

Your APSS Annual Report



Contents

About this report

Your Australia Post Superannuation Scheme (APSS) 2017 Periodic Statement is made up of two parts:

PART 1: 2017 BENEFIT STATEMENT

Contains personal information to help you understand your benefits over the 2016-17 financial year. You will receive this separately in the mail.

PART 2: 2017 ANNUAL REPORT

This document which contains general information about the APSS including its financial condition, management and investment performance over the 2016-17 financial year. This document is available online or can be mailed to you free of charge by calling *SuperPhone* on **1300 360 373**.

Important

The Trustee of the APSS and issuer of interests in the Australia Post Superannuation Scheme (APSS) is PostSuper Pty Ltd, ABN 85 064 225 841 (RSE Licence Number L0002714). The APSS' Registration Number is R1056549 and its ABN is 42 045 077 895. MySuper authorisation 42045077895987.

PostSuper Pty Ltd, Australia Post or Associated Employers do not hold an Australian Financial Services Licence and therefore, neither is licensed to provide you with financial product advice. The Periodic Statement (Parts 1 and 2) does not contain financial product advice, so you should not rely on it as such. Before making any decision based on this information, you should obtain and read the relevant APSS Product Disclosure Statement (PDS) and consider seeking independent financial advice relevant to your personal circumstances.

Do you need help?

Contact an APSS Service Representative:

Call *SuperPhone* **1300 360 373**

Monday – Friday 9.00am – 5.30pm (AEST)

or visit us online at **apss.com.au**

Write to APSS, Locked Bag A5005,

Sydney South NSW 1235 or Fax (02) 9372 6288

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A message from your Trustee

We were pleased to begin the new financial year offering you more choices and services to help you to plan for a secure and comfortable life after employment and through your retirement. Over the past year, we provided more ways to help you to understand your super in the APSS and stay in touch.

As an APSS member, you are part of a 36,000-strong community of individuals entrusting the APSS with over \$7 billion of your retirement benefits and savings. Whether you are still working, close to retirement or already retired, your Trustee is committed to supporting you to make confident decisions about your super and cut through superannuation complexity. We also strive to offer you investment choices and member services that suit your own individual goals within a diverse membership community.

Over the past financial year, the world of super seemed even more complex as the government geared up to introduce new tax rules, and uncertainty in global politics threatened to disrupt the financial markets that we invest in. It is therefore very pleasing to report that we reached 30 June 2017 in a stronger collective financial condition as explained on pages 4-5.

Over March- April 2017, we wrote to you explaining new super regulations and tax changes. Luckily, these did not significantly affect most of you. At the same time, we also told you about an expanded range of investment choices if you have your own savings account in the APSS. We followed this up with information and tools to help you understand and make confident choices, which you can find at www.apss.com.au/investmentchoice.

We were especially delighted to see so many attend our member seminars held around the country over May-June 2017. The interest you showed in learning about your super has encouraged us to bring you even more seminar programs in future. The seminars were delivered by StatePlus, a licensed provider of financial planning services with whom we formed a relationship during the year to help make it easier for you to find personal financial advice. Read more on page 17.

Regular users of our website will have noticed some recent changes when logging in to access their personal information. That is because we migrated the APSS onto a new system in May 2017 as part of our ongoing work to enhance and modernise member services.

The new website gives you access to information about super in general and your particular APSS benefits and choices. For defined benefit members, an interactive retirement calculator can help you better understand your projected retirement savings, and the impact of the Government Age Pension, if eligible.

We also introduced simple and low-cost insurance for eligible Rollover and Spouse members on 26 June 2017.

Throughout the year, the APSS defined benefit for employee members continued as it always has. If you are a defined benefit member, remember that you remain protected from fluctuations in investment returns because the value of your defined benefit super is calculated by a formula based on your length of service and average super salary. Australia Post contributes to the APSS to fund the defined benefits so there is no cost to you. We are pleased to inform you that the total value of the APSS defined benefit assets at 30 June 2017 exceeded the total value of all members' defined benefits by a comfortable safety margin of over 10%.

In closing, your Trustee would like to thank you for your ongoing support, and for trusting the APSS with your super. We look forward to continually improving the enhanced member services and super options we've introduced for you and that you have come to expect.

If there's anything you need, please call *SuperPhone* on **1300 360 373** or contact us via the website.

Please take the time to look through this report. It includes all the facts, figures and the highlights from the 2016-17 financial year. Of course, if you do have any questions or suggestions, please feel free to call us on *SuperPhone* **1300 360 373** from 9.00am to 5.30pm (AEST), Monday to Friday.

The year in review

The following is a report on the two investment options available to members with Member Savings up to 30 June 2017 – Market Return Member Savings and Cash Return Member Savings. From 1 July 2017, APSS members have been able to choose from an expanded range of four investment options.

Market Return Member Savings

The Market Return Crediting Rate for the financial year to 30 June 2017 was 8.35% after tax.* That exceeded the Trustee's long-term objective, which was to credit, on average, an annual rate of return 3% to 4% above the return from cash.

Through the past financial year, there were some good reasons for investors to be cautious but also reasons to be positive. On the side of caution, there was political uncertainty and disruption in the Western democracies, rising international tensions and concern that asset prices were just getting too high. On the optimistic side, global economic growth strengthened. This allowed central banks to begin normalising interest rates, while business profits remained generally healthy and technological advances promised unlimited potential.

In financial markets, the reaction to the US presidential election result quickly turned from negative to positive, as investors put their faith in the Trump administration's pro-growth economic agenda.

Across the world's share markets, optimism won decisively over caution, reflected in healthy gains, from 14% in Australia and North America, to above 20% in Europe and across the developing economies. Even the UK market, in the grip of Brexit uncertainty, gained nearly 10%.

**See the table on the following page for full details of the crediting rates for different APSS membership tax categories.*

Other asset classes included in the Market Return Portfolio delivered lower but still positive returns. The APSS' private market investments gained just under 7%. These investments, which include private equity, property, infrastructure and timber, are mainly in overseas markets.

The Australian dollar strengthened against most other overseas currencies over the course of the financial year and this detracted some value. The APSS' bond and cash investments, meanwhile, earned slightly less than 2% in combination, reflecting the low interest rate environment that we are in.

At the end of 2016, we announced a strategic shift in our asset allocation, from 80% in growth assets (consisting of shares and private market investments) to 70%, with the balance held in bonds and cash. From 1 July 2017, this became the strategy for the Balanced investment option, while High Growth and Conservative investment options were added for members with either a higher or lower return and risk appetite.

Crediting rates

Crediting Rates are used to allocate investment returns to Member Savings in the APSS. There are different Crediting Rates for each investment option. Crediting Rates are declared fortnightly and interim Crediting Rates are generally applied when benefit payments are made. APSS Defined Benefits are calculated according to a formula that is based on salary and length of service, and are not affected by Crediting Rates.

The year in review (cont.)

Crediting Rates – To 30 June 2017

Compound Rates after investment costs and tax (where applicable)

Period to 30 June 2017	Member Savings accounts*		
	Cash	Market Return	
12 months	1.52%	8.35%	
3 years (p.a.)	1.78%	8.10%	
5 years (p.a.)	2.01%	8.52%	
10 years (p.a.)^	3.18%	4.66%	Rollover^ 4.94%
Since inception (p.a.)^	3.18%	7.80%	Rollover^ 7.44%

Period to 30 June 2017	Pension accounts**	
	Cash	Market Return
12 months	1.79%	9.50%
3 years (p.a.)	2.09%	9.27%
5 years (p.a.)	2.40%	9.56%
10 years (p.a.)	n/a	5.60%
Since inception (p.a.)	3.13%	8.54%

* Member Savings accounts include the APSS accumulation accounts of Employee, Spouse and Rollover members. Employee members' defined benefits are not included in their Member Savings account balances.

** From 1 July 2017, if you're using your APSS Pension to Transition to Retirement (TTR), a tax of up to 15% may apply to your investment earnings.

^ The Crediting Rates for Rollover accounts over the 10 years to 30 June 2017, and since inception, differ from those credited to the Member Savings accounts of Employee and Spouse members because unit prices rather than crediting rates were applied prior to 1 July 2008.

Cash Return Member Savings

The Cash Return Crediting Rate tracked the official cash interest rate set by the Reserve Bank of Australia (RBA), allowing for tax.*

The official interest rate began the year at 1.75% per annum but, at its August 2016 meeting, the RBA reduced it to a new record low of 1.5% and kept it at that level for the rest of the financial year. By comparison, Australia's inflation rate for the year was 1.9%.

The RBA's declared objective in keeping the rate low was to support Australia's economy through its transition from the mining boom, staying mindful of the risks in the wider global economy. As the domestic

and international outlook improved, the RBA began to signal that the next interest rate adjustment would more likely be upwards. However, high household debt combined with subdued income growth mean that future rate rises are likely to be gradual to avoid widespread financial stress.

While the current interest rate conditions are giving rise to very low crediting rates for Cash Return Member Savings, the new Conservative investment option provides an alternative for members who may be seeking to grow their savings over the next two to three years with some extra risk. The renamed Cash option will remain fully invested in cash assets.

*See the table above for full details of the crediting rates for different APSS membership tax categories.

Fortnightly Crediting Rates

If you have a Member Savings (Employee, Spouse, Rollover) or Pension Account, then the compounded Crediting Rates you receive will depend on the combination of investment options that applied to your account during the 2016-17 financial year. Contribution dates and other factors also play a role. Therefore, the compounded Crediting Rates shown below may not represent the actual rates that were credited to your account(s).

Fortnightly Crediting Rates 2016-17

Fortnight ending:	Employee, Rollover and Spouse Account		Pension Account	
	Market Return	Cash Return	Market Return	Cash Return
12/07/2016	0.65%	0.04%	0.74%	0.05%
26/07/2016	0.79%	0.07%	0.90%	0.08%
09/08/2016	0.36%	0.05%	0.41%	0.06%
23/08/2016	0.33%	0.04%	0.38%	0.05%
06/09/2016	0.01%	0.05%	0.01%	0.06%
20/09/2016	-0.52%	0.06%	-0.59%	0.07%
04/10/2016	0.61%	0.05%	0.69%	0.06%
18/10/2016	-0.39%	0.07%	-0.44%	0.08%
01/11/2016	-0.42%	0.06%	-0.47%	0.07%
15/11/2016	0.00%	0.06%	-0.11%	0.07%
29/11/2016	1.00%	0.05%	1.20%	0.06%
13/12/2016	0.61%	0.06%	0.70%	0.07%
27/12/2016	0.74%	0.04%	0.84%	0.04%
10/01/2017	0.34%	0.07%	0.38%	0.09%
24/01/2017	-0.28%	0.06%	-0.32%	0.07%
07/02/2017	0.06%	0.08%	0.07%	0.09%
21/02/2017	0.89%	0.06%	1.01%	0.07%
07/03/2017	0.11%	0.05%	0.13%	0.06%
21/03/2017	0.27%	0.06%	0.31%	0.07%
04/04/2017	0.64%	0.07%	0.73%	0.08%
18/04/2017	0.01%	0.06%	0.01%	0.07%
02/05/2017	1.53%	0.08%	1.75%	0.10%
16/05/2017	0.82%	0.06%	0.93%	0.07%
30/05/2017	0.06%	0.05%	0.06%	0.06%
13/06/2017	0.18%	0.05%	0.21%	0.06%
27/06/2017	0.09%	0.06%	0.10%	0.07%
30/06/2017	-0.36%	0.01%	-0.41%	0.01%

Important note: Past Crediting Rates are not necessarily indicative of future Crediting Rates. All rates shown are net of tax and investment costs (except for Pension accounts which are not currently subject to tax on investment earnings).

For further information about how Crediting Rates are applied, see the relevant Product Disclosure Statement and associated booklet (if applicable), available online at apss.com.au in the *Publications & Forms* section, or call SuperPhone on **1300 360 373** and request a copy.

Past Crediting Rates

The compound Crediting Rates shown below apply to Member Savings and Pension Accounts only, and not to Defined Benefits.

Period ending:	Employee and Spouse Account		Rollover Account		Pension Account	
	Market Return^	Cash Return*	Market Return^	Cash Return*	Market Return^	Cash Return*
2016-17	8.35%	1.52%	8.35%	1.52%	9.50%	1.79%
2015-16	3.27%	1.69%	3.27%	1.69%	3.38%	1.99%
2014-15	12.89%	2.13%	12.89%	2.13%	15.26%	2.50%
2013-14	9.97%	2.14%	9.97%	2.14%	10.70%	2.52%
2012-13	8.35%	2.56%	8.35%	2.56%	9.27%	3.20%
2011-12	7.02%	3.85%	7.02%	3.85%	8.30%	4.58%
2010-11	7.45%	4.03%	7.45%	4.03%	9.61%	4.80%
2009-10	0.10%	3.21%	0.10%	3.21%	0.17%	3.42%
2008-09	-14.07%	4.46%	-14.19%	4.46%	-16.52%	-
2007-08	5.91%	6.30%	8.93%	6.30%	10.03%	-
2006-07	23.00%	-	17.67%	-	19.88%	-
2005-06	16.30%	-	13.51%	-	14.79%	-
2004-05	9.40%	-	12.86%	-	14.66%	-
2003-04	5.70%	-	13.87%	-	16.03%	-
2002-03	0.00%	-	0.42%	-	0.67%	-
2001-02	2.50%	-	-5.31%	-	-5.39%	-
Last 3 financial years	8.10%	1.78%	8.10%	1.78%	9.27%	2.09%
Last 5 financial years	8.52%	2.01%	8.52%	2.01%	9.56%	2.40%
Last 10 financial years	4.66%	3.18%	4.94%	3.18%	5.60%	n/a
Since inception	7.80%	3.18%	7.44%	3.18%	8.54%	3.13%

Important note: Past Crediting Rates are not necessarily indicative of future Crediting Rates. All rates shown are net of tax and investment costs (except for Pension Accounts which are not currently subject to tax on investment earnings).

Employee Member Savings and Spouse Accounts:

- ^ The actual compounded Market Return Crediting Rates are shown from the commencement date of Market Return Member Savings of 1 July 2007. Prior to 1 July 2007, all Capital Guaranteed Member Savings were invested in a similar investment strategy to the Market Return Portfolio. Therefore, the compounded average Crediting Rates covering periods prior to 1 July 2007 are based on the actual Crediting Rates for Capital Guaranteed Member Savings for those years.
- * The actual compounded Cash Return Member Savings Crediting Rates are shown from the commencement date of Cash Return Member Savings of 1 July 2007. Therefore there are no Cash Return Member Savings Crediting Rates prior to 1 July 2007.

Rollover:

- ^ The actual compounded Market Return Crediting Rates are shown for financial years from 1 July 2008. Prior to 1 July 2008, the APSS Rollover used unit pricing rather than Crediting Rates. Therefore, the compounded average Crediting Rates covering periods prior to 1 July 2008 are based on the difference between the unit price for the APSS Rollover as at 30 June each year for those years.
- * Although Cash Return Member Savings were only made available to APSS Rollover members from 5 August 2009, Cash Return Member Savings commenced on 1 July 2007. Therefore, the table shows the actual compounded Cash Return Crediting Rates since the commencement date of 1 July 2007.

Pension:

- ^ The actual compounded Market Return Crediting Rates are shown for financial years from 1 July 2008. Prior to 1 July 2008, the APSS Pension used unit pricing rather than Crediting Rates. Therefore, the compounded average Crediting Rates covering periods prior to 1 July 2008 are based on the difference between the unit prices for the APSS Pension as at 30 June each year for those years.
- * On 5 August 2009, Cash Return Member Savings were made available to APSS Pension members. Although Cash Return Member Savings commenced on 1 July 2007 (available only to APSS Employee and Spouse members), the actual Cash Return Crediting Rates since 1 July 2007 are not comparable to the returns that might have applied to your APSS Pension Account had Cash Return Member Savings been available prior to 5 August 2009. This is because the investment earnings of APSS Pension Accounts are not subject to tax. Therefore, the compounded Cash Return Crediting Rates shown for APSS Pension Members are for periods commencing from 5 August 2009.

Investment objectives

Investment objective for Defined Benefit assets

The Trustee's investment objective for Defined Benefit assets is to formulate and implement an investment strategy that will, in conjunction with the APSS sponsoring employers' funding strategies, enable the APSS to pay benefits as well as other costs as they become due. In particular, the Trustee aims to formulate a strategy that has:

- a high likelihood that the APSS will have adequate liquidity to pay benefits and costs at all times as they become due; and

- a relatively high expected long term average net investment return (defined, until otherwise agreed, to be 5.0% per annum, measured over rolling five-year periods).

The Trustee accepts that, to achieve a relatively high long term investment return, the annual investment return is likely to be relatively volatile. In particular, the Trustee accepts the likelihood that:

- the investment return may be negative once in every four to five years on average; and
- the APSS Vested Benefits Index (VBI) is likely to fluctuate in a tolerance range of 90% to 110%.

Investment objectives for Member Savings (Employee, Spouse, Rollover and Pension Accounts)

Market Return Member Savings

The Trustee's objective for Market Return Member Savings was to credit investment returns over the long term that both exceed the rate of inflation and exceed the rate of returns credited to Cash Return Member Savings, after all taxes and costs are allowed for, while accepting that the annual return will be relatively volatile. The same fundamental objective applies to the Balanced (MySuper) investment option that replaced the Market Return Member Savings option from 1 July 2017, and retains the very same diverse portfolio of assets.

The Crediting Rates for Market Return Member Savings were determined by reference to the investment returns of a diverse portfolio of assets in the APSS, known as the Market Return Portfolio. The Trustee specifically expected the Market Return Crediting Rates over the long term would exceed the Cash Return Crediting Rates by a margin of 3-4% each year, on average over the long term. The estimated number of negative annual returns was expected to be 4 to less than 6 out of every 20 years. The expected return and risk features of the new Conservative, Balanced and High-Growth investment options can be found in the latest product disclosure material, which can be downloaded at apss.com.au by clicking on the *Publications & Forms* and *Product disclosure* tabs.

The Trustee cannot guarantee that its long term expectations will be met, because investment markets are unpredictable. Historically, the markets for long term investments like those in the Market Return Portfolio have had greater rises than falls in the long run, but this is not necessarily a guide to the future. You should consider your long term investment objectives and personal financial circumstances. You should consider whether you have enough time before you need to access your Member Savings to withstand any periods when the investment markets may go down.

Cash Return Member Savings

The Trustee's objective for Cash Return Member Savings was to avoid any reduction in the dollar value of your Member Savings at all times, while also earning a rate of return that aims to at least keep up with inflation over the long term.

The Crediting Rates for Cash Return Member Savings are determined by the investment returns of the Cash Return Portfolio.

The Trustee expected Crediting Rates for Cash Return Member Savings to be similar to the cash interest rates set by the Reserve Bank of Australia, less investment costs and tax, where applicable.

This is unchanged for the 'Cash' Member Savings investment option from 1 July 2017 when the new range of four investment options began (i.e. Cash Return simply had a name change to 'Cash').

Investment strategy

Trustee's investment strategy

The year to 30 June 2017 was the last financial year in which the assets of the APSS were divided into two investment portfolios: the Market Return Portfolio and the Cash Return Portfolio. Member Savings were allocated between these two investment portfolios, while Defined Benefit assets were invested in the Market Return Portfolio.

The Trustee's investment strategy for the Market Return Portfolio involved making allocations between classes of the world's financial assets that have different degrees of financial risk (and therefore, different levels of expected return), and ensuring that each allocation includes a wide array of financial assets in that asset class to reduce the overall impact if some investments fail.

The Trustee's investment strategy for the Cash Return Portfolio is different. The Cash Return Portfolio may include bank deposits or bills and short-term interest-bearing securities with very high credit quality. These may be held directly or through a managed investment trust.

During the past financial year, the Trustee decided to adjust the investment strategy of the Market Return Portfolio to reduce 'growth' assets and increase 'income' assets by 10%. This was communicated in the 2 December 2016 Significant Event Notice that was sent to all members.

Also on 2 December 2016, the Trustee authorised the removal of any direct APSS investments in the shares of companies that produce tobacco products, and the exclusion of such investments in future. This decision does not apply to APSS investments in pooled funds managed by third parties. It is considered very unlikely that this decision will materially impact APSS crediting rate returns.

With the introduction of new Member Savings investment options in July 2017, the APSS' assets are now divided into five separate investment portfolios:

- Defined Benefits
- Member Savings – High Growth
- Member Savings – Balanced
- Member Savings – Conservative
- Member Savings – Cash

Main asset classes – as at 30 June 2016 and 30 June 2017

Asset Class	Definition
Public Market Shares	Public Market Shares are investments in companies that are listed on the Australian and international stock exchanges.
Private market assets	Private market assets include investments in companies and assets that are not listed on a stock exchange, for example in private equity, real estate (or property), infrastructure and private debt (loans to businesses).
Bonds	Bonds (also known as debt securities) are a type of financial asset that is essentially an 'I owe you' issued to investors from governments, corporations and other large institutions seeking to raise money. Investing in bonds basically involves acquiring the right to receive interest and a repayment of the original amount of the money raised by the borrower.
Cash	The cash asset group includes investments in cash deposits and short-term securities issued by banks, as well as short-term bonds issued by governments and government entities (such as a statutory authority).

Cash Return Member Savings are currently protected by a Capital Guarantee provided by Australia Post, which means that the Crediting Rates for Cash Return Member Savings cannot be negative. However, the Capital Guarantee does not cover the risk that inflation may reduce the future purchasing power of your Member Savings.

Investment strategy (cont.)

Use of derivatives

A derivative is a financial contract that derives its value from an underlying asset (e.g. futures and options on shares or indexes). The Trustee's policy is to allow its appointed investment managers to use derivatives to gain economic exposure in certain situations or manage currency exposure, provided they have the requisite skills and operating capability to use them. The use of derivatives for speculative trading is not permitted.

The Trustee has established compliance and audit processes to ensure that the authorised use of derivatives by the APSS' investment managers complies with all relevant legal requirements and APRA directives.

Trustee-appointed investment managers at 30 June 2017

Public Shares Investment Managers:

AQR Capital Management; Morgan Stanley Investment Management; Northcape Capital; Paradise Investment Management; State Street Global Advisors; Sustainable Growth Advisers; Vanguard Investments Australia; and Veritas Asset Management.

In August 2016, Vontobel Asset Management ceased to be an investment manager in the Scheme.

Bonds and Cash:

Vanguard Investments Australia.

Currency Hedging Manager:

Macquarie Investment Management Global.

Investments greater than 5% of total APSS assets

Individual investments that held more than 5% of the total APSS assets during the 2016-17 financial year.

Asset name	APSS asset value (AUD)
Alternative Investment Private Syndicate Fund A	\$1,690,619,364
Vanguard® Cash Reserve Fund	\$1,276,389,391
Vanguard® Cash Plus Fund	\$830,767,243
Pantheon International Plc (PIP)	\$395,132,200

Each Vanguard® fund is a pooled investment vehicle (unit trust) that holds many underlying investments.

Operational Risk Reserve

Effective 1 July 2013, the APSS established an Operational Risk Reserve (ORR) in accordance with APRA prudential standards and the Trustee's Operational Risk Financial Requirement Strategy. This enabled the Trustee to use the ORR to make a payment to address an operational risk event. The target level of this reserve is 0.25% of the Scheme's assets, a target achieved over a three year period to 30 June 2016. The ORR was funded by a combination of amounts deducted from the Defined Benefit assets (ultimately paid for by Australia Post and Associated Employers), and amounts deducted from the investment returns of the APSS before setting the Crediting Rates for Member Savings.

Given that funding of the ORR was completed by 30 June 2016, there were no ORR costs for members in the 2016-17 financial year.

The Trustee's investment strategy for maintaining the ORR is to invest the assets of the ORR in the same manner as the APSS' Cash Return Portfolio. The Trustee's investment objective and strategy and asset allocation for the Cash Return Portfolio are set out above. The Trustee's objective is to ensure that the ORR does not experience negative investment returns and is highly liquid, thereby ensuring that these amounts will be readily available to satisfy the settlement of any operational losses in a timely manner. This investment strategy will be reviewed at least annually.

The ORR was established on and from 1 July 2013 and grew to \$7.5 million at 30 June 2014. The balance of the ORR was \$15.5 million as at 1 July 2015, \$19.2 million as at 30 June 2016 and \$19.5 million as at 30 June 2017.

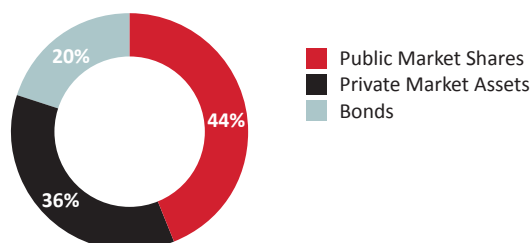
Asset allocation

The asset allocation is the distribution of assets in an investment portfolio between different asset classes. The charts below show the target and actual asset allocations for the Market Return and Cash Return Portfolios as at 30 June 2016 and 30 June 2017.

Market Return Portfolio - 2016

30 June 2016

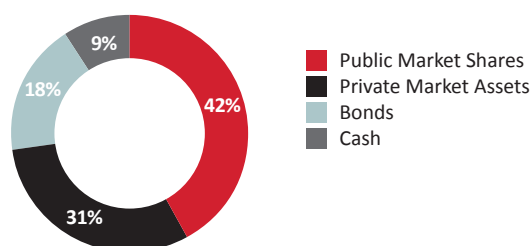
Market Return Portfolio	Target	Target range ¹	Actual
Public Market Shares	50%	30-70%	36%
Private market assets ²	30%	20-60%	44%
Other growth assets	0%	0-20%	0%
Bonds ³	20%	10-30%	20%
Cash	0%	0-20%	0%



Market Return Portfolio - 2017

30 June 2017

Market Return Portfolio*	Target	Target range ¹	Actual
Public Market Shares	40%	20-60%	42%
Private market assets ²	30%	20-60%	31%
Other growth assets	0%	0-20%	0%
Bonds	20%	10-30%	18%
Cash	10%	0-20%	9%



Notes to the tables above:

- The actual asset allocation is normally expected to fluctuate (go up or down) within these ranges over time. If it moves outside the normal ranges, the Trustee will take prudent and commercially responsible steps to re-balance to the target allocation. The Trustee is continuing to reduce the overall amount invested in private market assets before making any new investments in this asset class.
- The Private Market Asset class is made up of private equity, real estate, infrastructure and private debt.
- Actual allocation to Bonds included 1% in Cash as at 30 June 2016.

*This was the portfolio of the newly-launched APSS MySuper product on 26 June 2017, and on 1 July 2017, this became the portfolio of the Balanced (MySuper) investment option. Learn more at apss.com.au by clicking on the *MySuper Dashboard* link at the top of the home page screen.

Cash Return Portfolio

30 June 2016 30 June 2017

Cash Return Portfolio	Target	Actual	Target	Actual
Cash	100%	100%	100%	100%

More information

Detailed explanations of these asset classes are provided on page 9 of this Annual Report.

Abridged financial information

	\$ million	
Net assets available for member benefits as at 1 July 2016		7,455
<i>Plus</i>		<i>Plus</i>
Net earnings from APSS assets	575	782
Increase/(decrease) in value of APSS assets	(58)	
Employer payments	190	
Money saved by members	56	
Money transferred to the APSS	19	
<i>Less</i>		<i>Less</i>
Benefits paid to members	(545)	(587)
Expenses	(12)	
Tax expense/ (benefit)	(30)	
Net assets available for member benefits as at 30 June 2017		7,650

A copy of the full, audited 2017 APSS Annual Financial Report is available after the Trustee signs off on it in late September 2017. You can find full financial reports under the *About* menu at apss.com.au by clicking on *Policies, reports and rules* and then selecting *Reports*.



More information

The APSS Product Disclosure Statements for each membership category are updated regularly to take into account changes. Copies of the most recent Product Disclosure Statements and other helpful publications can be downloaded from the website at apss.com.au or you can call SuperPhone on **1300 360 373**. A product dashboard for the APSS MySuper product is also available on apss.com.au by clicking the *MySuper Dashboard* link at the top of the home page.

Your Trustee Directors

The legal entity responsible for operating a superannuation fund is known as the Trustee.

This section provides information about PostSuper Pty Ltd, the APSS' Trustee.

Appointment and removal of Member Representative Directors

In accordance with rules approved by the Trustee, one Member Representative Director is nominated by each of:

- the Communications Electrical Plumbing Union of Australia
- the Community and Public Sector Union
- the Australian Council of Trade Unions.

Member Representative Directors are appointed for a term of no more than three years, at which time they are eligible for reappointment. They may be removed or replaced at any time by the relevant union or if they resign or retire.

Rules exist to deal with the process for the appointment and removal of Member Representative Directors.

A copy of the rules is available from the APSS Governance page at apss.com.au (under *About the Scheme*), or may be obtained by calling SuperPhone on **1300 360 373**.

Appointment and removal of Employer Representative Directors and Independent Directors

Employer Representative and Independent Directors are appointed for a term of no more than three years, at which time they are eligible for reappointment.

The three directors appointed by Australia Post may be removed or replaced at any time at Australia Post's discretion or if they resign or retire.

The directors can appoint an Independent Director (who will be the Chairman, as outlined in the Trust Deed). For an independent director to be removed or replaced, a two-thirds majority of directors must pass a resolution. The independent director may also resign or retire at any time.

Trustee Indemnity Insurance

Indemnity insurance has been taken out to protect the Trustee Directors and officers against certain financial losses arising from claims that may be lodged against the Trustee. The cost of this insurance is effectively borne by the APSS employer sponsors through their contribution obligations to the APSS.

Your Trustee Directors as at 30 June 2017

Mark Birrell

Independent Director and Chairman, appointed by other directors

MEMBER REPRESENTATIVE DIRECTORS:

Gregory Rayner

Appointed by the Communications Electrical Plumbing Union of Australia (CEPU)

Bryan Watkins

Appointed by the Australian Council of Trade Unions (ACTU)

Michael Tull

Appointed by the Community and Public Sector Union (CPSU)

EMPLOYER REPRESENTATIVE DIRECTORS:

James Marshall

Appointed by Australia Post

Michael Tenace

Appointed by Australia Post

Christopher Blake

Appointed by Australia Post

CHANGES TO THE BOARD:

Catherine Walsh ceased to hold office on 8 July 2016 and was succeeded by Christopher Blake who commenced as a Director on 2 September 2016.

Eligible Rollover Fund

Employee and Spouse members

Once an employee member leaves employment with Australia Post or their Associated Employer, we will write to ask what they want to do with their superannuation. We do the same for Spouse members who cease to be eligible to hold a Spouse Account or whose spouse is no longer employed by Australia Post or the relevant Associated Employer.

If you do not tell us what you want to do with your benefit within 60 days of us writing to you, your superannuation will be paid automatically to the Eligible Rollover Fund (ERF). Your superannuation may be transferred to the ERF without your prior consent (unless we are prevented from doing so by law). You may only receive that one notification that your superannuation will be sent to the ERF.

Rollover members

Rollover account balances that fall below \$1,000 may be transferred to the ERF, depending on the reason the account balance has fallen under \$1,000. Rollover members affected by this will have 60 days to provide the APSS with payment instructions before a transfer to the ERF takes place.

Once your superannuation has been transferred to the ERF

Once your superannuation is transferred to the ERF, you will no longer be a member of the APSS. The Trustee will no longer administer or pay your superannuation to you. In this event, you must contact the ERF to access your superannuation.

The ERF, appointed by the APSS, provides a capital guarantee that ensures returns will never be negative. It provides no insurance cover for death or total and permanent disablement.

You can arrange for superannuation that has been transferred to an ERF to be transferred to another approved fund or it can be paid to you subject to preservation requirements. It cannot be transferred back into the APSS.

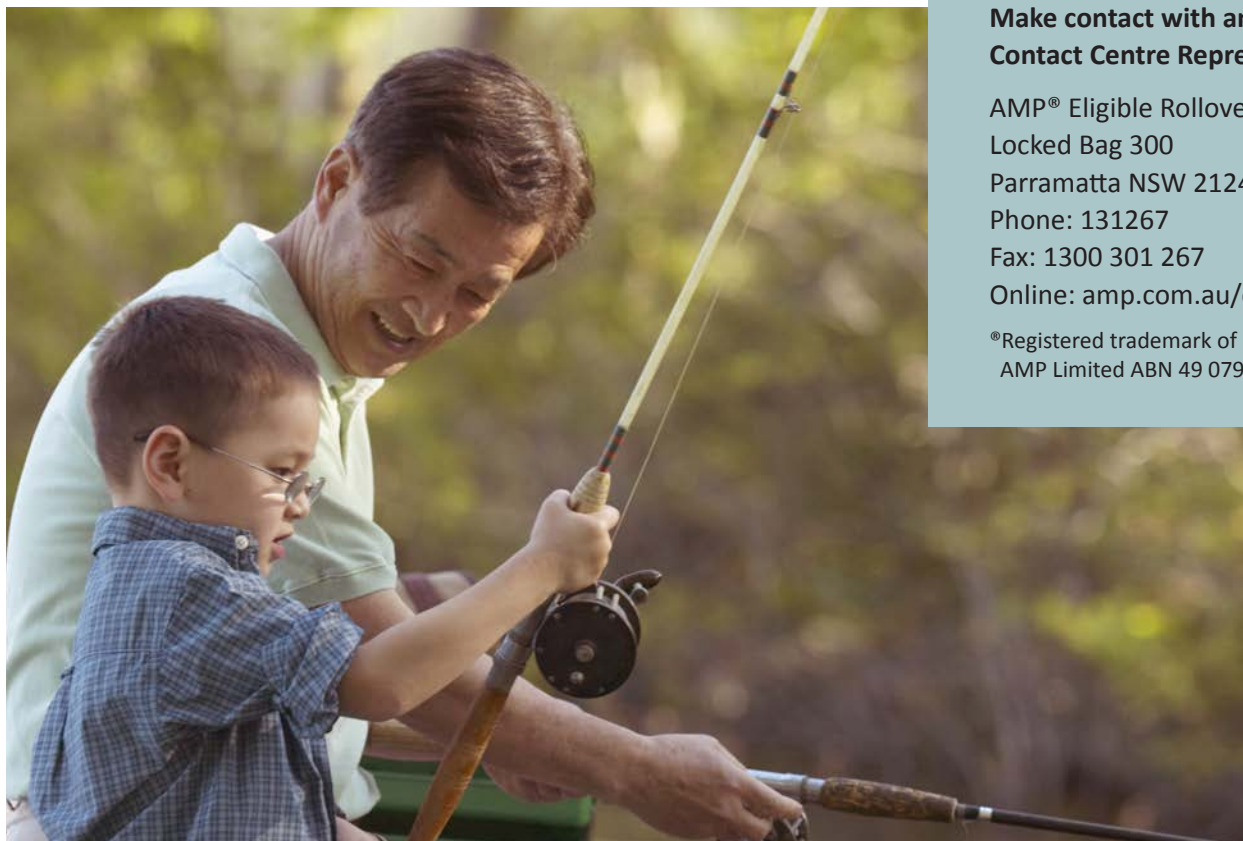
An ERF is not generally considered to be a suitable investment vehicle for your superannuation over the long term because it generally invests in assets with limited potential for long term growth.

For APSS Pension members, the ERF does not apply. Please contact the ERF if you require further details:

Make contact with an AMP Contact Centre Representative:

AMP® Eligible Rollover Fund
Locked Bag 300
Parramatta NSW 2124
Phone: 131267
Fax: 1300 301 267
Online: amp.com.au/erf

®Registered trademark of
AMP Limited ABN 49 079 354 519.



More information



Surcharge tax

Surcharge tax doesn't apply to the majority of APSS members. It's a tax that was abolished more than a decade ago (from 1 July 2005). However, surcharge tax assessments from earlier financial years may still be outstanding, and therefore may be noted on your 2017 Benefit Statement (Periodic Statement Part 1).

If you are an Employee or Spouse member affected by surcharge tax, then any surcharge tax you owe has already been paid by the APSS on your behalf, but it will be reclaimed from you as a deduction or offset from your APSS benefit when that benefit is eventually paid to you. That deduction will be the balance of your 'Surcharge Tax Account', which accrues with interest at the 10-year Commonwealth Government Bond Rate. If your 2017 Benefit Statement does not include a Surcharge Tax Account, then you were not affected by this old tax at 30 June 2017.

If you have an APSS Rollover Account, we will deduct your surcharge tax liabilities from the account balance upon receipt of the ATO surcharge tax assessment.

Tax File Number

It's important that you provide the APSS with your Tax File Number (TFN). We are authorised by law to ask you for your TFN. You don't have to provide it, but if you don't:

- the APSS cannot accept after-tax contributions made for you
- additional tax* may be deducted from any before-tax contributions made for you
- the APSS may be required to withhold tax at the top marginal rate (plus the Medicare levy) from the taxable portion of your APSS benefits (if applicable)
- it will be more difficult to trace different super accounts in your name.

* For the 2016-17 year, the rate of additional tax is 30% plus the Medicare levy of 2% plus an additional 'temporary budget repair' levy of 2% that applied for three years that ended on 30 June 2017.

Your contact details

As an APSS member it is important that you keep the APSS updated with your contact details, including your email address and mobile phone number. These communication methods are increasingly being used by the APSS to enhance member communications.

More information (cont.)

Illegal early release of superannuation benefits

There has been an increase in the illegal early release of superannuation benefits. Legal restrictions apply for accessing your superannuation. For details, refer to the relevant APSS Product Disclosure Statement (and associated booklet, if applicable), available at **apss.com.au** in the *Publications & Forms* section.*

Protecting against identity theft

Your APSS Benefit Statement (Periodic Statement Part 1) contains sensitive identity information about you and personal financial information about your APSS benefits. It is extremely important that you protect it from misuse or identity theft. The APSS has a number of security measures in place, including proof-of-identity verification to protect your personal information.

Privacy Policy

The APSS has always respected your privacy, and has policies in place to make sure your personal information is kept private and confidential. These policies are aligned with the requirements of the Federal Government's privacy laws.

You can access the Trustee's Privacy Policy online at **apss.com.au**.*

We value your feedback

Send your ideas and suggestions anytime at **apss.com.au**, by clicking on *Contact Us* and completing the e-form.*

Procedures for inquiries and complaints

APSS members can call *SuperPhone* on **1300 360 373** with inquiries or to request information.

If you wish to make a complaint about a Trustee decision, please make it in writing, preferably using the APSS complaint form. Call *SuperPhone* if you would like us to send you an APSS complaint form. All complaints will be brought to the attention of the APSS Inquiry and Complaints Officer (ICO). Contact details for the ICO are as follows:

Inquiry and Complaints Officer
APSS
Locked Bag A5005
Sydney South NSW 1235

The Trustee has established a formal Inquiry and Complaints Procedure to make sure all inquiries and complaints are properly considered and are dealt with as required under the law.

If your complaint has not been resolved to your satisfaction under the APSS internal procedures within 90 days, you may have a right to lodge a complaint about the decision with the Superannuation Complaints Tribunal (SCT).

The SCT is an independent body set up by the Federal Government to review trustee decisions relating to members (as opposed to trustee decisions relating to the management of the super fund as a whole). Contact details for the SCT are as follows:

Superannuation
Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Phone: 1300 884 114
Fax: (03) 8635 5588
Email: info@sct.gov.au

*Or call *SuperPhone* on **1300 360 373** for more details.

Need personal financial advice?



Members can access free general advice by contacting *SuperPhone* on **1300 360 373**, but our service representatives are not licensed to provide the personalised advice you may need at certain life milestones such as retirement, resignation or redundancy.

Recognising that you may need personalised advice to better understand your super and choices, the APSS Trustee formalised a relationship during 2016-17 with State Super Financial Services Australia Limited, trading as 'StatePlus' (StatePlus). StatePlus is a licensed financial planning group (ABN 86 003 742 756, AFS Licence No. 238430).

You can get an initial StatePlus consultation without cost or obligation by calling **1800 620 305**. StatePlus will then quote you for any subsequent consultations or advice you may need, but it will be up to you whether or not you want to continue.

If you decide to use this service, please remember that StatePlus is responsible for the advice given to APSS members under this arrangement. Of course, you are also free to choose any other financial planner you want.

Notes

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2017

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AUSTRALIA POST SUPER SCHEME

Periodic Statement Part 2

Australia Post Superannuation Scheme
(ABN 42 045 077 895)

Issuer: PostSuper Pty Ltd (ABN 85 064 225 841)

RSE Licence Number L0002714

APSS Registration Number R1056549

Issued: September 2017

