

EMPLOYEE RETIREMENT PLAN

# ANNUAL REPORT

For The Year Ended 30 June 2020



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## OVERVIEW



**\$694.1**  
million  
in net assets



**\$71,644**  
average account  
balance



**2,373**  
members made  
partial withdrawals

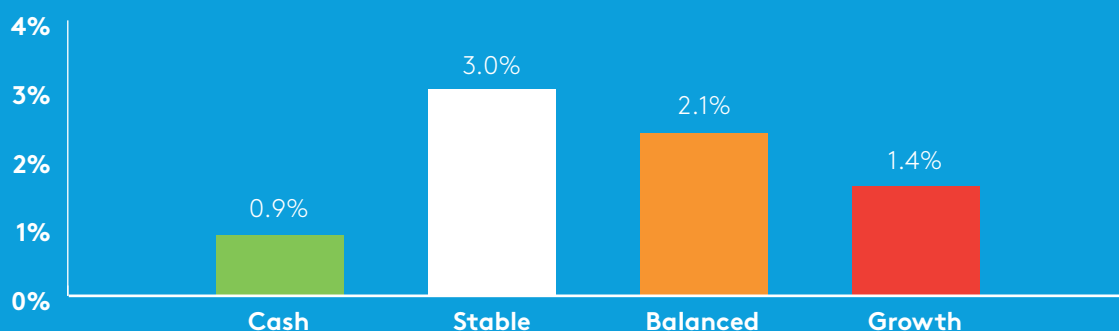


**106,033**  
website page views



**4,394**  
calls to helpline

Returns after fees & taxes for each investment option for the year to 30 June 2020



# TRUSTEE'S MESSAGE

## Welcome to the Employee Retirement Plan annual report for the year ended 30 June 2020.

While the financial year ended with positive returns for all investment options, the markets had significant ups and downs in early 2020 as the global COVID-19 pandemic emerged.

At one point in March panic selling of shares reached an all-time high, surpassing the level reached at the height of the 2008 global financial crisis. By the end of March the majority of developed economies implemented some form of nation-wide lockdown, with only "essential" services operating.

Central banks and governments were quick to act on these market drops and implemented a number of monetary and fiscal schemes to support both financial markets and domestic households during lockdowns. Property and infrastructure markets also struggled as foot-traffic in shopping centres, cars on toll roads, and industrial electricity demand came to a grinding halt.

Financial markets experienced a positive rebound in towards year ended 30 June 2020, as the prospect of a gradual re-opening in various economies after being in lockdown helped boost markets.

All of the Fund's investment options closed the year positively: 0.9% (Cash), 3.0% (Stable), 2.1% (Balanced), and 1.4% (Growth).

The outlook remains unclear as no one can precisely predict how long the global health crisis will last. Other uncertainties include the US-China trade negotiations, future path of interest rates, November's US presidential election, and economic implications for when the Government's wage-subsidy scheme concludes.

The Scheme remains strong despite recent market ups and downs. Market movements can be daunting in uncertain times, and we encourage you to gain financial advice before making any changes to your investment option or your retirement savings strategy. You can read more about financial advice in the Scheme News section on page 3. There are also a number of online tools available at [www.sorted.org.nz](http://www.sorted.org.nz) to help you plan.

This report contains important information about the performance of the Scheme, and your member statement includes details of how your account has performed over the year ended 30 June 2020. If you have any questions about either document please call Helpline on **0508 4 TEACH (0508 4 83224)**.

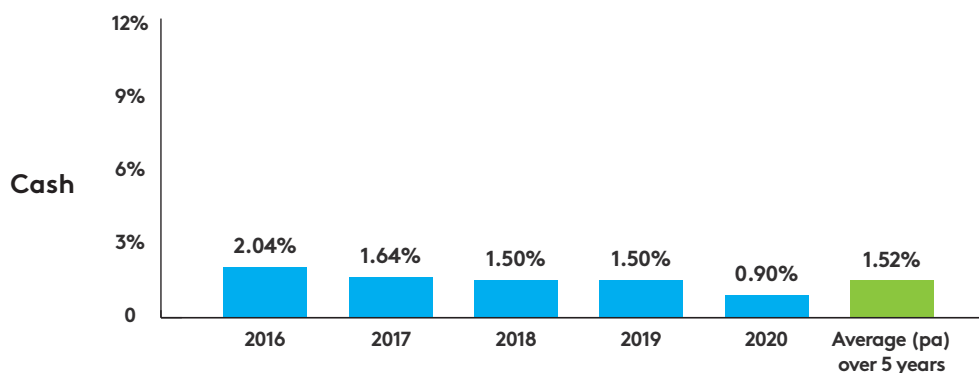
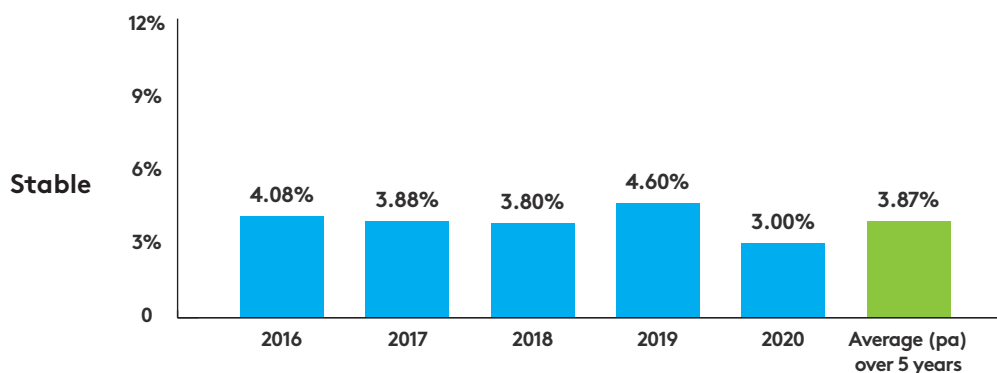
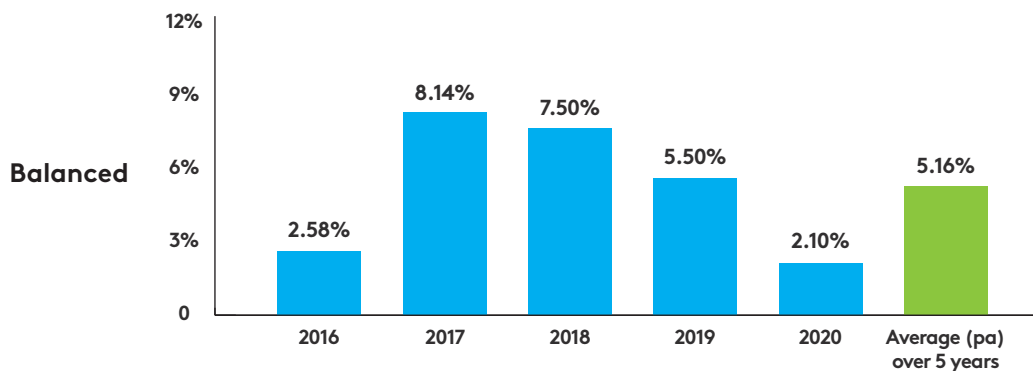
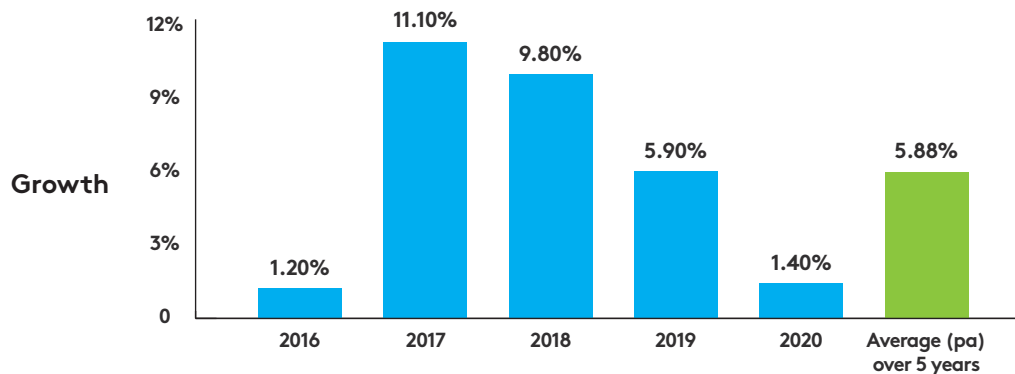
On behalf of the Trustee, Public Trust



27 October 2020

# 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.



# SCHEME NEWS

## 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).

## Negative Interest Rates

Interest rates in New Zealand and around the world are exceptionally low, and have just recently gone lower. They are the lowest they have ever been in New Zealand. This low interest rate environment we are in is positive for borrowers, like those with mortgages, however not so great for savers or investors.

The Reserve Bank of New Zealand (RBNZ) have a mandate of controlling inflation and supporting full employment. One of the tools they have to do this is setting the Official Cash Rate (OCR), which influences short-term interest rates such as the 90-day bank bill rate and cash investments, as well as long-term interest rates and the foreign exchange rate.

The RBNZ has signalled that negative interest rates are a possibility and for those that are investing for the immediate future, cash may still be the best option. While it will not generate much of a return, it will still provide the stability and lower risk profile than the other Funds. However once tax and fees are taken into account, the return you get in your account (the Cash Fund mainly) may be close to zero or even slightly negative. It is key for members to ask themselves why they are investing before considering any changes to their investment strategy. If the main purpose is for capital protection (protecting the real value of money from inflation), then members need to accept that capital protection is not guaranteed and returns may be close to zero or a slight negative. If the purpose is to seek high returns, then a higher degree of risk (a more aggressive investment option such as the Stable, Balanced or Growth Funds) will need to be taken given the current market environment.

Seek financial advice before you consider making any changes to your investment strategy.

## 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, 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](http://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](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 \$64,699 a year, before tax for the year ending 31 March 2020.

From 1 April 2020, 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 2020. 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 fund updates for the Plan, for the year ending 30 June 2020, were issued on 28 September 2020.

The Plan's financial statements and auditor's report for the year ending 30 June 2020 were authorised for issue on 25 September 2020 and were lodged with the Registrar of Financial Service Providers on 29 September 2020.

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 2020:

	Contributing members	Non-contributing members	Total number of members
<b>Membership at 1 July 2019</b>	<b>7,389</b>	<b>2,599</b>	<b>9,988</b>
<i>Less</i>			
Retirement			138
Death			17
Transfers out			26
<i>Other</i>			
- Leaving service withdrawals			106
- Retrenchment/redundancy			4
- Ill health			6
- Permanent emigration			3
- Financial hardship			-
<b>Total withdrawals</b>			<b>300</b>
<b>Membership at 30 June 2020</b>	<b>7,032</b>	<b>2,656</b>	<b>9,688</b>

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 2019	30 June 2020
Total members' accumulations	\$682,579,432	\$694,089,781
Number of members	9,988	9,688

## Contributions

	Members	Total amount
Member contributions	7,563	\$15,233,801
Member voluntary contributions	2,171	\$5,457,494
Employer contributions	7,438	\$15,048,192
<b>Total contributions</b>		<b>\$35,739,487</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 2020.

### Statement of Investment Policy and Objectives (SIPO)

The Plan's SIPO was amended from 29 November 2019 to the MITNZ Wholesale Funds Information Memorandum and therefore the Plan's SIPO had to be changed accordingly.

Another SIPO change was implemented effective 21 October 2020 to increase the percentage of asset allocation to growth assets.

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 2020, the Plan holds no investments in the employer or any of its related parties. During the year the Plan received \$15,048,192 (2019: \$15,149,800) of employer contributions. Trustee fees of \$184,732 (2019: \$177,539) 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

Full withdrawals	
Retirement	138
Leaving service/resignation/withdrawals	106
Retrenchments/redundancy	4
Transfer to another scheme	26
Death and total permanent disablement	23
Permanent emigration	3
Financial hardship	-
<b>Total full withdrawals</b>	<b>300</b>
Partial withdrawals	
Financial hardship	25
First home withdrawals	23
In-service withdrawals	2,325
<b>Total partial withdrawals</b>	<b>2,373</b>

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

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



**Cash**  
0.9%



**Stable**  
3.0%



**Balanced**  
2.1%



**Growth**  
1.4%



## Declared interest rates for the year to 30 June 2020

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

	Cash	Stable	Balanced	Growth
<b>2019</b>				
July	0.12%	0.74%	1.19%	1.45%
August	0.11%	0.78%	0.23%	-0.21%
September	0.08%	0.32%	0.85%	1.22%
October	0.07%	-0.02%	0.26%	0.43%
November	0.05%	0.54%	1.17%	1.75%
December	0.08%	-0.10%	0.22%	0.39%
<b>2020</b>				
January	0.09%	0.85%	0.87%	0.81%
February	0.09%	-0.70%	-2.44%	-3.63%
March	0.10%	-3.26%	-7.46%	-9.86%
April	0.06%	2.09%	3.98%	5.34%
May	0.00%	1.14%	2.01%	2.58%
June	0.02%	0.71%	1.61%	1.97%

## 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 2020 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 2020.

On behalf of the Trustee, Public Trust



27 October 2020

## Changes to persons involved in the scheme

### Trustee

The Plan's Trustee and Manager is Public Trust. As at 30 June 2020, the Board members of the Trustee and Manager were:

- Ian Fitzgerald (Chair)
- John Duncan (Deputy Chair)
- Meleane Burgess
- Kevin Murphy
- Kirsty Campbell
- Graham Naylor
- Vicki Sykes

### Board member changes

As at 30 June 2020, the Trustee had the following Board changes:

- Fiona Oliver completed her term as a Board Member on 31 October 2019
- Bevan Killick completed his term as a Board Member on 31 October 2019
- Kevin Murphy was appointed as a Board Member on 1 February 2020
- Meleane Burgess was appointed as a Board Member on 1 February 2020

### 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 Administration 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

Private Bag 5902

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.

