

The super outlook



INSIDE THIS EDITION

- Investment update for the quarter ending 31 March 2017
- Analysis of the quarterly investment returns
- *The Super outlook:* More investment choice for your APSS Member Savings

There's a lot going on right now if you're saving your own super in the APSS or thinking about it.

We are introducing more investment choice for your 'member savings'. If you have an APSS Spouse or APSS Rollover account, you are also getting insurance cover for the first time. An administration fee is also being introduced from 1 July if you're no longer an employee member. Meanwhile, the new super tax rules first announced in last year's Federal Budget will start to apply soon.

This edition of Insight takes a closer look at these developments and what it might mean for you.

The super outlook

More investment choice for your APSS Member Savings

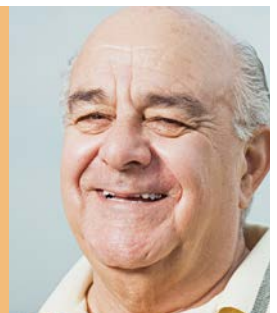
Choosing how you invest your APSS Member Savings is an important decision only you can make. We want to ensure that you have a good range of choices and are equipped to make the investment choice that’s best for you. This is why we are introducing a new range of four investment options from 1 July 2017.

“What are member savings?”



Member savings include any money members choose to voluntarily save in the APSS, or retain in the APSS when they leave employment or commence an APSS Pension. They also include investment returns credited to or debited from the money saved or retained. It doesn’t include your defined benefit if you have one.

“Why are these new choices being introduced now?”

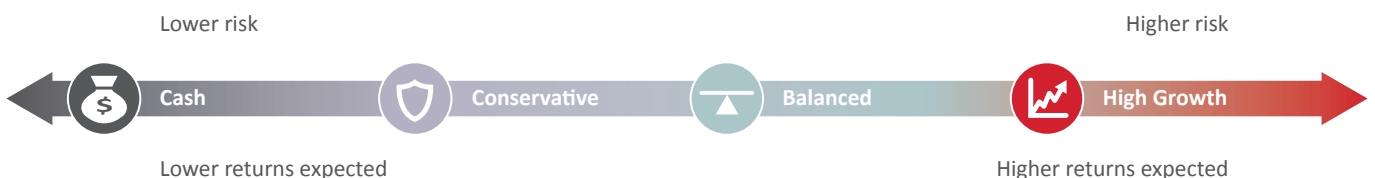


Members have always had the ability to tailor their own unique investment strategy by combining their investment choices between the Market Return and Cash Return options. However, few members actually used investment choice in this way, and some might even be in an option not quite suited to their needs or age. By introducing a range of four simple choices, you should be able to more easily select one choice that’s going to better align with your personal needs at a particular age, or stage in life, whether that’s to grow your member savings, or just keep them safe. Of course, you still have the opportunity to combine your choices, but you will now be able to blend from four options instead of two.

“What will my new range of investment choices be?”



The new options will be called Cash, Conservative, Balanced and High Growth. The current Cash Return option will continue, but will have a new name – simply ‘Cash.’ The current Market Return option becomes ‘Balanced’, but with a new objective. ‘Conservative’ and ‘High Growth’ are brand new choices.



The super outlook (continued)

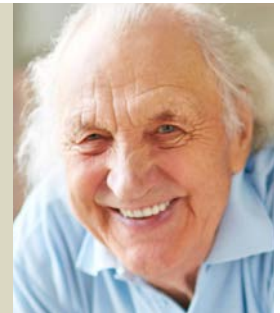
“When will the new range of investment choice start and will I have to do anything?”



The new range of investment choices come in on 1 July 2017. There's nothing you need to do for now, but it might be a good time to revisit your current investment choice to make sure it's still the best for you at this stage of your life.

Visit the APSS website to learn about the new choices and keep yourself up-to-date. If you need any help – it's only a phone call away.

“Which investment option will my Pension income payments be drawn down from?”



This is going to depend on how your current pension payments are being drawn; that is, either 'proportionally' or by 'priority'. There's no change from 1 July 2017 to existing payments that are currently made proportionally. There's also no change to existing priority payments, which will be drawn down from Cash first, then from Balanced, just as it works now from Cash Return, then Market Return.

However, if you make a new active investment choice from 1 July, you will need to select a 'strategy of your choice' to set the exact percentage to be drawn down as income from each investment option you choose.

When can I choose?

You can start choosing from the new range of four investment options from Monday 3 July 2017. That's a couple of days after the new range of choices take effect because 1 July 2017 is a Saturday. You will have flexibility to make new or revised choices every fortnight, just like now. However, if you want to make your choice from the new range of options effective from the very first day possible (i.e. 12 July 2017), be sure to submit your choice before the end of 7 July by going to apss.com.au and using the login function to access your account.

More information



Your guide to investment choice is a good place to start and re-read the letter sent to you in late April 2017. Refer to www.apss.com.au/investmentchoice for educational videos, updates and other useful information.

Attend a free seminar by registering at apss-seminars.com.au or add your name to the waiting list to help us evaluate if there is enough demand for a seminar closer to you.

As always, your Service Representatives are on hand to take your call on *SuperPhone* **1300 360 373**, Monday to Friday from 9.00am – 5.30pm (Sydney time).

The super outlook (continued)

Insurance for Spouse and Rollover members

“Why am I getting new automatic insurance with my APSS Rollover?”



From 26 June 2017, eligible Rollover and Spouse members will, for the first time, automatically receive an amount of insurance cover for death, TPD or terminal illness. Members have the flexibility to either apply for more cover, or cancel it by opting out – for example, if they don't wish to pay the weekly insurance premium, or already have enough insurance outside the APSS.

This cover is separate to the Death and TPD benefit you're entitled to if you have a defined benefit in the APSS.

There's more information in a fact sheet we've prepared called *Insurance cover for Spouse and Rollover members*, which has been mailed out to all members who are likely to be eligible for this insurance. You can now also download a copy at apss.com.au under the 'Publications & Forms/Fact sheets' tab.

Non-employee administration fee

“What's all this about a new administration fee?”



A new fee is being introduced from 1 July 2017 to **non-employee** APSS accounts (i.e. APSS Spouse, Rollover and Pension accounts). **This fee does not affect you if you are a current employee member, even if you do have a Rollover or Pension account.** It would only affect you if you decide to retain your member savings in the APSS when you leave employment with Post or an associated employer.

The fee will bring the APSS in line with industry standards to recover the cost of administering the accounts of non-employee members. This new administration fee will be in two parts: a weekly fixed fee of \$1.50 per account, plus an annual variable fee of 0.12% p.a. of each account balance. However, because the Trustee can currently claim a tax deduction for administration costs, the new fee amount will also be reduced by 15%.

Based on industry research, the Trustee believes the new fee is in line with other super funds, which charge similar or, in many cases, higher fees. The fee has been set in line with the actual cost of administering accounts so there is no profit component. The money generated by the fee goes straight to paying APSS administration expenses.

The super outlook (continued)

New super tax rules start on 1 July 2017

“What should I be doing about the new super tax rules coming in on 1 July?”



In previous issues of Insight, we have reported on the government’s new super tax rules, announced in the May 2016 Federal Budget, passed into law last November, and generally starting from 1 July 2017. There’s more information in a fact sheet we’ve prepared called *Super tax changes in 2017*, which can be downloaded at apss.com.au under the ‘Publications & Forms/Fact sheets’ tab.

The changes mostly impact higher-income earners, those with super balances over \$1.6 million, and members transitioning to retirement. For example, members transitioning to retirement with an APSS Pension will likely be impacted from 1 July 2017 when up to 15% tax will start to apply to their investment earnings.

Transitioning to retirement may therefore not be suitable for everyone, but that doesn’t mean it should no longer be considered at all. It depends on how old you are, what marginal tax rate you’re on, and other personal circumstances. You may still be entitled to continue to receive tax-free investment income on your pension if you’ve satisfied a condition of release (go to www.ato.gov.au and do a search for ‘conditions of release’). Personalised financial advice (see box to the right) might help you decide what’s best for you.

Need advice?

Are you uncertain about choosing an investment option or working out if you have enough insurance, or what the government’s latest super laws mean for you? Perhaps you just want someone to confirm you’re on the right track. If so, you should seek further advice that’s relevant for you.

All APSS members can access free general advice by contacting the APSS *SuperPhone* service on **1300 360 373**. Our service representatives are not licensed to provide personalised advice.

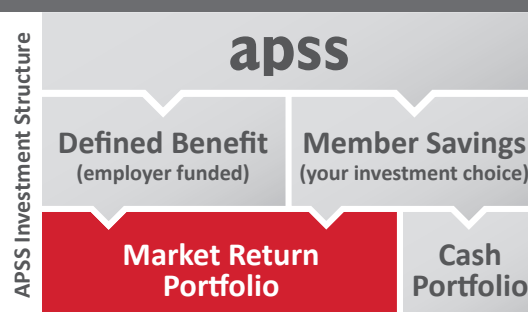
If you would like additional or personalised financial advice, you are free to choose any financial planner of your choice. The APSS Trustee has a relationship with State Super Financial Services Australia Limited, trading as ‘StatePlus’ (StatePlus), who are a licensed financial planning group.

General advice is available over the phone or a face to face appointment with a StatePlus financial planner at a location convenient to you. These services are particularly valuable for those considering retirement, resignation or redundancy. This initial consultation is provided without cost or obligation by StatePlus. To access these services, call **1800 620 305**.



The Market Return Portfolio

The crediting rates for Market Return Member Savings are determined by 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 on its portfolio.



Market Return Member Savings Crediting Rates to 31 March 2017

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	1.76%	6.90%	8.15%	8.27%
APSS Rollover	1.76%	6.90%	8.15%	8.27%
APSS Pension	2.01%	7.49%	9.24%	9.27%

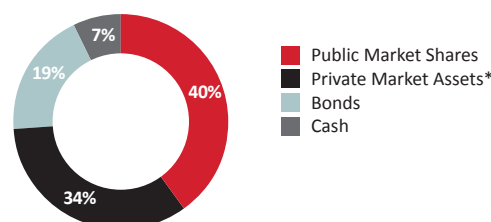
The compound crediting rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts (although this will change for those transitioning to retirement from 1 July 2017 when up to 15% tax will start to apply, as explained on page 5).

Behind the numbers

The Market Return Crediting Rate was close to 1.8% over the March quarter, bringing it to 5.7% over the 2016-17 financial year to date, and 6.9% for the 12 months to 31 March 2017. The crediting rates for APSS Pension Accounts are slightly higher because the investment earnings of these accounts are tax-free (although, from 1 July, Pension account holders with a Transition to Retirement pension account are liable to pay 15% tax on their investment earnings).

With just a few exceptions, share markets around the world continued their upward climb in the March quarter, encouraged by positive economic news in each of the major economic regions of North America, Europe and the Asia-Pacific. While the media headlines continued to highlight international political tensions, investors seemed more inclined to focus on expansionary economic policies in the U.S. and China, falling

Actual asset allocation for the quarter ending 31 March 2017



* Private Market Assets include private equity, property, infrastructure and private debt. Remember, the Trustee is progressively scaling down the Private Markets Assets in the Market Return Portfolio towards the target allocation.

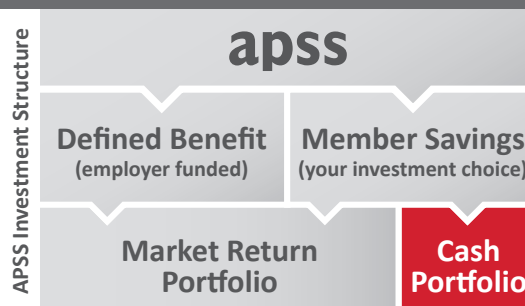
Important reminder: Past investment returns are not necessarily indicative of future investment returns.

unemployment in Europe and a recovery in energy prices. The U.S. Federal Reserve joined in by lifting its interest rate target in March, declaring in effect that the U.S. economy was ready for the gradual withdrawal of extreme monetary stimulus. Australia's share market rose in the March quarter, alongside overseas markets. Meanwhile, the Australian dollar appreciated by more than 5% against the US dollar, reflecting stronger iron ore prices.

The global share market rally delivered a 6% gain on the APSS's public market share portfolio, the biggest factor behind the quarter's crediting rate. On the negative side, the APSS's private market investments, which are mostly in overseas markets, gave up 2% in value on the strength of the Australian dollar. The bond and cash investments in the Market Return Portfolio made a small but positive contribution to the crediting rate.

The Cash Portfolio

The crediting rates for Cash Return Member Savings are determined by 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 currently provided by Australia Post that means crediting rates will not be negative, but with an expectation of lower relative returns in the long term.



Cash Return Member Savings Crediting Rates to 31 March 2017

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	0.41%	1.48%	1.83%	2.09%
APSS Rollover	0.41%	1.48%	1.83%	2.09%
APSS Pension	0.48%	1.74%	2.16%	2.51%

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 (although this will change for those transitioning to retirement from 1 July 2017 when up to 15% tax will start to apply, as explained on page 5).

Actual asset allocation for the quarter: Cash 100%

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

Behind the numbers

The Cash Return Crediting Rate follows the official cash interest rate set by the Reserve Bank of Australia (RBA). The RBA left the official cash rate at 1.50% through the March quarter and kept the rate on hold at its April meeting too. In its recent monthly statements, the RBA has noted an uplift in domestic and international economic growth expectations but has expressed concern about the growth of household debt, especially when compared with subdued income growth. This indicates that it will be very careful about lifting the official cash rate in the short-term, to avoid pushing highly-indebted borrowers into financial stress.

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 shown are net of tax on investment earnings.

How to contact the APSS

Call **SuperPhone** 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.

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