

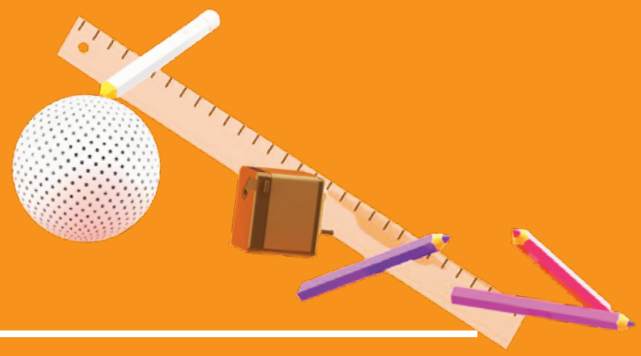
EMPLOYEE RETIREMENT PLAN

# ANNUAL REPORT

For the year ended 30 June 2019



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## OVERVIEW

 **1,998**  
members made partial withdrawals

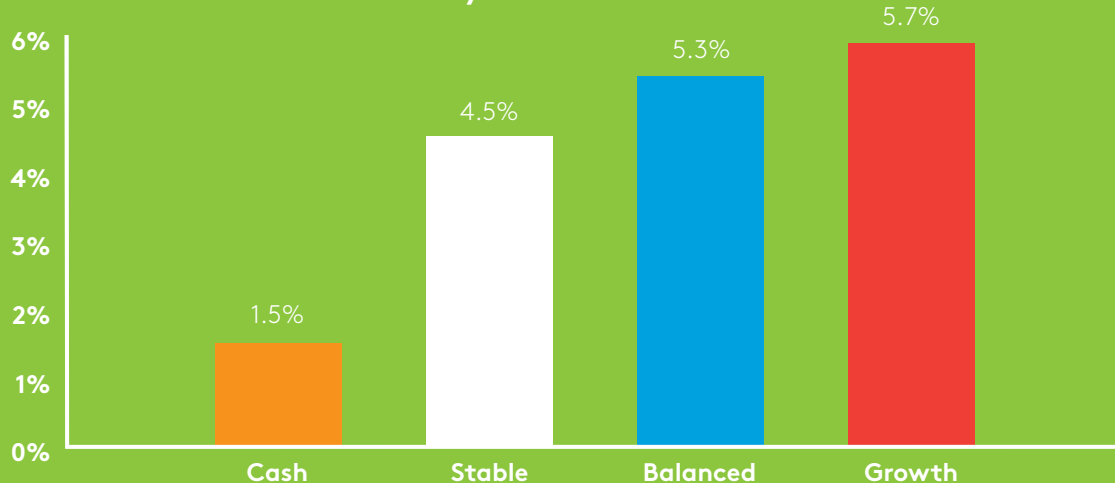
 **\$682.6**  
million  
in net assets

 **49,131**  
visits to website

 **\$68,387**  
average account balance

 **4,599**  
calls to helpline

Returns after fees & taxes for each investment option  
for the year to 30 June 2019





# TRUSTEE'S MESSAGE

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Welcome to the Employee Retirement Plan annual report for the year ended 30 June 2019.

It was another positive year for the Plan, despite periods of increased volatility where global share markets fell 13% in the December quarter, before bouncing back strongly in early 2019.

International trade tensions between the world's two largest economies, China and the United States (US), dominated headlines throughout the year. Investors watched as threats and rollbacks of major tariffs from both sides saw the tensions escalate and de-escalate, with financial markets reacting at each juncture. By the end of June, tensions had appeared to ease somewhat; President Trump and President Xi appeared to be making headway at the G20 Summit, and Trump announced a rollback of additional tariffs on Mexico. This positive news benefited the Plan, helping it to finish the financial year on a positive note.

Against a backdrop of political activity, major central banks changed their stance over the course of the year. In the first half of the year, central banks were indicating rate rises were on the horizon. By the start of 2019, that sentiment had completely changed, with central banks, led by the US Federal Reserve, announcing interest rate cuts were the most likely outcome. The US Federal Reserve cut rates at the end of July 2019, just after the end of the Fund's financial year. The environment of falling interest rates also benefited fixed interest markets.

The New Zealand share market continued its strong run, with the NZX50 outperforming all other developed share markets we track, including the US, UK, Japan, Canada and Australia. Our local market, which has a large proportion of high-dividend-yielding stocks, benefited from overseas investors searching for returns in a period of falling interest rates.

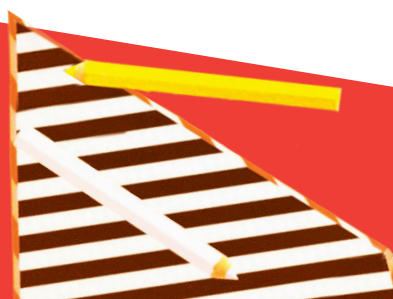
The Reserve Bank of New Zealand (RBNZ) lowered the Official Cash Rate from 1.75% to 1.5% in May. The RBNZ cited concerns over slowing global growth, low domestic business confidence and the potential for lower growth to further dampen inflationary pressures. The RBNZ continued to cut rates not long after the Fund's year end, reducing them further to 1.0%, in its August 2019 announcement.

The outlook of global economic activity is continuing to face headwinds, and central banks around the world are lowering interest rates in an attempt to drive growth and get ahead of an economic downturn. Although the projected growth for 2019 has reduced, longer-term economic forecasts remain positive, albeit sensitive to any negative surprises.

On behalf of the Trustee, Public Trust



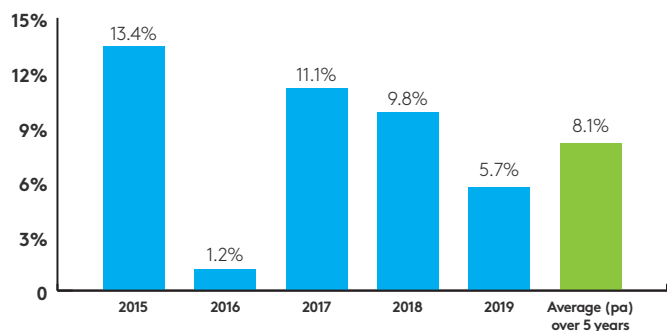
18 October 2019



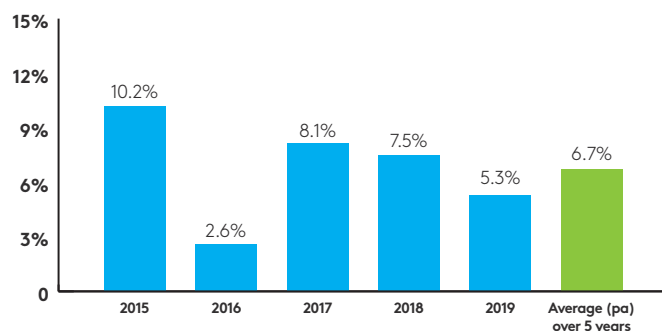
# INVESTMENT RETURNS

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

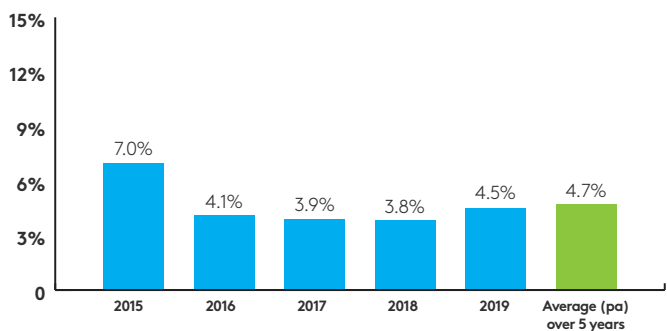
## Growth



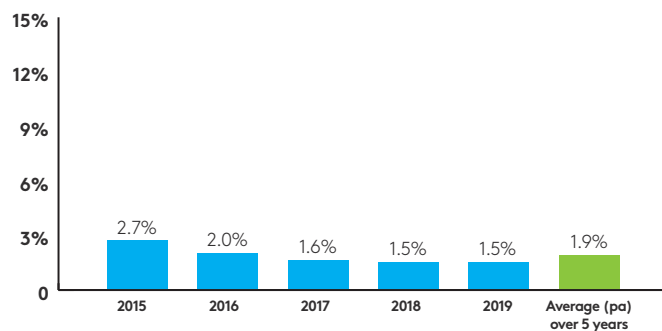
## Balanced



## Stable



## Cash



# SCHEME NEWS

## RESPONSIBLE INVESTMENT IN FOCUS

There have been some positive recent developments with respect to your investments and the Plan's investment manager, Mercer (NZ) Limited that we thought you should know about.

Mercer's global investment business became a signatory to the Principles for Responsible Investment (PRI) in September 2019. The PRI are a voluntary and aspirational set of six investment principles that offer a menu of possible actions for incorporating environmental, social and governance (ESG) issues into everyday investment practice.

Separately the Responsible Investment Association of Australasia (RIAA) recently recognised Mercer as one of eight leading investment managers in New Zealand for the integration of ESG into their investment decision-making process.

Mercer continues to aim to be at the forefront of responsible investment and ESG integration across all of its investment funds. We are pleased to see these positive developments and take comfort in the fact that our investment manager is working hard to integrate positive environmental and social goals into the ERP investment options, while continuing to deliver positive financial returns to our members.

## ACCESSING YOUR FUNDS AT RETIREMENT

Once you reach retirement age you can keep your funds invested within the Plan and opt for periodic 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 at [www.trss.superfacts.co.nz](http://www.trss.superfacts.co.nz).

## WHAT COULD RETIREMENT LOOK LIKE?

Sorted.org.nz has a number of online tools available to help you set goals and budgets to plan for your future retirement. Visit [www.sorted.org.nz/tools/retirement-planner](http://www.sorted.org.nz/tools/retirement-planner) to find out how you are progressing with saving for the retirement lifestyle you want.

Here's an example: Sam is 59 and wants to retire at 65 with enough saved to last at least 25 years. Based on some research, Sam wants to have \$800 available each week for the essentials and a few luxuries. Through diligently saving \$240,000 in the Employee Retirement Plan, and adding NZ Super (\$401p/w) and rental income (\$150p/w), the online tool shows Sam's saving is on track to reaching \$806 per week.



Speak to a financial adviser to help you develop a savings strategy that best suits your personal situation and goals. This example is for illustrative purposes only.

## 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/investors/getting-financial-advice](http://www.fma.govt.nz/investors/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](http://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 \$62,443 a year, before tax for the year end March 2019.

From 1 April 2019, the rates are:



\*Before tax

For more information about eligibility, go to [www.workandincome.govt.nz](http://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 2019. 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 latest fund updates for the Plan were produced as at 30 June 2019.

The Plan's financial statements for the year ending 30 June 2019 were authorised for issue on 10 September 2019 and were lodged with the Registrar of Financial Service Providers on 12 September 2019.

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

## INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

The following table provides a summary of changes in Plan membership over the year to 30 June 2019:

	Contributing members	Non-contributing members	Total number of members
<b>Membership at 1 July 2018</b>	<b>7,757</b>	<b>2, 578</b>	<b>10,335</b>
<i>Less</i>			
Retirement			167
Death			16
Transfers out			22
<i>Other</i>			
- Leaving service withdrawals			123
- Retrenchment/redundancy			3
- Ill health			8
- Permanent emigration			7
- Financial hardship			1
<b>Total withdrawals</b>			<b>347</b>
<b>Membership at 30 June 2019</b>	<b>7,389</b>	<b>2,599<sup>1</sup></b>	<b>9,988</b>

<sup>1</sup>During the year a net total of 21 members stopped contributing to the Plan.

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

## Member Accumulations

	30 June 2018	30 June 2019
Total members' accumulations	\$650,544,606	\$682,579,432
Number of members	10,335	9,988

## Contributions

	Members	Total amount
Member contributions	8,009	\$15,316,788
Member voluntary contributions	2,235	\$5,231,671
Employer contributions	7,888	<b>\$15,149,800</b>
<b>Total contributions</b>		<b>\$35,698,259</b>

# CHANGES RELATING TO THE SCHEME

## Trust Deed

There were no amendments made to the Plan's trust deed during the year ended 30 June 2019.

## Statement of Investment Policy and Objectives (SIPO)

The Plan's SIPO was amended from 7 December 2018 to reflect revised objectives for the Stable, Balanced and Growth Funds. In addition, benchmark changes were made in response to FMA guidance on the exemption from market index requirements. A copy of the SIPO is available on the Plan's website [www.trss.superfacts.co.nz](http://www.trss.superfacts.co.nz) and the Scheme Register [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (click on Search Schemes, enter *Employee Retirement Plan*, and click on the Documents tab).

## Related Party Transactions

As at 30 June 2019, the Plan holds no investments in the employer or any of its related parties. During the year the Plan received \$15,149,800 (2018: \$16,013,782) of employer contributions. Trustee fees of \$177,539 (2018: \$171,861) were paid to Public Trust.

All related party transactions were conducted on arm's length terms.



## OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

### Withdrawals

Number of  
members

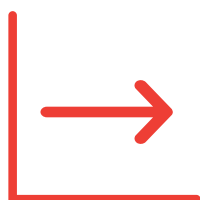
<b>Full withdrawals</b>	
Retirement	167
Leaving service/resignation/withdrawals	123
Retrenchments/redundancy	3
Transfer to another scheme	22
Death and total permanent disablement	24
Permanent emigration	7
Financial hardship	1
<b>Total full withdrawals</b>	<b>347</b>
<b>Partial withdrawals</b>	
Financial hardship	30
First home withdrawals	16
In-service withdrawals	1,952
<b>Total partial withdrawals</b>	<b>1,998</b>

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

### Year-end crediting rates - Plan investment funds



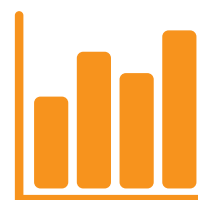
**CASH**  
1.5%



**STABLE**  
4.5%



**BALANCED**  
5.3%



**GROWTH**  
5.7%



## Declared interest rates for the year to 30 June 2019

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

	Cash	Stable	Balanced	Growth
<b>2018</b>				
July	0.14%	0.61%	1.08%	1.43%
August	0.12%	0.55%	0.98%	1.37%
September	0.12%	0.16%	0.14%	0.17%
October	0.14%	-1.12%	-2.85%	-3.98%
November	0.12%	-0.12%	-0.11%	-0.21%
December	0.12%	-0.38%	-1.76%	-2.82%
<b>2019</b>				
January	0.14%	1.20%	2.67%	3.64%
February	0.12%	0.85%	1.63%	2.22%
March	0.12%	0.87%	1.02%	1.01%
April	0.13%	0.64%	1.55%	2.23%
May	0.12%	-0.05%	-1.07%	-1.83%
June	0.11%	1.27%	2.20%	2.87%

## 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 2019 equalled or exceeded 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 2019.

On behalf of the Trustee, Public Trust



18 October 2019



## CHANGES TO PERSONS INVOLVED IN THE SCHEME

### Trustee

The Plan's Trustee and Manager is Public Trust. As at 30 June 2019, the Board members of the Trustee and Manager were:

- Ian Fitzgerald (Chair)
- Fiona Ann Oliver (Deputy Chair)
- Kirsty Mary Campbell
- John Ross Duncan
- Bevan Edward Killick
- Graham Arthur Naylor
- Vicki Ann Sykes

### Board member changes

During the Year, the Trustee had the following Board changes:

- Dianne Victoria Williams completed her term as a Board member on 31 October 2018.
- Simon Marshall Craddock completed his term as a Board member on 31 October 2018.
- Kirsty Mary Campbell joined the Board effective from 1 April 2019.
- Vicki Ann Sykes joined the Board effective from 1 April 2019.

### 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

\*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 offers register and schemes register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (search for *Employee Retirement Plan*).

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

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

Phone: 0800 371 471

Email: [cts.enquiry@publictrust.co.nz](mailto:cts.enquiry@publictrust.co.nz)

Address communications for the Trustee, Administration Manager or Securities Registrar to:

#### Derek Vincent

Secretary

Employee Retirement Plan

Mercer (N.Z.) Limited

PO Box 1849

Wellington 6140

Phone: 04 819 2600

Email: [derek.vincent@mercero.com](mailto:derek.vincent@mercero.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 6140

Phone: 0800 347 257

Email: [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz)

Full details of how to access FSCL can be found on their website [www.fscl.org.nz](http://www.fscl.org.nz).

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

