TEACHERS RETIREMENT

SAVINGS SCHEME

Welcome to the latest newsletter for the Teachers Retirement Savings Scheme. You'll find more details on investment performance, latest news and more.

Scheme performance

The table opposite shows the indicative returns for each of the Scheme's funds for 1 month and 6 months to 31 December 2014 and the previous Scheme year to 30 June 2014.

Note: These numbers 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.

Indicative Returns After Tax & All Expenses

	1 month to 31.12.14	6 months to 31.12.14	Scheme year to 30.6.14
Cash Fund	0.27%	1.36%	2.26%
Stable Fund	0.28%	3.50%	5.84%
Balanced Fund	0.04%	4.62%	9.03%
Growth Fund	-0.25%	5.58%	12.23%

Investment commentary

The final quarter of 2014 was a volatile one.

October was an eventful month. Initially volatility increased as a result of deflation concerns and soft growth in Europe, Japan and China. However, markets rebounded in the second half following higher than expected earnings from US shares.

In **November** the US led global markets higher, with growing conviction that the US economy is finally returning to "normal" conditions boosting support for US shares and the US dollar.

December capped off an eventful year in the markets, with the key theme being a dramatic fall in oil prices, down 18.9% in December alone, and almost half where it started the year. The Russian Central Bank also shocked markets in December by increasing interest rates from 10.5% to 17.0% to halt a slide in the rouble.

Scheme News

Member survey

Late last year members were surveyed on a 'deaccumulation' or regular withdrawal option so that retirees can choose to receive fortnightly or monthly income from their savings.

A big thanks to everyone who took part and congratulations to Annie McGlone who won the prezzie card prize draw!

Your feedback was very clear. 85% of people who responded indicated they were likely to use this new feature if it was offered.

In response to your views the Trustee has decided to introduce a regular withdrawal option to the Scheme in 2015. More information will be provided later in the year.

Your future self

Can you picture yourself 20, 30 or 40 years from now? If so, do you think of that future version of yourself as "me"?

According to researchers from Stanford University the answer is probably not. Researchers associated with the Stanford Centre on Longevity have established that when people think about their future selves, the neural patterns activated in their brains are the same as when they think about a stranger.

Rationally, we understand we're going to age, that our interests, habits, experience, lifestyle and expectations will change over time; that the face looking back at us from some future mirror will be different, older.

But emotionally, we simply don't identify with our future selves.

In their report "Knowing your future you" researchers Steve Vernon of the Stanford Centre and Fergal McGuinness, global defined contributions leader at Mercer say this emotional disconnect is part of what makes saving so hard. The report - one in a series of articles developed in a partnership between Mercer and Stanford - explores the notion of "hyperbolic discounting", whereby people place more value on spending money today than deferring spending into the future. "For most people, buying stuff today provides a much bigger psychological boost than saving money for the future," they report.

"Few find it easy to imagine or establish an emotional connection with their future selves."

But when participants in the study were shown digitally aged photographs of themselves or given the opportunity to interact with 3D avatars of their older selves, they were willing to put considerably more into their retirement savings.

Their change in attitude can be linked directly to an emotional connection with their future selves.

Behavioural economist Daniel Goldstein spoke about the "unequal battle" between present and future selves in a TED Talk back in 2011. Goldstein says the future self would like the present self to save as much as possible as early as possible. But the present self is in the driver's seat and it doesn't want to save at all; it wants to consume.

"Let's face it, the present self is present. It's in control. It's in power right now. It has these strong, heroic arms that can lift doughnuts into your mouth," Goldstein says. "The future self is not even around. It's off in the future. It's weak. It doesn't even have a lawyer present.

"There is nobody to stick up for the future self and so the present self can trounce all over its dreams."

There are plenty of things you can do to reward your future self, including making extra contributions to your super via payroll or making an active investment choice.

To find out more about anything mentioned in this newsletter...

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