apss
AUSTRALIA POST SUPER SCHEME

Insight

News from the Australia Post Superannuation Scheme

Quarter ending June 2020

Think twice

Spotting a super scam

INSIDE THIS EDITION

If you get a message by phone or email, or see something online promoting early access to super or ‘unlocking’ it to invest in property or some other asset, think twice as it could well be a scam.

Even if you don’t fall for such things, be vigilant about identity theft because if someone steals your identity, they can steal a lot more by transferring your super to an account they can access; for example, the account of a Self-Managed Super Fund (SMSF).

In this edition of *Insight*, we look at what you can do to protect yourself, and the checks we perform to keep your APSS account safe.

Think twice – Spotting a super scam

Your super is a valuable asset, perhaps second only to the value of your home, so it's important to keep it safe. If a stranger comes to your home and asks to be let in, you would naturally think twice before unlocking the door. With your super, you also need to think twice. Here are some useful tips on what to look for to avoid scams and when to be extra vigilant.

Think twice when reaching your preservation age

Your super is generally locked away in the superannuation system until you reach a certain age. That age will most likely be your 'preservation age' (see the next page), which is when you can access your money in cash once you have commenced full-time retirement (or started a transition to retirement pension). From age 60, it's also readily accessible any time upon ceasing employment in a job even if you're not retiring just yet. You might assume that because your super is locked away until preservation age and you can't touch it, then nobody else can either. But remember that there's nothing stopping you from transferring your super (excluding an APSS Defined Benefit) to another fund at any time.

While this 'portability' of your super is generally good, giving you flexibility and choice, there's a flip side – it also provides an opening for a scammer who might lure you with the false promise of achieving higher investment returns, getting into exciting investment opportunities or unlocking preserved super earlier than the super rules allow. All you might need to do is transfer your super to their recommended fund. For example, a scam might involve transferring your super into a Self-Managed Super Fund (SMSF), which the scammer offers to set up for you. Worst case, the scammer then transfers your money to another, untraceable fund. Or it might be more insidious, whittling away your money through excessive 'management' fees and charges. Either way, it's a hard lesson for you and easy money for the scammer.

Once your super is unpreserved, it's unlocked and free to be taken out of the superannuation system in cash. At that time, it's also likely to have grown to a substantial sum that you don't want (and cannot afford) to lose. So this is a time in your life when you need to be extra vigilant about potential scams that might be targeting you because of those circumstances.

The APSS Trustee has measures in place to protect you here. Generally, if you request to withdraw or rollover money from the APSS, or start an APSS Pension account, we'll ask you to provide proof of your identity, as explained in our *Providing proof of identity* fact sheet, which can be downloaded at **apss.com.au** in the *Fact sheets* section under the *Publications & Forms* tab of the main menu. We also perform security checks on a range of enquiries and transactions before releasing information or progressing a request that changes your current arrangements in the APSS.

Think twice – Spotting a super scam

Preservation age

The law generally prohibits you accessing any of your super as cash before you have reached your preservation age, and retired from employment. Your preservation age depends on when you were born, as shown in the accompanying table. As you can see, if you're celebrating your 58th birthday in the current financial year that commenced on 1 July 2020, you're almost there, so this is a time to be particularly alert to potential scams.

Date of BIrth	Preservation Age
Before 1 July 1960	55
From 1 July 1960 until 30 June 1961	56
From 1 July 1961 until 30 June 1962	57
From 1 July 1962 until 30 June 1963	58
From 1 July 1963 until 30 June 1964	59
On or after 1 July 1964	60

Note: Reaching your preservation age between age 55 and 59 still won't unlock your super until you start full-time retirement. From age 60 however, it's unlocked upon leaving a job. Aside from any APSS Defined Benefit you're entitled to, your super is also unlocked when you turn 65, even if you haven't left a job to retire.

Think twice when you're online or on the phone

The Trustee has a *Privacy Policy* (available on **apss.com.au**) and is bound by laws designed to protect your privacy and confidentiality. The Policy and these laws, along with our requirement for proof of identity, cyber security systems/procedures, and fraud risk management measures all provide layers of protection.

Unfortunately, in this day and age, scammers and hackers will look for other opportunities – by targeting you directly. This is why protecting your own identity has never been more important so think twice before you share personal details on social media, take that call from an unfamiliar contact, or click on suspicious links in emails or text messages. Be especially vigilant if they're asking you to act urgently on financial transactions. Here's some handy tips to discourage the scammers:

- Keep your APS/member number, or PIN/password private. Never share these details with anyone, because that's the key that unlocks everything.
- Make it hard for hackers to guess your password by making it long with a combination of letters, numbers and special characters. Change it regularly.
- Ensure any documents, such as your annual benefit statement and personalised letters, are stored securely (e.g. in a locked filing cabinet), and that old documents you no longer need are destroyed securely (e.g. shredded, not just thrown in the bin).
- Only access your super account online via a trusted Wi-Fi rather than a public Wi-Fi, which can be compromised.

You can also protect yourself by doing your own research into people who offer you financial advice. Never deal with anyone who is not licensed to advise you about your super (unless, they come within an exemption, like the APSS). The Australian Securities and Investments Commission (ASIC) has some great online resources to help you do your homework, as discussed on the next page under 'Train yourself to think twice.'

Think twice – Spotting a super scam

Think twice if advised to access your super early

The Government's economic response to the Coronavirus (COVID-19) pandemic allows people facing genuine financial hardship to tap into their super early on compassionate grounds. They can access up to $10,000 of their super in the 2020-21 financial year, but must apply before 24 September 2020. This is in addition to the $10,000 that could have been accessed before 1 July 2020.

These measures have, unfortunately, attracted scammers. The Australian Tax Office (ATO), on its *COVID-19 early release of super* web page at **ato.gov.au**, has stated:

"We're concerned about scams or schemes where people:

- impersonate the ATO, or a trusted organisation like your super fund, to steal your money or personal identifying information
- approach you and charge you for services that are free, like gaining early access to your superannuation."

This is an example of why it's so important to protect your identity, as explained on the previous page.

As the ATO suggests, if you receive a phone call, text message or email offering to help you release your super early, don't provide your personal information, click on any links or share your myGov sign in details with anyone, under any circumstances, including your tax agent. You can also contact the ATO via its website, or call us on **1300 360 373**, to confirm if you're in any doubt.

If we are notified by the ATO of a request for early release of your super, we'll send you a text message if we have your mobile phone number on file. This will alert you in advance of any money being released and will ask you to send either a 'Yes' or 'No' reply to either proceed with or stop the payment being made. Login to your account via **apss.com.au** to check your 'member details', which should include your current mobile phone number and can be easily updated online if needed.

Finally, if you are genuinely seeking early access to your super under the COVID-19 early release measures, then make sure you are allowed to do so by checking the list of eligibility requirements on the ATO's *COVID-19 early release of super* web page. Also, be sure to read the ATO's web page on *COVID-19 early release of super - integrity and compliance*, which explains the consequences of applying when not eligible or entering into a scheme mainly for the purpose of obtaining a tax benefit.

Train yourself to think twice

ASIC's consumer website at **moneysmart.gov.au** includes financial tips, safety checks and much more. Use the search function to find the page on *superannuation scams*, which includes a case study. You can also search for a range of content on *financial advisers*, including information on how to choose one, and ASIC's *financial adviser register* where you can check a prospective adviser's legitimacy. Back at the main ASIC website at **asic.gov.au** there's also a link *for consumers* to research *banned and disqualified people*.

Never deal with anyone who is not appropriately licensed. A scammer will not have a licence to set up or manage super funds or provide you with financial advice, so be sure to check.

The Australian Taxation Office (ATO) also includes information on its website on how to 'verify or report a scam' (just do a search for it at **ato.gov.au**).

Scamwatch, run by the Australian Competition and Consumer Commission (ACCC), provides information about how to recognise, avoid and report scams, including some sobering statistics on amounts lost through scams. Learn about super and other investment-related scams by clicking the *Types of scams* tab at **scamwatch.gov.au** to find the *Investment scams* link.

‘Other’ Offset accounts – What employee members should know

If you currently have an APSS Defined Benefit, it generally cannot be accessed until you cease employment with Australia Post (or the Associated Employer you’re working for). If, however, you are eligible to access your super early under COVID-19 early release measures, or to transition to retirement using an APSS Pension, then you may be able to access some of your Defined Benefit early.

An **‘other’ Offset account** will be opened for you when you access part of your Defined Benefit early. It’s very important to understand how this will impact your Defined Benefit when it is eventually payable to you. Naturally, the amount that you take early will be deducted (offset) from your ultimate Defined Benefit payment, but compounding interest on the offset amount is also added, which will further reduce your Defined Benefit. This means you ‘owe’ more than just the amount of Defined Benefit you tap into early.

Think of it like a loan account secured against a house, except the ‘house’ in this case is your Defined Benefit, which keeps a tab of what you owe against any money taken early from your Defined Benefit.

Read more by downloading the *Using your APSS Defined Benefit to transition to retirement (Offset Accounts)* fact sheet. This includes an example of how it might apply to a member accessing their Defined Benefit early to transition to retirement. The example works fundamentally the same way for members accessing their Defined Benefits early under the COVID-19 early release measures. The fact sheet can be downloaded at **apss.com.au** in the *Fact sheets* section under the *Publications & Forms* tab of the main menu. If you have questions, call us on **1300 360 373**.

Warning!

Compounding interest on APSS ‘other’ offset accounts will erode an APSS Defined Benefit. If the interest rates applied are high enough, an APSS ‘other’ offset account may actually increase faster than a Defined Benefit! Consider getting advice from a qualified financial adviser.

If you decide that you need some personalised, individual advice about your super, beyond the general help you can get by calling the APSS contact centre (as our service representatives are not licensed to provide personalised financial advice), you can choose any financial planner you want.

Investment round up

Each APSS investment option has its own underlying investment portfolio. Each option's crediting rate is determined by the investment return of its portfolio less the costs associated with investing those assets. With the exception of the Cash option, which is always invested in cash (and cash equivalents), each option has a mix of assets, just in different proportions. A portfolio with a higher allocation to shares and other 'growth' assets (e.g. the High Growth option's portfolio), is expected to deliver higher investment returns and therefore higher crediting rates over longer timeframes. However, the higher the allocation to growth assets, the more volatile the portfolio is considered to be. The more volatile, the higher the risk of the portfolio dropping in value in the short term.

Crediting rates to 30 June 2020

Member Savings accounts (including Spouse and Rollover accounts)	Cash	Conservative	Balanced	High Growth
3 months	0.09%	1.61%	2.29%	4.92%
6 months	0.29%	-1.74%	-5.34%	-7.30%
1 year	0.78%	0.73%	-1.15%	-2.13%
3 years (p.a)	1.33%	3.47%	4.20%	4.49%
5 years (p.a)	1.44%	n/a	4.83%	n/a
Transition to Retirement (TTR)* Pensions				
3 months	0.09%	1.61%	2.29%	4.92%
6 months	0.29%	-1.74%	-5.34%	-7.30%
1 year	0.78%	0.73%	-1.15%	-2.13%
3 years (p.a)	1.33%	3.47%	4.20%	4.49%
5 years (p.a)	1.55%	n/a	5.08%	n/a
APSS Pensions (Tax free)*				
3 months	0.11%	1.75%	2.59%	5.46%
6 months	0.35%	-2.11%	-6.09%	-8.37%
1 year	0.92%	0.72%	-1.35%	-2.64%
3 years (p.a)	1.56%	3.88%	4.84%	5.12%
5 years (p.a)	1.69%	n/a	5.46%	n/a

Note: The compound crediting rates shown above are after investment costs and tax (where applicable). Before 1 July 2017, the **Cash** option was called 'Cash Return', and the **Balanced** option was called 'Market Return'. The **Conservative** and **High Growth** options commenced on 1 July 2017, which is why returns for periods longer than 3 years are currently not applicable (n/a).

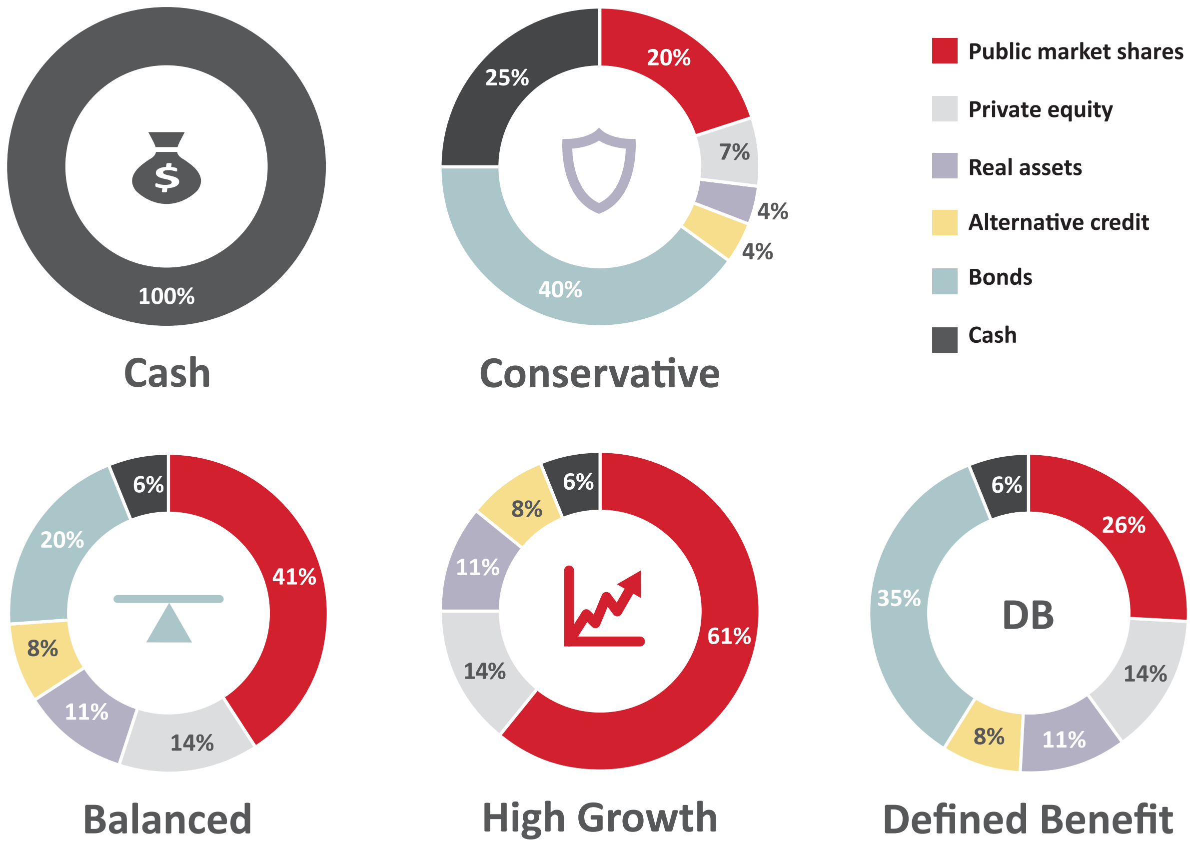
*APSS Pension investment earnings are tax-free, unless you are using an APSS Pension to transition to retirement, in which case earnings may be taxed at up to 15% if you have not turned 65 or met a relevant condition of release and notified the APSS. Use the TTR Pensions table above for the applicable crediting rates where tax applies to an APSS Pension.

Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Investment round up

Asset allocations at 30 June 2020

Asset allocation is the mix of different asset classes (and assets within each class) in an investment portfolio. Strategic Asset Allocation (SAA) refers to the strategy used to achieve a particular investment objective. Actual asset allocation is a snapshot of the mix of assets at a particular point in time. This might vary from the SAA, but only within allowable ranges that are set as part of the overall investment strategy. The following charts show the actual asset allocations as at 30 June 2020 for the four APSS investment options, along with the assets invested to provide benefits to members entitled to an APSS Defined Benefit as required:



Defined Benefit portfolio

The Defined Benefit portfolio's investment return (i.e. crediting rate) has no financial impact on the APSS Defined Benefit for most members. This is because that entitlement is determined by a formula, rather than the investment returns of the portfolio. The only exception is where a member has an 'other' Offset account, which won't apply to most members. If it does, you'll see it on your annual benefit statement, and you should also check our fact sheet on *Using your APSS Defined Benefit to transition to retirement*, which provides more information on such accounts and the effect of compounding interest applied to them. You can download the fact sheet in the *Fact sheets* section under the *Publications & Forms* tab in the **apss.com.au** main menu.

Investment round up

Behind the numbers

Share markets staged a remarkable bounce back from the losses suffered in the previous (March 2020) quarter, defying a severe global economic contraction. Returns from some other asset classes were, however, weaker. This resulted in positive returns for all APSS investment options in the June 2020 quarter, with last quarter's lowest-performing option (High Growth) delivering the strongest return. While the impact of the recent market volatility is reflected in the returns for 6 and 12 months to 30 June 2020, longer-term returns remain closer to 4% p.a. to 5% p.a. The Cash investment option crediting rate for the quarter slightly exceeded Australia's official cash interest rate (particularly allowing for tax).

World Markets

Despite deep economic recession in most parts of the world, international share markets continued to climb from their lows in late March, ending the June 2020 quarter with gains averaging 18%*. The apparent control of COVID-19's spread in many places, allowing governments to start lifting restrictions on economic activity, was one explanation for this divergence between share market sentiment and economic reality. Other explanations were put down to faith in the sustenance of continued government and central bank support of households and businesses until activity nomalises; and the notion that shares are simply better than holding cash or bonds at near-zero interest rates. Market sceptics warned that shares had recovered too quickly and should fall back as companies began to report again on how much they were actually earning. Closer inspection shows that the share market rally was much stronger among companies benefiting from the environment, like information technology, while other sectors recovered much less or not at all. The path of the pandemic and its impact on markets still has some way to go.

* Market return figures are sourced from Willis Towers Watson

Australian Market

After cutting the official cash interest rate from 0.75% to 0.25% in March 2020, the Reserve Bank of Australia (RBA) kept the rate unchanged in the June quarter. There appears to be little prospect of an increase in the official cash rate in the short-term, with Australia following the rest of the world into recession. The rate could even be reduced to zero or lower, as has happened in Japan and parts of Europe, but the RBA has signaled that it is very reluctant to go that far.

Australia's share market bounced back by 17%* in the June quarter. Australian government bonds made a 0.5%* gain overall. Meanwhile, a return of more than 3%* was achieved in the quarter by the less well-known inflation-linked bond sector, which pays interest linked to the inflation rate. The APSS has a mix of fixed interest and inflation-linked bonds in its bond portfolio.

The Australian dollar had a turnaround almost as impressive as share markets, gaining over 12%* against the US dollar and similar levels against other major currencies. Although that signified relatively better conditions in Australia, it detracted value from investments held in the US and other overseas markets.

Impact on APSS investments

APSS investments in public market shares regained most of their value lost in the March quarter, returning 16% in the June quarter. After dropping much less than shares in the March quarter, the global real assets portfolio, declined by a further 3% through the June quarter but this was mainly due to the currency movements referred to above. Private equity and alternative credit investments had more significant falls in value of -13% and -15% respectively, with currency movements playing a part alongside valuation write-downs in response to the poor economic outlook. APSS bond investments gained nearly 2% for the quarter, helped by the recovery in the pricing of inflation-linked bonds. Meanwhile, Cash earned just 0.1%, reflecting extremely low cash interest rates. All of these figures are quoted before-tax.