

WELCOME

Welcome to the TRSS newsletter for July 2018, which provides you with an update on market conditions, scheme returns for year end 30 June 2018, survey results on how much people are spending in retirement, likely changes to KiwiSaver, and notice of the upcoming annual report and statements.

If there is anything you would like to see covered in future newsletters, please let us know by calling the helpline 0508 4 TEACH (0508 4 83224) or email teachersretire@mercero.com.

INVESTMENTS

After a somewhat rocky first quarter for the 2018 calendar year, global shares rose in the second quarter which made for a positive change.

April saw the most notable gains of the quarter, and we continue to see politics impacting investment returns as investors are feeling uneasy about what's going on around the globe. This was helped by the de-escalation of the Korean War and accompanying political tensions. In April, Kim Jong-un and Moon Jae-in, the leaders of North and South Korea respectively, vowed to negotiate a treaty to formally end the Korean War. May and June saw progressively lower, but still positive, returns as US-initiated trade policies dominated headlines.

The escalation of trade negotiations, predominantly between the US and China, was a major theme over the quarter. Hints of positive outcomes would allow the market some respite, before the Trump administration announced an additional policy in June aimed at restricting inbound investments as an attempt to defend themselves from other countries trying to "steal their technology". This disruptive policy by the US reignited market fluctuations.

Emerging Markets stocks (including China), which generally rely more heavily on international trade, appeared to have the most to lose from the latest developments, being the only major market index to decline over the quarter.

In response to the Trump administration's trade policies, Canada's Minister of Foreign Affairs confirmed that tariffs on C\$16.6bn worth of US goods would take effect on 1 July. The US crude oil price rallied in June, reaching almost \$74 per barrel, its highest point since November 2014. The rally was backed by a political move from the US to limit Iran's ability to export oil, effectively limiting the world oil supply.

Despite the first quarter volatility, all four options outperformed their respective benchmarks over the 12 months to 30 June 2018.

SCHEME RETURNS

The table below shows the returns of each investment fund for the year ending 30 June 2018, along with a comparison with the returns for the year prior.

Returns after tax and expenses		
	12 months to 30 June 2018	12 months to 30 June 2017
Cash	1.5%	1.6%
Stable	3.8%	3.9%
Balanced	7.5%	8.1%
Growth	9.8%	11.1%

ANNUAL REPORT AND MEMBER ANNUAL STATEMENTS

The Member Annual Statements will be distributed to members in September and Annual Reports for year end June 2018 will be distributed towards the end of October, so please make sure that your details are up to date in the online portal at www.trss.superfacts.co.nz to ensure these documents reach you.

Massey Retirement Study

Many retirees now top up New Zealand Superannuation to maintain the lifestyle they want. The gap between how much pensioners receive and how much they spend had widened significantly and many are working beyond the age of 65 to pay for the shortfall, according to the latest Retirement Expenditure Guidelines produced by the Westpac Massey Financial Education and Research Centre.

The two levels of expenditure are split into Frills and Choices. The No Frills guidelines reflect a basic standard of living that includes few, if any, luxuries. The Choices guidelines represent a more comfortable standard of living, which includes some luxuries or treats.

So how much should you expect to spend in retirement?

	ONE-PERSON HOUSEHOLDS		TWO-PERSON HOUSEHOLDS	
WEEKLY NZ SUPER RATES	\$390.20		\$600.30	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$590.44	\$561.04	\$872.22	\$621.48
Choices budget	\$1175.17	\$824.16	\$1399.72	\$1104.78

**The New Zealand Retirement Expenditure Guidelines as at 30 June 2017*

This report represents actual levels of expenditure by retired households, and not the recommended levels of expenditure. To understand how much you may need in retirement, you can use Sorted's retirement planner at sorted.org.nz/tools/retirement-planner. The full report is available from Massey University's website at www.massey.ac.nz.

Regular Withdrawals

To make funds more accessible, the Scheme offers members the option to apply for regular withdrawals. If you are aged between 55 and 65 and have reduced working hours from full time to 30 hours a week or less, or are aged 65 or over, you can apply for a regular withdrawal on a fortnightly or monthly basis. To apply, or for more information, visit the scheme website www.trss.superfacts.co.nz (Documents & Forms tab, then download the Regular Withdrawals Fact Sheet) or call the Helpline on 0508 4 TEACH (0508 4 83224).

Changes to KiwiSaver

A number of changes are proposed to improve the effectiveness of KiwiSaver by helping New Zealanders save for their retirement and making funds more accessible. The proposed amendments give effect to the following changes to the KiwiSaver Act 2006 by:

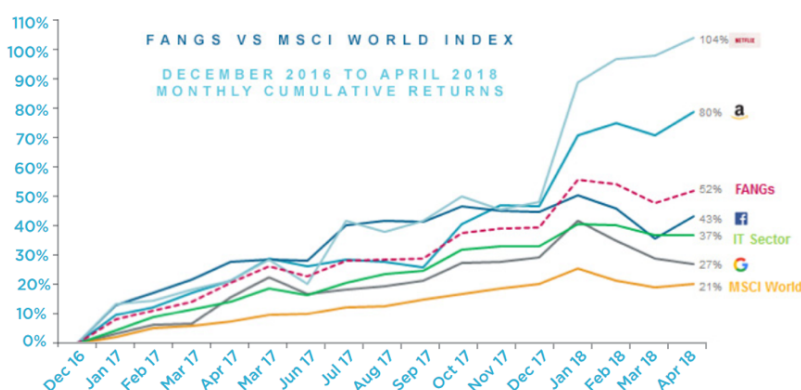
- **Introducing additional 6% and 10% KiwiSaver contribution rates (1 April 2019)** to give members more flexibility to self-select a contribution rate that better aligns with their particular circumstances. At present, an employee can choose to contribute 3%, 4%, or 8% of their gross salary and wages to their KiwiSaver account.
- **Reducing the maximum contributions holiday period (1 April 2019)** from five years to one year, while permitting existing contribution holidays to continue until they expire.
- **Changing the name from "contributions holiday" to "savings suspension" (1 April 2019)** and replacing all references within the Act.
- **Allowing over 65 year olds to opt-in to KiwiSaver (1 July 2019)**. Currently, over 65 year olds cannot join KiwiSaver, so this law change will give over 65 year olds the ability to join.
- **Removing the lock-in period (1 July 2019)**. The "lock-in period" only affects members who join KiwiSaver after the age of 60, and therefore have not been a KiwiSaver member for five years when they reach the NZ Superannuation qualification age (65 years old). This law change will permit KiwiSaver members to withdraw their funds when they reach Superannuation age, regardless of how long they have been a KiwiSaver member.

The 'FANGs'

Over the last few years, many global investors have been closely following the outstanding performance of the world's technology companies. Standing out among these have been the 'FANGs' – Facebook, Amazon, Netflix and Google.

The FANGs have provided their shareholders with spectacular returns. As you will see in the following chart, over the period December 2016 to April 2018 the FANGs (collectively) have clearly outperformed other technology stocks, as well as the broader-based MSCI World Index.

As a member of TRSS you currently have access to these companies.



To find out more about anything mentioned in this newsletter please either call us on 0508 4 TEACH (0508 4 83224), email teachersretire@mercer.com, or visit: www.trss.superfacts.co.nz

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