

EMPLOYEE RETIREMENT PLAN

ANNUAL REPORT

For the year ended 30 June 2017



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OVERVIEW



\$601.4
million

in net assets



732

members made
partial withdrawals



43,774

visits to website



\$56,474

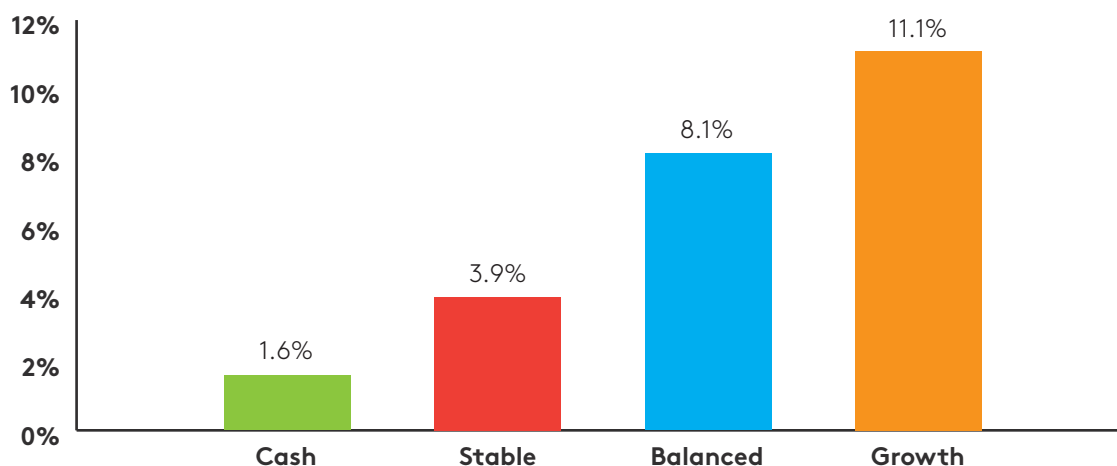
average account balance



1,703

calls to helpline

Returns after fees & taxes for each investment option
for the year to 30 June 2017



TRUSTEE'S MESSAGE

Welcome to the Employee Retirement Plan annual report for the year ended 30 June 2017.

Geopolitical factors have been the main influences on investment markets over the past 12 months, in particular the Brexit result, the election of Donald Trump to the US presidency and a belligerent North Korea. However, despite the uncertainty events such as these have created, global economic and financial indicators continued to improve throughout of the year. Although markets have initially reacted sharply, they have quickly recovered, and in a number of cases exceeded, lost ground.

While US and other major share markets have again performed well, it has been a more challenging 12 months for global fixed interest markets. Bond yields have risen, particularly in the US where, amidst the political uncertainty, the Federal Reserve increased its Fed Funds Rate for only the third time since the global financial crisis.

The New Zealand economy continued to perform strongly, encouraged by budget surpluses, growing tourism figures and record prices for some of our main exports. The Reserve Bank cut the Official Cash Rate twice during the year, to a record low of 1.75%, as it attempts to lift inflation back into the bank's 1%-3% target range. New Zealand's Consumers Price Index (the Reserve Bank's inflationary measure) did reach a five-year high of 2.2% for the year to 31 March, but by June had retreated to 1.7%.

Although the local share market had another positive 12 months, it couldn't quite match the returns posted over the recent two or three years.

We hope you enjoy reading this year's annual report. The Trustee continues to look at ways to make Plan communications more informative and easy to follow. If you have any suggestions, please contact the Helpline on 0508 4 TEACH (0508 483 224) or email teachersretire@mercero.com.

On behalf of the Trustee, Public Trust

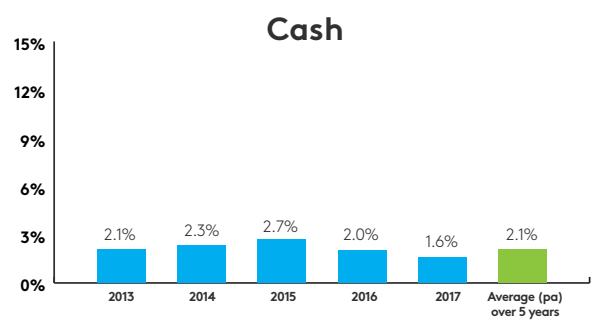
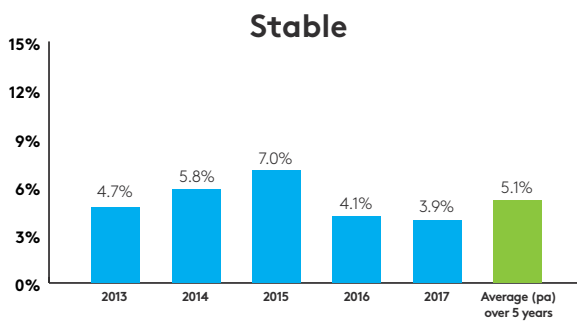
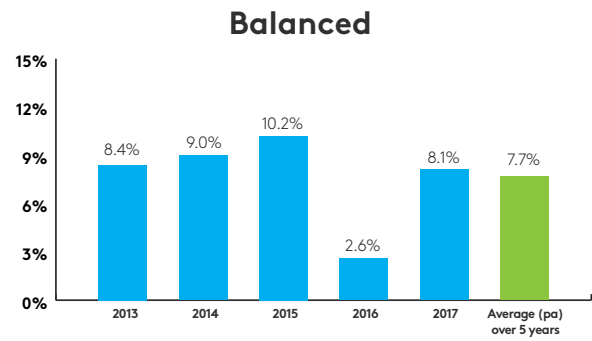
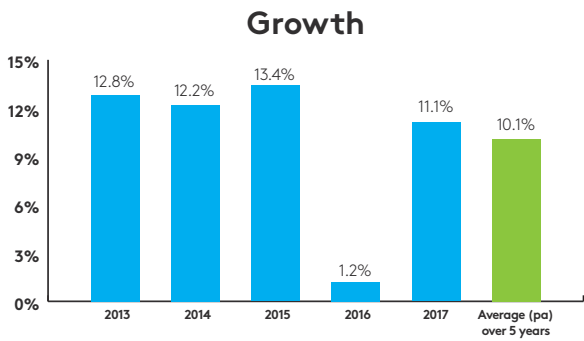


30 October 2017



INVESTMENT RETURNS

The following graphs show the returns, after fees and taxes, for each of the last five years as well as the average annual return over five years for each investment fund.



SCHEME NEWS

FINANCIAL MARKETS CONDUCT ACT

The ERP transitioned to the Financial Markets Conduct Act (FMC Act) regime with effect from 30 November 2016. A formal notice about the transition was sent to all members early this year.

As a result of the transition, you will see a number of changes to the Plan's documents and how they can be accessed.

Annual report: A new statutory information section has been added to the annual report. While much of the material required doesn't differ markedly from that provided in previous years, additional information has been included to help provide you with a clearer understanding of the Plan and how it operates.

Annual fund update: This new document will be provided on or before 30 September each year. A separate fund update is required for each of the Plan's four investment funds. Some of the information previously contained in the annual report is now provided in the fund update documents. This year's fund updates were issued on 29 September 2017 and uploaded to the Plan and Disclose websites on 3 October 2017.

Disclose website: This website, www.companiesoffice.govt.nz/disclose, contains copies of all Plan-related documents, including the trust deed, statement of investment policy and objectives, employer agreement, annual reports, financial statements and fund updates. We encourage you to have a look at Disclose – search Employee Retirement Plan under the scheme register or offer register.

Please remember that most of the above documents are also available, free of charge, from the Plan Secretary and Plan Administrator, as well as on the Plan website, www.trss.superfacts.co.nz.

ACCESSING YOUR FUNDS AT RETIREMENT

Once you reach retirement age you can keep your funds invested within the Plan and opt for periodical withdrawals on a regular basis or lump sum withdrawals when required. You can retain your funds in the same investment portfolio or switch them into an investment fund(s) that may better reflect your risk tolerance.

For further information please refer to the Member Information Booklet available from the Plan's website

FINDING A FINANCIAL ADVISER

A financial adviser can provide you with independent guidance and advice on superannuation and other financial services and products. The right adviser can save you time and help you achieve your financial goals.

Remember, however, that it's your money, so the advice provided should focus on your individual requirements and, where necessary, take into account your short, medium and long-term needs.

Speak with several advisers before making a decision about which one to use. Find out if they only offer general financial guidance or are qualified (and have the experience) to provide advice that matches your particular needs. Some advisers charge a service fee, while others operate on a commission basis or may receive sales-related incentives.

The Financial Markets Authority website, www.fma.govt.nz/consumers/getting-financial-advice, provides helpful information about choosing the right financial adviser. You can also find out more about individual financial advisers on the Companies Office's Financial Service Providers Register (FSPR), www.fspr.govt.nz.

NEW ZEALAND SUPERANNUATION RATES

Each year, the Government reviews the rate of New Zealand Superannuation. NZ Super is pegged to the national average ordinary-time wage which is currently \$58,745 a year before tax.

From 1 April 2017, the rates are:



\$23,405_{pa}*

Single person, living alone



\$21,507_{pa}*

Single person, sharing



\$35,430_{pa}*

Married couple

*Before tax

For more information about eligibility, go to www.workandincome.govt.nz.

STATUTORY INFORMATION

DETAILS OF SCHEME

This is the annual report for the Employee Retirement Plan (the 'Plan') for the year ended 30 June 2017. The Plan is a restricted workplace savings scheme for teachers and principals in state and state-integrated schools.

Public Trust (the 'Trustee') is the Plan's licensed independent trustee and manager.

The Plan was closed to new members from 30 September 2008.

The first fund updates for the Plan, for the year ending 30 June 2017, were issued on 29 September 2017.

The Plan's financial statements for the year ending 30 June 2017 were authorised for issue on 9 October 2017 and were lodged with the Registrar of Financial Service Providers on 16 October 2017.

Copies of the full financial statements (including the auditor's report) and fund updates are available on www.companiesoffice.govt.nz/disclose (search for Employee Retirement Plan) and on www.trss.superfacts.co.nz.

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

The following table provided a summary of changes in Plan membership over the year to 30 June 2017:

	Contributing members	Non-contributing members	Total number of members
Membership at 1 July 2016	8,507	2,483	10,990
<i>Less</i>			
Retirement			152
Death			12
Transfers out			26
<i>Other</i>			
- Leaving service withdrawals			137
- Retrenchment/redundancy			3
- Ill health			6
- Permanent emigration			5
Total withdrawals			341
Membership at 30 June 2017	8,156	2,493¹	10,649

¹During the year a net total of 10 members stopped contributing to the Plan.

Note: There were no new members or transfers in as the Plan was closed from 30 September 2008.

Member Accumulations	30 June 2016	30 June 2017
Total members' accumulations	\$548,809,534	\$601,387,355
Number of members	10,990	10,649

Contributions	Members	Total amount
Member contributions	8,842	\$16,800,790
Member voluntary contributions	2,431	\$6,253,550
Employer contributions	8,715	\$16,637,711
Total contributions		\$39,692,051

CHANGES RELATING TO THE SCHEME

Trust deed

The Plan's Trust Deed and Employer Agreement with the Ministry of Education were amended with effect from 1 December 2016 to consolidate previous amendments and align them with the requirements of the FMC Act, and to reflect other legislative and administrative changes relating to the Plan.

Statement of investment policy and objectives

Changes to the statement of investment policy and objectives, effective 28 November 2016, related mainly to meeting FMC Act requirements.

Related party transactions

As at 30 June 2017, the Plan holds no investments in the employer or its related entities. All related party transactions were conducted on arm's length terms.

OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

Withdrawals

Number of members

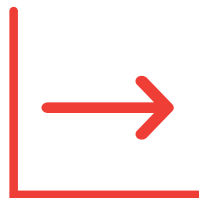
Full withdrawals	
Retirement	152
Leaving service/resignation/withdrawal	137
Retrenchment/redndancy	3
Transfer to another scheme	26
Death and total & permanent disablement	18
Permanent emigration	5
Total full withdrawals	341
Partial withdrawals	
Financial hardship	27
First Home withdrawal	15
In-service withdrawal	690
Total partial withdrawals	732

Note: Partial withdrawals are payable to members who remain in the Plan.

Year-end crediting rates - Plan investment funds



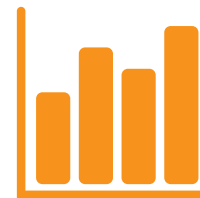
CASH
1.6%



STABLE
3.9%



BALANCED
8.1%



GROWTH
11.1%

Declared interest rates for the year to 30 June 2017

The declared interest rates are the rates applied to benefits paid out during the year.

	Cash	Stable	Balanced	Growth
July 2016	0.1%	1.3%	2.7%	3.5%
August	0.3%	1.4%	2.8%	3.5%
September	0.4%	1.4%	2.8%	3.6%
October	0.6%	0.9%	1.9%	2.6%
November	0.7%	0.7%	2.1%	3.1%
December	0.8%	1.3%	3.6%	5.2%
January 2017	1.0%	1.3%	3.7%	5.4%
February	1.1%	2.2%	5.4%	7.7%
March	1.2%	2.8%	6.6%	9.4%
April	1.3%	3.5%	8.1%	11.4%
May	1.5%	3.9%	8.3%	11.5%
June	1.6%	3.9%	8.1%	11.1%

Trustee's statement

As Trustee of the Plan, the Trustee confirms that:

- all contributions required to be made to the Plan in accordance with the terms of the trust deed have been made; and
- all benefits required to be paid from the Plan in accordance with the terms of the trust deed have been paid; and
- the market value of the Plan's assets at 30 June 2017 equalled the total value of benefits that would have been payable had all members of the Plan 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 30 June 2017.

On behalf of the Trustee, Public Trust



30 October 2017



CHANGES TO THE PERSONS INVOLVED IN THE SCHEME

Trustee

The Plan's Trustee and Manager is Public Trust. As at 30 June 2017, the board members of the Trustee and Manager were:

- Simon Craddock
- John Duncan
- Ian Fitzgerald
- Bevan Killick
- Dianne McAteer
- Graham Naylor
- Fiona Oliver (Deputy Chair)
- Sarah Roberts (Chair)

Trustee - Board member changes

During the year, the following changes occurred to the board members of the Trustee and Manager:

- Huei Min (Lyn) Lim's term of appointment ended on 30 June 2017
- Dinu Harry's term of appointment ended on 31 October 2016
- Diana Puketapu's term of appointment ended on 31 October 2016
- Bevan Killick was appointed on 1 November 2016
- Dianne McAteer was appointed on 1 November 2016
- Graham Naylor was appointed 1 November 2016
- Ian Fitzgerald was appointed on 22 May 2017 and appointed as Chair from 1 September 2017

Key personnel of the Trustee

- John Ross (General Manager Corporate Trustee Services)
- Ireen Muir (Senior Manager Client Services)
- Martyn Ogilvie (Senior Trust Officer)

Professional advisers

The trustee is assisted in the management of the Plan by the following professional advisers:

- **Auditor:** PwC
- **Administrator:** Mercer (N.Z.) Limited
- **Investment consultant:** Mercer (N.Z.) Limited
- **Securities registrar*:** Mercer (N.Z.) Limited
- **Solicitor:** DLA Piper
- **Tax consultant:** Deloitte

Since 28 November 2016, the Plan has been investing through the Mercer Investment Trusts New Zealand ('MITNZ') instead of the Mercer Superannuation Investment Trust (MSIT). The Manager of MITNZ is Mercer (N.Z.) Limited.

There were no changes to the professional organisations assisting in the management of the Plan during the year ending 30 June 2017.

*The securities registrar holds the Plan's member register.

HOW TO FIND FURTHER INFORMATION

Further information relating to the Plan, including financial statements, annual fund updates, the trust deed and statement of investment policy and objectives is available on the offer register and scheme register at www.companiesoffice.govt.nz/disclose (search for Employee Retirement Plan).

Information relating to the Plan is also available from the Manager at the address above.

There is no charge for providing any of the above information.

CONTACT DETAILS AND COMPLAINTS

The Trustee and Administration Manager

Public Trust

Corporate Trustee Services
PO Box 5067
Wellington 6140

Address communications for the Trustee, administration manager or securities registrar to:

Derek Vincent

Secretary
Employee Retirement Plan
Mercer (N.Z.) Limited
PO Box 2897
Wellington 6140
Phone: 04 819 2600
Email: derek.vincent@mercer.com

Complaints

All complaints must be made in writing and should initially be addressed to the Secretary at the above address.

The Trustee undertakes to investigate your concerns promptly and fairly.

The Trustee is a member of an independent dispute resolution scheme, Financial Services Complaints Limited ('FSCL'). If you are not satisfied with the Trustee's decision about your complaint, you may refer the matter to FSCL at the following address:

Financial Services Complaints Limited

101 Lambton Quay
PO Box 5967, Lambton Quay
Wellington 6145
Phone: 0800 347 257
Email: complaints@fscl.org.nz

Full details of how to access FSCL can be found on their website www.fscl.org.nz.

FSCL will not charge you a fee to investigate or resolve a complaint.

