Teachers Retirement Savings Scheme

The latest news on your

retirement savings

Welcome to the June 2023 edition of the TRSS newsletter.

This newsletter includes an article on compound interest and how it works, an update on the investment market performance and your scheme returns. We have also featured a scheme snapshot, which shows you key figures regarding the membership and retirement savings of the Scheme and there is a reminder for you to update your contact details for the upcoming annual documents.

If you have any questions about the Scheme, this newsletter, or your member account, please contact Helpline on **0508 4 TEACH (0508 4 83224)** or email **teachersretire@mercer.com**.

Regards,

Mercer,
On behalf of Public Trust as Trustee

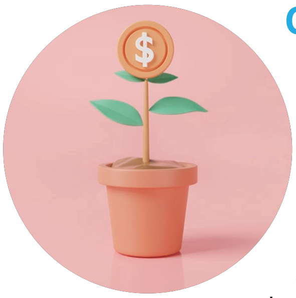
Scheme snapshot

$741,304,424

Accumulated retirement savings as at 31 May 2023

8,765

Total members and pensioners as at 31 May 2023



Compound interest

Compound interest is an important concept in the financial world. It means that you earn interest not only on your principal amount but also on the interest earned from the principal amount. It is slightly different than normal interest, in which you only earn interest on the initial principal amount or deposit.

Imagine you invest $10,000 in a term deposit for five years that earns you fixed returns of 5% annually, at the end of that year, you will receive $500, meaning you now have $10,500 in your account. If you keep that $10,500 invested in your account then by the end of the second year, you will earn $525, that's $500 for your principal amount and $25 on the interest you earned in the first year. If you keep the money invested as well as make extra contributions, it will exponentially increase your earnings over the long term. KiwiSaver and other superannuation schemes incorporate compounding interest in the returns as you cannot withdraw your funds before your retirement, which makes your money grow over the years.

Time is really of essence when it comes to compound interest as you reap the benefits in the long term which means that the longer your money is invested, the more time it will have to grow. It especially works well if you are saving for the long-term, that is retirement, or towards your medium-term goals like a first home deposit. In these cases, the earlier you start, the more you would be able to have by the time you withdraw the money. Growing your savings overtime with compound interest also works well in situations where there is rising inflation and cost of living which eventually decreases your buying power over the years.

The Sorted website has a great tool to find out how compound interest makes your savings grow over the years.

Sorted - Savings Calculator

Market news

2023 started positively as capital markets experienced their strongest January gains in recent years. The 'risk-on' sentiment resumed as inflation continued to moderate in developed regions (with easing energy and food prices the most obliging) and peak interest rates moved back into focus. In the US, headline inflation cooled for a sixth successive month to 6.5% year-on-year (y/y) in December from 7.1% a month earlier. The market upswing was also supported by China's economic re-opening and the possibility of further fiscal and monetary support from central government. In fixed income, bond yields fell after encouraging news on the inflation front.

The strong early advances from January were slightly overturned in February as resilient economic data led many to reassess their expectations for both the peak in interest rates and the subsequent pace of rate cuts. Labour market data was particularly damning, with a half-decade low in the US unemployment rate and strong US jobs growth leaving investors second-guessing the prevailing disinflation narrative. US payrolls increased by over half a million in January, far exceeding consensus expectations of around 200,000 and nearly doubling December's total, while US retail sales also surprised to the upside – posting an increase of 3.2% month-on-month. In the UK and Eurozone, risks of a deep recession decreased significantly on the back of falling energy prices and an improved economic outlook. Elsewhere, a re-escalation in US-China tensions and a resurgent US dollar posed a slight mid-quarter headwind for emerging market equities.

The collapse of Silicon Valley Bank (SVB) and resulting concerns around the financial sector more broadly, hit bank shares hard in March. SVB found themselves in hot water after they were forced to sell their investments at a loss to cover large depositor outflows. US federal regulators were ultimately forced to intervene by setting up a short-term lending facility to guarantee deposits and limit the risk of contagion on other regional banks. Government bonds rallied as a flight to safety trade occurred, while the wider impact on equity markets was largely restricted to the financial sector. Despite stresses in the banking industry, the US Federal Reserve (Fed) forged ahead with raising rates by a quarter percentage point for the second time in Q1 – bringing it to a target range of 4.75% – 5% at quarter end. Regardless of another turbulent ride, all major asset classes posted healthy returns in Q1 except global listed infrastructure and commodities (with the latter negatively impacted by a dip in energy prices).

Scheme Returns

The table below shows the returns of each investment fund for the first 11 months of the scheme year, along with a comparison to the returns from two years prior.

	Scheme Year-to-Date 11 months to 31 May 2023	12 months to 30 June 2022	12 months to 30 June 2021
Cash Fund	2.58%	0.5%	0.1%
Stable Fund	2.42%	-4.8%	4.5%
Balanced Fund	4.34%	-7.4%	14.1%
Growth Fund	5.54%	-8.5%	19.5%

You can find the latest information on monthly returns **here**.

Are your contact details up to date?

You will receive your annual report and benefit statement for the year ended 30 June 2023 in October and September respectively. To ensure that you receive these important documents on time, it is essential that we have your correct contact details, please take a moment to log in at the website **www.teachersretire.org.nz** and check that your contact details as well as communications preferences are accurate.

Contact Us

Retirement Planner

Financial Advisers

Helpline
0508 4 TEACH (0508 4 83224)
teachersretire@mercer.com

Scheme Website