The Teachers Retirement Savings Scheme – Your Scheme

Welcome to your second newsletter for the 2011/2012 Scheme year. As well as summarising recent events in investment markets, we explain some changes to KiwiSaver and how your Scheme compares in view of these, and highlight a new survey intended to help New Zealanders establish their likely spending in retirement .

Share markets returns improve - for now

Financial markets started the new calendar year on a refreshingly positive note, especially after all the troubles of the previous year.

Share markets generally performed well as signs of progress in Europe encouraged investors back into shares and developed market shares in particular. (Developed markets are countries such as the US, UK, Australia, NZ, Canada and Germany with sound, well-established economies which are thought to offer safer, more stable investments.)

Returns from New Zealand shares started more slowly. In part this reflected the sluggish economic recovery and the high New Zealand dollar. However, our share market also has a pattern of underperforming international markets when they are strong. The flip side of this is that our market also tends to suffer less when international share markets fall.

International listed property returns broadly followed international share markets upwards. Results from international listed infrastructure were more moderate, as this asset class continued its trend of outperforming international share markets in a down market but underperforming in an up market. (See the reverse of this newsletter for an explanation of infrastructure.)

January and February saw strong returns from natural resources benefiting initially from strong performances from precious and industrial metals and then rising oil prices, as markets worried about tensions in the Middle East. March saw this asset class give back some ground as fears about Iran eased and concerns about a slowdown in China saw demand for industrial metals ease.

Returns from international fixed interest also began 2012 well, as the US Federal Reserve flagged the possibility of further quantitative easing (in effect, printing money to pay off debt) before flattening off as investors moved back into more risky investments such as shares.

After providing the Scheme's strongest results earlier in the Scheme year, returns from New Zealand fixed interest have been flat, reflecting investors' renewed enthusiasm for shares.

Cash posted a modest return as the Reserve Bank again left the official cash rate unchanged at 2.5% at its March review, citing the high NZ dollar, a relatively relaxed outlook on domestic inflation and wariness of a still uncertain global outlook.

As the table below shows, the end result was a marked improvement in returns from the Stable, Balanced and Growth funds, with all funds now posting positive returns on a year-to-date basis.

Fund returns

The following table shows the *indicative* returns performance of each of the funds for the first nine months of the Plan year, to 31 March 2012 and the previous Scheme year to 30 June 2011.

Indicative Returns After Tax & All Expenses		
	Scheme year-to-date (9 months to 31 March 2012)	**Year to 30 June 2011**
Cash Fund	1.85%	2.67%
Stable Fund	2.50%	5.04%
Balanced Fund	1.64%	7.74%
Growth Fund	0.37%	10.22%

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.

What is infrastructure?

Infrastructure includes investments in assets such as roads, airports, ports, rail, utilities (generation and distribution of electricity, gas and water) energy (oil and gas pipelines, storage of oil, chemicals, biofuels etc) and communications (broadcast/mobile towers or satellites).

Infrastructure is expected to produce stable returns and, as part of the Scheme's real assets investments, provide some protection against inflation.

The Scheme invests in listed and unlisted infrastructure. The listed infrastructure portfolio is made up of shares in infrastructure companies, while unlisted infrastructure is direct ownership of infrastructure assets.

Your Scheme and KiwiSaver

You may be aware that changes to KiwiSaver aimed at making it more affordable in the long term have recently come into effect.

The changes are:

- for the KiwiSaver year ending 30 June 2012 onwards, the member tax credit has been reduced to 50 cents for each $1 contributed by the member up to a maximum of $521 a year. (Previously it was $1 for every $1 contributed by the member up to a maximum of $1,043 a year.)
- all employer contributions to KiwiSaver are now taxed at the same rate as employer contributions to other superannuation schemes.

While these don't affect your membership of the Teachers' Scheme, it is interesting to see a comparison of the two schemes after the changes.

Feature	Teachers' Scheme	KiwiSaver
Maximum employer contribution	3% of salary*	2% of salary
Tax paid by employer in addition to employer contribution	Yes	No
Benefit generally locked in until age 65 (even if you have stopped work)	No	Yes
Once-only $1,000 kick start contribution	No	Yes
Eligible for member tax credit contributions of up to $521 a year	No	Yes

*subject to you also contributing 3% of your salary

How much do you need to save for your retirement?

'The questions isn't at what age I want to retire, it's at what income' - George Foreman.

Ever wondered how much money you would actually need for your retirement? We are all different and an amount that some of us could live on quite comfortably may be a real stretch for others.

A recent survey showed that 42% of New Zealanders don't know how much they need to save for retirement.

In March 2012 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, announced that they are to conduct an in-depth survey of those already in retirement to establish their cost of living in real terms.

The survey will look at the retirement spending patterns of 300 New Zealanders and will take into account different costs for metropolitan and provincial locations. It will establish guidelines for 'modest' and 'comfortable' retirement lifestyles. Experts from Massey University will lead the research.

The survey is intended to be conducted annually to include the effect of inflation and will provide indicative figures for expenditure on core budget items like transport, health and energy.

A summary of the results will be included in future Scheme newsletters.

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

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If there are topics you would like covered in future issues of the newsletter, please let us know by calling 0508 4 TEACH **(0508 4 83224).**