Annual Report

EMPLOYEE RETIREMENT PLAN

For the year ended 30 June 2013

Prepared for the members of

the Teachers Retirement Savings Scheme

ANNUAL REPORT HIGHLIGHTS

MESSAGE FROM THE TRUSTEE

Welcome to the 2012/13 Annual Report for the Employee Retirement Plan ("ERP"). The Teachers Retirement Savings Scheme ("Scheme") forms part of the ERP, and as at 30 June 2013 is the only scheme participating in the ERP.

Further 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.

Core beliefs deliver outstanding results

The 2012/13 financial year was an outstanding one for the Scheme's investments. Diversification has long been our strategy for reducing risk, and despite a patchy global economic backdrop, the Scheme's Funds delivered some good results for members.

The Growth Fund was the year's standout performer with a return of 12.78%. This was despite a -2.43%* drop in earnings over the month of June as markets reacted to suggestions that the US Federal Reserve may ease the pace of its asset buying programme.

Most members are invested in the Balanced Fund, which has an equal distribution of growth and defensive assets. Those members enjoyed returns of 8.44%* over the financial year.

The strong results for these two Funds were driven largely by their investments in growth-style assets including trans-Tasman and international shares, both of which had stellar years. Infrastructure and property (considered "real assets") also garnered strong returns throughout the year to 30 June 2013. (See page 12 for more information.)

The performance of defensive-style options such as the Cash and Stable Funds, while positive, lagged their growth oriented counterparts. The Stable Fund returned 4.69%* for the financial year, while the Cash Fund returned just 2.12%* over the same period. These Funds' comparatively modest returns reflected investors' increased appetite for risk as they moved away from lower returning defensive options.

At financial year end the US was on the road to recovery, Europe was in recession and Japan was pulling out all stops in a bid to stimulate economic growth. China meanwhile is expected to grow but at a slower rate than in the past. The outlook for economic growth in developed markets remains muted.

With the anticipated pullback in US central bank support, investors have tended to move away from fixed income investments. Concurrently, the improving economic picture has made investors feel better about growth and as a result the shift appears to be away from fixed interest markets.

The anticipation surrounding the timing of quantitative easing pullbacks is likely to cause some market volatility in the shorter term.

What drove the markets?

The 2012/13 financial year was a strong one for the New Zealand share market, with the NZX50 returning a staggering 32.4% for the year to 30 June 2013, as the local market responded to positive news out of the US, Europe and Japan together with record low interest rates and signs of growth in the New Zealand market.

European reforms brought stability and market recovery

In Europe, the first half of the financial year was dominated by major reforms that helped stabilise monetary markets and support a recovery in European fixed interest and share markets. The second half of the year continued the trend and European equities returned 18.8% to mid-May 2013. Overall the Euro Stoxx 50 index finished up at 21.4% after a large drop in the final two weeks of the financial year.

US slow but improving

Economic recovery and job growth in the US was slow for the first half of the year despite near zero interest rates and measures to increase money supply by the US Federal Reserve.

There was concern in late 2012 about the so-called "fiscal cliff" (the simultaneous expiry of tax breaks and introduction of tax increases and spending cuts which threatened to send the US economy back into recession), but in the first half of 2013 the US economy continued to improve and unemployment fell to 7.6% in June 2013, its lowest rate since the global financial crisis.

The improving employment rate also supported a continued recovery in house prices, with a 12.2% improvement for May 2013 year on year.

Indications that the US Federal Reserve might ease the pace of its asset purchasing programme as early as September 2013 spooked global markets in June however, leading to significant losses over the month.

Past performance is not a reliable indicator of future performance.

** After tax and fees and based on the monthly declared interest rates.*

A reversal of recent market trends – Japan booms, China lags...

Japan entered a new era of economic stimulus, implementing a radical ¥7 trillion ($92 billion NZD) stimulus programme. The monetary policy aims to bring about 2% p.a. CPI inflation.

The programme as a whole aims to lift the overall growth rate of the economy. Investors responded with confidence with the Nikkei posting a return of 52% this financial year.

In China new reforms have been passed to reduce corruption and more emphasis has been placed on reducing the environmental impact of economic development. However, there is still concern surrounding the economic outlook, with slowing growth and tightening money markets the main concerns.

All in all a solid improvement on last year

We're pleased with the significantly improved returns from the Stable, Balanced and Growth Funds compared with the previous year, when a tough global economy impacted on performance (as was the case with many superannuation schemes).

As the past 12 months have shown us, markets can change rapidly. This time last year the Growth Fund had delivered a negative return, the Balanced Fund's return was near neutral and the Stable Fund's return was modest.

What this highlights is the importance of taking a long term view of your super and avoiding the temptation to switch between funds in an attempt to chase good returns. In doing so, you run the risk of locking in any poor returns, and missing out on the short, sharp periods of strong returns.

As always, we hope you find this annual report to be an informative and interesting read. If you have any queries or comments, please feel free to call our Helpline on **0508 4 TEACH** (0508 483 224).

On behalf of the Trustee, Public Trust

SUPERANNUATION UPDATE

Anti-Money Laundering and Countering Financing of Terrorism update

Legislation to detect and deter money laundering and terrorism financing came into effect from 30 June 2013. Financial institutions (including superannuation schemes) will need to adhere to a number of requirements in order to guard against money laundering and terrorism financing.

The Trustee has applied for an exemption on the basis that the requirements imposed are disproportionate to the actual risk of money laundering and terrorism. This application is yet to be approved, but we will continue to keep you informed of any progress.

In the meantime, identification requirements have been introduced to ensure the Scheme is in line with the new legislative requirements. You will only notice these new requirements if and when you come to make an application for a benefit. All the information you will need about these requirements (and more specifically, what we will need from you) will be outlined in the form you use to apply for your withdrawal. If you'd like more information, check out the fact sheet under the **Documents & forms** page of the Scheme's website at www.trss.superfacts.co.nz.

We've gone mobile!

You may have already read about our new smartphone-friendly website, which we launched back in May. This new addition makes it even easier for you to view important account information, wherever you are.

The mobile optimised site allows you to see your account balance, transaction history, personal details, investments and contributions in a smartphone-friendly format. You can also update your PIN and, if you have any questions, call our friendly Helpline staff at the touch of a button.

If you have a smartphone, check it out! simply enter www.trss.superfacts.co.nz into your smartphone browser or scan the QR code opposite using your smartphone's QR reader.

Not sure how to use a QR code?

All you need to do is download a QR Reader application (if you don't have one already) from your smartphone's app store. These are available free of charge. Now, open the app and use it to take a picture of the code. It will decode and take the action specified — in this case, taking you to the Scheme's mobile site.

New Zealand Superannuation rates increase

The Government increased the level of payments to be made to recipients of New Zealand Superannuation with effect from 1 April 2013. The rates (before tax) are:

Married couple	$32,275 p.a.
Single person (sharing)	$19,607 p.a.
Single person (living alone)	$21,337 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 one supported by New Zealand Superannuation payments alone. Achieving your retirement income objectives will depend in part on the robustness of your planning as well as the level of New Zealand Superannuation at the time you retire. You may find the 'Planning for retirement' webinar, under the **Multimedia** page of Scheme's website (www.trss.superfacts.co.nz) and the retirement calculators on the Commission for Financial Literacy and Retirement Income's website (www.sorted.org.nz) useful.

KiwiSaver minimum contribution rates increase

As noted in last year's annual report, from 1 April 2013 the minimum member and employer contribution to KiwiSaver schemes increased from 2% to 3% of salary. This does not affect your membership in the Scheme.

THE YEAR'S RESULTS AT A GLANCE

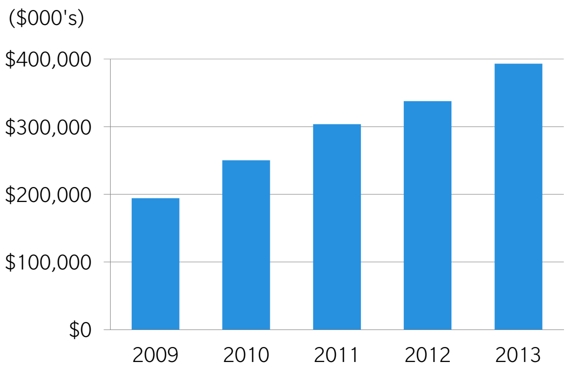
For the year to 30 June 2013, the returns (after tax and fees and based on the monthly declared interest rates for each Investment Fund) were:

Cash Fund	2.12% p.a.
Stable Fund	4.69% p.a.
Balanced Fund	8.44% p.a.
Growth Fund	12.78% p.a.

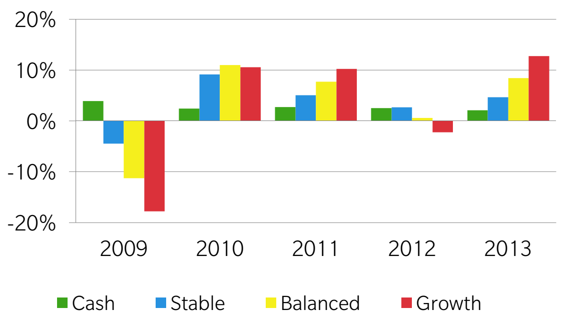
Total Membership as at 30 June 2013	11,904
Contributions Received During the Year	$43.41 million
Benefits Paid During the Year	$15.17 million
Total Fund Value as at 30 June 2013	$393.21 million

FIVE-YEAR SNAPSHOT

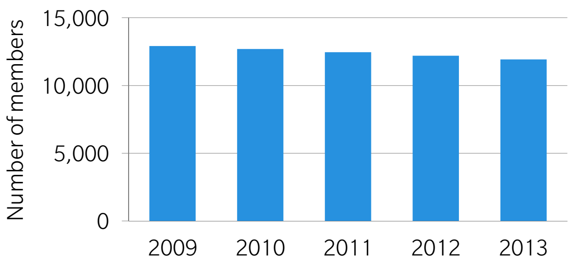
Accumulated Funds



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 in their specific investment sector, to manage the MSIT's assets.

Investment strategy

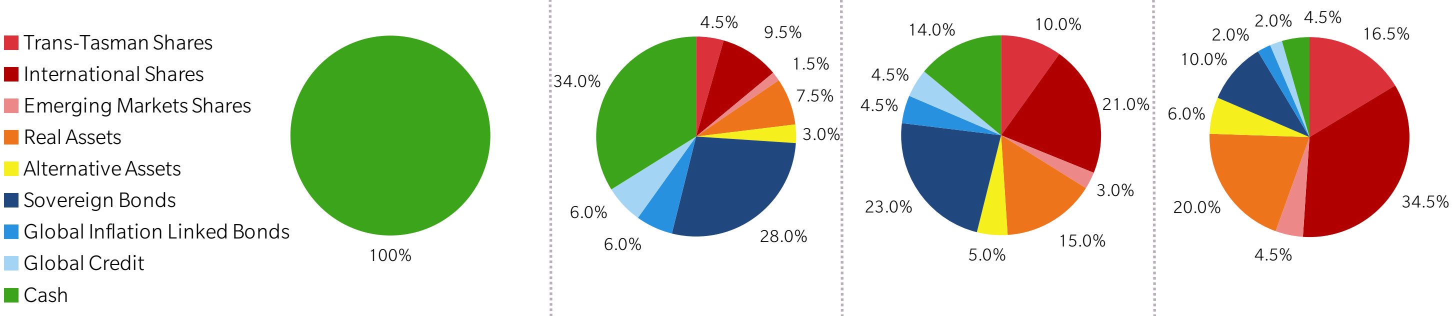
The four Investment Funds have varying degrees of risk, from lower risk (the Cash and Stable Funds) to higher risk (the Growth Fund). "Risk" in this context refers to the expected fluctuations in returns (also referred to as volatility) and the likelihood of posting a negative return. This risk is managed 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 2013. 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 2013 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
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 those 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 willing to accept some variability in returns.	Long-term investments with potentially higher returns than those from the Stable or Balanced Funds, and 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.

2013 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	2.12%
Stable Fund	4.69%
Balanced Fund	8.44%
Growth Fund	12.78%

The net returns are derived by compounding the monthly declared interest rates for each Investment Fund from 1 July 2012 to 30 June 2013. 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 2013:

Fund		Cash	Stable	Balanced	Growth
Period					
2012	July	0.18%	0.97%	1.41%	1.85%
	August	0.36%	1.47%	2.26%	3.16%
	September	0.53%	2.12%	3.37%	4.76%
	October	0.72%	2.39%	3.72%	5.18%
	November	0.92%	2.95%	4.52%	6.23%
	December	1.09%	3.52%	5.61%	7.90%
2013	January	1.30%	4.22%	7.25%	10.57%
	February	1.48%	4.54%	7.61%	11.01%
	March	1.63%	5.12%	8.32%	11.84%
	April	1.85%	6.21%	9.89%	13.79%
	May	2.04%	6.18%	10.54%	15.44%
	June	2.23%	4.77%	8.48%	12.75%

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 2013

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 0.80%, compared to its objective of 0.20%. Therefore, the Cash Fund's return outperformed its objective over this period.

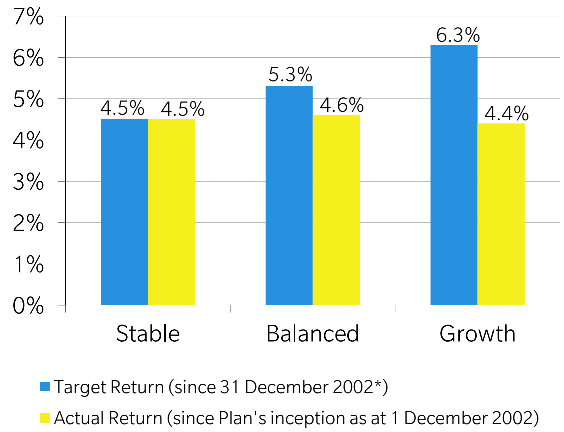
The objective for the other Funds is measured against the increase in the Consumers Price Index (CPI) for the relevant period. The objectives are:

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 of the other three Funds over the long-term compared to the targeted returns. As you can see, the Balanced and Growth Funds are still 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 2013



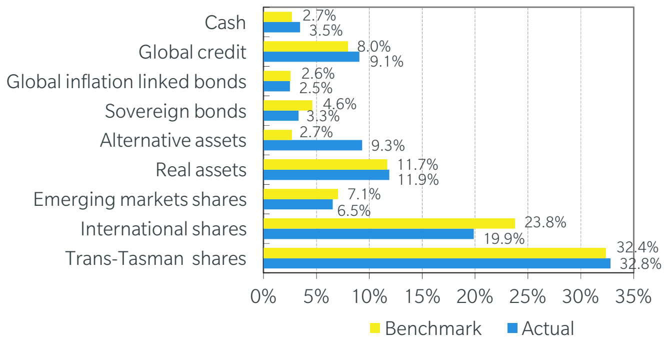
**Please note that inflation is calculated on a quarterly basis so is reported as at 31 December 2002 instead of as at 1 December 2002.*

For returns for the year ended 30 June 2013 see page 7.

For factors behind Investment Fund returns for the year to 30 June 2013 see the 'Investment market performance to 30 June 2013' section on page 13.

Sector gross returns to 30 June 2013

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 2013 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 sovereign bonds and international shares sectors both delivered returns that were below their relative benchmarks.

In the case of sovereign bonds, underperformance from the trans-Tasman portion of the portfolio weighed down strong outperformance from the global sovereign bond managers.

The overseas shares sector underperformed during the year as a result of a higher allocation to emerging market shares and an underweight to the stronger performing US market.

On the other hand, the investment managers for the global credit and alternative asset sectors were able to add value (that is, produced returns of greater than 1% above the benchmark or market average in which it operates). Most notably, the alternative asset sector significantly outperformed its benchmark, exceeding it by an impressive 6.6%. This is a pleasing improvement after underperforming its benchmark last year by 1.5%. The MSIT's alternative assets exposure aims to deliver a strong absolute return which is uncorrelated with share markets which, in Mercer's view, achieved that during the year.

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 2013

The year to 30 June 2013 saw financial markets deliver some pleasing returns, as a number of economic and political events positively impacted on the markets. In direct contrast to last year, growth-style assets such as shares and property had particularly strong returns.

Trans-Tasman shares

Trans-Tasman shares had a stellar year for the 12 months to 30 June 2013, with both New Zealand and Australian markets providing strong performances. New Zealand shares, which offer higher dividends than most other shares, tend to do well in a low interest rate environment such as we are currently experiencing. Events such as the Christchurch rebuild also supported the wider market, particularly through job growth. Australasian shares also provided some strong returns, although these were offset by Chinese growth woes, with concerns about the nation's largest trading partner subduing the market somewhat.

International shares

International shares shook off the disappointments of the previous year to post impressive returns for 2013, benefitting from numerous monetary stimulus packages issued by central banks around the globe, notably in Europe, the US, China and Japan. This, coupled with renewed expectations that global recovery will continue, particularly in Europe and the US, spurred markets on to heights not reached since the global financial crisis.

Property

While posting solid returns, shares in property (which comprises part of the Real Assets portfolio) underperformed relative to the broader share markets, mostly due to a weak June quarter which saw property stocks sold off. The selloff was spurred by an increase in interest rate yields, making the comparative yields available in property stocks look less attractive.

New Zealand fixed interest

New Zealand fixed interest returns were flat for the year as the improving economic outlook saw prices fall (interest rates rise), making the sector an unattractive option to investors. Against this steadily improving economic backdrop, investors felt more optimistic about growth, allocating more funds to shares and property.

International fixed interest

International fixed interest, on the other hand, posted comparably solid returns for the majority of the year. While the overall global economic outlook was positive, there was still the occasional setback during the year, such as fiscal cliff concerns and the Cyprus bailout conditions. The sector benefitted from these setbacks, as they prompted wary investors to invest in less risky sovereign bond investments in perceived 'safe haven' nations such as the US, Germany and Australia.

Cash

Cash posted another modest return as the Reserve Bank kept its official cash rate at 2.5% throughout the year.

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 September 2013, when this report was prepared, the Trustee's Board Members were:

- Sarah Roberts, Auckland (Chair)
- Rodger Finlay, Christchurch
- Dinu Harry, Auckland
- Sue McCormack, Christchurch
- Fiona Oliver, Auckland

During the year the following changes were recorded to the Trustee's Board:

- Hinerangi Raumati completed her term as a Board Member of the Public Trust on 30 October 2012.
- Trevor Janes completed his term as Board Member and Chairman with effect from 30 June 2013. (Sarah Roberts took over the role of Chair following year end with effect from 1 July 2013.)
- Robin Hill completed his term as a Board Member with effect from 30 April 2013.

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 2013

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 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 exceeded 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: 25 September 2013

** 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.

Novopay update

In August 2012 the Ministry of Education appointed a new payroll provider, Novopay, which resulted in some administrative issues for the Scheme during the year.

Of primary concern was the inadequate supporting data provided by Novopay to the Scheme's administrator (Mercer), and shortfalls in contributions received by Mercer from Novopay on behalf of members. As a result, there were delays to the allocation of contributions to members' accounts, and in some cases, the payment of leaving service benefits.

Mercer and the Trustee would like to assure members that all final allocations to member accounts are accurate and correct.

The Trustee and Mercer worked closely with Novopay to ensure minimal disruption while they worked through these issues. The Trustee is pleased to advise that the process now appears to be improving.

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 Trustee (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 Trustee's nominated 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, 295 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 2012	12,199
less	
Deaths	(9)
Financial hardship or relationship property division (full)	(3)
Retirements	(237)
Ill health	(2)
Redundancy	(2)
Permanent emigration	(20)
Transfers out	(22)
Closing membership as at 30 June 2013	**11,904**

In addition, 927 partial benefits were paid to members who remained members of the Scheme:

Financial hardship or relationship property division (partial)	51
Partial retirement	46
In-service	798
First home purchase	32
Total partial benefits paid as at 30 June 2013	**927**

EMPLOYEE RETIREMENT PLAN SUMMARY FINANCIAL STATEMENTS

		2013 $	2012 $
Statement of Changes in Net Assets for the year ended 30 June			
Net assets attributable to members at the beginning of the financial year		337,604,240	303,676,397
Investment Activities			
	Net Investment Income	33,900,862	5,538,138
	Net Investment Gains	33,900,862	5,538,138
Less			
Other Expenses			
	Administration Fees	299,395	299,578
	Auditor's Remuneration - Audit Fees	16,675	16,675
	Auditor's Remuneration - Tax Agent Fees	6,038	5,693
	Trustee Fees	117,203	108,860
	Other Expenses	4,406	4,552
	Total Other Expenses	443,717	435,358
Change in Net Assets before Taxation and Membership Activities		33,457,145	5,102,780
	Income Tax Expense	6,097,900	3,207,364
Change in Net Assets after Taxation and before Membership Activities		27,359,245	1,895,416
Membership Activities			
	Member Contributions	18,892,998	19,349,083
	Member Voluntary Contributions	5,735,210	5,772,260
	Employer Contributions	18,783,854	19,230,437
	Transfers in from Other Schemes	-	26,961
Less	Benefits Paid	(15,166,844)	(12,346,314)
	Net Membership Activities	28,245,218	32,032,427
Net assets attributable to members at the end of the financial year		393,208,703	337,604,240
Net Increase in Net Assets During Year		55,604,463	33,927,843
Statement of Net Assets as at 30 June			
Assets			
	Financial Assets - Fair Value Through Profit or Loss	392,920,755	337,623,752
	Current Assets	2,138,141	652,568
	Total Assets	395,058,896	338,276,320
Less			
Liabilities			
	Benefits Payable	13,515	7,780
	Trade and Other Payables	73,342	98,313
	Member Contributions Refundable	259	-
	Employer Contributions Refundable	251	-
	Fund Withdrawal Tax Payable	-	491
	PIE Tax Payable	1,762,826	565,496
	Total Liabilities	1,850,193	672,080
Net Assets Available for Benefits		393,208,703	337,604,240
Vested Benefits*		392,640,596	337,604,240
Statement of Cash Flows for the year ended 30 June			
Net Cash Flows from Operating Activities		27,478,090	31,611,572
Net Cash Flows from Investing Activities		(26,429,056)	(32,854,665)
Net Increase/(Decrease) in Cash Held		1,049,034	(1,243,093)
Cash at Beginning of Financial Year		466,254	1,709,347
Cash at End of Financial Year		1,515,288	466,254

*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 Plan at balance date. As the Plan is fully vested, the difference between the net assets and the vested benefits is $568,107 which comprises of member and employer contributions receivable at year end.

Notes to summary financial statements

A summary of the Scheme's audited financial statements for the year ended 30 June 2013 which were authorised for issue on 20 September 2013 is shown on page 16 of the annual report. The summary financial statements have been extracted from the full audited financial statements dated 30 June 2013, which were authorised for issue on 20 September 2013. 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 Scheme 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 Scheme 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 Scheme. A copy of the full financial statements can be obtained, free of charge, from the Scheme's administration manager. The Scheme is a profit orientated entity.

The auditor has examined the summary financial statement 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.

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 to 17, which comprise the summary statement of net assets as at 30 June 2013, 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 2013.

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.

Trustees Responsibility for the Summary Financial Statements
The Trustees are 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 2013 was completed on 20 September 2013 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 2013 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's members, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Wellington
25 September 2013

PricewaterhouseCoopers, 113 – 119 The Terrace, PO Box 243, Wellington 6140, New Zealand
T: +64 (4) 462 7000, F: +64 (4) 462 7001, www.pwc.com/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, including anything regarding compliance with regulations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, 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 a number of changes to the underlying investment managers used within the MSIT. The MSIT is a multi-manager investment fund that uses a number of specialist managers in each sector. A list of the appointments and terminations of underlying investment managers is summarised below:

International shares:
Terminated: Edinburgh Partners, RCM
Appointed: Franklin Templeton

Unlisted Property:
Terminated: AMP Capital Investors
Appointed: Lend Lease Investment Management, Investa Property Group, Goodman Funds Management

Listed Property:
Terminated: CBRE Global Real Estate Securities, Perennial Real Estate Investments
Appointed: Brookfield, Principal, CentreSquare

Alternative Assets:
Terminated: BlackRock, Credit Suisse
Appointed: AQR

Trans-Tasman Sovereign Bonds:
Appointed: Macquarie Investment Management, Challenger Crown, BT

Trans-Tasman Inflation Linked Bonds:
Appointed: Challenger Financial Services Group

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.