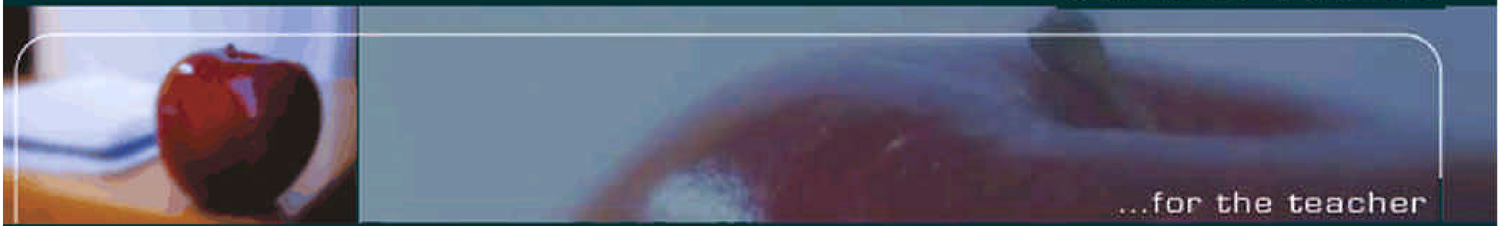
teachersretirement
SAVINGS SCHEME



Newsletter
May 2008

The Teachers Retirement Savings Scheme – Your Scheme

Changes to the Teachers Retirement Savings Scheme (TRSS)

The Secretary for Education recently announced that from 1 October 2008, the TRSS and the State Sector Retirement Savings Scheme (SSRSS) will no longer accept new members. The TRSS and the SSRSS have also been amended so that employer contributions are made to either the TRSS/SSRSS or KiwiSaver, but not both.

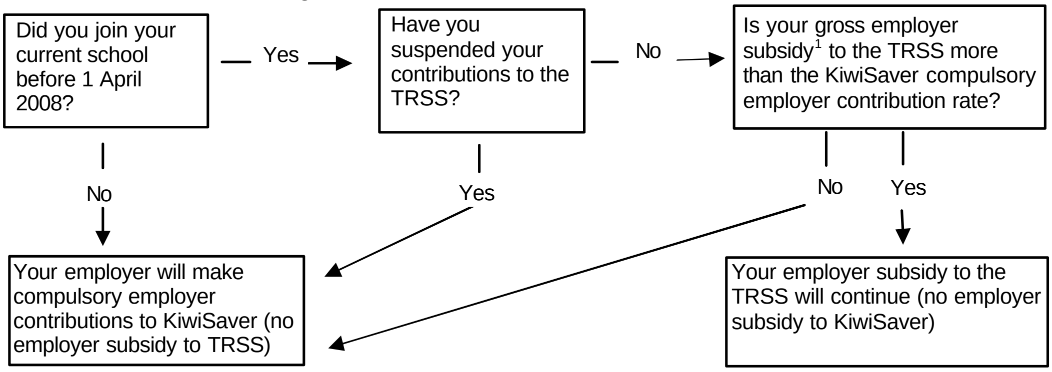
What the changes mean for you

The impact of the changes varies, depending on whether or not you belong to KiwiSaver.

While you're at your current school

If you don't belong to KiwiSaver, your membership of the TRSS will continue as it is at present, (except that from 1 October 2008, you cannot transfer to the SSRSS).

The following diagram shows how employer contributions are paid if you're a subsidised member of the TRSS and also belong to KiwiSaver:



[1]the employer subsidy paid to your account plus contribution tax (usually at 33%)

Moving to a new school

If you move to a new school you are considered to have changed employers. As a result, your employer's subsidy to the TRSS *may* be replaced by a compulsory employer contribution to KiwiSaver.

If you *are* contributing to *KiwiSaver* when you start employment with your new school, compulsory employer contributions (currently 1% of your salary – see the box to the right) to your KiwiSaver scheme will replace your employer's subsidy to the TRSS. While you may still contribute to the TRSS, your matching employer subsidy of up to 3% of your salary will cease.

If you *are not a member of KiwiSaver:*

- if you change schools *before 1 October 2008*, your membership of the TRSS will continue as it is at present, (except that from 1 October 2008, you cannot transfer to the SSRSS);
- if you change schools *on or after 1 October 2008*, you will be automatically enrolled in KiwiSaver. If you opt out of KiwiSaver within the allowed timeframe and contribute to the TRSS, your matching employer subsidy of up to 3% of your salary will be made to the TRSS. If you do not opt out of KiwiSaver, compulsory employer contributions to KiwiSaver will commence and your matching employer subsidy to the TRSS will cease.

Restarting contributions to the TRSS

If you are receiving compulsory employer contributions to KiwiSaver, but want to go back to receiving a subsidy to the TRSS, you will need to take a KiwiSaver contributions holiday (see the box above right). When the contribution holiday starts, your employer will stop contributing to KiwiSaver and will be free to restart its contributions to the TRSS.

How KiwiSaver works

Contributions:

- member contributes 4% or 8% of gross (before tax) income
- employer makes **compulsory employer contributions** of 1% of member's gross (before tax) income rising by 1% each 1 April to reach 4% from1 April 2011 onwards[2]

After one year's KiwiSaver membership, a **contributions holiday** of between three months and five years may be taken. Contribution holidays can be taken successively.

Additional benefits (paid to KiwiSaver scheme account):

- once-only $1,000 kick start payment
- member tax credits of up to $20 a week ($1,043 pa)
- $40 annual fee subsidy

but …

- savings are generally 'locked-in' until New Zealand Superannuation qualification age (currently 65) or the date a member completes five years' membership of KiwiSaver, if later

[2]*unless an employer subsidy to the TRSS applies*

Investment update

With the exception of overseas fixed interest and cash, returns from the Scheme's investments were mixed over the first nine months of the Scheme year.

After a series of good results, returns from Trans-Tasman shares were modest as the strong New Zealand dollar, weaker economic data and high interest rates continued to impact on the New Zealand sharemarket. International share returns also weakened as the sub-prime credit crisis took hold and economic growth slowed.

Property was another casualty of the sub-prime credit crisis, with the Scheme's returns from this asset class moving into negative territory.

Returns from international fixed interest were sound as central banks in the US and the UK cut interest rates to give their economies a boost. New Zealand fixed interest performed well below its international counterparts, as the Reserve Bank raised interest rates in response to building inflation pressures.

Cash continues to provide positive returns.

Indicative returns

The chart below shows indicative returns for the first nine months of the TRSS year based on the year-to-date investment performance from 1 July 2007 to 31 March 2008. They are quoted after deducting 33% tax and Scheme expenses.

Fund	**Indicative returns after tax and expenses for the 9 months to 31 March 2008**
Cash	4.18%
Stable	1.31%
Balanced	-3.72%
Growth	-8.47%

The returns shown in the table above have been calculated on a standardised basis and are indicative only, reflecting the monthly gains in unit prices under each fund. The actual returns you receive may differ from those shown as the timing and amounts of your contributions may impact on your actual returns. Past returns are no guarantee of future returns.

Markets move in cycles –up and down

Sharemarkets are currently experiencing a correction (or downturn) following several years of growth. The current situation is generally the result of sub-prime mortgage issues in the United States and a weakening US economy.

The sub-prime mortgage issue relates to a situation where borrowers with poor credit ratings were able to take out loans at low interest rates. Many of these borrowers defaulted on their loans as interest rates have risen. Increased mortgage foreclosures, combined with falling house prices due to oversupply, have led to a correction in the US sharemarkets. As markets are highly integrated, the effect has been felt globally.

For more information on how the assets of the investment funds are invested, refer to your Scheme information booklet and investment statement or visit the website www.teachersretire.org.nz.

TRSS assets now exceed $160 million

Your Scheme now manages over $160 million of retirement savings on behalf of over 12,300 teachers and principals in state and state-integrated schools.

Suggestions, questions or comments?

Suggestions for future newsletter articles and questions or comments about this issue can be emailed to teachersretire@mercer.com.

The Teachers' Scheme – specially designed for New Zealand's teachers and principals in state and state-integrated schools

To find out more…• Call 0508 4 TEACHERSRETIRE (0508 4 83224 • Email teachersretire@mercer.com • Visit the website www.teachersretire.org.nz