EMPLOYEE RETIREMENT PLAN

Annual Report

For the year ended 30 June 2012

Prepared for the members of

the Teachers Retirement Savings Scheme

ANNUAL REPORT HIGHLIGHTS

MESSAGE FROM THE TRUSTEE

Welcome to the 2011/12 Annual Report for the Employee Retirement Plan ("ERP"). The Teachers Retirement Savings Scheme ("Scheme") forms part of the ERP, and as at 30 June 2012 is the only scheme participating in the ERP.

In this report, you'll find important information about the performance of the Scheme over the past year, as well as a general superannuation update.

It's been a year of ups and downs in the markets

The year to 30 June 2012 was an especially volatile one for global share markets. At the centre of it all was the European sovereign debt crisis, which made investors very anxious, and this was reflected in returns.

As with other superannuation schemes with investments in share markets, the Scheme was not immune to this volatility. The Stable, Balanced and Growth Funds were all affected, though the Stable and Balanced Funds were both back in positive territory by year-end. The Growth Fund, with a higher proportion of its investments in shares, was not able to make up enough ground.

You'll find the Scheme's year-end returns on page 7 and more in-depth investment information from page 10 onwards.

We'll continue to keep an eye on things

Both the Trustee and the Scheme's investment manager, Mercer, continually monitor the Scheme's investments, its underlying strategy and the current investment environment. The Trustee, in consultation with Mercer, alters the Scheme's investment strategy from time to time to ensure it continues to best suit both the current investment environment and members' needs. Any changes are advised via the website, newsletters and annual reports.

Remember it's all about time in the markets

It can be unsettling to watch investment returns go up and down in uncertain economic times and it can be tempting to take a shorter term view and switch into a more conservative fund with a lower risk profile. Before you consider taking that step there are a couple of things you should think about; firstly your financial goals and secondly the risk of attempting to time the markets. The Fund in which you invest should fit your particular circumstances; your financial goals, the length of time you think you will be in the Scheme and your comfort level in terms of investment risk. Those things don't necessarily change overnight and switching into a more conservative fund may not necessarily meet your long term investment goals. Also keep in mind that by switching between Funds you crystallise the value of your investment and run the risk of "locking in" any losses at that point and missing out on periods that see certain investments deliver strong results. Take a look at the investment objectives and strategies of each Fund on page 9 for more information.

You should take an active role in your super

It's still important you take an active role in the management of your super. Monitor your investment options on a regular basis to ensure they're still best suited to your circumstances. For example, if you're nearing retirement you might consider moving into a lower-risk Fund (with potentially lower returns). We strongly recommend that you talk to an Authorised Financial Adviser and get advice that is specific to your situation before making any decisions.

You should also keep your contact details up to date, so we can get in touch with important information about the Scheme and your super.

You can do all this by logging onto the Scheme's website, www.trss.superfacts.co.nz. You'll need your member number (which you can find in your benefit statement included with this annual report) and your PIN. If you've forgotten your PIN simply click on the 'Reset your PIN' button on the homepage, or you can call the Helpline on 0508 4 TEACH (0508 4 83224).

Have you checked out the latest enhancements to the Scheme's website?

One of the best things you can do for your super is to continue to develop your own understanding of the Scheme and your super. The Scheme's website (www.trss.superfacts.co.nz) is a great place to start. Make sure you check out the latest tools available to you:

- The *'How long will I live?'* calculator, which helps you estimate how long your retirement savings may need to last. (You can find this under the 'Planning tools' tab.)
- The *'Understanding market volatility'* webinar, which gives you a basic understanding of market

volatility and how this relates to your super. (You can find this under the 'Multimedia' tab.)

The website is also packed full of other useful tools to help you better understand and manage your super.

Non-allocation of contributions

As you will be aware, the Ministry of Education ("Ministry") recently appointed a new payroll provider. The new provider has encountered difficulties providing the Scheme's administrator (Mercer) with the information they require to allocate contributions to individual member accounts. As a result, there have been some delays to this process recently.

The Trustee and Mercer are working closely with the Ministry's payroll provider to ensure minimal disruption while they work through these issues. Visit the Scheme's website, www.trss.superfacts.co.nz, for the latest updates.

Please also note this issue arose following the Scheme year-end and will have no bearing on the amount showing on your benefit statement included with this document.

As always, we hope you find this annual report an informative and interesting read. If you have any queries or comments, please feel free to call our Helpline on 0508 TEACH (0508 483 224).

on behalf of the Trustee, Public Trust

SUPERANNUATION UPDATE

New Anti-Money Laundering and Countering Financing of Terrorism legislation

The next step in the Government's efforts to tighten up the financial sector, the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, is due to come into full force on 1 July 2013.

Money laundering is how criminals disguise the illegal origins of their money. Financers of terrorism use similar techniques to money launderers to avoid detection by authorities and to protect the identity of those providing and receiving funds.

The new Act will affect superannuation schemes such as the Teachers' Scheme and KiwiSaver, which will be required to comply with guidelines which aim to detect and deter money laundering and terrorism financing.

These new guidelines will require that before any benefit can be paid, you will need to verify your identity by providing a certified copy of photographic identification. You should be aware that as a result of these new requirements, benefit payments may take longer than they have in the past.

You will be advised of these identification requirements at the time you request a benefit from the Scheme.

KiwiSaver changes

As mentioned in last year's annual report, the following changes affecting KiwiSaver came into effect during the year:

- From 1 July 2011 member tax credits for KiwiSaver schemes halved to a maximum of $521.43 per year.
- From 1 April 2012 the tax-free status of employer contributions up to 2% of salary to KiwiSaver was removed.*

Legislation changing the minimum compulsory employer and employee KiwiSaver contribution rates to 3% of salary will come into effect from 1 April 2013.

Employer Superannuation Contribution Tax changes

As mentioned in last year's annual report, effective 1 April 2012, employer contributions to all superannuation schemes have been subject to a progressive tax rate similar to an employee's marginal tax rate.*

** This does not affect you as a member of the Scheme, as your employer's contribution is calculated after tax has been deducted. You will continue to receive the full matching employer contribution of up to 3% of your salary.*

New Zealand Superannuation rates

The Government increased the level of payments to be made to recipients of New Zealand Superannuation with effect from 1 April 2012. The rates (before tax) are:

Married couple	$31,450 p.a.
Single person (sharing)	$19,107 p.a.
Single person (living alone)	$20,804 p.a.

The level is reviewed each year, and is adjusted to take account of increases in the cost of living (inflation) and wages. New Zealanders who satisfy the residency requirements are eligible to receive this benefit from age 65. However, potential recipients must apply for this benefit. It is not paid out automatically on turning age 65.

Some of you will be aiming for a higher living standard than the one that will be supported by New Zealand Superannuation payments alone. Achieving your retirement income objectives will depend in part on the robustness of your planning and in part on the level of New Zealand Superannuation at the time you retire. You may find the retirement calculators on the Commission for Financial Literacy and Retirement Income's website (www.sorted.org.nz) useful.

First home withdrawals

Don't forget, you may be able to withdraw the balances of your Basic and Voluntary Accounts in the Scheme to go towards the purchase of your first home.

To qualify, you need to have contributed to the Scheme (or to any State Sector Retirement Savings Scheme or KiwiSaver scheme) for at least three years since 1 July 2007, the property must be your main home (that is, not a holiday home or investment property) and you can only make one such withdrawal.

During the year, 31 Scheme members made withdrawals to go towards the purchase of a first home.

THE YEAR'S RESULTS AT A GLANCE

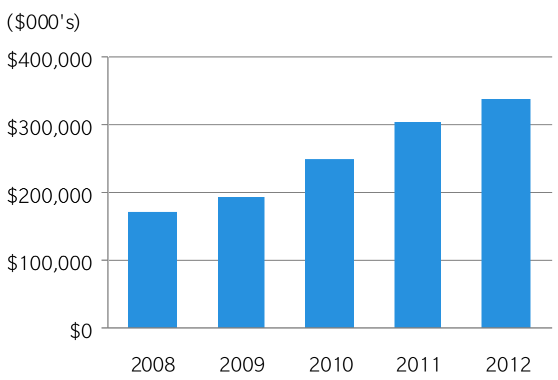
For the year to 30 June 2012, the returns (after tax and fees and based on the monthly declared interest rates for each Investment Fund) were:

Cash Fund	2.52% p.a.
Stable Fund	2.69% p.a.
Balanced Fund	0.59% p.a.
Growth Fund	-2.23% p.a.

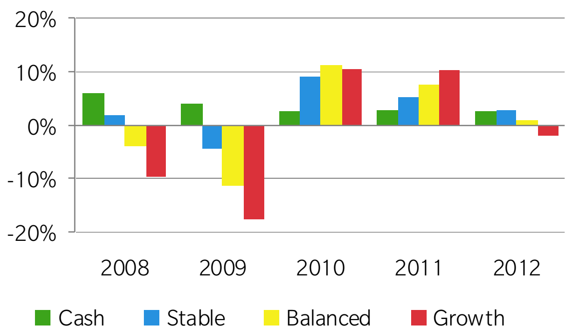
Total Membership as at 30 June 2012	12,199
Contributions Received During the Year	$44.35 million
Benefits Paid During the Year	$12.35 million
Total Fund Value as at 30 June 2012	$337.60 million

FIVE-YEAR SNAPSHOT

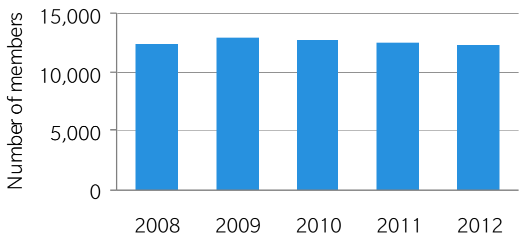
Accumulated Funds



Scheme returns (after tax and fees)



Membership



Remember:

- *Returns reflect past performance and do not indicate future performance;*
- *Returns will vary over time and are dependent on market conditions and the performance of the individual asset allocations in each Fund; and*
- *For up to date information on the Scheme's investment performance including the most recent interest rates, and growth through the year, check out the Scheme's website on www.trss.superfacts.co.nz.*

YOUR GUIDE TO THE ERP'S INVESTMENT FUNDS

How the Funds are invested

The ERP offers members four Investment Funds: the Cash Fund, Stable Fund, Balanced Fund and Growth Fund. These Funds, in turn, are invested with the Mercer Super Investment Trust (MSIT). The ERP Investment Funds are invested in the MSIT's investment sector funds according to each Investment Fund's strategy. Mercer appoints specialist investment managers, selected for their expertise and performance in their specific investment sector, to manage the MSIT's assets.

Investment strategy

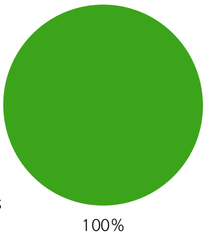
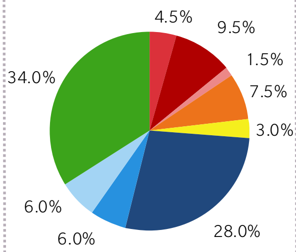
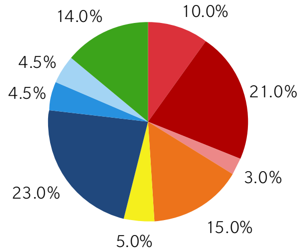
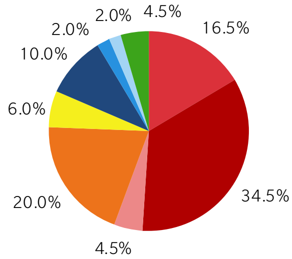
The four Investment Funds have varying degrees of risk, from lower risk (the Cash and Stable Funds) to higher risk (the Growth Fund). "Risk" in this context refers to the expected fluctuations in returns (also referred to as volatility) and the likelihood of posting a negative return. This risk is managed by investing the Funds in a variety of investment sectors (each with its own level of return and risk) to spread or diversify the overall risk to members. The graph on page 12 shows returns for these sectors for the year to 30 June 2012. Each ERP Investment Fund has a different mix of investment sectors, producing the different levels of return and risk expected from each Investment Fund.

The benchmark allocations as at 30 June 2012 are shown in the table on the opposite page. The benchmark allocation is intended to be a long-term average mix, but the actual mix will vary from time to time as Mercer adjusts the asset allocation according to its views on market valuations.

Statement of investment policy and objectives

Copies of the statement of investment policy and objectives for the ERP can be obtained free of charge from the ERP's Secretary, Derek Vincent of Mercer, at the address shown in the Directory on page 19.

ERP INVESTMENT OBJECTIVES AND STRATEGIES

	Cash Fund	Stable Fund	Balanced Fund	Growth Fund
Trans-Tasman Shares International Shares Emerging Markets Shares Real Assets Alternative Assets Sovereign Bonds Global Inflation Linked Bonds Global Credit Cash				
Growth/ Defensive split	100% Defensive	25% Growth / 75% Defensive	50% Growth / 50% Defensive	75% Growth / 25% Defensive
Investment objective	To outperform the ANZ 90-Day Bank Bill Gross Index by 0.20% p.a. over any rolling three-year period.	For the long-term rate of return (after tax and investment expenses) to exceed inflation[1] by an average of at least 2.0% p.a. over the long term.	For the long-term rate of return (after tax and investment expenses) to exceed inflation[1] by an average of at least 2.75% p.a. over the long term.	For the long-term rate of return (after tax and investment expenses) to exceed inflation[1] by an average of at least 3.75% p.a. over the long term.
May be suitable for investors looking for	Short-term investments offering protection from negative returns (particularly applicable if you are nearing retirement age).	Consistent shorter-term returns but with less variability than the Balanced and Growth Funds.	Medium-term investments with potentially higher returns than those from the Stable Fund, and if you are willing to accept some variability in returns.	Long-term investments with potentially higher returns than those from the Stable or Balanced Funds, and if you are willing to accept more variable returns in the short term.
Level of risk	Very low	Low	Moderate	High

[1] As measured by the increase in the Consumers Price Index.

2012 INVESTMENT PERFORMANCE

Returns for the year

The indicative investment returns for each of the Investment Funds were:

	Indicative Net Returns (after deductions for tax and fees)
Cash Fund	2.52%
Stable Fund	2.69%
Balanced Fund	0.59%
Growth Fund	-2.23%

The net returns are derived by compounding the monthly declared interest rates for each Investment Fund from 1 July 2011 to 30 June 2012. Please note that your actual returns may not be the same as those shown, as the timing of cash flows (for example, contributions) during the year will affect the actual returns achieved on your account balances.

The actual net investment earnings credited to your accounts are based on monthly declared returns, your allocations across the four Funds, and the balances in your accounts each month. The table below shows the cumulative returns for each Fund for the year to 30 June 2012:

Fund		Cash	Stable	Balanced	Growth
Period					
2011	July	0.19%	-0.26%	-0.94%	-1.77%
	August	0.41%	-0.60%	-2.76%	-5.32%
	September	0.60%	-0.65%	-3.19%	-6.13%
	October	0.78%	0.33%	-1.16%	-3.04%
	November	1.12%	-0.07%	-2.33%	-4.96%
	December	1.31%	0.60%	-1.70%	-4.48%
2012	January	1.52%	1.34%	-0.55%	-2.90%
	February	1.71%	2.14%	0.80%	-0.96%
	March	1.85%	2.50%	1.64%	0.37%
	April	2.03%	2.70%	1.63%	0.05%
	May	2.21%	2.49%	0.57%	-1.98%
	June	2.36%	2.54%	0.45%	-2.33%

These net returns take into account the investment returns achieved by the MSIT's specialist investment managers, plus any interest on contributions held in the ERP's bank account (before being invested), less tax and fees. Tax has been deducted at 28%. Fees include all operating expenses, such as audit and bank fees and the MSIT's investment management fees.

Investment returns are determined by how the different investment sectors perform and how the MSIT's managers react and invest within those markets. Each of the ERP's Investment Funds is invested in differing combinations of these sectors. See page 9 for more details.

No particular level of return is promised. Neither Public Trust nor Mercer or any other person guarantees the repayment of any investment in the Scheme, the performance of the Scheme, or any particular rate of return. The value of an investment in the Scheme (including returns) can decrease, as well as increase.

Fund net returns compared with objectives to 30 June 2012

The Cash Fund's objective is based on a three-year time period. On average, over three years, the Cash Fund outperformed the ANZ 90-Day Bank Bill Gross Index by 0.90%, compared to its objective of 0.20%. Therefore, the Cash Fund's return outperformed its objective over this period.

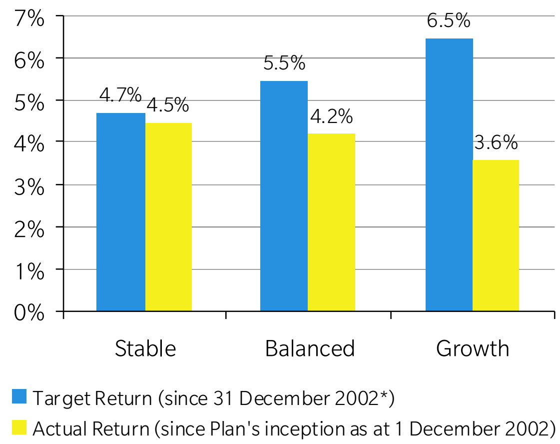
The objective for the other Funds is measured against the increase in the Consumers Price Index (CPI) for the relevant period. The objectives are:

Fund	Objective
Stable	CPI + 2.00% p.a. *(after tax and expenses)*
Balanced	CPI + 2.75% p.a. *(after tax and expenses)*
Growth	CPI + 3.75% p.a. *(after tax and expenses)*

The investment Funds are designed with a reasonable expectation that they will achieve their respective objectives assuming a relatively normal investment environment. That is, in designing the Funds, Mercer allows for the usual ups and downs markets experience, but unusual market volatility, like that witnessed during the recent global financial crisis and earlier, might well result in returns below the objectives. The higher the risk associated with the Fund, the greater the likelihood that unusual market volatility will lead to below-par returns: hence the term high risk.

The graph opposite shows the actual returns for each Fund over the long-term compared to the targeted returns. As you can see, all three Funds are below their targeted returns, largely as a result of the global financial crisis. It's important to note that events like the global financial crisis are considered as unusual market volatility. As an indication of how infrequently events like this occur, many economists have viewed this as the worst financial crisis since the Great Depression in the 1930s.

Target returns vs actual averaged returns since inception to 30 June 2012



**Please note that inflation is calculated on a quarterly basis so is reported as at 31 December 2002 instead of as at 1 December 2002.*

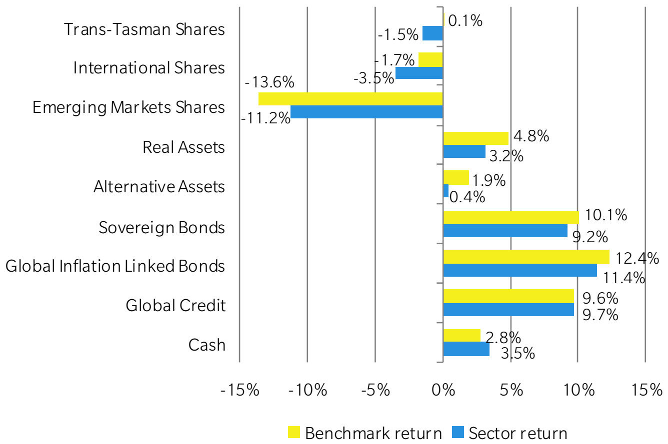
For returns for the year ended 30 June 2012 see page 7.

For factors behind Investment Fund returns for the year to 30 June 2012 see the 'Investment market performance to 30 June 2012' section on page13.

Sector gross returns to 30 June 2012

The gross returns (that is, before fees and tax) and the gross benchmark (or target) returns of each sector, managed by specialist investment managers for the MSIT, for the year to 30 June 2012 were:

Sector fund returns vs. benchmarks



You can find additional information about the asset class sector benchmarks on the Scheme's website, www.trss.superfacts.co.nz. Go to the 'Documents & forms' tab and click on the 'Your investment managers' section.

The Trans-Tasman Shares, International Shares, Real Assets and Alternative Assets sectors all delivered returns that were below their relative benchmarks.

In the case of Trans-Tasman Shares, investors have focussed on those shares paying high dividends, such as property and utility companies. These companies have performed much better than other companies in the market. The MSIT's portfolio is underweight in property and utilities, which its managers believe are over-priced, and this has contributed to underperformance over the year.

The Overseas Shares sector underperformed during the year as a result of its underweight to the US. The US is currently viewed as a safe haven and outperformed relative to other developed nations during the year. In contrast, the MSIT's portfolio is overweight in Emerging Markets, which performed relatively poorly. Although economic growth in the emerging economies is much stronger than the developed world, investors have preferred to invest in more familiar markets, like the US. Mercer continues to believe that, over the long term, those companies that benefit from the higher growth in the emerging economies will provide higher returns.

Real Assets is made up of Property, Infrastructure and Natural Resources investments. While the Infrastructure investment performed well, the Natural Resources managers struggled as commodity prices bounced around in the volatile economic environment. In particular, the MSIT's managers missed out on some of the benefits from rising grain prices following the drought in the US. The MSIT's Listed Property portfolio also underperformed. The manager that underperformed the most has since been terminated.

The Alternative Assets portfolio is made up of several managers with different types of investment strategies. One of these managers, with a focus on private debt investments, recorded a loss during the year.

On the other hand, the investment manager for the Emerging Markets Shares sector was able to add value (that is, produced returns of greater than 1% above the benchmark or market average in which it operates).

Returns from remaining asset classes were broadly in line with (plus or minus approximately 1%) their benchmark or market average.

Investment market performance to 30 June 2012

The first half of the 2011/2012 Scheme year proved to be tough for investors as sovereign debt levels impacted financial markets and investor confidence levels. The lifting of the US debt ceiling in early August led to a credit rating downgrade and sent global share markets into turmoil, with the Dow Jones down 4.3% in a single day. However, it was the European debt crisis that took centre stage, with concerns over the sustainability of government debt levels in Italy, Spain, Hungary, Portugal, Ireland and Greece.

As a result, investor sentiment alternated between hope and fear throughout the latter part of 2011, with the market responding to the latest news stories, which tended to focus on the problems in Europe. However, there was more positive news in December with US unemployment and housing data giving investors hope that the recovery was taking hold there. This good news, along with the prospect that European politicians were finally getting to grips with the scale of the challenges facing them, saw global share markets rise strongly in late 2011.

The improvement continued over the first three months of 2012 as share markets globally reacted positively to the measures implemented by the European Central Bank which included a pledge of €1 trillion to the European Financial Stability Fund. Solid economic data out of the US was also encouraging. Unfortunately, after a period of consolidation in April, share markets then fell sharply as the gravity of the situation in Europe escalated. Concerns centred on Spanish banks crippled by bad property debts and the inconclusive result of the election in Greece. Elsewhere, mixed economic data from the US and the continuing slowdown in China's economy contributed to the share market downturn.

June brought a rescue package for the Spanish banking sector and a pro-euro zone outcome to the second Greek election. Nonetheless, share market volatility continued as increasing signs of a slowdown in global manufacturing and unfavourable news from the US on housing and employment data preyed on investors' minds.

The outlook

The global economic expansion remains fragile. In July, the International Monetary Fund (IMF), unimpressed with the policy actions taken to stem the European sovereign debt crisis, cut its 2013 global growth forecast, cautioning that even the reduced rate might be optimistic if Europe does not do enough to alleviate its debt crisis and if policies to improve growth in emerging markets fail to gain traction.

Share markets continue to be volatile, initially rising in anticipation of stimulus in the US and Europe, only to be disappointed by a lack of action. While recent returns from fixed interest investments have to some extent compensated for weak returns from shares, history suggests that interest rates will eventually rise from their current lows, reducing returns from this type of investment.

In New Zealand, the low interest rate environment continues to play into the hands of the New Zealand share market, and the Reserve Bank has indicated that an Official Cash Rate of 2.5% is here to stay until at least 2013. The Kiwi dollar continues to be volatile.

However, there are reasons to take a more optimistic view heading into the 2012—2013 Scheme year. Markets have 'priced in' the low growth outlook and low interest rates (here and overseas) should be supportive of some growth. Positive surprises could result in rising share prices. Either way, investors should be prepared for a continuation of the ups and downs markets have delivered for the last few years.

This commentary provides general information only and is not a substitute for professional advice in any particular circumstances, and should not be relied upon as such. We strongly recommend that you talk to an Authorised Financial Adviser and get advice that is specific to your situation before making any decisions.

MANAGEMENT OF THE SCHEME

The Trustee

The Trustee (Public Trust) meets with the administration manager and the manager of the MSIT Investment Funds at least quarterly, to monitor the ERP's administration, review its investment performance and to discuss other issues relevant to its operation. The Trustee also meets with the Ministry of Education during the year to discuss benefit design, legislative changes and other relevant issues.

In November 2012, when this report was prepared, the Trustee's Board Members were:

- Rodger Finlay, Christchurch
- Dinu Harry, Auckland
- Robin Hill , Upper Hutt (Deputy Chair)
- Trevor Janes, Auckland (Chairman)
- Sue McCormack, Christchurch
- Fiona Oliver, Auckland
- Sarah Roberts, Auckland

There were no changes to the Board Members of the Public Trust during the year. However, following year-end Hinerangi Raumati resigned as a Board Member of the Public Trust on 30 October 2012.

Senior Management Personnel from Public Trust's Corporate Trustee Services Wellington office continue to act as representatives of the Trustee in fulfilling its role and carrying out the necessary day-to-day activities.

The Trust Deed

The Teachers' Scheme is part of the ERP, a cash accumulation superannuation scheme governed by a trust deed dated 30 August 2002 (as amended) and registered under the Superannuation Schemes Act 1989.

The ERP's Trust Deed sets out the ERP's rules. However, these may be overridden by the terms of the employer agreement applicable to the Teachers' Scheme. The Trustee is responsible for ensuring the provisions of the Trust Deed — subject to the terms of any relevant employer agreement — are carried out.

During the year, there were no amendments to the ERP Trust Deed or to the employer agreement.

Trustee's Certificate*

To the Members of the Employee Retirement Plan for the Year Ended 30 June 2012

As required by the Second Schedule of the Superannuation Schemes Act 1989, Public Trust as Trustee confirms that all contributions required to be made to the ERP during the financial year in accordance with the terms of the Trust Deed have been made.

Further, Public Trust as Trustee hereby certifies that:

1. All the benefits required to be paid from the ERP in accordance with the terms of the Trust Deed have been paid; and
2. The market value of the assets of the ERP at the close of the financial year equalled the total value of the benefits that would have been payable had all members of the ERP ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

Public Trust Date: 27 November 2012

** For the purposes of this certificate, 'the Trust Deed' means the trust deed of the ERP as amended from time to time, as well as the relevant employer agreements (other than those parts comprising the Investment Instructions), as amended from time to time.*

Trust Deed: You can view the Trust Deed and the Teachers' Scheme employer agreement at the Wellington office of Mercer (N.Z.) Limited (Level 8, 113-119 The Terrace, Wellington). Copies are also available at a cost of less than $10.

Information Booklet: You can also obtain copies of the Teachers' Scheme Information Booklet, which summarises the main provisions of the Trust Deed and the employer agreement, from the Teachers' Scheme website www.trss.superfacts.co.nz or by calling 0508 4 TEACH or 0508 4 83224.

Complaints process

The Trustee has a disputes handling procedure that is available to any member who has a complaint about the Scheme's operation.

If you have a concern or a complaint about the Scheme, you should get in touch with the Trustee via the Secretary to the ERP (see page 19 for contact details). The Trustee undertakes to investigate your concerns promptly and fairly. You may make a complaint by telephone, email or in writing.

If you are unhappy with the Trustee's response to your complaint, you may refer the matter to the dispute resolution scheme operated by the Insurance & Savings Ombudsman (ISO). Full details of how to make a complaint and copies of the ISO complaint form can be obtained from the ISO website www.iombudsman.org.nz. There is no charge to you for using the services of the ISO, however, there is a cost to the Scheme.

Membership profile

In total, 252 members left the Scheme during the year and received a full benefit payment. Details are shown in the table below:

Opening membership as at 1 July 2011	12,451
less	
Deaths	(10)
Financial hardship or relationship property division (full)	(4)
Retirements	(203)
Ill health	(1)
Permanent emigration	(16)
Transfers out	(18)
Closing membership as at 30 June 2012	**12,199**

In addition, 843 partial benefits were paid to members who remained members of the Scheme:

Financial hardship or relationship property division (partial)	47
Partial retirement	37
In-service	728
First home purchase	31
Total partial benefits paid as at 30 June 2012	**843**

EMPLOYEE RETIREMENT PLAN
SUMMARY FINANCIAL STATEMENTS

Statement of Changes in Net Assets for the year ended 30 June

		2012 $	2011 $
Net assets attributable to members at the beginning of the financial year		303,676,397	250,358,778
Investment Activities			
	Net Investment Income	5,538,138	21,453,842
	Net Investment Gains	5,538,138	21,453,842
Less			
Other Expenses			
	Administration Fees	299,578	302,732
	Auditor's Remuneration - Audit Fees	16,675	16,675
	Auditor's Remuneration - Tax Agent Fees	5,693	1,725
	Trustee Fees	108,860	100,649
	Other Expenses	4,552	1,514
	Total Other Expenses	435,358	423,295
Change in Net Assets before Taxation and Membership Activities		5,102,780	21,030,547
	Income Tax Expense	3,207,364	2,933,860
Change in Net Assets after Taxation and before Membership Activities		1,895,416	18,096,687
Membership Activities			
	Member Contributions	19,349,083	19,550,505
	Member Voluntary Contributions	5,772,260	5,498,067
	Employer Contributions	19,230,437	19,448,588
	Transfers in from Other Schemes	26,961	8,957
Less	Benefits Paid	(12,346,314)	(9,285,185)
	Net Membership Activities	32,032,427	35,220,932
Net assets attributable to members at the end of the financial year		337,604,240	303,676,397
Net Increase in Net Assets During Year		33,927,843	53,317,619

Statement of Net Assets as at 30 June

		2012 $	2011 $
Assets			
	Financial Assets - Fair Value Through Profit or Loss	337,623,752	305,301,944
	Current Assets	652,568	1,743,829
	Total Assets	338,276,320	307,045,773
Less			
Liabilities			
	Benefits Payable	7,780	26,985
	Trade and Other Payables	98,313	94,537
	Fund Withdrawal Tax Payable	491	491
	PIE Tax Payable	565,496	3,247,363
	Total Liabilities	672,080	3,369,376
Net Assets Available for Benefits		337,604,240	303,676,397
Vested Benefits*		337,604,240	303,676,397

Statement of Cash Flows for the year ended 30 June

	2012 $	2011 $
Net Cash Flows from Operating Activities	31,611,572	34,861,350
Net Cash Flows from Investing Activities	(32,854,665)	(34,889,205)
Net Decrease in Cash Held	(1,243,093)	(27,855)
Cash at Beginning of Financial Year	1,709,347	1,737,202
Cash at End of Financial Year	466,254	1,709,347

*Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.

Notes to summary financial statements

A summary of the Plan's audited financial statements for the year ended 30 June 2012 which were authorised for issue by the Trustee on 27 November 2012 is shown on page 16 of the annual report. The summary financial statements have been extracted from the full audited financial statements which were authorised for issue on 21 September 2012. The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Plan has made an explicit and unreserved statement of compliance with NZ IFRS in Note 2 of its full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Plan operates.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of changes in net assets, net assets and cash flows of the Plan. A copy of the full financial statements can be obtained, free of charge, from the Plan's administration manager. The Plan is a profit-orientated entity.

The auditor has examined the summary financial statements for consistency with the full financial statements and their opinion included on page 18. The full financial statements have been audited and an unmodified opinion issued.

pwc

Independent Auditors' Report on Summary Financial Statements

to the members of the Employee Retirement Plan

We have audited the accompanying summary financial statements of the Employee Retirement Plan ('the Plan') on pages 16 and 17, which comprise the summary statement of net assets as at 30 June 2012, the summary statement of changes in net assets and summary statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information, which are extracted from the audited financial statements of the Plan for the year ended 30 June 2012.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Plan.

Trustee's Responsibility for the Summary Financial Statements
The Trustee is responsible for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditors' Responsibility
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

We have no relationship with or interests in the Plan other than in our capacities as auditors and tax advisors. These services have not impaired our independence as auditors of the Plan.

Opinion on the Financial Statements
Our audit of the financial statements for the year ended 30 June 2012 was completed on 21 September 2012 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures from the date of the completion of our audit.

Opinion on the Summary Financial Statements
In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of the Plan for the year ended 30 June 2012 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

Restriction on Distribution or Use
This report is made solely to the members of the Plan, as a body. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the members, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Wellington
27 November 2012

PricewaterhouseCoopers, 113-119 The Terrace, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz

DIRECTORY

ERP Trustee

Public Trust is the Trustee of the ERP.

As Trustee it is responsible for the management of the ERP on behalf of members, ensuring the ERP is operated in accordance with the Trust Deed, and acting in the best interest of members at all times.

The Office of Public Trust

Level 10
141 Willis Street
PO Box 5067
Wellington 6145

ERP Secretary

The ERP's Secretary and Privacy Officer is Derek Vincent of Mercer.

All correspondence with the ERP Trustee should be addressed to:

The ERP Trustee

c/- The Secretary to the Trustee
Mercer (N.Z.) Limited
Level 8, 113-119 The Terrace
P O Box 2897, Wellington 6140

Telephone: 04 819 2600
Fax: 04 914 0434
Email: derek.vincent@mercer.com

Complaints Officer

Derek Vincent is also the Scheme's Complaints Officer. If you have a complaint, you should first contact Derek, whose contact details are shown above.

Administration manager

As the administration manager, Mercer maintains records of members' accounts, calculates members' benefits, prepares the annual accounts and produces members' annual statements.

Mercer (N.Z.) Limited

Level 8, 113-119 The Terrace
P O Box 1849, Wellington 6140

Free Phone: 0508 4 TEACH or 0508 4 83224
Direct phone line: 04 819 2600
Fax: 04 914 0434

Email: teachersretire@mercer.com
Website: www.trss.superfacts.co.nz

Investment managers

The ERP funds are invested by the Mercer Super Investment Trust (MSIT) with a team of specialist investment managers selected for their expertise and recognised performance in their specific investment sectors.

During the Scheme year there were some changes to the investment managers used within the MSIT. The MSIT is a multi-manager investment fund that uses a number of specialist managers in each sector. There were two additional manager appointments made during the year: Devon Funds Management was added as a Trans-Tasman Shares manager, and AQR was added as an Alternative Assets manager. State Street was terminated as an Overseas Shares Small Companies manager and replaced with Arrowstreet. Martin Currie was terminated as an Overseas Shares manager and CBRE Clarion (Alpha Fund) was terminated as a Global Listed Property manager. Neither of these managers was replaced, as it was determined that there were already sufficient managers in these sectors.

Mercer regularly reviews and performs due diligence on the investment managers used in the MSIT by the ERP. Manager changes arise for a variety of reasons, sometimes but not always due to performance concerns.

Details of the specialist managers utilised by the Mercer Super Investment Trust are shown under Your Investment Managers on the Documents & forms page on www.trss.superfacts.co.nz.

Auditor

The Scheme's Auditor is PricewaterhouseCoopers.