement of responsibility.....	2
Overview	3
Output classes and outputs.....	4
Financial literacy.....	4
Retirement income.....	6
Retirement villages.....	7
Forecast financial statements.....	8
Summary of output revenue and costs.....	8
Forecast statement of comprehensive income.....	9
Forecast statement of changes in equity.....	10
Forecast statement of financial position.....	10
Forecast cash flows statement	11
Statement of underlying assumptions.....	12
Statement of accounting policies	12

Statement of responsibility

The Retirement Commissioner is an autonomous Crown entity under the Crown Entities Act 2004, with its role established under the New Zealand Superannuation and Retirement Income Act 2001. The Commission for Financial Literacy and Retirement Income is the office of the Retirement Commissioner.

As Retirement Commissioner, I am responsible for the preparation of the Statement of Performance Expectations and prospective financial statements, including the assumptions on which the financial statements are based. I acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

The prospective financial statements have been prepared in accordance with generally accepted accounting practice (GAAP) and the new Public Benefit Entity International Public Sector Accounting Standard (PBE IPSAS 1) effective for financial statements from 1 July 2014. As a Tier 2 entity with expenditure under \$30m, under PBE IPSAS 1 we will look to apply the reduced disclosure requirements for future reporting.

The Commission does not intend to update and republish the prospective financial statements.

The prospective financial statements have been developed for the purpose of presenting the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the prospective financial statements, and the variation may be material.

I have authorised the issue of the Statement of Performance Expectations, including the financial statements, on this day 1 May 2014.

I am of the opinion that the financial statements fairly reflect the expected financial position and operations of the Commission.

Consultation and reporting to the responsible Minister

The Retirement Commissioner received a Letter of Expectations 2014–15 from the Minister of Commerce, setting out details of the way in which the Commission will continue to consult and report on the Government's purchase and ownership interests in the entity. The Minister will also be provided with an annual report as required by the Crown Entities Act 2004, and quarterly reports outlining the Commission's performance against the Statement of Intent and Statement of Performance Expectations. We will continue to work with the Minister on a 'no surprises' basis and raise issues at the earliest opportunity rather than waiting for formal reporting to be done. We will continue to brief the Minister on significant publications and releases.

Diane Maxwell

Retirement Commissioner



Overview

This annual Statement of Performance Expectations details the Commission's:

- Statement of performance expectations*
 - Annual forecast financial statements*
-

The Commission for Financial Literacy and Retirement Income is the office of the Retirement Commissioner, an autonomous Crown entity.

Reportable classes of outputs

The Commission's reportable outputs fall into three classes:

- Financial literacy
- Retirement income policy
- Retirement villages

These outputs are directly funded by the Crown under:

- Vote Commerce – Non-Department, Appropriation – Retirement Commissioner

Non-reportable classes of outputs

There are no non-reportable classes of outputs in the Statement of Performance Expectations, and no output classes are granted exemption by the Minister of Finance.

Output classes and outputs

Financial literacy

In the financial literacy output class our focus is on:

- **Driving behaviour change**

The Commission has an increased emphasis on sustainable and enduring behaviour change, helping the financially vulnerable become financially capable. We still play a role in disseminating information and tools, but the key lies in what people do with the information they have and how we remove the barriers to change.

- **Raising awareness of the value of financial literacy**

Financial literacy is an essential life skill. It is critical for getting ahead financially and brings certainty and control. Improving New Zealanders' understanding of financial issues gives individuals greater financial freedom, creates resilient communities and builds a more prosperous and productive economy.

- **Extending reach**

The Commission operates as a strategic centre, thought leader and test hub. We build and evaluate programmes, tailored for different sectors, and then we engage with stakeholders across New Zealand to execute nationally. We also provide content for multiple platforms.

- **Improving financial literacy learning experiences**

Our children and our grandchildren will face fierce new challenges in their retirement as the population ages and the world around them changes. The Commission's ongoing work seeks to equip people with the skills and information to navigate through a lifetime of financial choices, have the confidence to ask the right questions and be on the winning side of their decisions so that they reach retirement in good financial shape.

Measures

This table shows how we will measure our financial literacy outputs.

Focus areas				Commission deliverable	Measure/indicator
Driving behaviour change	Raising awareness of the value of financial literacy	Extending reach	Improving financial literacy learning experiences		
✓		✓		Lead and drive 'The Exchange', a finance sector consortium that works on areas of common interest and channels various initiatives in financial literacy.	Initiatives are evaluated and successful ones are rolled out nationally with the assistance of Exchange partners and their networks.
✓	✓	✓	✓	Lead the renewed National Strategy for Financial Literacy and associated action plan.	The National Strategy is launched and action plan developed.
✓	✓	✓	✓	Coordinate an annual national Money Week with key stakeholders.	Money Week is held and the 2014 KPIs are met or exceeded.

Focus areas					
✓		✓	✓	Provide investor education.	A co-branded series of investor seminars with the NZX is held. Successful collaboration with the FMA occurs on two education initiatives.
✓	✓	✓		Deliver an optimised Sorted programme.	The Sorted programme delivers campaigns that meet or exceed current KPIs and is supported by tools optimised for mobile delivery. Seventy-five percent of visitors to the Sorted website are 'very satisfied' or 'quite satisfied' with the website overall.
		✓		Establish content partnerships to syndicate financial literacy content.	Two content partnerships are established with nationwide media outlets, extending the audience for financial literacy content.
✓	✓	✓	✓	Develop and implement professional learning and development programmes for teachers.	Work with a teacher training institution is progressed so that a programme of pre-service training is included within their teaching programme by 30 June 2015.
✓	✓	✓		Support and facilitate the Partner Working Group of He Kai Kei Aku Ringa Goal 3 to grow financial literacy and savings.	The Partner Working Group completes its work plan to deliver against its goals of financial literacy for Māori.
		✓	✓	Pilot and provide support to workplace, school and community programmes.	Evaluation of the Upper Harbour Cluster and South Auckland Workplace programme is completed and recommendations are used in future programmes. Scholarships to attend credentialed courses are funded, and 80% of those participating complete courses.
✓				Complete two waves of the Financial Behaviour Index.	Reports are delivered in December and June, and these measure progress of the National Strategy implementation.

Retirement income

In the retirement income output class our focus is on:

- **Raising awareness of retirement income policy issues**
 The Commission continues to drive awareness and debate of the big issues, providing robust policy advice in the face of rapidly changing demographics.
- **Monitoring and reporting on the effects and effectiveness of retirement income policies**
 The Commission’s focus is on retirees of today – and of the future – operating as a research hub that offers thought leadership.
- **Encouraging New Zealanders to actively plan for their retirement**
 It is inevitable that, without farsighted planning, short-term wants clutter and cloud long-term aspirations. Yet ultimately, good retirement planning and smart decisions throughout life will mean New Zealanders are more likely to reach retirement in good financial shape.

Measures

This table shows how we will measure our retirement income outputs.

Focus areas			Commission deliverable	Measure/indicator
Raising awareness of retirement income policy issues	Promoting the sustainability of retirement income policies	Encouraging New Zealanders to actively plan for their retirement		
✓	✓	✓	Complete a programme of research and other work derived from recommendations from the 2013 Review and emergent requirements for the 2016 Review.	Six quality research and policy outputs are produced and satisfactorily peer-reviewed.
✓	✓	✓	Design and implement a programme of communication with stakeholders about retirement income issues.	A sample of stakeholders is satisfied or better with the communication and interaction with the Commission. Media impact – at least 75% of media coverage is of medium or high impact.
	✓		Complete a second public survey assessing awareness and understanding of issues surrounding New Zealand’s retirement income policy.	The survey provides sufficient information to enable the development of targeted terms of reference. Terms of reference for the 2016 Review are agreed with the Minister of Commerce by 30 June 2015.

Retirement villages

Our work in this class fulfils the Retirement Commissioner's functions as specified in the retirement villages legislation.

■ Administering the Retirement Villages Act disputes process

The first function is to administer the disputes process, which includes checking and holding documentation, providing an approved group of panellists and providing information about the process to both residents and operators.

■ Monitoring the provisions of the Retirement Villages Act

The second function is to monitor the effects of the Retirement Villages Act, Codes and Regulations. Three monitoring reports on specific parts of the sector have been completed since 2009.

■ Informing intending and existing residents of their rights and responsibilities

We also contribute to the education and advice work in the sector, although have largely delegated this function to MBIE.

Measures

This table shows how we will measure our retirement village outputs.

Focus areas			Commission deliverable	Measure/indicator
Administering the Retirement Villages Act disputes process	Monitoring the provisions of the Retirement Villages Act	Informing intending and existing residents of their rights and responsibilities		
✓	✓		Provide advice and comprehensive recommendations to the Minister for Building and Construction as required by the Retirement Villages Act relating to monitoring and code of practice functions.	A monitoring report on the disputes process is delivered and accepted by the Retirement Commissioner. The Minister is satisfied with the quality of Retirement Commissioner's advice or recommendations provided on any draft codes of practice.
		✓	Survey intending and existing residents of retirement villages to determine their information needs.	The survey provides sufficient information to enable the development of a targeted and effective advice, education and information plan.
✓	✓		Administer disputes and provide information effectively.	Those participating in the disputes process are correctly informed about, and follow, the legislated process.

Forecast financial statements

All figures exclude GST.

Summary of output revenue and costs

Output category	2014–15 Revenue \$0.000M	2014–15 Cost \$0.000M
Financial literacy	4.667	4.931
Retirement income, research and monitoring	0.979	0.911
Retirement villages	0.215	0.215
Total	5.861	6.057

(Indicative application of costs only. The Retirement Commissioner has a single appropriation.)

Note: The net comprehensive deficit forecast for 2014–15 is primarily due to the non-cash impact of amortisation of intangible assets and depreciation of property, plant and equipment. The forecast cash flows statement shows that despite this forecast deficit, cash on hand will remain at a relatively constant level. The Commission expects an opening cash balance of \$983,994 at 30 June 2014 and is forecasting a closing cash balance of \$915,956 at 30 June 2015.

Forecast statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE

	2014-15
	\$
<i>Revenue</i>	
Revenue from Crown	5,782,000
Other revenue	50,000
Interest revenue	28,325
Total revenue	5,860,325
<i>Expenditure</i>	
Remuneration to auditors	19,350
Personnel costs	1,939,886
Depreciation	25,840
Amortisation	385,324
Property expenses	195,880
Leasing	12,000
Other operating costs	640,832
Advice and research	420,000
Retirement villages	215,000
Marketing and communications*	1,802,495
Review of Retirement Income Policies	-
Education	400,000
Total expenditure	6,056,607
Net comprehensive income / (deficit)	(196,282)

*Marketing and communications budget is split into:

Market research and agencies	300,416
Financial education resources and campaigns	1,381,913
Commission communications	120,166
Total	1,802,495

Forecast statement of changes in equity

FOR THE YEAR ENDED 30 JUNE

	2014-15
	\$
<i>Public equity at beginning of year</i>	
Taxpayer funds	200,000
Retained earnings	1,135,828
Net comprehensive income	(196,282)
<i>Public equity at end of year</i>	
Taxpayer funds	200,000
Retained earnings	939,546
	1,139,546

Forecast statement of financial position

AS AT 30 JUNE

	2014-15
	\$
Total current assets	1,043,788
Total non-current assets	597,382
Total assets	1,641,170
Total current liabilities	501,624
Total non-current liabilities	-
Total public equity	1,139,546
<i>Total public equity and liabilities</i>	1,641,170

Forecast cash flows statement

FOR THE YEAR ENDED 30 JUNE

	2014-15
	\$
<i>Cash flows from operating activities</i>	
Cash will be provided from:	
Receipts from Crown revenue	5,567,000
Receipts from retirement villages industry levy	215,000
Receipts from other income	50,000
Interest received	28,325
Net GST paid	958
	5,861,283
Cash will be applied to:	
Payments to suppliers and employees	(5,489,321)
<i>Net cash flows from operating activities</i>	371,962
<i>Cash flows from investing activities</i>	
Cash will be applied to:	
Purchase of property, plant and equipment	(40,000)
Purchase of intangible assets	(400,000)
<i>Net cash flows from investing activities</i>	(440,000)
Net increase/(decrease) in cash held	(68,038)
Plus cash at the start of the year	983,994
<i>Cash held at the end of the year</i>	915,956

Statement of underlying assumptions

Significant assumption

The opening position of the forecast statements is based on unaudited results for 2013–14. The actual results for April to June 2014 are unavailable; therefore, the balance as at 30 June 2014 has been estimated using April to June 2014 forecast figures.

Other assumptions

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

The budget reflects the staffing levels of 12 FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

Nature of forecast financial statements

The forecast financial statements have been prepared as a best efforts indication of the Commission's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

Statement of accounting policies

Reporting entity

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

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

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

Basis of preparation

Statement of compliance

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

Differential reporting

The Commission qualifies for differential reporting exemptions as it meets the criteria set out in the Framework for Differential Reporting.

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

- NZ IAS 24 *Related Party Transactions*
- NZ IFRS 7 *Financial Instruments: Disclosures*

Measurement base

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

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

The functional currency of the Commission is New Zealand dollars.

Significant accounting policies

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

Revenue

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

Revenue from the Crown

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

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

Other revenue

Revenue may also be obtained from the private sector.

Interest

Interest revenue is recognised using the effective interest method.

Operating leases

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

Cash and cash equivalents

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

Debtors and other receivables

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

Property, plant and equipment

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

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

Additions

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

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

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the forecast statement of comprehensive income.

Subsequent costs

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

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

Depreciation

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

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

Office equipment	2–13 years	7.8%–80.4%
Furniture and fittings	3–15 years	6.5%–30.0%
Computer equipment	2–5 years	21.6%–30.0%
Leasehold improvements	7–15 years	7.0%–14.93%

Intangible assets

Software acquisition

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

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

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

Website development

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

Costs associated with the development of the new Sorted website are capitalised.

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

Costs associated with the development and maintenance of the Commission's retirement.org.nz and financialliteracy.org.nz websites are recognised as an expense as incurred.

Amortisation

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

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

Software	2–3 years	30.0%–50.0%
Website	2–3 years	40.0%–48.0%

Impairment

Property, plant and equipment, and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are recognised when the Commission becomes obliged to make future payments resulting from the purchase of goods and services.

Employee entitlements

Short-term employee entitlements

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

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

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

Sick leave has been assessed in accordance with NZ IFRS and no liability was determined. The Commission will continue to assess this annually.

Superannuation schemes

Defined contribution schemes

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Cash flows statement

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

Definitions of the terms used in the forecast cash flows statement are:

- *Cash* includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash, and includes at-call borrowings such as bank overdrafts, used by the Commission 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 Commission.
- *Operating activities* include all transactions and other events that are not investing or financing activities.

Critical judgements in applying the Commission's accounting policies

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are

believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

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

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