EMPLOYEE RETIREMENT PLAN

Annual Report

For the year ended 30 June 2010

Prepared for the Members of the Teachers Retirement Savings Scheme

Contents

Message from the Trustee

We are pleased to present the 2009/10 Annual Report for the Employee Retirement Plan (the ERP). The Teachers' Retirement Savings Scheme forms part of the ERP, and as at 30 June 2010 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 some general information.

Improvements in the markets

After a couple of tough years, it's satisfying to be able to report that the ERP's Stable, Balanced and Growth Funds all bounced back over the 2009/10 Scheme year. Meanwhile, the Cash Fund produced somewhat weaker returns than in recent years, reflecting record low short-term interest rates.

Investor confidence steadily improved for most of the Scheme year, as many key indicators continued to point towards a generally improving global picture. This helped share markets recover a good proportion of recent losses. However, it's important to keep in mind that we're not quite 'out of the woods'. Concerns remain about the recovery's sustainability and the poor state of government finances and high debt levels of many countries, and markets are expected to remain volatile for a while yet.

Changes to the Scheme's investment strategy

The last couple of years have highlighted how quickly markets can change over short periods of time and the effect this can have on superannuation schemes like the Scheme. In the second half of the Scheme year the Trustee conducted one of its regular reviews of the ERP's investment strategy, which took recent volatility into account.

As a result of this review, and in conjunction with recommendations made by Mercer (the ERP's investment manager), the Trustee elected to make some changes to the ERP's investment strategy. Members of the Scheme will continue to be able to invest in the Cash, Stable, Balanced and Growth Funds, but the return targets for each Fund have been reduced to better reflect the tough post-financial crisis economic environment. And while the growth / defensive split for each Fund will remain the same, there will be some changes to the types and mix of investment assets within each Fund. These changes come into effect following the Scheme year end, from 1 August 2010.

You'll find more details about these changes on pages 5 and 6.

Keeping money in the Scheme after retirement

You may be thinking about what to do with your investments once you have reached retirement. The Trustee acknowledges that you may have 20 plus years of further investment requirements and are building this into the design of the Scheme. Further information on this is being developed and will be released shortly. However, if you are retiring and wish to explore the option of leaving your money in the Scheme, please call us on 0508 4 TEACH (0508 4 83224).

Buying your first home?

You might now be eligible to make a withdrawal from the Scheme to help you on your way.

If you have been contributing to the Scheme (or any State Sector Retirement Savings Scheme or KiwiSaver scheme) for at least three years from 1 July 2007, you may be able to make a once-only withdrawal from your Basic and Voluntary Accounts.

Remember, it must be your first home, and you must intend the house to be your main home (so not a holiday home or investment property, for example).

Check out the Scheme's website, www.teachersretire.org.nz or call the Helpline on 0508 4 TEACH (0508 4 83224) for more information.

Farewell to Dean Apps

We'd like to take a moment to thank Dean Apps, who retired as a Trustee representative of the Scheme on 30 June 2010.

Dean has been involved in the Scheme's management for nearly five years. His leadership, expertise and dedication, particularly in relation to the complexities of the Scheme's interaction with KiwiSaver, have been invaluable to the success of the Scheme and he will be greatly missed. We would like to wish Dean all the very best in the future.

The Trustee looks forward to continuing Dean's good work in ensuring that the Scheme remains focused on its members and their interests.

We trust you find this annual report useful. As always, if you have any questions or comments about this report or the Scheme, please call our Helpline on 0508 4 TEACH (0508 4 83224).

on behalf of the Trustee, Public Trust

The Year's Results at a Glance

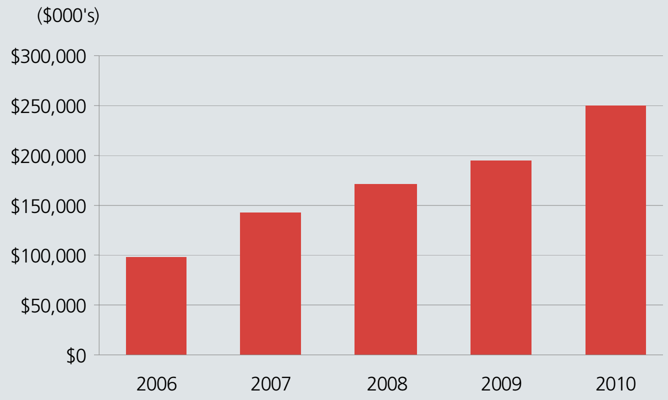
For the year to 30 June 2010, the returns (after tax and fees and based on the monthly declared interest rates for each Investment Fund) were:

Cash Fund	2.43% p.a.
Stable Fund	9.13% p.a.
Balanced Fund	11.01% p.a.
Growth Fund	10.57% p.a.

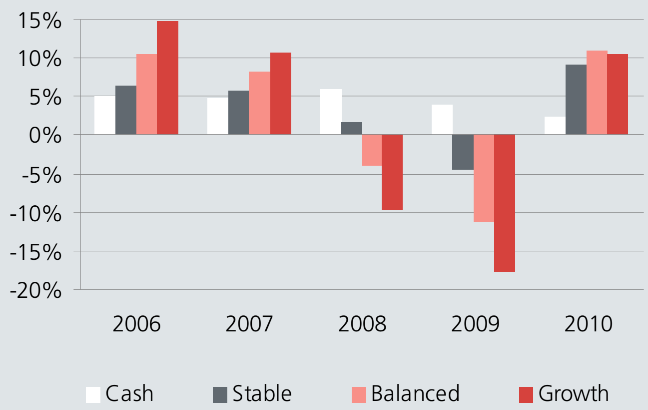
Total Membership as at 30 June 2010	12,696
Contributions Received During the Year	$44.81 million
Benefits Paid During the Year	$6.71 million
Total Fund Value as at 30 June 2010	$250.36 million

Five-Year Snapshot

Accumulated Funds



Scheme returns (after tax and fees)



Membership

Remember, for up-to-date information on the Scheme's investment performance and growth throughout the year check out the Scheme website www.teachersretire.org.nz.

Your Guide to the ERP's Investment Funds

How your 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, as shown in the charts on page 4. Mercer appoints specialist investment managers, selected for their expertise and performance 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 levels of return and risk) to spread or diversify the overall risk to members. The graph on page 8 shows returns for these sectors for the year to 30 June 2010. 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 2010 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 investment valuations go up and down with market movements.

As mentioned earlier, during the Scheme year the Trustee, in conjunction with Mercer, reviewed the ERP's investment objectives and strategic asset allocations. As a result of this review, changes to the ERP's investment objectives and strategy have been implemented following the Scheme year end, with effect from 1 August 2010. These changes are outlined in more detail on the pages 5 and 6.

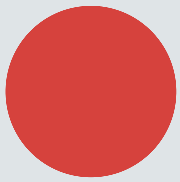
Statement of investment policy and objectives

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 16.

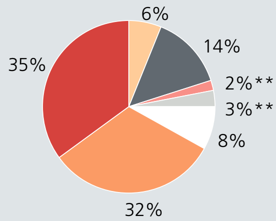
ERP Investment Objectives and Strategies (as at 30 June 2010)

Benchmark sector allocation

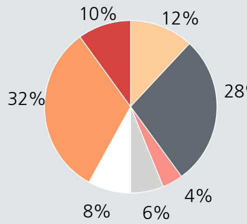
Cash Fund



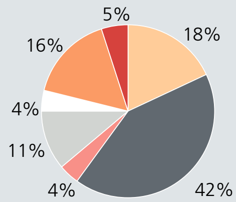
Stable Fund



Balanced Fund



Growth Fund



- Trans-Tasman Shares
- International Shares*
- NZ Property
- International Property
- NZ Fixed Interest
- International Fixed Interest
- Cash

	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 NZX 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 2.5% p.a.	For the long-term rate of return (after tax and investment expenses) to exceed inflation[1] by an average of at least 3.0% p.a.	For the long-term rate of return (after tax and investment expenses) to exceed inflation[1] by an average of at least 4.0% p.a.
Suitable for investors looking for	Short-term investments offering protection from negative returns (particularly applicable if you 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 who are willing to accept some variability in returns.	Long-term investments with potentially higher returns than those 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)	Unlikely, with returns similar to those from cash deposits.	Low (one year in every 14 years)	Moderate (one year in every six years)	High (one year in every five years)

* International Shares includes a small allocation to International Small Companies and Emerging Markets sectors.

**The Stable Fund's NZ Property benchmark reduced from 3% to 2% and the International Property benchmark increased from 2% to 3% during the year.

[1] As measured by the increase in the Consumers Price Index.

ERP Investment Fund Developments

The Trustee regularly reviews the investment objectives and structures of the ERP's investment funds. At its review in the second half of the Scheme year, the Trustee considered a number of recommendations from Mercer, which also regularly updates its portfolios to make sure they represent current best practice. The most recent Mercer review occurred just after the Global Financial Crisis, which provided a stern examination of investment practices. The primary aim of this review was to reduce the volatility or variability of investment returns, in part by reducing the reliance on share markets.

The ERP will continue to offer a range of four investment funds: A Cash Fund, plus three multi-sector options; Stable, Balanced and Growth. The Funds will retain the current mix between defensive assets (like cash and government bonds) and growth assets (like shares) as follows:

Asset mix

	Cash	Stable	Balanced	Growth
Defensive assets	100%	75%	50%	25%
Growth assets	-	25%	50%	75%

However, the Trustee has elected to reduce the return targets for each multi-sector option, reflecting the tougher economic environment post the crisis. The table below sets out the old and new investment objectives for the multi-sector funds.

Investment objective: Long term return after inflation, tax and investment expenses

	Stable (p.a.)	Balanced (p.a.)	Growth (p.a.)
Old	2.5%	3.0%	4.0%
New	2.0%	2.75%	3.75%

The objective for the Cash option remains the same (i.e. to exceed the 90-day Bank Bill Gross Index (before tax and fees) by 0.20% p.a. over any three year period).

While the overall growth/defensive mix within the options has not changed, there are some changes to the types and mix of investment assets within the options. These changes are expected to assist the portfolios achieve their long-term return targets with less volatility in short-term returns. In particular, it is hoped the portfolios will not be subject to the sort of deep falls experienced during the crisis (although returns will still go up and down, and short-term losses are still possible).

The key changes include:

Adding infrastructure and natural resources to property to create a "Real Assets" sector: Similar to property, the strength of infrastructure is that it is a physical asset, can be accessed in both listed (i.e. listed on a stock exchange) and unlisted markets, has a more stable underlying return pattern than shares and is less closely related to share market movements. Natural Resources covers a range of possible investments including commodities, such as gold and oil, and timber, water and agricultural land.

A greater allocation to unlisted assets: A number of investment categories (property, infrastructure and parts of the natural resources sector) can be accessed through either listed or unlisted investments. Unlisted assets, although unable to be cashed up immediately, have a more stable return pattern and tend to move in a different way to listed share markets, which is an important feature.

Restructuring the fixed interest exposure to separate sovereign and credit: One of the key features of the recent financial crisis has been the varying performance of different parts of the fixed interest portfolio. While sovereign debt (bonds issued by governments in a foreign currency) has been truly resilient, providing 'true to label' defensive protection, elements of the credit market (bonds issued by companies and the financial sector) were disappointing. Rather than split the fixed interest allocation between New Zealand and global, the Scheme's options will include an explicit split between sovereign debt and credit, enabling a far greater control of risk.

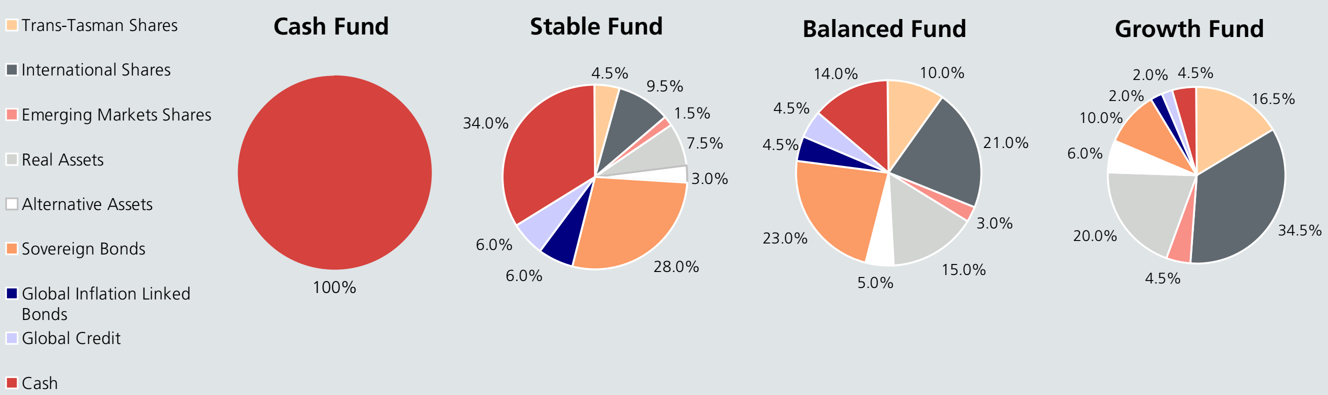
A modest allocation to alternatives: In addition to adding some new types of investment assets in the Real Assets sector, the Scheme's investment funds will also include a modest allocation to 'alternative investment assets'. By alternative assets, we refer to investments that fall outside the traditional sectors (shares, property, fixed interest and cash), such as insurance linked strategies.

Increasing the allocation to emerging markets: A significant theme in the global economy over the last decade has been the growth in emerging markets (such as China, India, Brazil and Russia). Shifting demographics and rising consumer demand in these markets is likely to continue to have a positive impact on the growth of these economies. As a result, a slightly higher weight to emerging markets is warranted.

Adding an element of inflation-protection: One issue relevant to the long term investor is the potential for an inflation breakout resulting from the sharp easing in monetary policies and government fiscal stimulus that occurred following the crisis. Some protection from high inflation, obtained through inflation linked bonds and commodities, is being built into the portfolios.

These changes are illustrated in the charts below, which show an overview of the new benchmark sector allocations that have applied since 1 August 2010. For further details refer to the most recent statement of investment policy and objectives available from the Scheme's Secretary at the address on page 16.

Benchmark sector allocation (from 1 August 2010)



2010 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 Plan fees and expenses) % p.a.
Cash Fund	2.43
Stable Fund	9.13
Balanced Fund	11.01
Growth Fund	10.57

The net returns are derived by compounding the monthly declared interest rates for each Investment Fund from 1 July 2009 to 30 June 2010. 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 2010:

	Fund	**Cash**	**Stable**	**Balanced**	**Growth**
Period					
2009	July	0.25%	2.77%	4.19%	5.14%
	August	0.48%	5.00%	7.60%	9.55%
	September	0.71%	6.16%	9.37%	11.78%
	October	0.91%	5.90%	8.28%	9.59%
	November	1.14%	6.89%	9.82%	11.59%
	December	1.36%	7.71%	11.48%	14.23%
2010	January	1.54%	7.79%	10.62%	11.90%
	February	1.72%	8.58%	11.80%	13.34%
	March	1.92%	10.31%	15.06%	18.24%
	April	2.13%	11.06%	15.95%	19.02%
	May	2.24%	9.63%	12.51%	13.25%
	June	2.43%	9.13%	11.01%	10.57%

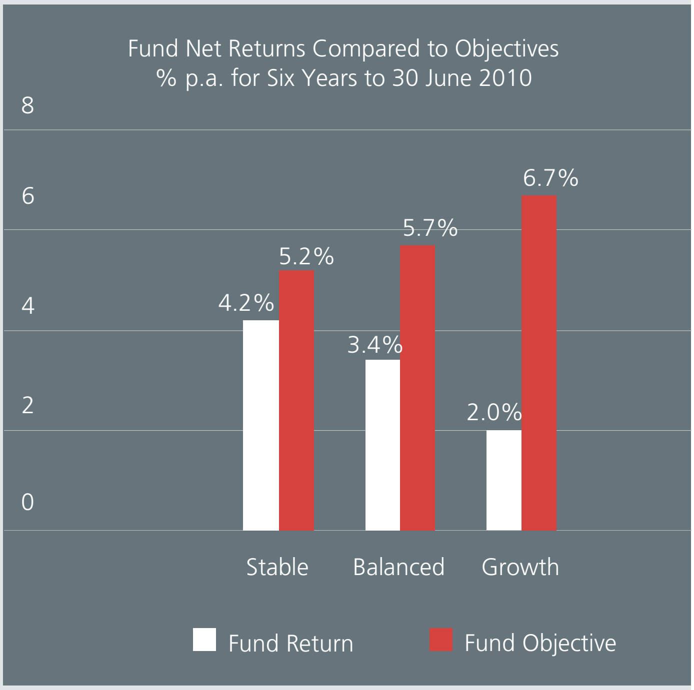
These net returns take into account the investment returns achieved by the MSIT's specialist investment managers, plus any interest on contributions held in the ERP's bank account (before being invested), less tax and ERP expenses. Tax is deducted at 30%, while ERP expenses include all operating expenses, 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. See page 8 for the sector returns. Each of the ERP's Investment Funds—Cash, Stable, Balanced and Growth—is invested in differing combinations of these sectors. See page 4 for more details.

Returns compared with objectives

The long-term returns (net of tax and fees) from the three non-cash investment funds have been below their objectives, which are based on performance relative to inflation over a five-year period.

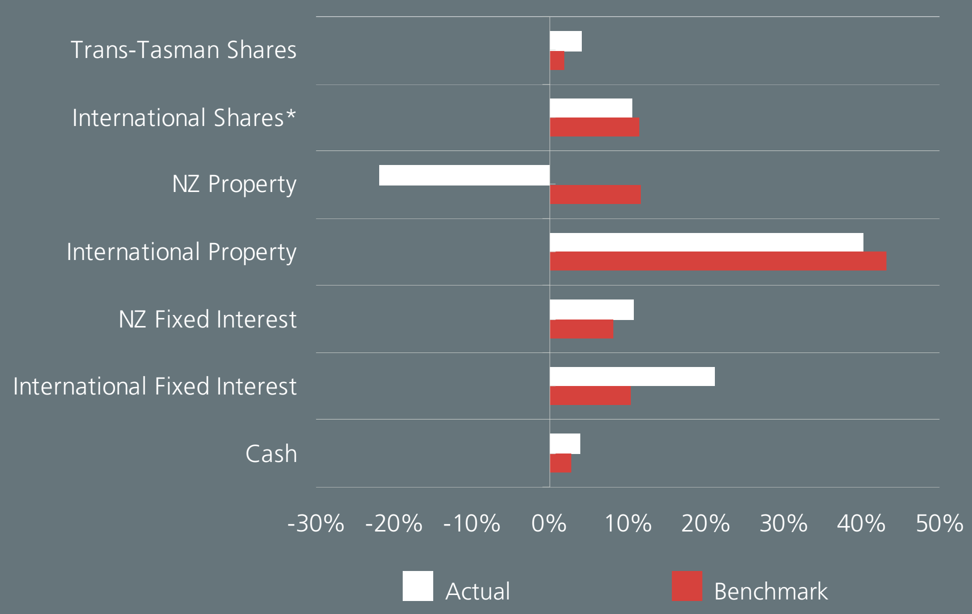
The objectives as at 30 June 2010 are shown on page 4. For factors behind investment fund returns for the year to 30 June 2010 please turn to page 8.



The Cash Fund's objective is based on a three-year time period. On average, over three years, the Cash Fund has outperformed the 90-Day Bank Bill Gross Index by 0.10%, compared to its objective of 0.20%. Therefore, the Cash Fund's return was also slightly below its objective over this period.

Gross returns to 30 June 2010

The gross returns (that is, before fees and tax) and the gross benchmark (or target) returns of the sector funds managed by specialist investment managers for the MSIT for the year to 30 June 2010 were:



* Includes returns from International Small Companies and Emerging Markets sectors.

The MSIT investment managers added value (produced returns greater than the benchmark or market average in which they operate) in Trans-Tasman Shares, NZ Fixed Interest, International Fixed Interest and Cash. Managers in International Shares and International Property underperformed against the market average. The managers in these sectors struggled as markets experienced significant volatility, with share prices rising one day, only to fall the next. The NZ Property return was well below its benchmark for the year. This reflects the fact that the benchmark is made up of listed property securities, whereas the ERP invests in unlisted property. Unlisted property valuations tend to lag the listed market. As a result, the underperformance this year simply offsets outperformance in the year to 30 June 2009.

Fortunately, overall, the outperformance from the better-performing managers was greater than the underperformance from the others. As a result the ERP Investment Funds all performed better than their benchmark or average market return over the year. It was also pleasing to note that the returns for each of the Funds compared well with those of their industry peers*.

**Mercer Survey of Comparative Investment Performance - June 2010*

Investment market performance to 30 June 2010

The year to 30 June 2010 was an interesting time for investors. While the overall result was positive, the year can be divided into two distinct periods.

In the first, the post global financial rally, which began in March 2009, continued for the rest of 2009. Rising markets were buoyed by stronger than expected US company earnings, improving economic data and positive fiscal and monetary stimulus measures adopted by governments around the globe.

However, investor optimism began to fade in the first quarter of 2010 with growing concerns over the Greek debt crisis, mixed US economic data and moves in China to slow rapid economic growth. Negative sentiment took over completely in April and continued through to the end of the financial year as the sovereign debt crisis spread across Europe. This lead to austerity measures being announced across a range of countries and renewed concerns about the outlook for global growth.

Despite the late pull back, most equity markets, including New Zealand posted gains over the last 12 months. Japan was a notable exception. The strong NZ dollar eroded returns from unhedged overseas shares.

Despite concern about government debt levels, global sovereign bonds provided solid returns over the year. While the price of bonds issued by countries like Greece and Portugal fell, there was continued demand for bonds issued by 'safer' countries like the US, Germany, UK, Australia and New Zealand. This demand was supported by the expectation that short term interest rates would remain lower for longer.

Despite the recent concern about a "double dip" recession, the most likely scenario is one of continued economic growth, although the pace of the recovery will be slower than originally expected. It is clear that emerging markets will continue to be the engine of growth, while growth in the developed economies is likely to remain low as debt levels are reduced.

Superannuation Update

May 2010 budget

– From 1 October 2010, the tax rate on the Scheme's investment income reduced from 30% to 28%.

– Fund withdrawal tax (FWT) (a 5% tax on the portion of a benefit relating to employer contributions plus investment earnings) is to be abolished completely from 1 April 2011. No withdrawals made on or after that date will attract FWT. If you withdraw funds from the Scheme prior to that date please call the Helpline on 0508 4 TEACH (0508 4 83224) for more information on whether FWT could apply to you.

New Zealand Superannuation rates

The government increased the level of payments to be made to recipients of New Zealand Superannuation with effect from 1 April 2010. The rates (before tax) are:

Married couple	$29,184 p.a.
Single person (sharing)	$17,814 p.a.
Single person (living alone)	$19,425 p.a.

With effect from 1 October 2010, New Zealand Superannuation rates increased by 2.02% to compensate for GST increases which also took effect from 1 October 2010.

The level of New Zealand Superannuation 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 their turning 65.

Some of you will be aiming for a higher living standard than the one that will be supported by New Zealand Superannuation payments alone. Achieving your retirement income objectives will depend in part on the robustness of your planning and in part on the level of New Zealand Superannuation at the time you retire. You may find the retirement calculators on the Retirement Commissioner's website (www.sorted.org.nz) useful.

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 October 2010 when this report was prepared, the Trustee's Board Members were:

Candis Craven, Auckland

Rodger Finlay, Christchurch

Robin Hill , Upper Hutt

Trevor Janes, Auckland (Chairman)

Sue McCormack, Christchurch

Fiona Oliver, Auckland

Hinerangi Raumati, Auckland

Sarah Roberts, Auckland

Since the date of the last annual report, Donal Curtin, Fiona Pimm and Murray Weatherston have resigned from the Board of Public Trust, and Trevor Janes has been appointed as Chairman in place of Donal. Sue McCormack, Fiona Oliver and Hinerangi Raumati were all appointed to the Board of Public Trust during the Scheme year.

Robert Gatward and Martyn Ogilvie of Public Trust act as representatives of the Trustee in fulfilling its role and carrying out the necessary day-to-day activities. As mentioned earlier, Dean Apps retired as a representative of the Trustee with effect from 30 June 2010.

Trustee's Certificate

To the Members of the Employee Retirement Plan (ERP) for the Year Ended 30 June 2010

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 hereby 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.
2. The market value of the assets of the ERP at the close of the financial year equalled 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.

Dennis Church, General Manager
Corporate Trustee Services, Public Trust
Date: 21 October 2010

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.

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.

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 summarise the main provisions of the Trust Deed and the employer agreement, from the Teachers' Scheme website www.teachersretire.org.nz or by calling 0508 4 TEACH or 0508 4 83224.

Trustee's disputes handling procedure

The ERP's Trustee has a disputes handling procedure that is available to any member who has a complaint about the ERP's operation. Contact the Secretary to the Trustee at the address on page 16 for further information.

Membership profile

In total, 216 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 2009	12,912
less	
Deaths	(11)
Financial Hardship or Relationship Property Division (full)	(4)
Retirements	(150)
Ill Health	(2)
Permanent Emigration	(25)
Transfers out	(24)
Closing membership as at 30 June 2010	**12,696**

In addition, 680 partial benefits were paid to members who remained members of the Scheme:

Financial Hardship or Relationship Property Division (partial)	41
Partial Retirement	13
In-Service	626
Total partial benefits paid as at 30 June 2010	**680**

Abridged Financial Statements

	2010 $	2009 $
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	23,295,773	(15,202,627)
Net Investment Gains/(Losses)	23,295,773	(15,202,627)
Less		
Other Expenses		
Administration Fees	297,550	312,297
Auditors' Remuneration - Audit Fees	15,863	15,863
Trustee Fees	103,977	75,612
Other Expenses	1,373	24,688
Total Other Expenses	418,763	428,460
Change in Net Assets before Taxation and Membership Activities	22,877,010	(15,631,087)
Income Tax Expense	4,773,421	1,075,766
Change in Net Assets after Taxation and before Membership Activities	18,103,589	(16,706,853)
Membership Activities		
Member Contributions	19,797,637	19,917,892
Member Voluntary Contributions	5,240,409	5,483,210
Employer Contributions	19,725,935	19,873,138
Transfers in from Other Schemes	45,990	115,152
Less Benefits Paid	(6,710,125)	(6,406,611)
Net Membership Activities	38,099,846	38,982,781
Net Increase in Net Assets During Year	56,203,435	22,275,928
Statement of Net Assets		
Assets		
Financial Assets - Fair Value Through Profit or Loss	250,213,616	193,828,021
Current Assets	1,737,202	1,824,499
Non-Current Assets	37,356	342,305
Total Assets	251,988,174	195,994,825
Less		
Liabilities		
PIE Tax Payable	1,528,675	1,777,606
Benefits Payable	35,682	1,835
Member Contributions Received in Advance	469	211
Employer Contributions Received in Advance	469	458
Fund Withdrawal Tax Payable	491	239
Trade and Other Payables	63,610	59,133
Total Liabilities	1,629,396	1,839,482
Net Assets Available for Benefits	250,358,778	194,155,343
Vested Benefits*	250,358,778	194,155,343
Statement of Cash Flows		
Net Cash Flows from Operating Activities	37,771,975	38,537,312
Net Cash Flows from Investing Activities	(37,859,272)	(38,040,750)
Net (Decrease)/Increase in Cash Held	(87,297)	496,562
Cash at Beginning of Year	1,824,499	1,327,937
Cash at End of Year	1,737,202	1,824,499

* 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 Scheme at balance date.

Notes to abridged financial statements

A summary of the ERP's audited financial statements for the year ended 30 June 2010 which were authorised for issue on 21 October 2010 is shown on page 13 of this annual report. The abridged financial statements have been extracted from the full audited financial statements which were authorised for issue on 21 October 2010. The abridged 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 ERP 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 ERP operates.

The abridged financial statements cannot be expected to provide as complete an understanding as is provided by the full financial statements of changes in net assets, net assets and cash flows of the ERP. A copy of the full financial statements can be obtained, free of charge, from the ERP's administration manager. The ERP is a profit oriented entity.

The auditor has examined the abridged financial statements for consistency with the audited financial statements and has issued an unqualified opinion on both the full financial statements and the abridged financial statements.

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the members of the Employee Retirement Plan

We have audited the summary financial statements of the Plan for the year ended 30 June 2010 on pages 13 to 14.

This report is made solely to the Plan's members, as a body. Our audit has been undertaken so that we might state to the Plan's members those matters 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 and the Plan's members, as a body, for our audit work, for this report or for the opinion we have formed.

Trustee's Responsibilities

The Plan's Trustee is responsible for the preparation and presentation of the summary financial statements in accordance with generally accepted accounting practice in New Zealand.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the summary financial statements presented by the Trustee and reporting our opinion to you.

Basis of Opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of Financial Reporting Standard 43: Summary Financial Statements.

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

Unqualified Opinion

In our opinion:

(a) the amounts set out in the summary financial statements have been correctly extracted from the full financial statements of the Plan and are consistent in all material respects with the full financial statements, upon which we expressed an unqualified audit opinion in our report to the members dated 21 October 2010; and

(b) the information reported in the summary financial statements complies with Financial Reporting Standard 43: Summary Financial Statements.

We completed our work for the purposes of this report on 21 October 2010 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Wellington

This audit report relates to the financial report of Employee Retirement Plan for the year ended 30 June 2010 included on the Plan's website. The Plan's Trustee is responsible for the maintenance and integrity of the Plan's website. We have not been engaged to report on the integrity of the Plan's website. We accept no responsibility for any changes that may have occurred to the financial report since it was initially presented on the website.

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.

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

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.teachersretire.org.nz

Investment managers

The ERP funds are invested by the Mercer Super Investment Trust with a team of specialist investment managers selected for their expertise and recognised performance in their specific investment sectors.

Asset Class	Investment Manager
Trans-Tasman Shares	Harbour Asset Management* ING NZ Limited
International Shares	Mercer**
NZ Property	AMP Capital Investors
International Property	AMP Capital Investors ING NZ Limited
NZ Fixed Interest	Tyndall
International Fixed Interest	PIMCO
NZ Cash	ING NZ Limited

* Following year end, the assets invested by Brook Asset Management at balance date were transferred to Harbour Asset Management Limited.

**Mercer utilises the following investment managers for its multi-manager international shares portfolio:

- Baillie Gifford & Co
- Bernstein
- Edinburgh Partners
- Fidelity International
- Lazard Asset Management
- Martin Currie
- RCM
- State Street Global Advisers
- Taube Hodson Stonex Partners
- Wellington Investment Management

During the year, Mercer appointed Wellington Investment Management as one of its investment managers for its international shares portfolio.