

SUPER NEWS

NOVEMBER 2008

An update on retirement savings for State sector employees and employers, published by the State Services Commission.

In this update you will find an introduction to the new Superannuation for the State sector gateway website www.superscheme.govt.nz, a commentary on understanding your retirement savings scheme returns from Morningstar Research – a leading provider of investment research – and the latest statistics about the State Sector Retirement Savings Scheme (SSRSS).

Superannuation for the State sector website

With the success of KiwiSaver and increased awareness of the importance of saving for your retirement, many State sector employees are reviewing their retirement savings arrangements. To help you access information, the www.superscheme.govt.nz website has been refocused to provide a gateway to retirement savings schemes that are or have been offered by State sector employers.

As well as information about saving for your retirement and about KiwiSaver in the State sector, you can also access the websites of five other superannuation schemes that manage employees' savings accounts for multiple State sector employers:

- State Sector Retirement Savings Scheme
- Teachers Retirement Savings Scheme
- Individual Retirement Plan
- Government Superannuation Fund
- National Provident Fund.

The [SSRSS](http://www.superscheme.govt.nz/ssrss) website has also been updated. Now, in addition to information about how to manage their SSRSS membership, SSRSS members can also find information about their options in the KiwiSaver environment, and comparisons of SSRSS and KiwiSaver features and contribution rates. See www.superscheme.govt.nz/ssrss

Understanding Your Super Scheme's Performance

Many of you will have received or will soon receive your superannuation scheme's annual report, showing your fund's most recent return. And many of you will have been confronted by something we haven't seen for several years: a negative return.



Phillip Gray, Editorial & Communications Manager for Morningstar Research Pty Ltd, comments on the factors influencing returns on your scheme investments.

Of the 376 New Zealand superannuation funds on the Morningstar database, 275 or 73.13 per cent had negative returns over the year to 30 June 2008. Most funds which did manage to produce a positive return are showing numbers which are a lot lower than those we've become used to over the last five years.

Understanding performance drivers

The key to understanding the most recent results

is to understand the factors which drive your super scheme's performance. The most important of these is the 'asset allocation', or the types and mixture of asset classes your fund owns. We can see the effect of this when we compare the average performances of the different Morningstar categories of superannuation funds over the last financial year.

Continued overleaf

Worst-affected have been the funds which have the highest exposures to domestic and world sharemarkets, both of which have been on rollercoaster rides over the past year. The average return from actively-managed New Zealand share super funds for financial year 2007/08 was -19.19 per cent, while for world share options, it was -9.98 per cent.

And what of the 'multi-sector' or balanced funds, those which spread their investments across multiple asset classes? Well, their performance over the past financial year was also a direct outcome of their asset allocations. The two categories which contain the most options are Balanced (funds with between 40 and 60 per cent in domestic and offshore shares and property securities), accounting for NZ\$1.85 billion of Kiwis' retirement savings, and the NZ\$760.13 million invested in Growth options (60-80 per cent in shares and listed property).

In the Balanced category, the highest asset class weightings are to international shares (33.99 per cent on average), New Zealand fixed interest (16.83 per cent), international fixed interest (15.87 per cent), and New Zealand shares (12.94 per cent). The average total allocation to growth assets – in other words, how much is invested in New Zealand shares, Australian shares, international shares, and listed property securities combined – is 54.88 per cent. This effect is even more pronounced for the Growth funds, which on average have 43.71 per cent of their investments in international shares, and 20.0 per cent in New Zealand and Australian shares combined, and where the average exposure to growth assets is 72.14 per cent.

These asset allocations mean that if the local sharemarket (including listed property) and world sharemarkets are volatile – as they certainly have been, especially over the last financial year – then the majority of these funds' underlying assets are going to be affected. Fund returns are driven by increases or falls in the values of their

assets, so bad news for sharemarkets equals bad news for superannuation funds' returns too. And this is what we've seen over the 2007/08 financial year, when the average returns from Balanced and Growth superannuation funds were -5.49 percent and -8.70 percent, respectively.

Achieving long-term capital growth

Although there will be variations depending on fund manager skill, your fund's performance – and, importantly, its future performance potential – are determined by that fund's asset allocation, or mix of assets. The kinds of assets which have been responsible for recent underperformance – in particular, domestic and international shares – are also those which offer the greatest opportunities for long-term capital growth. So switching to a more conservative option on the basis of one year's poor performance could be a counterproductive move in the quest to accumulate as much as you can to fund your future retirement income.

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Regardless of what's happening in financial markets, it's a good idea to review your saving objectives annually or when your personal circumstances change, to make sure the amount you are saving and your investment options are still right for you. Check out "Your investment profile" and the risk and investment recommenders on www.sorted.org.nz and talk to your financial advisor or scheme provider, before making any changes to your savings arrangements.

SSRSS continues to provide workplace savings to State sector employees

The State Sector Retirement Savings Scheme (SSRSS) is a voluntary retirement savings plan sponsored by employers for their employees. Now in its fifth year, the SSRSS continues to operate and provides a good workplace saving scheme as envisaged by the KiwiSaver legislation. The SSRSS stopped accepting applications for membership on 1 April 2008 (or 1 October 2008 for employees of State and State-integrated schools). On 30 September 2008 there were 39,727 members in the three SSRSS schemes with over \$399.8 million invested.

SSRSS member statements as at 30 June 2008 were posted out by the providers this quarter. They show the results of another year of regular contributions, from both members and their employers, and earnings less fees.

But remember, investment returns fluctuate from year to year. These past returns do not indicate what investment returns may be in the future.

If you have queries about your SSRSS membership contact your provider:

AMP 0800 275 267 or www.ampsuper.co.nz

ASB 0800 272 738 or www.superscheme.asbbank.co.nz

AXA 0800 277 473 or www.axaaspire.co.nz

More information

For general enquiries about superannuation for state sector employees visit www.superscheme.govt.nz or email super@ssc.govt.nz