

TEACHERS RETIREMENT SAVINGS SCHEME



After a subdued end to the 2011/2012 Scheme year, the Scheme's investments started the new financial year off on the right foot. This was largely thanks to a broad-based easing of financial conditions globally in the first quarter of the Scheme year, and US lawmakers successfully warding off the nation's 'fiscal cliff' on the first day of 2013. (The fiscal cliff refers to huge tax increases and across the board spending cuts scheduled for the start of 2013 that threatened to push the already shaky US economy back into recession.)

Investment commentary for December 2012 quarter

Sending 2012 off on a high note

The December 2012 quarter saw markets climb despite uncertainty around the outcome of the US Presidential election and a looming fiscal cliff.

October was a quiet month for investors. Economic news early on set a positive tone as upbeat US housing and employment data and China's improving Gross Domestic Product (GDP) figures led markets higher.

Concerns about the US elections reached a climax in **November**, but the 6 November election brought little change, with President Barack Obama remaining in power for another four years. Focus quickly shifted to the fiscal cliff and how (and when) this would be resolved. However, data out of the US remained surprisingly upbeat with an upward GDP revision providing strong momentum. Elsewhere, spending cuts and low levels of economic activity in Europe appeared to have caught up with Germany. Despite this, markets continued their upward trend.

December saw markets continue to rally despite persistent worries about the fiscal cliff (which lawmakers only just managed to avert in an eleventh-hour compromise in the New Year). The US Federal Reserve raised confidence early in the month by

boosting its asset purchasing programme by another US \$45 billion per month, bringing the total monthly figure to US \$85 billion. Meanwhile, optimistic statements from European Central Bank President, Mario Draghi, which included an acknowledgement that growth could return "later in 2013" for the Eurozone encouraged investors.

Market outlook

The global recovery is expected to continue this year but outstanding issues suggest it will struggle to gather momentum in the first six months.

The Eurozone continues to struggle with recession and there are worries that Japan and the United Kingdom will follow suit. Meanwhile, despite positive news out of the US, concerns remain over potential effects of fiscal consolidation and tax increases.

Meanwhile in New Zealand, although recent economic data has been surprisingly poor, there are still some factors favouring a more positive outlook, including positive growth stemming from the Canterbury rebuild.

Scheme performance

The table opposite shows the indicative returns for each of the Scheme's funds for the seven months and 12 months to 31 January 2013 and the previous Scheme year to 30 June 2012.

As you can see, the 2011/2012 Scheme year was challenging, however returns since then have improved significantly. You'll find an in-depth review of this in the latest annual report.

<i>Indicative Returns After Tax & All Expenses</i>			
	Scheme year-to-date (7 months to 31 January 2013)	12 months to 31 January 2013	Scheme year to 30 June 2012
Cash Fund	1.31%	2.30%	2.52%
Stable Fund	4.25%	5.60%	2.69%
Balanced Fund	7.31%	8.94%	0.59%
Growth Fund	10.66%	11.38%	-2.23%

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.

Scheme news

Have you given us your email address?

Did you know that New Zealanders use about 48,000 tonnes of paper every year? You can help us do our bit for the environment by giving us your email address so that in the future we can communicate with you via email. For example, currently newsletters are sent by post where we do not hold an email address.

It's easy to do. Simply log on to the Scheme's website. If we don't have your email address there will be a reminder waiting for you. You can also call the Helpline on 0508 4 TEACH (0508 4 83224).

New additions to the Scheme's website

Have you seen the newest tools we've added to the Scheme's website? Visit www.trss.superfacts.co.nz and check out the following:

- A Glossary outlining some of the more technical investment-related terms. (You can find this on the website's homepage.)
- The 'How long will I live?' calculator, which helps you estimate how long your retirement savings may need to last. (You can find this under the 'Planning tools' tab.)
- 'Understanding market volatility', 'Planning for Retirement' and 'Investment cycles' webinars to help you better understand and manage your super. (You can find these under the 'Multimedia' tab.)

Want more investment information?

You can now find up-to-date information showing how the Scheme's investments have been performing in our regular 'Investment Update' reports. We'll keep updating this information on a quarterly basis.

You will find the latest Investment Update by signing in to your account and visiting the 'Investments' page. From there, click on the 'A closer look at your investments' button on the right.

Novopay and the Scheme

As you may be aware, the appointment of payroll provider Novopay has resulted in administrative issues for the Scheme.

While service has recently improved, Mercer (the Scheme's administrator) is still receiving shortfalls in contributions from the agency on behalf of members, and continues to experience difficulty obtaining full and accurate supporting data. This has resulted in some delays to the allocation of contributions to members' accounts. While there have been some delays, Mercer would like to assure members that all final allocations to member accounts are accurate and correct.

There have also been some delays in receiving leaving service forms. If you have applied for a leaving service benefit, you may experience a delay in the payment of your benefit.

How much do you need to save for your retirement?

You may remember that in the previous newsletter we told you about an in-depth survey that was launched last year by the New Zealand Centre for Personal Financial Education (a joint initiative between Westpac New Zealand and Massey University) and savings industry body Workplace Savings NZ. This survey sets out to help set guidelines for how much is needed for a 'modest' or 'comfortable' lifestyle in retirement. These findings have been released and they give a pretty good idea of what you may like to aim for. We've summarised the results below.

As a starting point, budget guidelines were prepared using data from Statistics New Zealand's triennial Household Income Survey. The guidelines were classified into metropolitan (Auckland and Wellington) and provincial (elsewhere excluding Christchurch), one and two person households, and 'no frills' and 'choices', the latter group having some discretionary money for 'treats' or other luxuries, such as travel.

The cost for a two-person household to live a 'choices' lifestyle was \$765.56 per week in metropolitan areas and \$693.83 in provincial areas. By comparison, current NZ Superannuation

payments for a couple are \$536.80 a week. It is also important to note that housing-related costs were omitted from the guidelines as these are so variable, depending on whether a person is in a rental property or an owner-occupied house, and the size of any loan on an owner-occupied home.

Responses showed that the majority of retired Kiwis are just scraping by, despite the fact that around half of the retirees had income in addition to their NZ superannuation, with more than a quarter supplementing their income with some form of paid employment.

When asked about their lifestyle, almost 70% of respondents said they were satisfied with their current lifestyle but only slightly over half said that retirement was meeting their expectations.

Overall, the survey results indicated that most retirees have an adequate standard of living but New Zealand Superannuation alone is not sufficient for most of them. For the full guidelines, visit <http://www.workplacesavings.org.nz/assets/Downloads/NZRetirementExpenditureGuidelinesAug2012.pdf>.

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

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