apss
AUSTRALIA POST SUPER SCHEME

Insight

News from the Australia Post Superannuation Scheme

Quarter ending June 2014

New super rates and limits

INSIDE THIS EDITION

New superannuation rates and limits for the 2014-15 year

The new financial year heralds changes to the limits, caps and tax affecting superannuation. It's important for you to be aware of the changes and how these changes might impact your superannuation and retirement planning decisions. Below is a summary of the changes and how they may impact you.

What is changing?	Which members are potentially affected?
Co-contribution income thresholds	Employee members who earn less than $49,488 and make after-tax contributions to their super
Annual contribution limits for before-tax and after-tax contributions to super	All members (excluding Pension members)
Super Guarantee rate from 9.25% to 9.5% and timing of future increases	SG Defined Benefit employee members only
Additional contributions tax for very high income earners (applies from 1 July 2013)	Employee members whose relevant income is over $300,000 per annum

Read on for the full details or visit **apss.com.au** for more information.

Cover story

New superannuation rates and limits for the 2014-15 year

Co-contribution income thresholds

If you make personal after-tax contributions to your super, and your income is below $49,488 for the 2014-15 financial year, you may be eligible for the Federal Government's co-contribution payment.

For the 2014-15 financial year, the maximum co-contribution is $500 and is available to people with income of $34,488 or less who make personal after-tax contributions of at least $1,000. This maximum co-contribution amount then phases down for each dollar of additional income over $34,488 and cuts out completely for incomes of $49,488 or more.

To be eligible, you must be under age 71 at the end of the financial year and at least 10% of your income must be derived from employment or business. The co-contribution is not available to most temporary residents. You must lodge your income tax return for the relevant financial year.

The amount of the co-contribution and the income thresholds may be subject to change every year. If you are eligible to receive a co-contribution, the Government will pay the contribution directly to your account.

Additional contributions tax for high income earners

The Australian Taxation Office administers this tax (also known as Division 293 tax) for 'very high income earners' who are generally defined as being those whose 'income' plus concessionally taxed super contributions (known as 'low tax contributions') exceeds $300,000 in a financial year. If this applies to you, you will be required to pay an additional 15% contributions tax and you will automatically receive an assessment notice from the ATO. For more information, refer to the *Superannuation taxes* fact sheet available from **apss.com.au** or visit **ato.gov.au** and do a search for 'Division 293 tax'.

Annual contribution limits

The Government imposes limits on the amount of contributions that you can make to super in each financial year that are taxed at concessional rates. If you exceed these limits you could potentially pay extra tax. The tables below details the new limits and how they apply.

The Concessional (before-tax) contributions limits are:

	Age under 50	Age 50+
2014-15 Financial year	$30,000	$35,000

Note: 'age' means your age as at the end of the relevant financial year.

The non-concessional (after-tax) contributions limits are:

	Any age	Under age 65: 'bring forward' option (over 3 years)
2014-15 Financial year	$180,000	$540,000

Note: If you are under age 65 on 1 July in a financial year, you can 'bring forward' up to two years' worth of concessional contributions. If you are considering making contributions in excess of the annual limit, please call *Super*Phone on **1300 360 373** for further information about how this 'bring forward' provision operates.

To learn more about contribution limits and how they apply to your super in the APSS, read the Fact sheet entitled: *Boost your super savings*.

Cover story

New superannuation rates and limits for the 2014-15 year

Superannuation Guarantee increase

The Superannuation Guarantee (SG) is the minimum amount of superannuation that employers have to provide their employees to satisfy their obligations under SG legislation.

Effective from 1 July 2014, the SG rate is scheduled to increase from 9.25% to 9.5%. The SG rate is currently scheduled to gradually increase each financial year to reach 12% from 1 July 2019 onwards. However, there is legislation currently before Federal Parliament to change the timing of the scheduled SG rate increases. As at the date of this document, these proposed changes have not been enacted into law.

What does it mean for you?

If you are an SG Defined Benefit employee member, your APSS defined benefit accrual rate will increase in line with the SG rate. So the rate increases over the next few years is good news for your super savings.

If you are a 14.3% Defined Benefit employee member, the legislative changes to the SG rate generally do not affect your APSS defined benefit entitlements.

Need more information?

For more information, please refer to the *Superannuation taxes* fact sheet available from **apss.com.au** or visit **ato.gov.au** and do a search for 'Division 293 tax'.

Minimum annual pension payments for 2014-15

When you have an account-based pension like the APSS Allocated Pension or Pre-Retirement Pension (PREP) account, by law, you must receive a minimum amount of pension payments each year.

How much do I have to receive each year?

The minimum annual pension payment depends on your age:

Age	Annual payment as a % of account balance
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

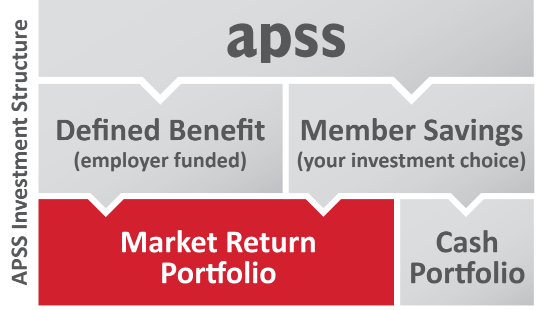
Each July, the APSS will write to you and ask if you wish to vary your regular pension payment amount above the minimum limit. The minimum amount that must be paid each financial year is calculated on 1 July each year by multiplying the balance of your APSS Pension account by a percentage that depends on your age, as set out in the above table.

For PREP accounts in the APSS, there is also a maximum amount that can be paid each financial year. The maximum amount is also calculated every 1 July by multiplying the balance of your APSS Pension account by 10%.

Read the *APSS Pensions* PDS to find out more about Allocated Pension accounts and PREP accounts in the APSS.

The Market Return Portfolio

The crediting rates for Market Return Member Savings are determined by reference to the investment returns of the Market Return Portfolio. The APSS Market Return Portfolio invests in a broad range of shares, real estate and bonds comprising both listed (public) and unlisted (private) global assets. The Market Return option has a higher relative risk and volatility than the Cash Return investment option with an expectation of higher returns over the long term. The APSS adopts strategies aimed at reducing the impact of volatility in financial markets and currency markets.

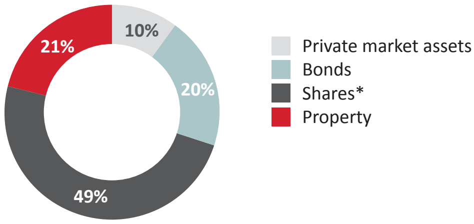


Market Return Member Savings Crediting Rates to 30 June 2014

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	2.67%	9.97%	8.44%	6.52%
APSS Rollover	2.67%	9.97%	8.44%	6.52%
APSS Pension	2.79%	10.70%	9.42%	7.54%

The compound crediting rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

Actual asset allocation for the quarter ending 30 June 2014



* This asset class is made up of 22% in public market shares and 27% in private market opportunities. Remember, the Trustee intends to scale down the private equity investments in the Market Return Portfolio over time and this asset class will ultimately consist of public market shares only.

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

Behind the numbers

The Market Return investment option delivered a positive compound crediting rate of 2.7% over the June 2014 quarter, helping to achieve a compound crediting rate of 10.0% for the 12 months up to 30 June. The quarterly and yearly rates for Pension Accounts are slightly higher because investment earnings are tax free.

Across the private market investments that make up the majority of the Market Return Portfolio, asset values moved upwards with support from an improving economic outlook in the major developed markets and an abundant supply of capital in the global financial system. The prevailing market conditions have presented a good opportunity for the APSS's private market fund managers to deliver cash gains by selling assets selectively through both public listings and direct transactions with corporate and private buyers. This has enabled the APSS to move investments of the Market Return Portfolio gradually and profitably from private markets to public markets in line with the Trustee's transitional strategy*. The valuations of unsold private market investments in the Portfolio have also been

Reminder

* In June 2013, the Trustee amended the investment strategy for Market Return Member Savings and the assets held in the APSS to pay defined benefits (both of which are currently invested in the Market Return Portfolio), increasing the Market Return Portfolio's target allocation to public market investments and reducing the portfolio's target allocation to private market investments, without reducing the long-term expected investment returns. The transition is expected to take a further three years and is designed to ensure that the APSS has liquid assets to pay benefits now that it is closed to new Australia Post employees, while continuing to meet the long-term growth objectives of members who choose Market Return Member Savings.

The Market Return Portfolio

Behind the numbers (continued)

moving upwards in aggregate, although not as quickly as the recent rises in public share markets.

The Australian dollar had a slight negative impact on the value of overseas private market investments, rising from 92.2 to 94.2 US cents over the quarter. The APSS's currency hedging program helped to alleviate the net impact. Overall, the Market Return Portfolio's private market investments contributed 1.8% to the quarterly Market Return crediting rate.

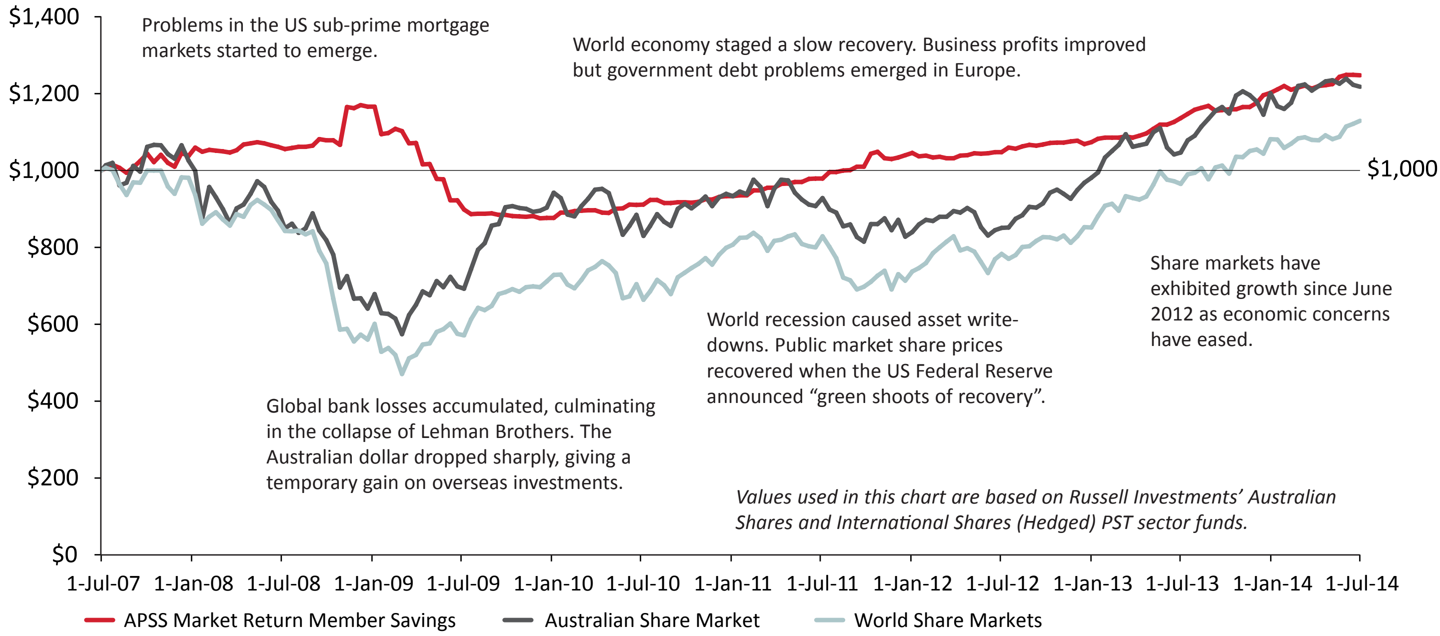
The Market Return Portfolio's public market shares contributed a further 0.7% to the quarterly Market Return crediting rate, as both the Australian and overseas share markets continued to appreciate.

The S&P500 Index, measuring the performance of the US share market, moved well into record high territory in the quarter, raising questions in the financial media about the gap between the sharply rising market prices and far slower growth in the US economy, with parallel concerns in Europe, Australia and other markets. Low interest rates are most likely playing a role in encouraging investors to accept higher prices, and lower prospective returns, on their share portfolios for the time being.

The Market Return Portfolio's bonds investments also made a small but positive contribution of 0.3% to the overall Market Return crediting rate for the quarter.

How we compare

How $1,000 in APSS Market Return Member Savings would have changed in value since 1 July 2007 compared to the same amount invested in publicly-traded Australian and overseas share markets.



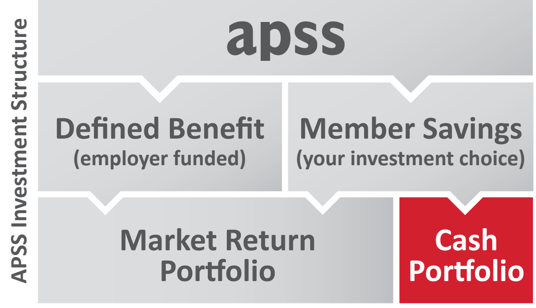
Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Remember

You can contact the APSS by calling *Super*Phone on **1300 360 373** between 9am and 5.30pm (AEST) Monday to Friday or you can visit us online at **apss.com.au**

The Cash Portfolio

The crediting rates for Cash Return Member Savings are determined by reference to the investment returns of the Cash Portfolio. The APSS Cash Portfolio invests in high quality cash deposits or bills and short-term interest bearing securities. The Cash Return option is therefore relatively low risk, with a capital guarantee that means no negative crediting rates, but with an expectation of lower relative returns in the long term.



Cash Return Member Savings Crediting Rates to 30 June 2014

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	0.55%	2.14%	2.85%	3.16%
APSS Rollover	0.55%	2.14%	2.85%	n/a
APSS Pension	0.65%	2.52%	3.43%	n/a

Rollover and Pension Cash Return Crediting Rates are only available from 5 August 2009.

The compound Crediting Rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

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

Actual asset allocation for the quarter: Cash 100%

Behind the numbers

The Trustee expects that the crediting rates for the Cash Return investment option will be similar to the official cash interest rate set by the Reserve Bank of Australia (RBA), less investment fees and tax (where applicable).

The RBA kept the official cash rate steady at 2.5% per annum throughout the June quarter and its public statements indicate a preference to keep the rate stable in the near future. Although it observed moderate growth in consumer demand and a solid expansion in housing construction over the June quarter, the RBA has remained wary of how successfully Australia's economy will manage the transition from mining-led growth to non-mining growth. The RBA is also wary of the Australian dollar (AUD) as it remains high by 'historical standards', another reason not to raise the interest rate too soon.

Until the RBA changes its 'steady as it goes' policy, the crediting rates for the Cash Return investment option will remain low.

Remember

When comparing the official cash interest rate to the APSS Cash Return crediting rates, keep in mind that, with the exception of the APSS Pension Accounts, the crediting rates are shown after tax is paid on investment earnings.

How to contact the APSS

Call *Super*Phone on **1300 360 373** between 9am and 5.30pm (AEST) Monday to Friday or visit us online at **apss.com.au**. Write to APSS, Locked Bag A5005, Sydney South NSW 1235 or Fax (02) 9372 6288.