

Your APSS Annual Report

For the year to 30 June 2018



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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.

About this report

This report is your annual update on the investment performance, management and financials of the Australia Post Superannuation Scheme (APSS). This report covers the 12 months to 30 June 2018 (2017-18).

As well as this, it also reports on progress made towards achieving the strategic objectives set by the APSS Trustee during the financial year.

This report forms 'Part 2' of your 2018 *Periodic Statement* and is available to you online at **apss.com.au** (under the 'Publications & Forms' tab). It can also be mailed to you free of charge by calling SuperPhone on **1300 360 373**.

'Part 1' of your 2018 Periodic Statement, which contains personal information to help you understand your benefits over the 2017-18 financial year, is sent to you separately in the mail. A copy of Part 1 is also saved automatically in your online account – go to **apss.com.au/MemberAccess** and login.

Do you need financial advice?

The APSS Trustee has a relationship with State Super Financial Services Australia Limited, known as 'StatePlus', a licensed provider of financial planning services. To access StatePlus services, call **1800 620 305**.

Please note that neither the APSS Trustee nor the Australian Postal Corporation endorses, recommends or guarantees any services provided by StatePlus. StatePlus is responsible for the advice given to APSS members under this arrangement.

Contact us if you need help with your super

If you need any help understanding this report or any details about your super in the APSS, please contact us:



SuperPhone 1300 360 373 to speak to an APSS Service Representative, Monday to Friday, 9.00am - 5.30pm (Sydney time).



apss.com.au
apss.com.au/MemberAccess



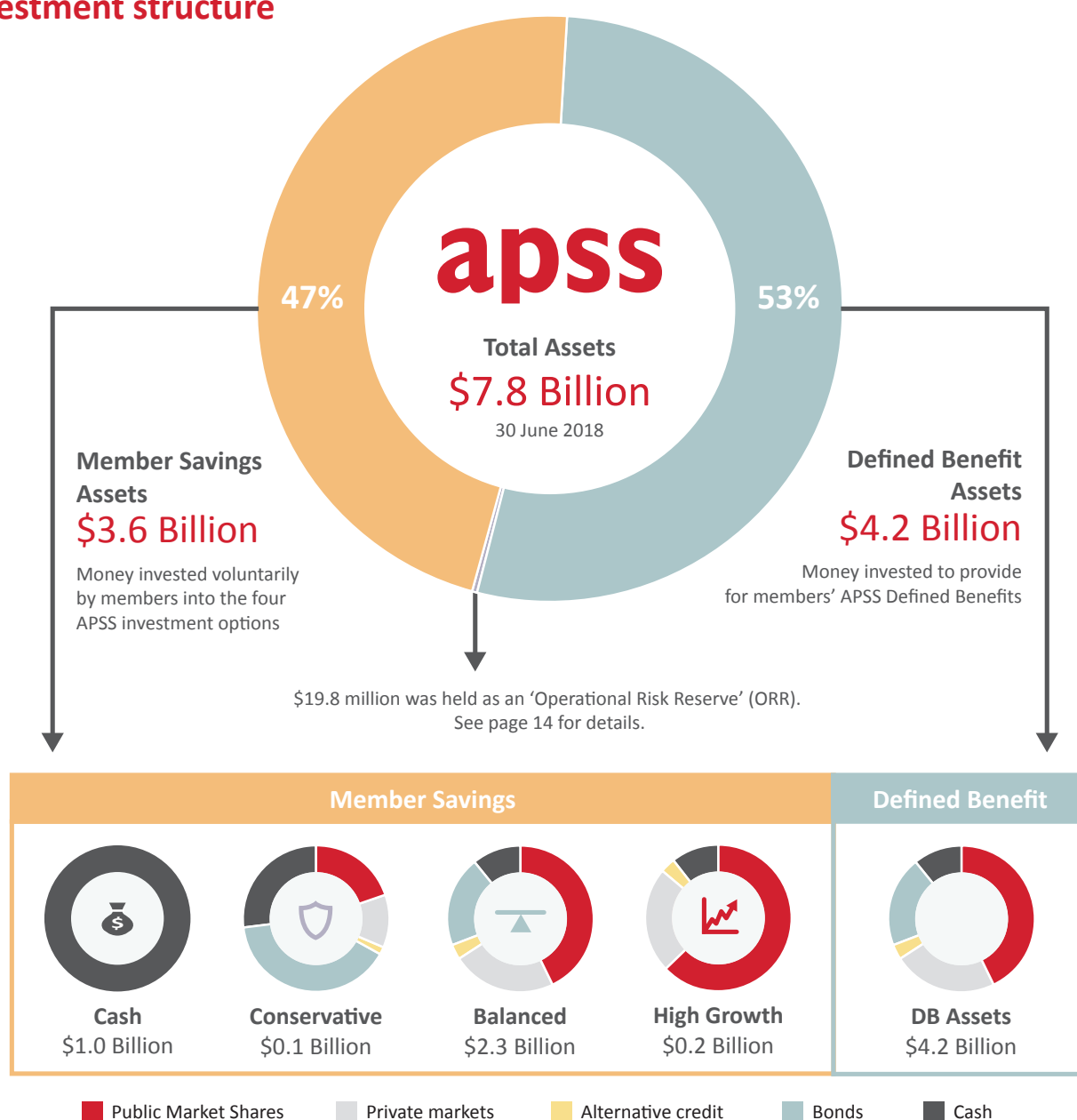
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Sydney South, NSW 1235

APSS snapshot as at 30 June 2018

Investment structure



See the interactive version of this diagram at apss.com.au to explore in more detail how your super is invested. You can find it under the 'Investments' tab by clicking on 'Asset Allocation' and finally on the 'Investment Structure' image on the right side of that web page under the 'How your super is invested' heading.

APSS membership at 30 June 2018

22,097 Defined Benefit members	465 Spouse members	33,569 APSS members as at 30 June 2018	54 years Average age of all APSS members
8,032 Rollover members	2,975 Pension members		

Helping you to enjoy a secure retirement

For 28 years, the APSS has operated with the single purpose of helping our members to enjoy security in retirement.

Now more than ever, Australians expect and demand that the financial institutions entrusted to hold and manage their lifetime savings do the right thing and prioritise the interests of their customers.

As your Trustee, we are the guardians of your superannuation in the APSS. Our foremost duty is to do all we can to ensure the APSS remains a strong and safe super fund in which to build and hold your retirement savings, with tools and information to help you make confident, well-informed decisions about your financial future.

APSS is here to help you

Among our very top priorities is to help you to connect with and take control of your super.

Through the dedicated APSS helpline, you can access over-the-phone advice about your benefits and options, or find out how to arrange personal advice about your super and financial well-being.

You will also find a wealth of up-to-date information on our website, apss.com.au. You can see your current APSS benefit details and make use of an online retirement income calculator by logging into the secure members-only section.

To keep you up to date, we are continuing to publish our quarterly online *Insight* newsletter and email bulletins. If you have not already, it is quick and simple to obtain your login details and register your email address at apss.com.au/MemberAccess.

Investing your savings carefully

The 2017-18 financial year was the first in which we offered you a simple range of four investment options to choose how your own member savings are invested. The Cash, Conservative, Balanced and High Growth options sit alongside the defined benefits provided by APSS sponsoring employers. We were glad to see more APSS members making active decisions about which option(s) best match their personal objectives.

Despite some bouts of volatility, shares and other growth investments once again delivered robust gains during the 2017-18 financial year. Meanwhile, historically low interest rates kept returns on lower-risk cash and bond investments well down.

The gains earned on each of the four APSS investment options in 2017-18 faithfully reflected their allocations between higher-risk 'growth' assets and lower-risk 'income' assets. You can find the details about how each option performed on pages 6 and 10.

As always, we encourage you to think about your own investment goals, time horizon and comfort with market ups and downs before choosing an investment option for your member savings. And remember that APSS defined benefits are not affected by investment risks.

Thank you

On behalf of your Trustee, I thank you for entrusting the APSS with your super. We look forward to helping you continue to build a secure financial future for yourself and your loved ones.

Mark Birrell

Independent Director and Chairman
PostSuper Pty Ltd

Your Trustee – PostSuper

A trustee is the legal entity responsible for operating a super fund. The APSS Trustee is PostSuper Pty Ltd, which has seven directors. Here are the details of the Trustee directors in 2017-18, and the rules governing their appointment and removal.

APSS Trustee Directors at 30 June 2018



Independent Director and Chairman

Mark Birrell

Appointed by the following directors:



Member Representative Directors

Gregory Rayner

Appointed by CEPU¹

Michael Tull

Appointed by CPSU²

Bryan Watkins

Appointed by ACTU³

Member Representative Directors are appointed to represent members. There are rules approved by the Trustee to deal with the process for the appointment and removal of these directors. A copy of these rules is available from the 'APSS Governance page' at apss.com.au (under the 'About' tab), or may be obtained by calling SuperPhone on **1300 360 373**. In accordance with these rules, one Member Representative Director is nominated by each of:

1. Communications Electrical Plumbing Union of Australia (CEPU)
2. Community and Public Sector Union (CPSU)
3. Australian Council of Trade Unions (ACTU)

Terms of appointment

All directors are appointed for a term of no more than three years, at which time they are eligible for reappointment. Member Representative and Employer Representative directors may be removed or replaced at any time at the discretion of the organisation that nominated or appointed them or if they resign or retire. The removal or replacement of the Independent Director and Chairman requires a resolution passed by a two-thirds majority of the other directors. The Independent Director may also resign or retire at any time.



Employer Representative Directors

Christopher Blake

Janelle Hopkins*

James Marshall

Appointed by Australia Post to represent the sponsoring employers of the APSS.

* Janelle Hopkins was appointed by Australia Post on 31 May 2018, replacing Michael Tenace who resigned on 30 May 2018.

Trustee's Committees

The Trustee has a number of committees assisting it to perform its duties. These committees are the:

- Audit, Risk & Compliance Committee
- Investment Committee
- Membership Committee
- Remuneration Committee

Trustee indemnity insurance

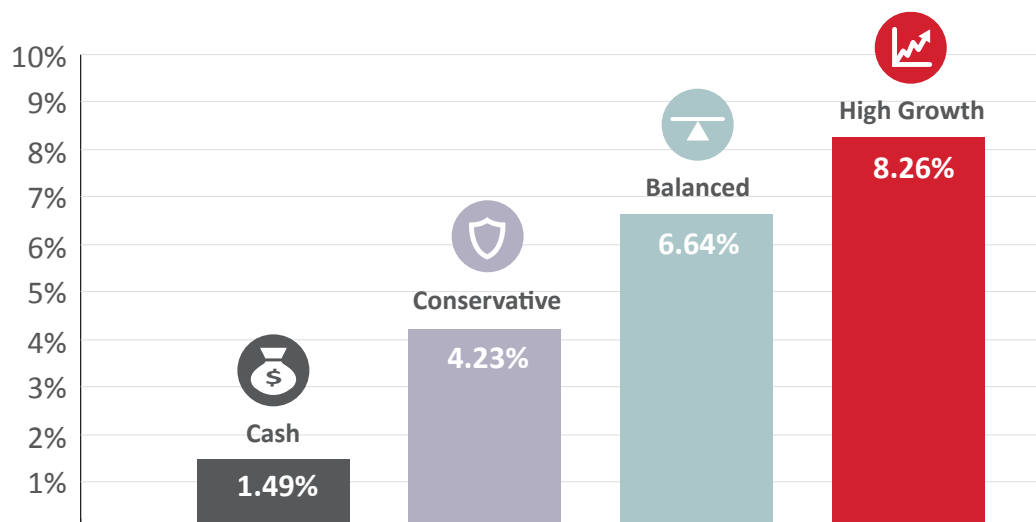
Trustee indemnity insurance is in place to protect the Trustee Directors and officers against certain financial losses arising from claims that may be lodged against the Trustee. The cost of this insurance is effectively borne by the APSS employer sponsors through their contribution obligations to the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

Investment returns for 2017-18

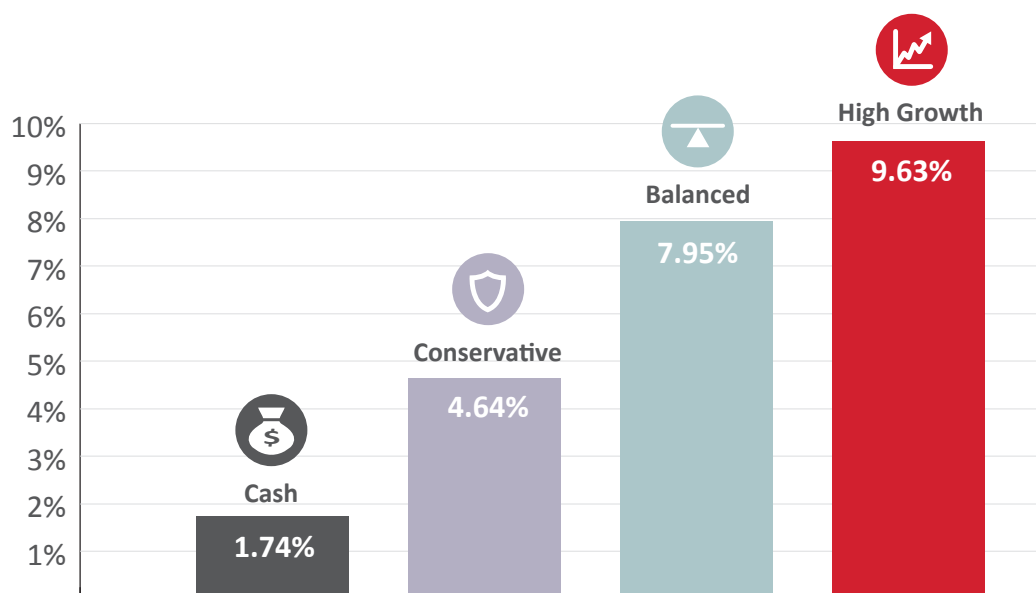
The 2017-18 financial year was the first in which your APSS Member Savings could be invested in up to four investment options – the Cash, Conservative, Balanced[^] and High Growth option.

Compound crediting rates – Year ended 30 June 2018

After investment costs and, where applicable, tax



Member Savings accounts and TTR Pensions*



Pensions (Tax-free earnings)*

[^] Balanced is also the APSS 'MySuper' option for Spouse and Rollover members with money invested in it.

* From 1 July 2017, 'tax-free' crediting rates apply only to APSS Pension accounts not used as Transition to Retirement (TTR) accounts. If your Pension account is a TTR account, the applicable crediting rates in 2017-18 are the 'Taxed' rates, as tax may be payable on your investment earnings.

Past crediting rates are not necessarily indicative of future crediting rates. Crediting rates exclude administration fees that apply to non-employee members with APSS Rollover, Spouse or Pension accounts. All rates are compounded using applicable fortnightly crediting rates. Crediting rates do not apply to members' APSS Defined Benefits. 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.



What are crediting rates?

Crediting rates are used to allocate investment returns to APSS Member Savings accounts, including APSS Rollover and Spouse accounts. They are also used to allocate investment returns to members with an APSS Pension, including those with a Transition to Retirement (TTR) pension.

Crediting rates represent the total investment earnings achieved by APSS investments, less investment costs and applicable taxes. APSS Pension crediting rates are not currently subject to tax on investment earnings, which is why they are higher than for Member Savings accounts and TTR pensions. Each investment option has a different crediting rate.

Crediting rates are declared fortnightly while interim crediting rates, calculated daily, are generally applied when benefit payments are made. Each annual crediting rate in the chart above represents the overall return of a set of these individual fortnightly rates, compounded throughout the 2017-18 year. This is why they're called 'compound' crediting rates.

There's more information on the investment objectives and strategies that determine investment returns, starting from page 10. More information about how crediting rates are applied is included in the relevant Product Disclosure Statement and, if applicable, the associated booklet, available online at apss.com.au in the *Publications & Forms* section, or call SuperPhone on **1300 360 373** and request a copy.

Crediting rates and Defined Benefits

Crediting rates do not generally apply to members' APSS Defined Benefits, which are calculated according to a formula that is based on salary and length of service rather than investment returns. However, some APSS Defined Benefits are impacted by 'other offset' accounts. Check your benefit statement (i.e. Part 1 of your Periodic Statement) to see if you have such an account. If you do, then you will see that a crediting rate, determined by the investment returns of defined benefit assets, is applied to that particular account, which is then offset against your APSS Defined Benefit.

Past investment returns

Historical annual crediting rates

Member Savings accounts, including Spouse and Rollover accounts

When considering investment performance for periods longer than the year to 30 June 2018, please remember that only the Cash and Balanced investment options existed before 1 July 2017, and they were called the 'Cash Return' and 'Market Return' options before that date. Also, the Conservative and High Growth investment options started on 1 July 2017 and so have no investment performance history before that date.

Period	Cash	Conservative	Balanced	High Growth
2017-18	1.49%	4.23%	6.64%	8.26%
2016-17	1.52%	n/a [^]	8.35%	n/a [^]
2015-16	1.69%		3.27%	
2014-15	2.13%		12.89%	
2013-14	2.14%		9.97%	
2012-13	2.56%		8.35%	
2011-12	3.85%		7.02%	
2010-11	4.03%		7.45%	
2009-10	3.21%*		0.10%	
2008-09	4.46%		-14.07%**	
3 years p.a.	1.57%		6.07%	
5 years p.a.	1.79%		8.18%	
10 years p.a.	2.70%		4.73%	
Since inception p.a.	3.02%*	4.23%	7.76%	8.26%

Important note: Past crediting rates are not necessarily indicative of future crediting rates. All rates shown in the above table are net of tax and investment costs.

[^] Not applicable (n/a). The Conservative and High Growth options started on 1 July 2017.

* Cash (then called the 'Cash Return' option) first became an option available to APSS Rollover members on 5 August 2009. The crediting rate for a Rollover member who invested on 5 August 2009 and remained invested at 30 June 2010 would have been 2.96% rather than the 3.21% shown in the table above. If that member remained invested from 5 August 2009 to 30 June 2018, the crediting rate would have been 2.51% for that period rather than the 3.02% shown in the table above. The crediting rate of 3.21% in the table above is what Cash returned for the full 12 months to 30 June 2010 for APSS Employee and Spouse members who had this option.

** Rollover account crediting rates were different to those that applied to Member Savings and Spouse accounts for the 2008-09 year due to an anomaly concerning the fortnightly crediting rate cycle that was a consequence of a transition from unit pricing (pre 1 July 2008) to crediting rates (from 1 July 2008). The crediting rate for a Rollover member for the 2008-09 year was -14.19% rather than the -14.07% shown in the table above. The pre-1 July 2008 unit pricing also affects the Balanced rate since inception, which was 7.40% rather than the 7.76% shown in the table above.

Calculating returns

Go to apss.com.au and click 'Investments', then 'Crediting Rates' under the 'Performance' subheading. This takes you to a tool that lets you customise the calculation of a return over various periods of time. Note that the tool expresses the return as a total return for a specific period you choose, rather than annualised as shown in this report.

Historical annual crediting rates

Pension accounts (including TTR crediting rates)

As explained on the previous page, remember that only the Cash and Balanced investment options existed before 1 July 2017, and they were called the 'Cash Return' and 'Market Return' options before that date. The Conservative and High Growth investment options started on 1 July 2017 and so have no investment performance history before that date. Please refer to the notes beneath the table for other important details.

Period	Cash		Conservative		Balanced		High Growth	
	TTR	Pension	TTR	Pension	TTR	Pension	TTR	Pension
2017-18	1.49%	1.74%	4.23%	4.64%	6.64%	7.95%	8.26%	9.63%
2016-17	1.79%		n/a^		9.50%		n/a^	
2015-16	1.99%				3.38%			
2014-15	2.50%				15.26%			
2013-14	2.52%				10.70%			
2012-13	3.20%				9.27%			
2011-12	4.58%				8.30%			
2010-11	4.80%				9.61%			
2009-10	3.42%*				0.17%			
2008-09	n/a^				-16.52%			
3 years p.a.	1.76%	1.84%			n/a^			
5 years p.a.	2.06%	2.11%	9.02%	9.29%				
10 years p.a.	n/a^		5.26%	5.39%				
Since inception p.a.	2.95%	2.98%	4.23%	4.64%	8.45%	8.52%	8.26%	9.63%

Important note: Past crediting rates are not necessarily indicative of future crediting rates. Historically, all APSS Pension accounts, including those used as Transition to Retirement (TTR) accounts, had the same crediting rates. This changed on 1 July 2017 when investment earnings on TTR accounts began to be taxed for the first time. TTR crediting rates shown in the above table are therefore net of tax and investment costs for 2017-18 while Pension rates are higher because they are not currently subject to tax on investment earnings. This then flows through to the applicable rates in the final four rows of the above table. Since inception Pension crediting rates (last row) are also affected by pre-1 July 2008 unit pricing.

- [^] Not applicable (n/a). The Conservative and High Growth options started on 1 July 2017. Also, for Pension members, the Cash option commenced on 5 August 2009, which is why the rates for the 2008-09 year are not applicable.
- * Cash (then called the 'Cash Return' option) first became an option available to APSS Pension members on 5 August 2009. The 2009-10 rate of 3.42% in the above table is, therefore, for the period from 5 August 2009 to 30 June 2010 (for Pension members invested in that option in this period).

Get quarterly crediting updates

Go to apss.com.au and click 'Investments', then 'Quarterly investment update' under the 'Performance' subheading; or download the latest edition of your member newsletter *Insight*. Crediting rates are updated the month after the end of each quarter. *Insight* also has quarterly updates on the financial market and economic forces shaping the numbers that represent your investment returns.

Investment objectives and risk

APSS Member Savings investment options



Cash

Objective: To achieve a positive return that matches the AusBond Bank Bill Index, net of tax.

Risk: This option is currently protected by a capital guarantee effectively provided by Australia Post, which means that the crediting rates cannot be negative. The minimum suggested investment time frame is 0-3 years.

How we did: The annual crediting rate for the Cash option met its objective for the 2017-18 financial year. The rate reflected the record low official cash interest rate of 1.50% maintained by the Reserve Bank of Australia throughout the 2017-18 financial year.



Conservative

Objective: To achieve a return that exceeds the inflation rate* by 1.5% p.a.

Risk: The estimated number of negative annual returns is expected to be more than 2 but less than 3 in every 20 years. The minimum suggested investment time frame is 3-5 years.

How we did: The Conservative option outperformed its investment objective over the 2017-18 financial year with an annual crediting rate of 4.2% (after tax), which exceeded the 2017-18 inflation rate* by 2.1%. To limit the risk of losses, the Conservative option is mostly invested in cash and bonds, which yielded positive but low returns on the back of very low market interest rates. Growth investments, which form a smaller proportion of this option's investment portfolio, helped to boost the crediting rate to achieve the outperformance.



Balanced

Objective: To achieve a return that exceeds the inflation rate* by 3% p.a.

Risk: The estimated number of negative annual returns is expected to be 5 in every 20 years. The minimum suggested investment time frame is 5-10 years.

How we did: The Balanced option outperformed its investment objective over the 2017-18 financial year with an annual crediting rate of 6.6% (after tax), which exceeded the 2017-18 inflation rate* by 4.5%. The Balanced option's crediting rate was powered by annual gains of more than 10% from shares and private markets. About a third of this option is invested in less risky bonds and cash, to keep it diversified in case of a change in market conditions. That lessened the overall return for the financial year, but also reduced the impact of share market volatility at times during the year.



High Growth

Objective: To achieve a return that exceeds the inflation rate* by 4% p.a.

Risk: The estimated number of negative annual returns is expected to be 5 in every 20 years. The minimum suggested investment time frame is 10-plus years.

How we did: The High Growth option outperformed its investment objective over the 2017-18 financial year with an annual crediting rate of 8.3% (after tax), which exceeded the 2017-18 inflation rate* by 6.2%. The High Growth option benefited the most from the 10%-plus gains earned by APSS investments in shares and private markets, but had to ride out a few months of volatility along the way.

* The inflation rate is measured by the Consumer Price Index (CPI). CPI measures changes in prices over time of a standard basket of goods and services. It rose by 2.1% over the 2017-18 financial year.



Defined benefit portfolio

Objective: To achieve a long-term average investment return of 5.0% each year (after taxes and costs), measured over rolling five-year periods.

Risk: The Trustee accepts the likelihood that the investment return may be negative 2-3 years in every 10 years; and the APSS Vested Benefits Index (VBI) is likely to fluctuate in a tolerance range of 90% to 110%.





How we did: APSS defined benefit assets gained 6.7% over the 2017-18 financial year, 1.7% more than its yearly investment return target. In combination with contributions made by Australia Post, the investment gain helped to maintain the APSS in a secure position to pay APSS Defined Benefits to members entitled to them. The APSS Vested Benefits Index (VBI) measures the ratio of the value of APSS defined benefit assets, to the total value of members' defined benefit entitlements. This gives an indication of the value of the assets that are available to pay out defined benefits whenever they're due. A ratio of 100% means that the assets and vested benefits are equal. The VBI started the 2017-18 financial year at 111.0% and rose to 114.4% at 30 June 2018. The surplus of assets over benefit obligations helps to protect the APSS when markets turn more volatile.

Important note

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 Balanced 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. Past performance is not a reliable indicator of future performance.

Investment strategies / asset allocation

The asset allocation is the distribution of assets in an investment portfolio between different asset classes. The tables below show the target and actual asset allocations for the Cash, Conservative, Balanced, High Growth and Defined Benefit portfolios as at 30 June 2017 and 30 June 2018.

	Asset class	Target Asset Allocation		Actual Asset Allocation		Target Ranges	
		30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018
 Cash	Public market shares	-	-	-	-	-	-
	Private markets	-	-	-	-	-	-
	Other growth assets	-	-	-	-	-	-
	Alternative credit	-	-	-	-	-	-
	Bonds	-	-	-	-	-	-
	Cash	100%	100%	100%	100%	100%	100%
 Conservative	Public market shares	n/a	20%	n/a	20%	n/a	10% - 30%
	Private markets	n/a	11.25%	n/a	12%	n/a	5% - 25%
	Other growth assets	n/a	-	n/a	-	n/a	-
	Alternative credit	n/a	3.75%	n/a	2%	n/a	0% - 7.5%
	Bonds	n/a	40%	n/a	40%	n/a	30% - 50%
	Cash	n/a	25%	n/a	26%	n/a	15% - 35%
 Balanced	Public market shares	40%	40%	42%	43%	20% - 60%	20% - 60%
	Private markets	30%	22.5%	31%	23%	20% - 60%	10% - 50%
	Other growth assets	0%	-	0%	-	0% - 20%	-
	Alternative credit	-	7.5%	-	3%	-	0% - 15%
	Bonds	20%	20%	18%	20%	10% - 30%	10% - 30%
	Cash	10%	10%	9%	11%	0% - 20%	0% - 20%
 High Growth	Public market shares	n/a	60%	n/a	63%	n/a	40% - 70%
	Private markets	n/a	22.5%	n/a	23%	n/a	10% - 50%
	Other growth assets	n/a	-	n/a	-	n/a	-
	Alternative credit	n/a	7.5%	n/a	3%	n/a	0% - 15%
	Bonds	n/a	-	n/a	-	n/a	0% - 10%
	Cash	n/a	10%	n/a	11%	n/a	0% - 20%
Portfolio where defined benefit assets are invested	Public market shares	40%	40%	42%	43%	20% - 60%	20% - 60%
	Private markets	30%	22.5%	31%	23%	20% - 60%	10% - 50%
	Other growth assets	0%	-	0%	-	0% - 20%	-
	Alternative credit	-	7.5%	-	3%	-	0% - 15%
	Bonds	20%	20%	18%	20%	10% - 30%	10% - 30%
	Cash	10%	10%	9%	11%	0% - 20%	0% - 20%

Note: The actual asset allocation is normally expected to fluctuate (go up and 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. Refer to pages 13-14 for descriptions of these asset types.

Trustee's investment strategy

The Trustee's investment strategy for the Conservative, Balanced and High Growth investment options, and the portfolio where defined benefit assets are invested, involves 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 perform poorly. The Balanced and High Growth investment options have been designed to have higher exposures to growth assets to target a higher investment return over the longer term, so may experience more shorter-term volatility. In comparison, the Conservative investment option retains a lower exposure to growth assets, targeting a lower investment return and is therefore also expected to be more stable.

The Trustee's investment strategy for the Cash investment option is different. The underlying Cash option investments 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.

With APSS defined benefit assets, the Trustee aims to formulate a strategy that has a high likelihood the APSS will have adequate liquidity to pay benefits and costs at all times as they become due; and delivers a relatively high expected long-term average net investment return. The Trustee accepts that to achieve its investment objective, the annual investment return is likely to be relatively volatile.

In February 2018, a new type of investment (called alternative credit) started to be added to the asset mix of three investment options (Conservative, Balanced and High Growth), and the portfolio where defined benefit assets are invested. On 16 February 2018, all members were sent a 'Significant Event Notice' letter to inform them about this. The letter explained that the APSS is taking a phased approach to gradually build the alternative credit allocation to a strategic target of 7.5% of the defined benefit portfolio, Balanced and High Growth investment options, and to 3.75% for the Conservative option. The current allocations to private markets will gradually reduce to make room for alternative credit in the asset mix.

Definitions of APSS asset classes

Following are definitions of the asset classes listed on page 12, and used to implement the Trustee's investment strategy as at 30 June 2017 and 30 June 2018.

Public market shares

Shares are investments in companies. When shares are listed on the Australian and international stock exchanges, they are called public market shares. Investment returns normally come from dividends that are paid to shareholders and when the price of shares increases or decreases. Public market shares have the potential to earn high returns over the long term, but their value can rise and fall a lot over the short term.

Private markets

Private market assets include investments in companies and assets that are not listed on a stock exchange. Private market investments can include private equity, real estate (or property), infrastructure and private debt (loans to businesses). Private market investments have the potential to earn high long-term returns but there is also more short-term risk than with defensive assets. Private market investment values normally don't fluctuate as much as public market shares can do over the short term, but they can't be bought or sold at short notice. So, investors have to be patient to gain the full value of these investments.

Alternative credit

Alternative credit was not applicable at 30 June 2017, but was at 30 June 2018. Alternative credit is a broad asset class that includes a range of income-generating debt investments that fall outside of traditional bonds and cash. Alternative credit investments can include high-yield bonds, bank loans, structured credit bonds, emerging-market debt, direct lending and specialty financing. Returns are potentially higher than for bonds, but there is also more risk in the short term.

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. These investments basically involve acquiring the right to receive interest and a repayment of the original amount of the money raised by the borrower. In the underlying

Other investment information

portfolios of the APSS Conservative, Balanced and High Growth investment options, this asset class includes fixed, floating or inflation-linked interest securities and cash. Returns can fluctuate over the short term but are usually more stable than shares.

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). Investment returns earned by cash investments are similar to the official cash rate set by the Reserve Bank of Australia (after tax, where applicable).

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 in case it ever has 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 2017-18 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 portfolio. The Trustee's investment objective, strategy and asset allocation for the Cash portfolio are set out on page 10, and pages 12 -13. 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; \$19.5 million as at 30 June 2017 and \$19.8 million as at 30 June 2018.

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 2018

Public market shares

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

Bonds and Cash

- Colchester Global Investors (appointed on 24 July 2017)
- Vanguard Investments Australia

Currency Hedging

- Macquarie Investment Management Global

Note: Investments in other assets (e.g. private markets and alternative credit) are made via trusts rather than an investment manager mandate.

More financial information

Investments greater than 5% of total APSS assets

Individual investments that held more than 5% of the total APSS assets during the 2017-18 financial year.

Asset name	APSS asset value (AUD)
Vanguard® Cash Reserve Fund	\$1,194,268,307
Vanguard® Cash Plus Fund	\$941,501,520
Alternative Investment Private Syndicate Fund A	\$877,364,164
Vanguard® Australian Fixed Interest Index Fund	\$453,493,241

Note: Each Vanguard® fund is a pooled investment vehicle (unit trust) that holds many underlying investments. The Alternative Investment Private Syndicate Fund A is a trust holding investments in private markets.

Abridged financial information

	\$ million	
Net assets available for member benefits as at 1 July 2017		7,650
Plus		
Net earnings from APSS assets	948	814
Increase/(decrease) in value of APSS assets	(424)	
Employer payments	174	
Money saved by members	44	
Money transferred to the APSS	72	
Less		
Benefits paid to members	(577)	(683)
Expenses	(12)	
Tax (expense)/benefit	(94)	
Net assets available for member benefits as at 30 June 2018		7,781

A copy of the full, audited 2018 APSS Annual Financial Report is available after the Trustee signs off on it in late September 2018. 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*.

Insurance, fees and costs

Insurance for employee members

Your APSS Defined Benefit effectively provides 'insurance' if you become totally and permanently disabled (TPD) or die before age 60. In particular, if you're a 14.3% member under age 60, an additional benefit will be paid on top of your defined benefit if you die or become TPD. This additional benefit is an amount which seeks to ensure that your total benefit payment is equivalent to the extra defined benefit you would have otherwise received if you had continued to work until age 60. There are no fees or insurance premiums associated with such death and TPD benefits. There's also an additional benefit payable to SG members, but only in case of death.

For details on the TPD and death benefits available to employee members, read the *Your Defined Benefit & Member Savings* PDS, which you can download at apss.com.au by clicking 'Product disclosure' under the *Publications & Forms* tab in the main menu.

Insurance in Spouse, Rollover and Pension accounts

Eligible Spouse and Rollover members of the APSS automatically receive a basic amount of insurance cover for death, Total and Permanent Disablement (TPD) and terminal illness, with the flexibility to either apply for more cover, or cancel their cover by opting out. Eligibility depends on a number of factors, including the size of your account balance, your age and Australian residency status. For details on the insurance coverage available, read the *Guide to your Member Savings*, which you can download at apss.com.au by clicking 'Product disclosure' under the *Publications & Forms* tab in the main menu.

Insurance is not applicable to APSS Pension accounts.

Fees and costs

An administration fee is deducted from the APSS Spouse, Rollover and Pension accounts of non-employee members every month or on a pro-rata basis for part months when leaving the APSS. This administration fee does not apply to employee members, even if they operate a Rollover or Pension account.

Following is a quick summary of the main fees and costs as they may apply to APSS members. For details, please read your Product Disclosure Statement, which you can download at apss.com.au by clicking 'Product disclosure' under the *Publications & Forms* tab in the main menu. Alternatively, call us on SuperPhone **1300 360 373** and we can send you a copy.

	Type of APSS membership			
Fee or cost	Employee	Spouse	Rollover*	Pension*
Administration fee	Nil	\$1.50 per week per account, plus 0.12% of your account balance each year.		
Investment fees and costs (including indirect costs)	Amount depends on investment option selected. These amounts are deducted from investment returns before crediting rates are calculated for Member Savings, Spouse, Rollover and Pension accounts (see pages 8 – 9) but do not generally apply to APSS Defined Benefits (see bottom of page 7).			
Insurance premium	Not applicable	May be applicable – See your Product Disclosure Statement.		Not applicable
Withdrawal ‘exit’ fee; buy/sell spread; switching fee; advice fee	Nil	Nil	Nil	Nil

*Administration fee is not applicable if you have a Rollover or Pension Account and are still an Employee Member.

Additional information

Where to get more information

More information can always be found in the APSS Product Disclosure Statement (PDS) for each membership category. PDSs are regularly updated to take into account any necessary changes. Copies of the most recent PDSs and other helpful publications can be downloaded from the website at apss.com.au or you can contact us. 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 contact details

As an APSS member, it is important that you keep the APSS updated with your current contact details, including your email address and mobile phone number. These communication methods are increasingly being used by the APSS to enhance member communications. To update your contact details, simply login to apss.com.au/MemberAccess or contact us.

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 or by contacting us.

Surcharge tax

Surcharge tax doesn't apply to the majority of APSS members. It's a tax that was abolished from 1 July 2005. If your *APSS Benefit Statement* (Periodic Statement Part 1) for 2017-18 includes no reference to it, then you were not affected by this old tax at 30 June 2018. If there is reference to surcharge tax on your benefit statement, then it relates to surcharge tax assessments from earlier financial years.

Most members still affected by surcharge tax have an APSS 'Surcharge Tax Account', which accrues with interest at the 10-year Commonwealth Government Bond Rate. If you have such an account, its balance represents the surcharge tax liability already paid by the APSS on your behalf that will be reclaimed from you as a deduction or offset from your APSS benefit when that benefit is eventually paid to you.

At 30 June 2018, surcharge tax was not applicable to any APSS Spouse, Rollover or Pension account.

Early release of superannuation benefits

Legal restrictions apply when it comes to 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 or by contacting us.

Providing feedback

You can send your feedback, ideas and suggestions anytime by contacting us.

Contact us

If you need any help understanding your super in the APSS, please contact us:



SuperPhone 1300 360 373 to speak to an APSS Service Representative, Monday to Friday, 9.00am - 5.30pm (Sydney time).



apss.com.au
apss.com.au/MemberAccess



sr@apss.com.au



APSS, Locked Bag A5005,
Sydney South, NSW 1235

Eligible Rollover Fund (ERF)

When 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 in the APSS, and alert them to the possibility that their benefit may be transferred to an Eligible Rollover Fund (ERF) if they do not provide instructions on what they would like to do.

We do the same for Spouse members whose spouse is no longer employed by Australia Post or the relevant Associated Employer, or who otherwise cease to be eligible to hold a Spouse Account. For APSS Pension members, the ERF does not apply.

Aside from annual reminders like this one, only one notification about the ERF may be sent to you, if/when relevant. If we receive no instructions from you within 60 days of writing to you about the ERF, your APSS benefits will be paid automatically to the ERF appointed by the Trustee as soon as practicable, unless we're prevented from doing so by law.

As at 30 June 2018, that ERF was the AMP® Eligible Rollover Fund. Here are the contact details if you need to get in touch with an AMP Contact Centre Representative:

AMP® Eligible Rollover Fund
Locked Bag 300, Parramatta NSW 2124
Phone: 131 267
Fax: 1300 301 267
amp.com.au/erf

®Registered trademark of AMP Limited ABN 49 079 354 519

The ERF provides a capital guarantee that ensures returns will never be negative, but provides no insurance cover for death or total and permanent disablement and is generally considered to be an unsuitable investment vehicle for a superannuation benefit over the long term. This is because it generally invests in assets with limited potential for long-term growth.

If your superannuation is transferred to the ERF, you forfeit your APSS membership and cannot re-join, and the Trustee ceases to administer your super, or pay any benefits to you. In this event, you must contact the ERF to access your superannuation. 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. Please contact the ERF if you require further details.

Tax File Number

Thank you to all members who have already provided the APSS with their Tax File Number (TFN). As at 30 June 2018, there were just five APSS (Rollover) members who had not provided their TFNs. A small number of Pension members over age 60 also have not provided their TFNs, but there is no legal requirement to hold those TFNs as their pension payments are tax free.

We are authorised by law to ask members for their TFNs. If you haven't done it yet, please complete and return the *Provide your Tax File Number* (TFN) form, available at apss.com.au or by calling SuperPhone **1300 360 373**.

Providing a TFN is voluntary, but it's important to do so. There are consequences for those that don't. For example, after-tax contributions made for them cannot be accepted, additional tax applies to any allowable before-tax contributions that can be made for them, and tax at the top marginal rate (plus the Medicare levy) may be withheld from any taxable portion of their APSS benefits. It may also be more difficult for them to trace different super accounts in their name.

The additional tax that may be deducted from before-tax contributions was 30% plus the Medicare levy in the 2017-18 year. However, this is not relevant in the APSS because every APSS member who can make before-tax contributions has already provided their TFN.

Procedures for inquiries and complaints

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

If you wish to make a complaint about a Trustee decision, please make it in writing by addressing an email or a letter to the 'APSS Inquiry and Complaints Officer.' There's also a complaint form you can request by calling SuperPhone on **1300 360 373**.

The contact details are:

APSS Inquiry and Complaints Officer
Locked Bag A5005
Sydney South NSW 1235
E-mail: sr@apss.com.au

If we have not resolved your complaint to your satisfaction 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
E-mail: info@sct.gov.au

From 1 November 2018, the SCT will be winding down to be eventually replaced by the Australian Financial Complaints Authority (AFCA), a new 'one-stop-shop' dispute resolution scheme. The SCT will continue to operate for a period of transition after AFCA's introduction to resolve outstanding complaints.

2018

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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)

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