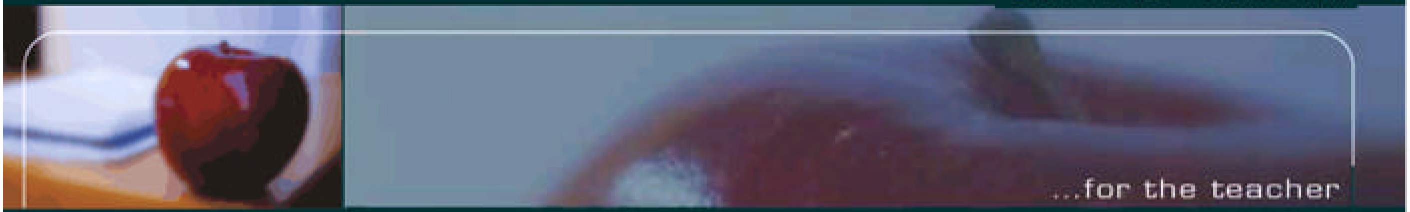
teachersretirement
SAVINGS SCHEME



...for the teacher

Newsletter

March 2009

The Teachers Retirement Savings Scheme – Your Scheme

Welcome to the first Scheme newsletter of 2009. The global financial crisis continues to dominate the news this year, with experts predicting significant losses to continue in 2009. Unfortunately, the turbulent financial markets have impacted on the Scheme; with the Stable, Balanced and Growth Funds all posting negative returns for the year to date.

This issue focuses on the global financial crisis and how it has affected your superannuation savings in the Scheme, and some of the factors you may want to consider if you are thinking about changing investment options.

Update on the financial crisis

Last year saw the US sub-prime mortgage crisis quickly snowball into an economic crisis on a global scale. The big news was the downfall of a number of well known financial institutions at the hands of the sub-prime crisis, and the US government's initial US $700 billion bail out package.

By November the US government had pumped a further US$800 billion into the US financial system with a number of major financial institutions receiving government assistance.

The old saying that 'when the US sneezes, the world catches a cold' still has a ring of truth and governments around the world have developed multi-billion dollar rescue plans in an attempt to alleviate pressures and restore consumer confidence.

By the end of 2008, the US economy had lost a net 2.6 million jobs. Some economists have predicted that at least another 2 million jobs will be lost this year despite newly elected President Barack Obama's latest US$787 billion recovery package of increased government spending and tax cuts, designed to create new jobs. In New Zealand a net loss has been predicted of around 50,000 jobs through 2009, which would push the unemployment rate to above 6%.

Interest rates cut to ease pressure

New Zealand's Reserve Bank has joined central banks around the world cutting its official cash rate (OCR) in a bid to lower the cost of borrowing and encourage economic activity. Since July last year, the Reserve Bank has cut the OCR by 5.25% to a record low of 3%.

The government has also undertaken to provide tax and regulatory relief for small and medium sized businesses and fast-track $485 million worth of planned infrastructure projects to boost the economy.

Has this been enough?

Despite recent efforts to restore confidence and stability, sharemarkets remain unstable. Until the full extent of the credit crisis can be accurately determined and there are signs that governments' moves to combat the crisis are working, this is unlikely to change.

Scheme Returns

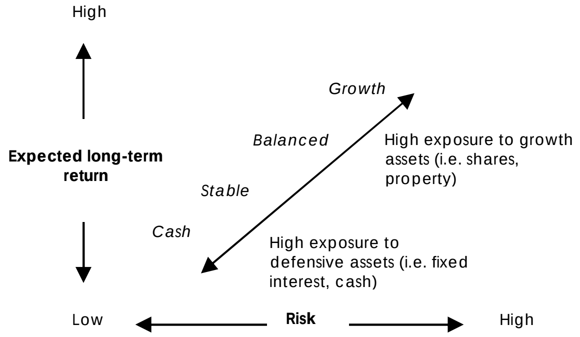
The Scheme's investment returns have been affected by what has now been confirmed as the worst financial crisis in 70 years. The chart below shows the extent to which each fund has been affected by the downturn.

Scheme Returns After Tax, Fees & Expenses to 31 January 2009		
	7 months	**1 Yr**
Cash Fund	3.16%	5.87%
Stable Fund	-7.25%	-7.32%
Balanced Fund	-14.48%	-16.17%
Growth Fund	-20.77%	-23.74%

The returns shown in the table above have been calculated on a standardised basis and are indicative only, reflecting the monthly changes in unit prices for 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 performance should not be relied on as an indicator of future returns and care should be exercised not to make decisions based on past performance only.

Asset allocation is the key factor behind your investment option's performance. Another factor in your own return is the proportion of savings you have invested in higher-risk funds (Growth and Balanced) and lower-risk funds (Cash and Stable). The diagram on the following page illustrates the relationship between exposure to growth assets and the effect a downturn in the markets will have. Growth assets are considered higher risk, because of their vulnerability to volatility and negative returns.



As you can see, the risk of a negative return varies according to the asset allocation of your investment option – the more growth assets you invest in, the greater the chance of a negative return at times. Conversely, growth assets carry the prospect of potentially higher returns over the long term.

Understanding your investment returns

For a full understanding of your superannuation's performance, it's important to understand how each asset class has been affected by the financial crisis.

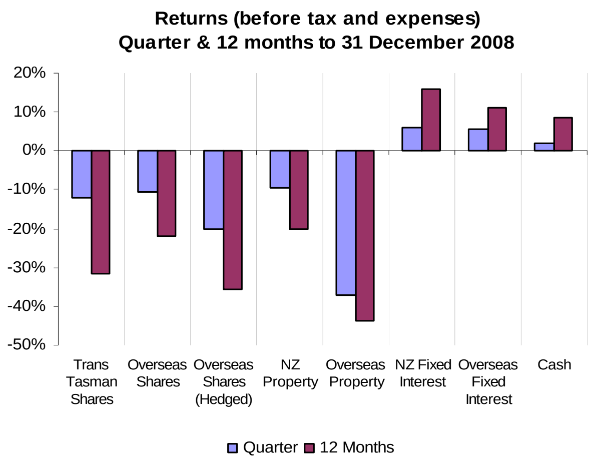
Returns from both Trans-Tasman and overseas shares reflected volatile markets as, despite central bank action to stabilise financial and credit markets, investors favoured fixed interest investments over shares. There was some relief for New Zealand investors in overseas shares as the New Zealand dollar fell against most major currencies.

Listed property once again struggled, caught between rising borrowing costs and concerns about the impact of slowing economic growth.

Fixed interest investments continued to provide the Scheme's strongest returns as central banks lowered interest rates.

Returns from cash were positive but lower, reflecting reduced interest rates.

As the chart below shows, only fixed interest securities and cash produced positive returns on a quarterly or one-year basis.



Past performance is not a reliable indicator of future performance.

Changing your investment option

The Scheme rules allow you to alter your current investment arrangements. To make a change you need to complete an *Investment Alteration Request* form, available from the helpline (call 0508 4 TEACHERSRETIRE or 0508 4 83224) or under the 'Your library' tab when you log on to the Scheme's website at www.teachersretire.org.nz.

The rule that you should review your strategy if your personal circumstances, financial goals or family situation change still holds true.

However, given the impact the global recession has had on returns recently, particularly those of the Growth and Balanced Funds, you may be considering changing your investment to a more conservative option for that reason alone.

While this could be appropriate, particularly if you are nearing retirement, there are some factors to consider before you make a final decision. Think about your personal circumstances and long-term goals, as well as the implications any decision about changing investment options could have.

When you move some or all of your savings into a new investment option, the value of those savings will be calculated and transferred to your new investment option.

This means that you effectively 'lock in' the value of your savings in your previous investment arrangement at the date you switch.

Keep a long-term perspective

Periods of negative returns are part of investing. The Growth and Balanced Funds have been most affected recently because they have more investments in shares and property. Remember that over the longer term, bonds, shares and property markets have gone through cycles of positive and negative returns.

Take the time to learn about your investments

The better you understand your investments, the more confident you will feel about deciding whether or not to change investment funds. Refer to your Information Booklet and Investment Statement for an explanation of the Scheme's investment options and the associated fees charged. Information about investments is also available on the Scheme website.

Talk to an independent financial adviser

If you are considering your options, we recommend contacting an independent financial adviser, regardless of your reasons for switching. Financial advisers can offer you a wealth of advice and help you fully review your situation to ensure any decision you make is a well-informed decision.

To find out more…

- Call 0508 4 TEACHERSRETIRE (0508 4 83224)
- Email teachersretire@mercer.com
- Visit www.teachersretire.org.nz