
Newsletter



New Zealand Universities' Superannuation Scheme August 2009

Welcome to the second Scheme newsletter for the 2009 Scheme year. After an extremely difficult period, investment markets are finally showing signs of improvement.

What's happening in financial markets?

World recession easing, sluggish recovery in sight says the International Monetary Fund...

Cautious optimism

While there are indications that the global slowdown may be easing, experts are warning that signs of a recovery are tentative and the global economy is still very vulnerable. Even if we are now seeing the first 'green shoots' of recovery, growth is still expected to be sluggish, and it will most likely be a long, slow road to economic recovery. It's also important to remember that recessions rarely proceed in straight lines, and false dawns are a common phenomenon before a genuine recovery finally takes hold.

The recovery is also patchy with the advanced economies as a group still projected not to show a sustained pickup in activity until the second half of 2010, while China expects to achieve 8% growth for 2009 as a whole.

The worst may be over for New Zealand

Having gone into recession early, there are signs that the New Zealand economy may also start recovering earlier. House sales are up 55% on a year ago, house prices are rising and net migration is at its highest level since 2002. Consumer and business confidence is also improving.

However, there are concerns that the recovery may not be sustained if it is driven by domestic consumption and debt, rather than export-led. Unemployment, which is often seen as an indicator of an economy's strength, is currently at 5% but in a recent business survey was predicted to peak at just below 8% in early 2010.

The US economy appears to be levelling out

In June, the US Federal Reserve took the first step towards ending its unprecedented interventions, letting one emergency programme expire and trimming two others.

On the downside, US unemployment, which has reached its highest level in 26 years, is forecast by some policymakers to climb as high as 10.0% (up from 9.5% in June) and US house prices, which affect the size of the bad debts at the heart of the credit crisis, are still falling.

Some signs of improvement in the UK

The UK property market appears to be stabilising (although there are concerns that house prices remain overvalued against average wages). Investor confidence has increased following the stock market recovery, with the weak UK£ helping exporters. However, while banks have begun lending more freely to each other, the International Monetary Fund (IMF) is predicting that the recent recovery may give way to another decline because banks still do not have enough capital to restore lending to normal levels. Another concern is that the Bank of England's Quantitative Easing scheme, under which it buys government bonds with freshly minted cash, could stoke inflation and force interest rate rises to control it.

China's economy is making an early recovery

China's economy is recovering earlier than many people had expected, largely thanks to the government's 4 trillion yuan stimulus package unveiled last November. China's state controlled banks have lent huge amounts of money to the country's state owned and private sector businesses. The slowdown elsewhere in the world means exporters are still suffering, but the rest of China's economy is in much better shape. The Chinese government has also warned that some economic challenges remain, including falling exports, weak private investment and general overcapacity in many industries.

The impact on the Scheme

June quarter investment returns were improved. Share markets globally recovered strongly from mid-March onwards, although the UK and European markets in particular lost some ground during June. Returns from property fell slightly in June after rising very strongly over the previous three months.

International fixed interest performed well, with corporate bonds outperforming government bonds, while returns from New Zealand fixed interest and cash were more modest.

As the following table shows, recent events in investment markets have benefited investment options with a higher percentage of growth assets (shares and property) which were hardest hit by the global financial crisis.

Investment option	Returns (after tax and expenses) to 30 June 2009	
	3 months	Scheme Year-to-Date (6 months)
Cash	0.42%	1.09%
Conservative	3.10%	0.76%
Balanced	6.21%	0.39%
Growth	9.17%	-0.23%

Note:

Interest is applied on a daily basis throughout the year. The actual interest rates applied to your account balances may vary from those shown above.

Scheme interest rates are calculated monthly and posted on www.superfacts.co.nz.

Past performance is not necessarily a guide to future performance and care should be exercised not to make decisions based on past performance only.

Scheme news

Trustee election results

Current member Trustees, Dr Neville Bennett and Grant McKenzie have been re-elected for a further three-year term.

Dr Bennett is now into his fourth term as a member Trustee, while Grant McKenzie has been a member Trustee since 2006.

The standard of candidates was extremely high and the Trustees would like to thank Adam Cath, Dr John Chaput and Dr Michael Mintrom for their interest in the member trustee positions.

View your benefits online

Don't forget that information about the Scheme and your benefits is available on www.superfacts.co.nz.

For a real-time estimate of your current benefits, visit the 'Your Super Value' page.

To log on to www.superfacts.co.nz you will need the employer number (900106), your member number and PIN. To confirm your member number or PIN, call the helpline on 0800 UNISCHEME (0800 864 724).

Transfers into and out of the Scheme

The Scheme offers you the flexibility to transfer benefits into and out of the Scheme.

The balances in your Locked In Accounts may be transferred to another complying superannuation fund or to a KiwiSaver scheme at any time. You may also transfer your locked-in savings from another complying superannuation fund into your Locked In Accounts.

Amounts from another superannuation scheme not subject to the complying superannuation fund 'lock-in' rules may also be transferred to your unlocked Scheme accounts.

If you cease to be eligible for Scheme membership, your Locked In Account balances should be transferred to another complying superannuation fund or KiwiSaver scheme. You may also ask the Trustees to transfer the balances in your unlocked accounts to another superannuation scheme (including a scheme operated by an overseas university or research facility approved by the Trustees).

During the first six months of the Scheme year, 24 members transferred a total of \$158,288 out of their Locked In Accounts in the Scheme to another complying superannuation fund or KiwiSaver scheme and four members left service and transferred a total of \$181,236 to other superannuation schemes.

Leaving the Scheme and not sure what to do with your savings?

If you retire, leave service or are made redundant, you can choose to leave your benefit in the Scheme and become a deferred member.

The conditions that apply to deferred membership are explained in detail in your investment statement and Super Guide but briefly:

- you need to maintain a balance of at least \$10,000 in the Scheme (the Trustees may change this amount from time to time);
- you may make one withdrawal per quarter (commencing from 1 January). One withdrawal per quarter is free, subsequent withdrawals incur a withdrawal fee;
- you may withdraw your remaining savings in total at any time by giving the Trustees 28 days' notice.

Note: the complying fund rules continue to apply to any balances in your Locked In Accounts. Refer to your investment statement or Super Guide for details.

A snapshot of your Scheme as at 30 June 2009

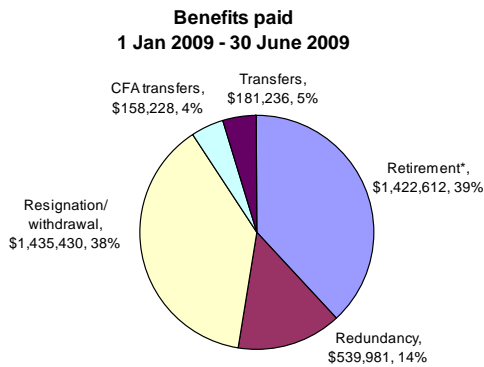
As at 30 June 2009, 6,224 university employees have chosen to entrust the Universities' Scheme with the responsibility of managing their retirement savings.

The Universities' Scheme has been running for more than 16 years and in this time has gone from strength to strength.

Here's a look at where the Scheme stands now...

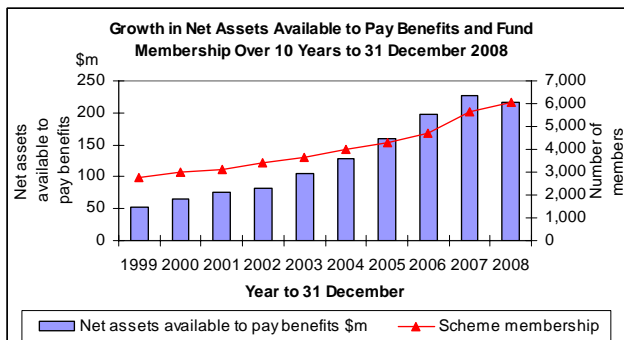
- 295 members joined the Scheme over the first six months of the Scheme year
- 125 members exited over the same period
- 96 members have elected to switch investment options over the last six months.

Over the first six months of the Scheme year, the following benefit payments have been made:



... and over the longer term

The following chart shows how the Scheme's net assets and membership have grown over the 10 years to 31 December 2008:



Superannuation news

May 2009 Budget suspends Government contributions to the NZ Super Fund

National's first Budget, delivered in May, kept a tight rein on spending and successfully avoided a credit rating downgrade from Standard and Poor's.

One of the trade-offs was the suspension of automatic government contributions to the New Zealand Superannuation Fund for a decade, with future contributions scheduled to recommence from 2020/21.

The size of future superannuation costs and the ageing population are well-known concerns (within the next 40 years New Zealand will move from having 1 in 10 people over age 65 to 1 in 4 people over age 65). There are some concerns that reducing funding now could add to financial pressure later, or bring about pressure to change New Zealand Superannuation arrangements.

The Government has said that while formal contributions will cease, in 2009/10 it will make a contribution of \$250 million to the Fund.

Transferring super across the Tasman

In July 2009 the New Zealand and Australian governments agreed a scheme that will allow New Zealanders and Australians to transfer their retirement savings across the Tasman.

The scheme will be voluntary and transfers will only be allowed between KiwiSaver funds in New Zealand and Australian superannuation funds overseen by the Australian Prudential Regulation Authority. The memorandum of understanding between the two governments is expected to be ratified in mid-2010.

Currently, there is an estimated NZ \$16.6 billion in 'lost accounts' in Australia, with a large portion of this money belonging to Kiwis.

Looking for more information about the Scheme?

- Call **0800 UNISCHEME** (0800 864 724)
- Visit www.superfacts.co.nz
(employer number 900106)