

Employee Retirement Plan
Annual Report for the year ended 30 June 2006



Contents

The Year's Results at a Glance	1
Message From the Trustee	2
Increased membership and contributions	2
A sound year for investment markets	2
New features on www.teachersretire.org.nz	2
On-line survey	3
To summarise	3
Superannuation Developments	4
KiwiSaver	4
Tax changes	4
Financial knowledge survey	5
2006 Investment Returns	6
Annual returns	6
Returns compared to cash	7
Investment Performance	8
How your funds are invested	8
Mercer-GRT Funds' managers' sector funds returns to 30 June 2006	8
Investment market performance to 30 June 2006	8
Looking ahead	9
Investment strategy	9
Statement of investment policy and objectives	9
Your Guide to the ERP's Investment Funds	10
The Year in Review	12
Membership	12
Contributions	12
Members' funds invested	13
Benefit payments	13
The Trustee	14
Trustee's certification	14
The Trust Deed	15
Trustee's disputes handling procedures	15
Abridged Financial Statements	16
Auditors' Report	19
Directory	20

Scheme returns since inception (after tax and fees)

Period to 30 June	Cash Fund	Stable Fund	Balanced Fund	Growth Fund
2003*	2.07%	5.41%	6.65%	8.03%
2004	3.13%	5.28%	7.99%	10.92%
2005	4.14%	6.95%	8.08%	9.14%
2006	5.16%	6.31%	10.56%	14.67%

*8 months only

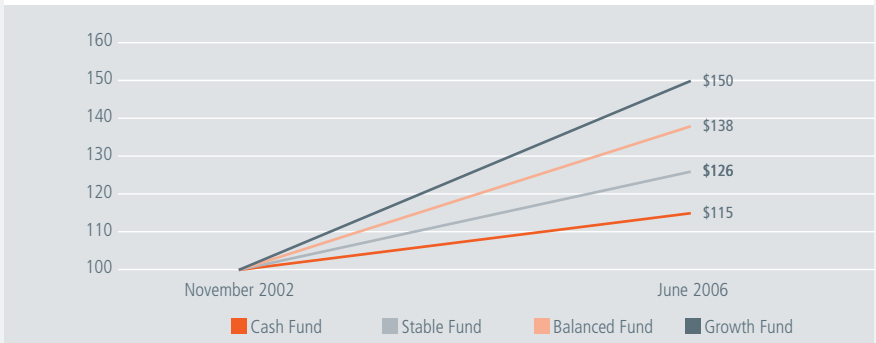
The Year's Results at a Glance

- In excess of \$36 million in Teachers' Scheme contributions were received and invested in the Employee Retirement Plan (ERP) in the 12 months to 30 June 2006.
- The value of Teachers' Scheme members' funds invested in the ERP as at 30 June 2006 was \$95.79 million, an increase of almost 70% (\$39.16 million) since June 2005.
- More than 550 new Teachers' Scheme members joined the ERP over the past year, bringing total membership to 11,641.
- The ERP has again achieved competitive investment returns for the Teachers' Scheme. For the year to 30 June 2006 the returns (after tax and fees and based on the monthly declared interest rates for each Investment Fund) were:

Cash Fund	5.16% p.a.
Stable Fund	6.31% p.a.
Balanced Fund	10.56% p.a.
Growth Fund	14.67% p.a.

- The following graph shows the value at 30 June 2006 of \$100 invested in the Teachers' Scheme when it began in November 2002 (44 months).

\$100 invested through the Teachers' Scheme in the ERP when it commenced in November 2002 is now worth at 30 June 2006:



- The Teachers' Scheme website www.teachersretire.org.nz provides up-to-date information on the Teachers' Scheme's investment performance and growth throughout the year.

Message From the Trustee

Welcome to your 2005/06 Annual Report for the Employee Retirement Plan prepared for the Teachers Retirement Savings Scheme. The Teachers' Scheme forms part of the Employee Retirement Plan (the ERP) and as at 30 June 2006 is the only scheme participating in the ERP.

In this report, you'll find information about the growth and performance of the Teachers' Scheme over the past year as well as general information about superannuation and saving for retirement.

Increased membership and contributions

More than 550 principals and teachers joined the Teachers' Scheme last year, boosting total membership to 11,641.

The continuing growth in membership is very encouraging. In terms of membership, the Teachers' Scheme is one of New Zealand's largest employer-sponsored superannuation schemes. The monthly administration fee deducted from members' accounts reduces as membership increases, so the growth in membership benefits all members.

The ERP received approximately \$36 million in contributions in respect of Teachers' Scheme members over the last year.

More than 85% of the Teachers' Scheme members are contributing in excess of the Scheme's 1% minimum, with 78% contributing at least 3%. This is very pleasing and shows that members recognise the importance of saving for retirement and value the employer contribution subsidy.

Total member funds at 30 June 2006 were \$95.79 million, an increase of \$39.16 million over the last year.

A sound year for investment markets

Over the year all four ERP Investment Funds benefited from solid returns from all the major asset classes, with excellent results for shares and property providing an additional boost to returns for investors in the Balanced and Growth Funds. See page 8 for further information about investment markets and their impact on Fund returns.

New features on www.teachersretire.org.nz

Two webinars (short on-line seminars) and a budget planner are now available on the Teachers' Scheme website, www.teachersretire.org.nz.

Choosing the right Investment Fund and knowing when and whether to change Investment Funds as your personal circumstances alter, are important decisions. Click on the 'view the latest webinars' button after you've logged-on to view an investment choice seminar presented by one of Mercer's education specialists and specifically developed for the Teachers' Scheme.

Preparing a budget is an important part of planning for retirement. The webinar 'budgeting and debt management' summarises some of the issues you need to consider and suggests ways to make budgeting and debt management easier. Complete the on-line budget planner to work out your savings capacity and compare your income and expenditure and your spending now and in retirement.

On-line survey

The Teachers' Scheme is all about you, the member. We're keen to know what you like about the operation of the Scheme and what you think could be improved, so please complete the survey on www.teachersretire.org.nz. If you complete the survey before 30 November 2006, you will go into a draw to win a \$100 book token donated by the Scheme manager, Mercer Human Resource Consulting Limited.

To summarise

Your Scheme continues to make very pleasing progress. Investment returns continue to be sound and membership is showing steady growth.

While investment markets will always be subject to external factors beyond an investor's control, the information and tools provided to you as a Teachers' Scheme member will help you to plan and manage your savings so that you can look forward to a financially secure retirement.



on behalf of the Trustee, Public Trust

Superannuation Developments

KiwiSaver

Further information about the Government's KiwiSaver initiative has become available in recent months.

The KiwiSaver Act was passed by Parliament on 30 August 2006 and will take effect from 1 July 2007.

The key features of KiwiSaver can be found on the IRD website (www.ird.govt.nz/kiwisaver).

The practical effects of KiwiSaver for existing schemes such as the ERP are as yet unclear and certain details remain under discussion. As further information becomes available, the Ministry, the ERP manager and the Trustee will evaluate the impact on the Teachers' Scheme and the ERP and communicate the necessary information to members.

Tax changes

In its May 2005 budget, the Government announced proposed changes to the rules for the taxation of the investment income of savings vehicles such as superannuation schemes. A Tax Bill was introduced to Parliament in May 2006.

The proposed changes focus on four areas: the rate of tax payable on investment income, the treatment of capital gains on certain New Zealand and Australian shares, the taxation of international shares and the withholding tax payable on employer contributions to superannuation schemes.

Many submissions have been made to the Select Committee since the Tax Bill was introduced and the outcome is still uncertain. The Trustee will continue to monitor the progress of relevant aspects of the Bill and will communicate with members when more information is available.

Financial knowledge survey

The findings of a survey of New Zealanders' financial knowledge were released recently. The aim of the survey, funded by ANZ and the Retirement Commission, with the support of the Ministry of Economic Development, was to gain an overview of financial knowledge levels of New Zealanders aged 18 and over.

While the survey showed that overall, New Zealanders have a reasonable level of personal financial knowledge, it identified some areas where there is a lack of knowledge and/or confusion.

These include:

- a significant number of respondents think that New Zealand Superannuation is income and/or asset tested;
- understanding of compound interest and debt consolidation is relatively weak;
- mortgage holders' knowledge of mortgages shows some low levels in key areas;
- some basic financial terms are not well understood;
- understanding of investment strategies is mixed, particularly long-term returns from the sharemarket and the relevance of compound interest;
- some people think it is alright to divulge their internet banking password to bank staff.

2006 Investment Returns

Annual returns

All four of the ERP's Investment Funds provided Teachers' Scheme members with sound returns. For the year to 30 June 2006 the indicative investment returns for each of the Investment Funds were:

	Indicative Net Returns (after deductions for tax and Plan fees and expenses) % p.a.	Equivalent Gross Returns (before tax at 33%, fees and expenses) % p.a.
Cash Fund	5.16	7.70
Stable Fund	6.31	9.42
Balanced Fund	10.56	15.76
Growth Fund	14.67	21.90

These are indicative returns only and are derived by compounding the monthly declared interest rates for each Investment Fund from 1 July 2005 to 30 June 2006. Please note that your 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 and the balances in your accounts each month. The table below shows the monthly declared returns and for illustrative purposes only, the cumulative returns for the year to 30 June 2006:

Period	Cash		Stable		Balanced		Growth	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
2005								
July	0.36%	0.36%	0.92%	0.92%	1.78%	1.78%	2.55%	2.55%
August	0.40%	0.77%	0.44%	1.37%	0.26%	2.04%	0.10%	2.65%
September	0.34%	1.11%	0.56%	1.94%	1.19%	3.25%	1.82%	4.52%
October	0.41%	1.52%	-1.00%	0.92%	-1.85%	1.34%	-2.59%	1.82%
November	0.38%	1.91%	1.11%	2.04%	2.01%	3.38%	2.98%	4.85%
December	0.43%	2.35%	1.08%	3.14%	1.52%	4.95%	1.90%	6.85%
2006								
January	0.42%	2.78%	0.72%	3.88%	1.37%	6.39%	1.92%	8.90%
February	0.32%	3.11%	0.56%	4.46%	0.92%	7.36%	1.25%	10.26%
March	0.30%	3.42%	1.18%	5.69%	2.32%	9.86%	3.40%	14.01%
April	0.63%	4.07%	0.28%	5.99%	0.38%	10.27%	0.52%	14.60%
May	0.43%	4.52%	-0.55%	5.41%	-1.64%	8.47%	-2.64%	11.58%
June	0.62%	5.16%	0.86 %	6.31%	1.93%	10.56%	2.77%	14.67%

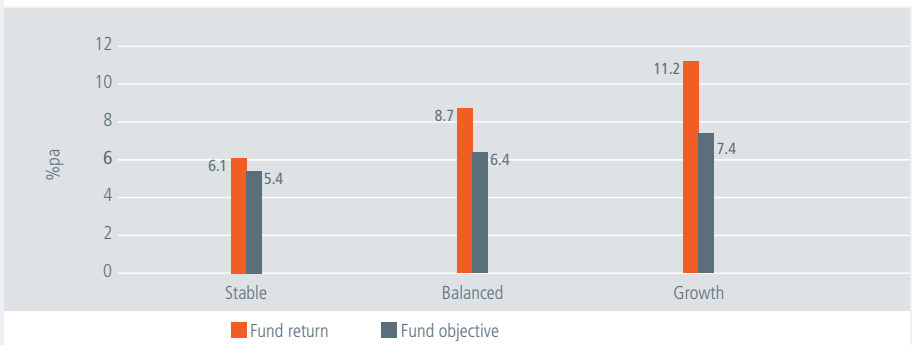
These net returns take into account the investment returns achieved by the Mercer-GRT Funds' specialist investment managers, plus any interest on contributions held in the ERP's bank account (before being invested), less tax and ERP expenses. Tax is deducted at 33%, while scheme expenses include all operating expenses, such as audit and bank fees and the Mercer-GRT Funds' investment management fees.

Investment returns are determined by how the different investment sectors perform and how the Mercer-GRT Funds' managers react and invest within those markets. See page 8 for the sector returns. Each of the ERP's Funds - Cash, Stable, Balanced and Growth - is invested in differing combinations of these sectors. See pages 10 and 11 for more details.

Returns compared to cash

The Teachers' Scheme has been in existence for less than four years. The Trustee is pleased to report that, to date, investment performance (net of tax and fees) of the Balanced and Growth Funds has exceeded their respective objectives, which are based on five-year average performance. The performance of the Stable Fund was slightly below its objective. Specifically the objective is to outperform the net return from cash at the bank (as measured by the 90-day Bank Bill Rate less tax at 33%) by 1% in the Stable Fund, 2% in the Balanced Fund and 3% in the Growth Fund.

Fund net returns compared to objectives
%pa for 3 years to 30 June 2006

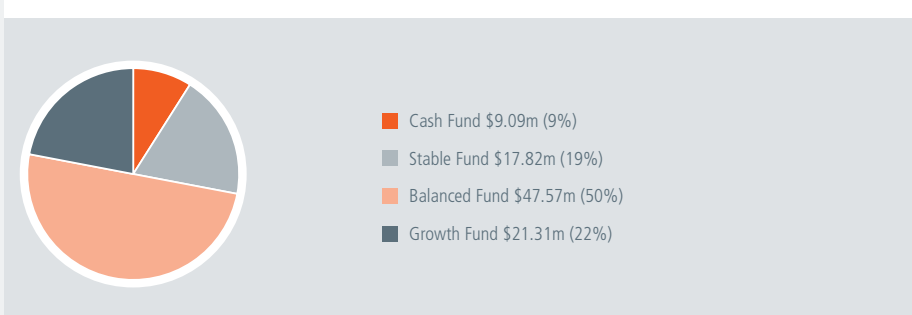


The ERP's Investment Funds returns are net of tax and all Plan fees and expenses.

The Cash Fund's objective is based on a three-year time period. On average, over three years, the Cash Fund outperformed the 90-day Bank Bill Rate by 0.13% after tax, just below its objective of 0.20%.

The following chart shows the mix of members' current investment choice.

Managed Fund Values as at 30 June 2006



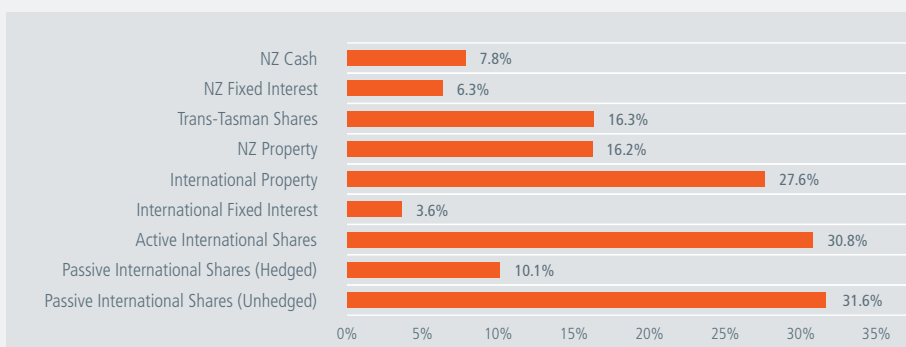
Investment Performance

How your funds are invested

Teachers' Scheme members' funds are invested in the ERP's four Investment Funds. These funds, in turn, are invested with the Mercer-GRT Funds. Specialist investment managers selected for their expertise, and for recognised performance in their specific investment sectors, have been appointed to manage the Mercer-GRT Funds. The ERP's four Investment Funds are invested according to their strategies, as outlined on pages 10 and 11, in the Mercer-GRT Funds' investment sector funds.

Mercer-GRT Funds' managers' sector funds returns to 30 June 2006

The gross returns (that is, before fees and tax) of the Mercer-GRT Funds' specialist investment managers' sector funds for the year to 30 June 2006 were:



As the graph above shows, over the year to 30 June 2006, most sectors produced strong returns. Active international shares and passive international shares (unhedged) led the way, both returning over 30% (before fees and tax), followed by international property which returned over 27% (before fees and tax). The effect of the depreciation of the New Zealand dollar against most major currencies, particularly the US dollar, Euro and the Australian dollar against which it fell by 12.3%, 17.0% and 10% respectively, is demonstrated by the more modest return from passive international shares (hedged). On a comparative basis, most managers achieved their objectives, with notable performances from Trans-Tasman shares and active international shares.

Investment market performance to 30 June 2006

Despite spiralling oil prices and concerns about inflation, each asset class provided sound returns. Strong results from most sharemarkets boosted returns for investors in the Growth and Balanced Funds.

Although increased volatility during the June quarter saw investors move away from investments in shares to the perceived safety of fixed interest investments, overall, international shares posted very pleasing returns. Japan, Europe and the UK sharemarkets all produced excellent results, although the Japanese sharemarket declined sharply in the June quarter following news that unemployment had fallen to an eight-year low of 4% and the consumer price index rose for the sixth consecutive month. The US sharemarket continued to lag international markets, reflecting investors' concerns about the state and direction of the economy.

Returns from New Zealand and international property were most satisfactory.

Corporate activity and the weakening Australian and New Zealand dollars boosted the performances of Trans-Tasman sharemarkets. The Australian sharemarket benefited further from the sustained strength of resource shares and good performances from banking shares.

Looking ahead

Prospects are that global economic activity will continue to be sound. Although central banks are continuing to raise interest rates to control rising inflationary pressures, low unemployment is giving consumers enough confidence to continue to spend.

For New Zealand, the outlook is for subdued growth over the coming two years, as the economy goes through a rebalancing phase. Consumer spending is expected to slow markedly as oil prices and interest rates place a squeeze on disposable income. Higher interest rates and higher energy and wage costs mean businesses are facing profit margin pressure and are likely to cut back on spending and investment plans.

With inflation and interest rates expected to remain high, it seems that investors may have to get used to more moderate returns. High interest rates can have a negative impact on shares because investors can get reasonable returns from cash without the higher level of risk involved in investing in shares. Rising interest rates also adversely affect returns from fixed interest securities because existing securities retain the interest rate applicable at the time of purchase, which reduces the capital value of the security in an environment where interest rates are rising.

There is no guarantee that the coming year's returns will match those of the past. Remember, however, that the investment strategy for each Investment Fund (other than the Cash Fund) is designed with the aim of achieving sound long-term returns. All investment markets have their ups and downs but by adopting a long-term approach it is possible to ride out any weakness that may occur from time to time.

Investment strategy

The ERP offers members four Investment Funds with varying degrees of risk from low risk (the Cash and Stable Fund) to high risk (the Growth Fund). "Risk" means the expected fluctuations in returns (also referred to as volatility) and the likelihood of an Investment Fund posting a negative return. Risk is managed by investing the funds in a variety of different investment sectors (each with different risk levels) to spread or diversify the overall risk to you the individual investor. The overall risks of and returns from each Investment Fund reflect the risks and returns of the investment sectors in proportion to the percentage invested in each sector.

The current benchmark strategies, as at 30 June 2006, which took effect from 1 April 2004, are set out on pages 10 and 11. The benchmark is intended to be a long-term average mix, but the actual mix will vary from time to time.

The Trustee is confident that the long-term strategies adopted for the investment of the ERP's members' funds will continue to serve members well in the future when compared with other means of investing. The ERP's Trustee aims to achieve sound long-term returns from the ERP's investments and ensure the ERP has enough funds to meet all benefit payments when they fall due by:

- obtaining satisfactory returns, taking into account the accepted degree of risk and the markets in which the Trustee invests; and
- spreading risk, so the ERP doesn't have "all its eggs in one basket".

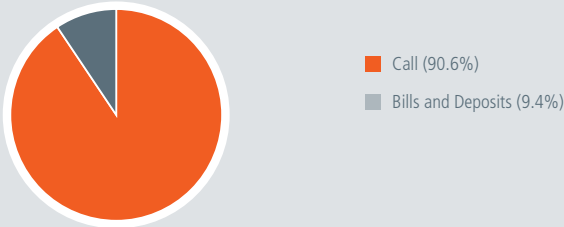
Statement of investment policy and objectives

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 Human Resource Consulting at the address shown in the Directory.

Your Guide to the ERP's Investment Funds

The following chart summarises the main features of each of the ERP's Investment Funds.

Cash Fund



Investment Objective

To outperform the NZX 90 Day Bank Bill Gross Index by 0.20% p.a. over a three-year period.

Suitable for investors looking for

Short-term investments offering protection from negative returns (particularly applicable if you are nearing retirement age).

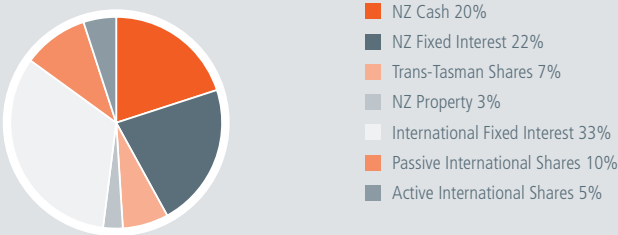
Risk of capital loss (negative return)

Unlikely - with returns similar to those from cash deposits.

Mix of investments

NZ Cash and short-term (up to 1 year) NZ dollar securities issued or backed by the NZ Government, NZ banks or corporates. Generally, securities that have a minimum short-term credit rating of A-1 or better.

Stable Fund



Investment Objective

To outperform the net return on cash invested in the bank by 1% p.a. on average over a five-year period.

Suitable for investors looking for

Consistent shorter-term returns but with less variability than the Balanced and Growth Funds.

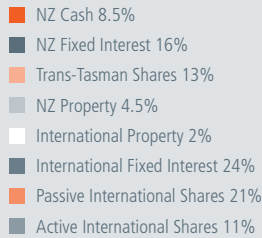
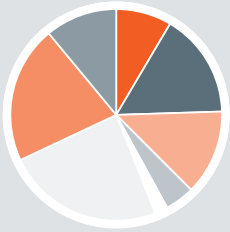
Risk of capital loss (negative return)

Low (one year in every 14 years)

Mix of investments

25% growth assets, 75% income assets

Balanced Fund



Investment Objective

To outperform the net return on cash invested in the bank by 2% p.a. on average over a five-year period.

Suitable for investors looking for

Medium-term investments with potentially higher returns than from the Stable Fund and who are willing to accept some variability in returns.

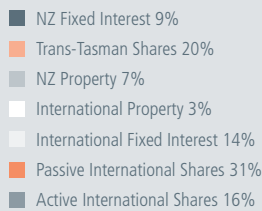
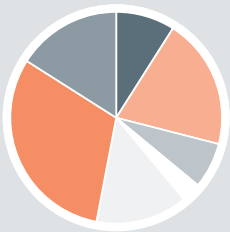
Risk of capital loss (negative return)

Moderate (one year in every six years).

Mix of investments

51.5% growth assets, 48.5% income assets.

Growth Fund



Investment Objective

To outperform the net return on cash invested in the bank by 3% p.a. on average over a five-year period.

Suitable for investors looking for

Long-term investments with potentially higher returns than from the Stable or Balanced Funds and who are willing to accept more variable returns in the short term.

Risk of capital loss (negative return)

High (one year in every five years).

Mix of investments

77% growth assets, 23% income assets.

The Year in Review

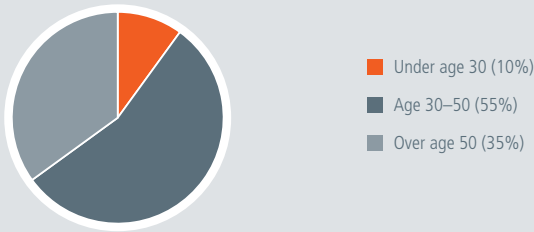
Membership

The ERP's membership (made up entirely of Teachers' Scheme members) increased from 11,235 at 30 June 2005 to 11,641 at year end 30 June 2006. There were 559 new members and 153 members withdrew.

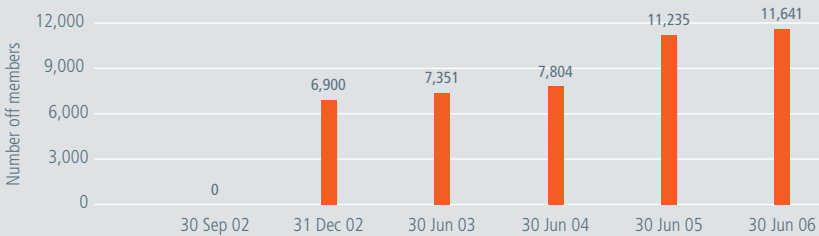
Of the ERP - Teachers' Scheme membership:

- 55% are aged between 30 and 50
- 35% are over the age of 50
- Only 10% are under the age of 30
- 77% are female

Membership profile



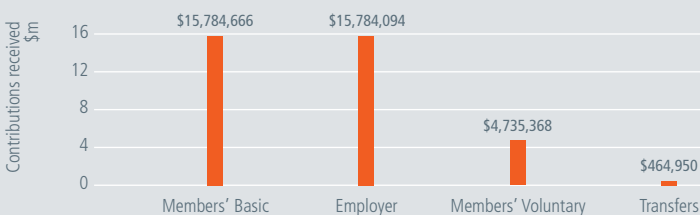
Growth in membership



Contributions

In the year to 30 June 2006, contributions received into the ERP in respect of the Teachers' Scheme totalled \$36,769,078

ERP contributions received

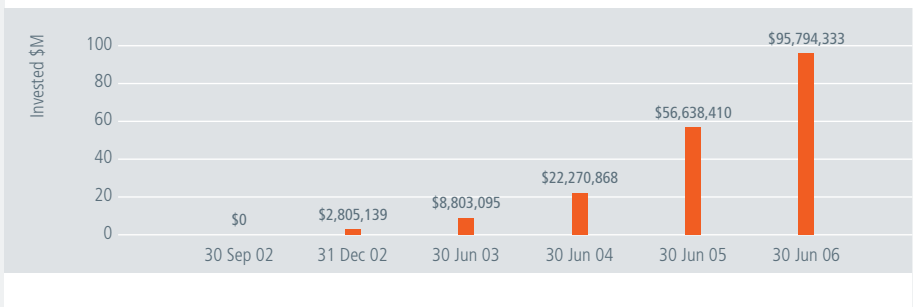


Members' funds invested

In the year to 30 June 2006, \$33.73 million of Teachers' Scheme contributions was invested in the Mercer-GRT Funds (after ERP expenses were deducted and members' withdrawal benefits paid). This compares to \$31.10 million received in the previous year to 30 June 2005.

The total Teachers' Scheme funds in the ERP invested with the Mercer-GRT Funds increased by almost 70%, from \$56,638,410 as at 30 June 2005 to \$95,794,333 as at 30 June 2006.

Growth in funds under management



Benefit payments

One hundred and fifty three members left the Teachers' Scheme during the year. Of these:

● 105 members retired (permanently leaving teaching aged 50 or more)	\$872,515
● 10 members died	\$57,111
● 6 members were paid out on disability, ill-health or redundancy	\$36,345
● 20 members transferred to another superannuation scheme	\$80,335
● 8 members received financial hardship or relationship property division	\$27,168
● 4 members were exited due to nil balances	\$0
Total benefit payments to members who left the Teachers' Scheme	\$1,073,474

In addition the following partial withdrawal payments were made:

● 2 members received partial retirement benefits (after attaining age 55)	\$12,426
● 169 members received in-service withdrawals (under age 50)	\$381,057
● 139 members received in-service withdrawals (over age 50)	\$732,653
● 26 members received financial hardship partial payments	\$63,469
Total partial withdrawal payments made	\$1,189,605

Total benefit payments **\$2,263,079**

The Trustee

The Trustee meets with the administration manager and the investment manager of the Mercer-GRT Funds at least quarterly during the year, to monitor the ERP's performance and discuss issues relevant to its operation.

Effective 1 November 2005, Russell Ballard, Rob Crozier, Ivan Hoshek, John Irwin and Alison Timms retired as Trustees and were replaced by Public Trust, as sole corporate Trustee.

At 30 June 2006, the directors of Public Trust were:

Peter Taylor (Chair), Blenheim
Liz Coutts, Auckland
Donal Curtin, Auckland
Patricia Jones, Bay of Plenty
Stephanie McIntyre, Wellington
Fiona Pimm, Christchurch
Hon Matt Robson, Auckland
Murray Weatherston, Auckland

Public Trust has appointed Dean Apps, Philip Dyer and Martyn Ogilvie to act as representatives of the Trustee in fulfilling its role and carrying out the necessary day-to-day activities.

Trustee's certification

In accordance with the requirements of the Superannuation Schemes Act 1989, the Trustee of the Employee Retirement Plan (ERP) certifies that:

- All contributions required to be made to the ERP in accordance with the terms of the Trust Deed, have been made.
- All benefits required to be paid from the ERP in accordance with the terms of the Trust Deed, have been paid.
- The market value of the assets of the ERP at the close of the financial year – 30 June 2006 – equalled or exceeded the total value of benefits that would have been payable had all members 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.



For and on behalf of Public Trust as Trustee of the Employee Retirement Plan

25 October 2006

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, in relation to each member and employer who is subject to the provisions of an employer agreement, the relevant employer agreement (other than that part of it comprising the Investment Instructions), as amended from time to time.

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. From time to time the Trustee reviews the Trust Deed to ensure it continues to support and safeguard members' funds.

During the year to 30 June 2006, the ERP Trust Deed was amended to allow for the appointment of a corporate Trustee.

The Teachers' Scheme Employer Agreement was also amended to allow for the closure of the Global Retirement Trust and the appointment of Mercer Human Resource Consulting as manager and Public Trust as Trustee. Mercer is now responsible for the administration, investment management, investment strategy review, member communication services and the marketing and promotion of the ERP and Teachers' Scheme.

The amendment also:

- allows for an increase in the maximum subsidy rate from 1.5% to 3% of salary;
- removes an outdated contribution backdating provision relating to members who joined the Teachers' Scheme between 19 April 2004 and 1 July 2004, which had to be taken up at the time the member joined the Teachers' Scheme;
- allows teachers or principals who;
 - hold a permanent full-time or part-time position in a state or state-integrated school in New Zealand or have completed two consecutive terms of service under a current full-time or part-time fixed term agreement, and
 - are already receiving a funding subsidy from the Ministry (for example, because they are currently a contributing member of the GSF), and/or
 - who are not Union members, and
 - who receive a salary through the Ministry's payroll facility,
 to join the Teachers' Scheme as unsubsidised members.

Trust Deed: You can see the Trust Deed and the Teachers' Scheme employer agreement at the Wellington office of Mercer Human Resource Consulting (Level 10, 109 Featherston Street, Wellington). Copies are also available at a cost of less than \$10.

Prospectus: You can also obtain copies of the ERP's registered Prospectus and Teachers' Scheme Investment Statement, which summarise the main provisions of the Trust Deed and employer agreement. The registration date of the most recent registered prospectus is 1 October 2005; an extension certificate was signed on 31 March 2006.

Trustee's disputes handling procedures

The ERP's Trustee received no complaints from members in the year to 30 June 2006.

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

Abridged Financial Statements

	2006	2005
	\$	\$
Statement of Financial Performance		
Revenue		
Net Investment Revenue	7,264,722	2,992,689
Total Revenue	7,264,722	2,992,689
<i>Less</i>		
Expenses		
Administration Fees	266,475	309,936
Auditors' Remuneration	12,131	9,582
Trustees' Fees	40,484	35,910
Other Expenses	47,237	12,646
Total Expenses	366,327	368,074
Surplus before Taxation and Membership Activities	6,898,395	2,624,615
Income Tax Credit	(235,743)	(178,131)
Surplus after Taxation and before Membership Activities	7,134,138	2,802,746
Membership Activities		
Member Contributions	15,784,666	13,839,437
Member Voluntary Contributions	4,735,368	4,788,846
Employer Contributions	15,784,094	13,590,392
Transfers in from Other Schemes	464,950	148,382
<i>Less</i> Benefits Paid	2,263,079	803,297
Total Membership Activities	34,505,999	31,563,760
Benefits Accrued During Year	41,640,137	34,366,506

2006
\$

2005
\$

Statement of Financial Position

Assets

Investments	95,794,333	56,638,410
Current Assets	2,769,946	218,539
Total Assets	98,564,279	56,856,949

Less

Current Liabilities

Sundry Creditors	126,987	58,923
Fund Withdrawal Tax Payable	3,448	325
Contributions Refundable	274	4,268
Total Liabilities	130,709	63,516

Liability for Accrued Benefits **98,433,570** **56,793,433**

Vested Benefits* **98,433,570** **56,793,433**

Statement of Cash Flows

Net Cash Flows from Operating Activities	34,029,010	31,349,073
Net Cash Flows from Investing Activities	(31,481,677)	(31,349,999)
Net Increase/(Decrease) in Cash Held	2,547,333	(926)
Cash at Beginning of Year	4,074	5,000
Cash at End of Year	2,551,407	4,074

*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.

Abridged Financial Statements

The Abridged Financial Statements shown on pages 16 and 17 are an abridged version of the Plan's audited general purpose financial statements for the year ended 30 June 2006. An unqualified audit report dated 19 September 2006 has been issued on the Plan's general purpose financial statements for the year ended 30 June 2006. The Abridged Financial Statements cannot be expected to provide as complete an understanding as is provided by the general purpose financial statements of the financial performance, financial position and cash flows of the Plan. The Abridged Financial Statements on pages 16 to 17 of this Annual Report have been examined for consistency with the general purpose financial statements and an unqualified audit report dated 19 September 2006 has been issued on page 19 of this Annual Report. A copy of the Plan's general purpose financial statements, including the audit report, can be obtained at no charge from the Plan manager, Mercer Human Resource Consulting, at the address shown in the directory on the back cover of this Annual Report. The auditor has examined the Abridged Financial Statements for consistency with the general purpose audited financial statements and has issued an unqualified opinion dated 19 September 2006.

The general purpose financial statements of the Employee Retirement Plan have been prepared in accordance with the Superannuation Schemes Act 1989, the Financial Reporting Act 1993, Financial Reporting Standard FRS32: Financial Reporting by Superannuation Schemes, and with the provisions of the Trust Deed.



PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

Auditors' Report

To the members of the Employee Retirement Plan

We have examined the summary financial statements on pages 16 and 17. The summary financial statements have been extracted from the Plan's annual financial statements for the year ended 30 June 2006 and its financial position as at that date. We have audited the annual financial statements for the year ended 30 June 2006, on which we expressed an unqualified audit opinion dated 19 September 2006.

Trustee's responsibilities

The Trustee is responsible for the preparation and presentation of the summary financial statements which fairly summarises the financial position of the Plan as at 30 June 2006 and its financial performance and cash flows for the year ended on that date.

Auditors' responsibilities

We are responsible for expressing an independent opinion as to whether the amounts included in the summary financial statements, which have been prepared and presented by the Trustee, have been correctly taken from and are consistent in all material respects with the annual financial statements from which they were extracted and reporting our opinion to you.

Basis of opinion

We have examined the summary financial statements to provide reasonable assurance that the amounts set out in the summary financial statements have been correctly taken from and are consistent in all material respects with the annual financial statements of the Plan for the year ended 30 June 2006 from which they were extracted.

We have no relationship with or interests in the Plan other than in our capacity as auditors.

Unqualified opinion

In our opinion, the amounts set out in the summary financial statements have been correctly taken from and are consistent in all material respects with the annual financial statements of the Plan from which they were extracted.

For a better understanding of the Plan's financial position and the results of its operations for the year, the summary financial statements should be read in conjunction with the annual financial statements.

We completed our work for the purposes of this report on 19 September 2006 and our unqualified opinion is expressed at that date.

Chartered Accountants

Wellington

Directory

Employee Retirement Plan Trustee

The Trustee is responsible for managing the ERP on behalf of members, ensuring the ERP is operated in accordance with the Trust Deed and acting in the best interests of members at all times.

From 1 October 2005, the then Trustees Russell Ballard, Rob Crozier, Ivan Hoshek, John Irwin and Alison Timms were replaced by Public Trust as sole corporate Trustee.

ERP Secretary

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

All correspondence with the ERP Trustee should be addressed to:

The ERP Trustee
c/-The Secretary to the Trustee
Mercer Human Resource Consulting Limited
Level 10, 109 Featherston Street
P O Box 2897, Wellington
Telephone: 04-890 7000
Fax: 04-914 0434

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 Human Resource Consulting Limited
Level 10, 109 Featherston Street
P O Box 1849, Wellington
Free Phone: 0508 4 TEACHERSRETIRE or 0508 4 83224
Direct phone line: 04-890 7000
Fax: 04-914 0434
Email: teachersretire@mercerc.com Website: www.teachersretire.org.nz

Investment Managers

The ERP funds are invested by the Mercer-GRT Funds with a team of “specialist investment managers” selected for their expertise and recognised performance in their specific investment sectors.

Asset Class	Investment Manager
NZ Cash	ING (NZ) Limited
NZ Fixed Interest Securities	Tyndall Investment Management New Zealand Limited
Trans-Tasman Shares	Brook Asset Management Limited
NZ Property	AMP Capital Investors (New Zealand) Limited
International Property	AMP Capital Investors (New Zealand) Limited
International Shares (Active)	Tower Asset Management
International Shares (Passive)	Arcus Investment Management Limited*
International Fixed Interest Securities	PIMCO accessed via Tower Asset Management

*At 30 June 2005, the Scheme’s investments in passive international shares were invested by BNZ Investment Management Limited. On 30 November 2005, National Australia Bank announced that it was selling BNZ Investment Management Limited to AXA Asia Pacific Holdings. Effective 31 January 2006, BNZ Investment Management began operating as Assure Funds Management Limited, which invests via Arcus Investment Management Limited.

