



Your APSS Annual Report

For the year to 30 June 2019

Contents

About this report	2
APSS snapshot at 30 June 2019	3
Building a secure future on strong foundations	5
Your Trustee – PostSuper	6
Investment returns for 2018-19	8
Past investment returns	10
Investment objectives and risk	12
Investment strategies / asset allocation	14
Other investment information	16
More financial information	18
Insurance, fees and costs	19
Additional information	21

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 2019 (2018-19).

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 2019 *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 2019 Periodic Statement, which contains personal information to help you understand your benefits over the 2018-19 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



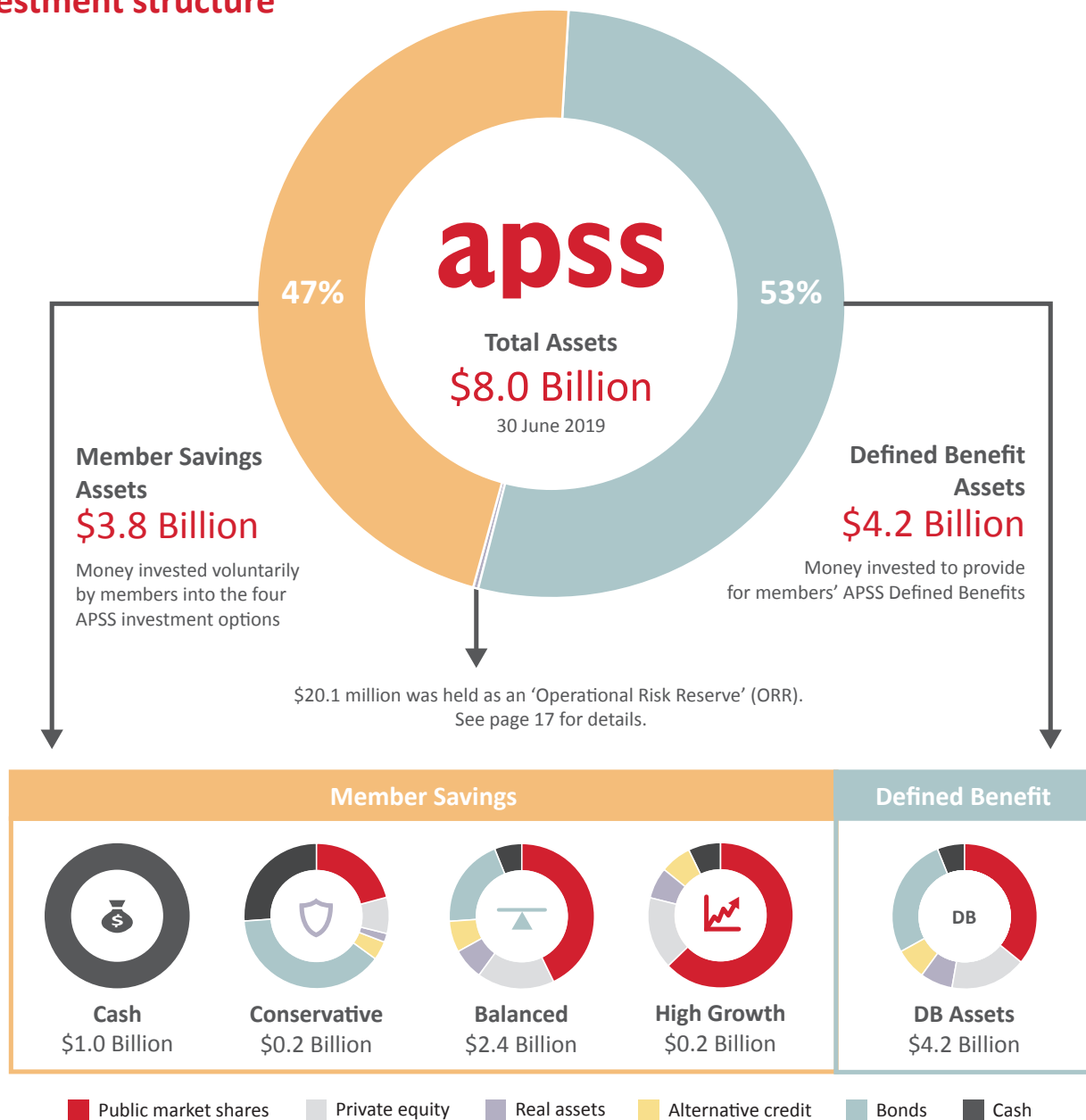
sr@apss.com.au



APSS, Locked Bag A5005,
Sydney South, NSW 1235

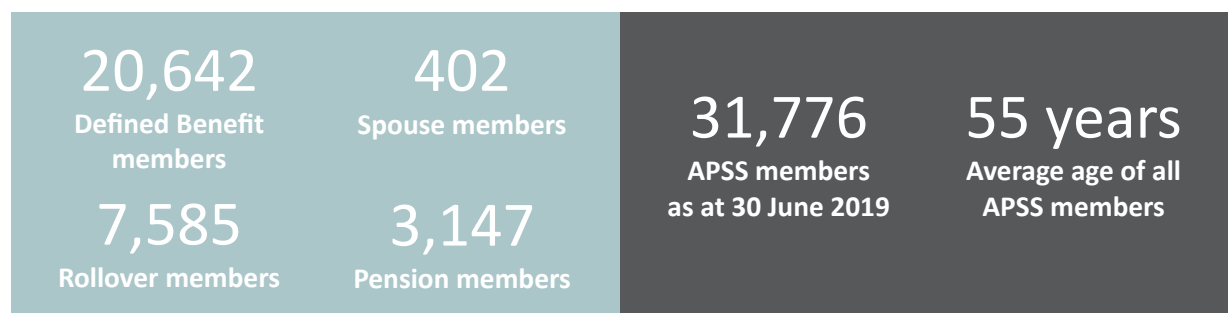
APSS snapshot as at 30 June 2019

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 2019





Building a secure future on strong foundations

The APSS steered a successful course through an eventful year for superannuation in Australia.

The recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry exposed what can go wrong if financial organisations don't always focus on the best interests of their customers or members. It was soon followed by new laws giving more powers to the financial regulators and changing the rules applying to insurance in superannuation. More changes can be expected in the year ahead.

New laws and regulations should make the super system stronger. As your Trustee, we take pride in living up to the legal standards there to protect you and, of course, we always strive to make it easier, simpler and more profitable for you to manage your retirement savings towards a secure financial future. Here are some of the highlights from a busy year in superannuation.

Protecting your membership

We recently made it easier for members to remain in the APSS after ceasing employment at Australia Post or an Associated Employer, or ceasing to be eligible to have an APSS Spouse Account. Now, even if you don't get around to instructing us that you want to keep your membership, your APSS benefit is automatically transferred to an APSS Rollover Account. This change ensures that you don't unintentionally lose your membership before you are ready to make that choice yourself, protecting it from lapsing accidentally.

Keeping you informed

In keeping with our goal to make super simpler, the theme of our APSS member seminars and our quarterly updates was *'Back to Basics'*, explaining how your APSS benefits work during your employment and retirement years. If you missed it, you can still find this information on our website at www.apss.com.au. We also wrote to you if you were affected by changes to the law concerning automatic insurance cover and low account balances.

We will continue to send topical updates and let you know about significant events through the new financial year – and remember that our APSS helpline team is there to answer your questions on **1300 360 373**.

Growing your retirement savings

Despite volatile financial market conditions during the year, our Conservative, Balanced and High Growth investment options each performed well to deliver crediting rates above their respective targets. Australia's record low interest rates meant that we had a more constrained, although stable, return for the Cash option. You can read more about how each Member Savings investment option performed during the financial year on page 12.

We continued to introduce new investments into the APSS's portfolios over the past year, with strategic allocations to 'real assets' added to the Conservative, Balanced and High Growth investment options and defined benefit portfolio at the start of 2019. Real assets include investments in property and infrastructure.

Securing your Defined Benefits

If you have an APSS Defined Benefit, you can rest assured that it is not affected by market volatility or interest rates, or by the recent changes to insurance in super. Your Defined Benefit increases in line with your years of employment and growth in your final average salary, which can never reduce. The APSS underwent a scheduled three-yearly review by its independent actuary last financial year, which confirmed that the defined benefits accrued by members and other liabilities were more than adequately covered by the assets available to pay them.

Thank you

On behalf of your Trustee, I once again thank you for entrusting the APSS with your super. We look forward to helping you continue to build a secure financial future for you 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, who are each required by law to perform their duties and exercise their powers in the best interests of members. Here are the details of the Trustee directors in 2018-19, and the rules governing their appointment and removal.

APSS Trustee Directors at 30 June 2019

	Trustee Director	Trustee's Committees
	Mark Birrell Independent Director and Chairman, appointed by the following directors.	Mark is a member of the Trustee's: - Remuneration Committee (Chair) - Investment Committee - Membership Committee
	Susan Davies Nominated by Australia Post.	Sue is a member of the Trustee's: - Membership Committee
	James Marshall Nominated by Australia Post.	Jim is a member of the Trustee's: - Investment Committee (Chair) - Audit, Risk & Compliance Committee (Chair) - Remuneration Committee
	Gregory Rayner Nominated by Communications Electrical Plumbing Union of Australia (CEPU).	Greg is a member of the Trustee's: - Membership Committee
	Bridget Sebire Nominated by Australia Post.	Bridget is a member of the Trustee's: - Investment Committee - Audit, Risk & Compliance Committee
	Michael Tull Nominated by the Community and Public Sector Union (CPSU).	Michael is a member of the Trustee's: - Investment Committee - Audit, Risk & Compliance Committee - Remuneration Committee
	Bryan Watkins Nominated by the Australian Council of Trade Unions (ACTU).	Bryan is a member of the Trustee's: - Membership Committee (Chair) - Audit, Risk & Compliance Committee

Rules for the appointment and removal of Directors

The governing rules of the APSS detail the requirements for the appointment and removal of each director. These governing rules can be downloaded at apss.com.au by clicking the main menu's 'About' tab, followed by 'Policies, reports & rules' and, finally, 'Trust Deed and governing rules.' These documents may also be obtained by sending an email to sr@apss.com.au or calling **1300 360 373**. In accordance with these governing rules, Employer Representative Directors are nominated by Australia Post and one Member Representative Director is nominated by each of the CEPU, CPSU and ACTU, as detailed on page 6.

Length of appointment

All directors are appointed for three years and are eligible for re-appointment at the end of that 3-year period. Directors may be removed at any time at the discretion of the organisation that nominated them. The removal or replacement of the Independent Director and Chairman requires a resolution passed by a two-thirds majority of the other directors. Any director, including the Independent Director, may also resign or retire at any time.

Director changes and re-appointments

The following appointments and re-appointments were made by the Trustee during 2018-19.

Director changes

- **Sue Davies** was appointed (Australia Post's nomination) on 25 February 2019. She replaced Christopher Blake who resigned on 21 December 2018.
- **Bridget Sebire** was appointed (Australia Post's nomination) on 7 June 2019. She replaced Janelle Hopkins who resigned on 3 May 2019.

Reappointments

- **Michael Tull** was re-appointed (CPSU's nomination), effective 7 July 2018.
- **Jim Marshall** was re-appointed (Australia Post's nomination), effective 16 December 2018.
- **Mark Birrell** was re-appointed, effective 1 April 2019.
- **Greg Rayner** was re-appointed (CEPU's nomination), effective 18 May 2019.

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

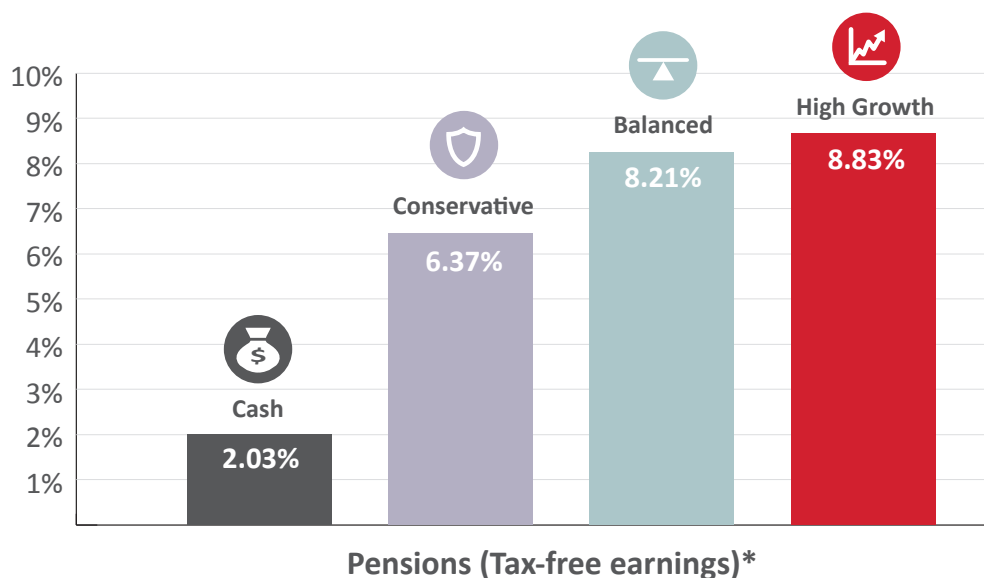
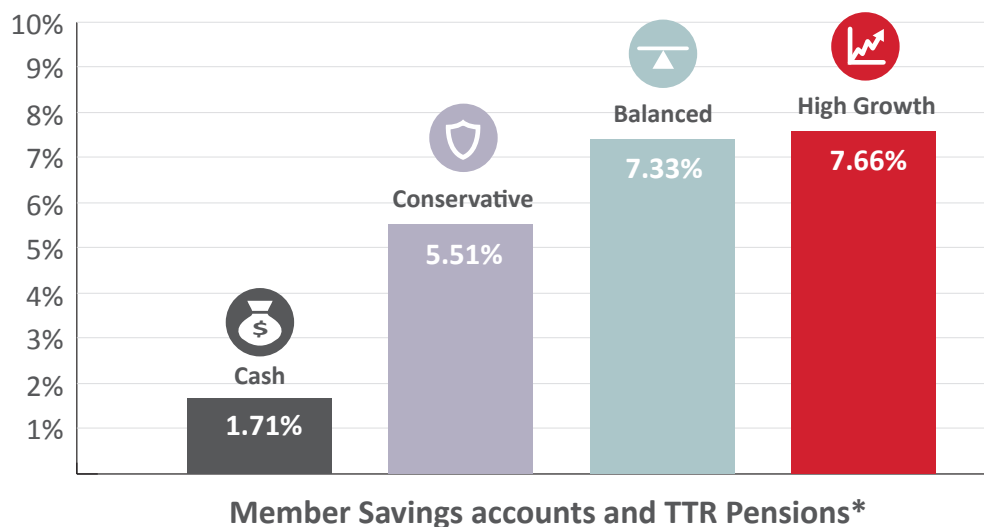
Trustee indemnity insurance is in place to protect the Trustee Directors and officers against certain financial losses arising from claims that may be lodged against the Trustee. The cost of this insurance is effectively borne by the APSS employer sponsors through their contribution obligations to the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

Investment returns for 2018-19

The 2018-19 financial year was the second annual reporting period 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 2019

After investment costs and, where applicable, tax



[^] 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 that are not being used as Transition to Retirement (TTR) accounts. If your Pension account is a TTR account, the applicable crediting rates in 2018-19 are therefore 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 for a particular year represents the overall return of a set of these individual fortnightly rates, compounded throughout the 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 14. 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 by calling SuperPhone on **1300 360 373** and requesting 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 historical annual crediting rates, 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
2018-19	1.71%	5.51%	7.33%	7.66%
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%	
3 years p.a.	1.57%		7.44%	
5 years p.a.	1.71%		7.65%	
10 years p.a.	2.43%		7.09%	
Since inception p.a.	2.91%	4.87%	7.74%**	7.96%

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 2019, the crediting rate would have been 2.43% p.a. for that period rather than the 2.91% p.a. 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.

** This rate of 7.74% p.a. applies only to APSS Employee and Spouse members. For Rollover members, 7.40% p.a. was the rate since inception. This is because, prior to 30 June 2009, crediting rates for Rollover members were different to the crediting rates that applied to Employee and Spouse members. This difference was due to a different inception date for Balanced (then called the 'Market Return' option); that is 1 January 1997 for Rollover members, rather than 1 July 1992 for Employee and Spouse members. Another key factor determining the discrepancy was the pre-1 July 2008 'unit price' method of calculating returns for Rollover members.

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		
2018-19	1.71%	2.03%	5.51%	6.37%	7.33%	8.21%	7.66%	8.83%		
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%					
3 years p.a.	1.66%	1.85%			7.82%				8.55%	
5 years p.a.	1.89%	2.01%			8.35%				8.79%	
10 years p.a.	n/a^		7.95%		8.17%					
Since inception p.a.	2.82%	2.88%	4.87%	5.50%	8.40%	8.50%	7.96%	9.23%		

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 periods from 1 July 2017, 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 and TTR members, the Cash option commenced on 5 August 2009, which is why the 10 year crediting rate is 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 that approximately 11-month 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 Bloomberg 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 2018-19 financial year, delivering 1.7%. The rate reflected a low official interest rate maintained by the Reserve Bank of Australia throughout much of the 2018-19 financial year, with the rate dropping from 1.5% to 1.25% in June 2019.



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 2018-19 financial year with an annual crediting rate of 5.5% (after tax), which exceeded the 2018-19 inflation rate* by 3.9%.

To limit the risk of losses, the Conservative option is mostly invested in cash and bonds, both of which yielded positive returns over the year. The minority allocations to share and other 'growth' investments also helped to boost the annual crediting rate.



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 2018-19 financial year with an annual crediting rate of 7.3% (after tax), which exceeded the 2018-19 inflation rate* by 5.7%. The Balanced option's crediting rate benefited from strong annual returns from shares and private equity, with investments in real assets and alternative credit also contributing positive returns. 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.



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 2018-19 financial year with an annual crediting rate of 7.7% (after tax), which exceeded the 2018-19 inflation rate* by 6.1%. The High Growth option benefited the most from the robust gains earned by APSS investments in shares and private equity, after riding out the bouts of market volatility through the year.

* 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 1.6% over the 2018-19 financial year.



Defined benefit portfolio

Objective: To achieve a long-term average investment return of 4.5% 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 earned 7.2% over the 2018-19 financial year, comfortably exceeding 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 2018-19 financial year at 114.4% and rose to 118.1% at 30 June 2019. The surplus of assets over benefit obligations helps to protect the APSS when markets turn more volatile.

Important note

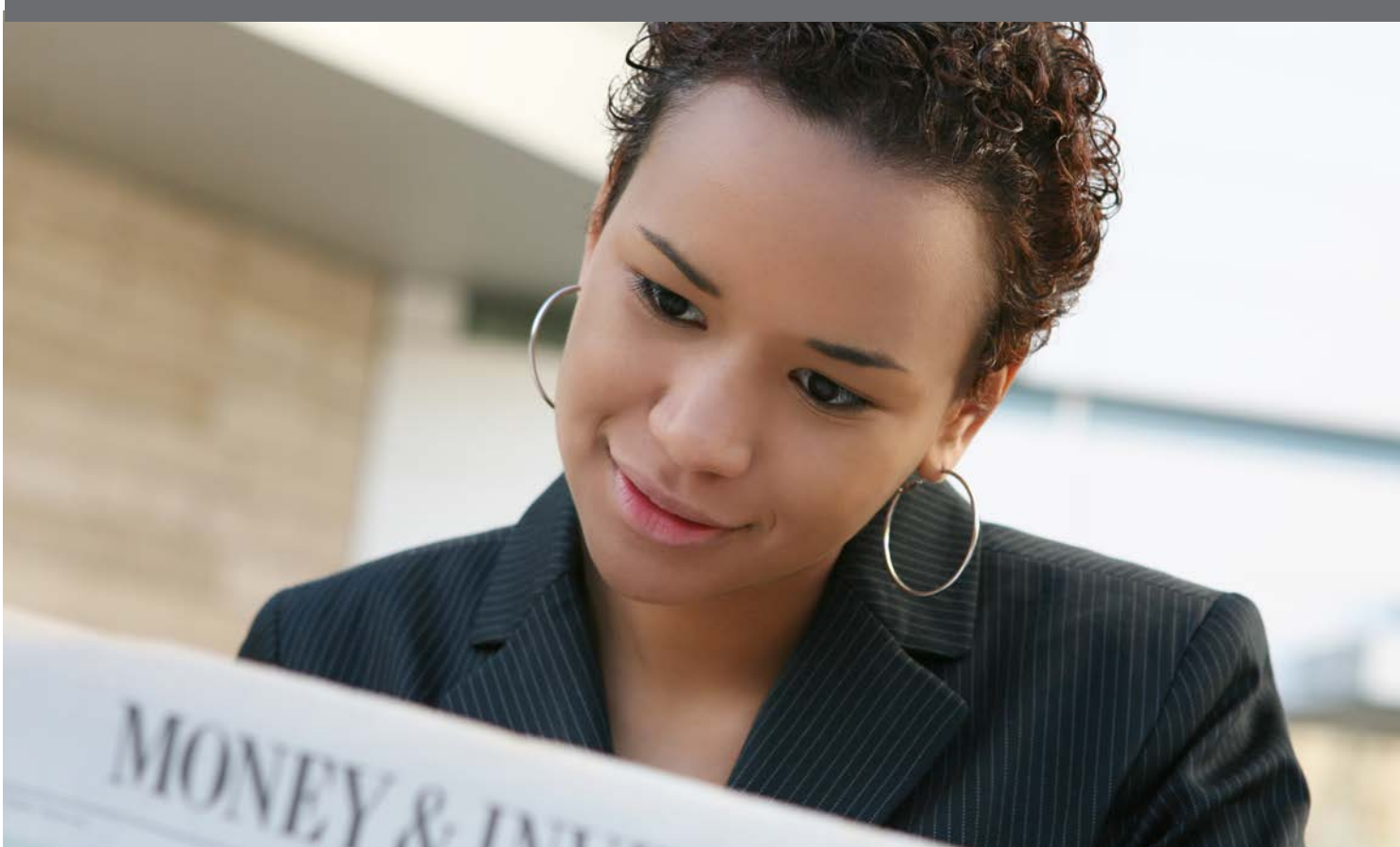
The Trustee cannot guarantee that its long term expectations will be met, because investment markets are unpredictable. Historically, the markets for long term investments like those in the Balanced Portfolio have had greater rises than falls in the long run, but this is not necessarily a guide to the 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 2018 and 30 June 2019.

	Asset class	Target Asset Allocation		Actual Asset Allocation		Target Ranges	
		30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019
 Cash	Public market shares	-	-	-	-	-	-
	Private equity	-	-	-	-	-	-
	Real assets	-	-	-	-	-	-
	Alternative credit	-	-	-	-	-	-
	Bonds	-	-	-	-	-	-
	Cash	100%	100%	100%	100%	100%	100%
 Conservative	Public market shares	20%	20%	20%	21%	10% - 30%	10% - 30%
	Private equity	11.25%	6%	12%	8%	5% - 25%	0% - 20%
	Real assets	-	5%	-	2%	-	0% - 10%
	Alternative credit	3.75%	4%	2%	4%	0% - 7.5%	0% - 8%
	Bonds	40%	40%	40%	39%	30% - 50%	30% - 50%
	Cash	25%	25%	26%	26%	15% - 35%	15% - 35%
 Balanced	Public market shares	40%	40%	43%	43%	20% - 60%	30% - 50%
	Private equity	22.5%	12%	23%	17%	10% - 50%	0% - 40%
	Real assets	-	15%	-	7%	-	0% - 25%
	Alternative credit	7.5%	8%	3%	7%	0% - 15%	0% - 15%
	Bonds	20%	20%	20%	20%	10% - 30%	10% - 30%
	Cash	10%	5%	11%	6%	0% - 20%	0% - 20%
 High Growth	Public market shares	60%	60%	63%	63%	40% - 70%	40% - 70%
	Private equity	22.5%	12%	23%	16%	10% - 50%	0% - 40%
	Real assets	-	15%	-	7%	-	0% - 25%
	Alternative credit	7.5%	8%	3%	7%	0% - 15%	0% - 15%
	Bonds	-	-	-	-	0% - 10%	0% - 10%
	Cash	10%	5%	11%	7%	0% - 20%	0% - 20%
Portfolio where defined benefit assets are invested	Public market shares	40%	30%	43%	36%	20% - 60%	20% - 40%
	Private equity	22.5%	12%	23%	17%	10% - 50%	0% - 30%
	Real assets	-	15%	-	7%	-	0% - 25%
	Alternative credit	7.5%	8%	3%	7%	0% - 15%	0% - 15%
	Bonds	20%	30%	20%	27%	10% - 30%	20% - 40%
	Cash	10%	5%	11%	6%	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 page 16 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 the 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.

From December 2018, a new type of investment (called real assets) 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 14 December 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 real assets allocation to a strategic target of 15% of the defined benefit portfolio, Balanced and High Growth investment options, and to 5% for the Conservative option. The current allocations to private equity will gradually reduce to make room for more real assets in the asset mix.

Other investment information

Definitions of APSS asset classes

Following are definitions of the asset classes listed on page 14, and used to implement the Trustee's investment strategy as at 30 June 2018 and 30 June 2019.

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 equity

Private equity assets are investments in companies not listed on a stock exchange. Private equity offers the potential to earn higher returns in the long-term but there is also more risk in the short term than with defensive assets. The value of Private equity investments normally does not fluctuate as much as the value of Public market shares over the short term, but Private equity assets can't be bought or sold at short notice. So, investors have to be patient to gain the full value of these investments. As at 30 June 2018, Private equity was part of an asset class we then called 'Private markets'.

Real assets

Real assets was not applicable at 30 June 2018, (when these assets were included among what was then called 'Private markets') but was at 30 June 2019. Real assets are investments in property and infrastructure (e.g. office buildings, shopping centres, roads, ports). Real assets have the potential to earn higher returns in the long term but there is also more risk in the short term

than there is with assets like Bonds and Cash. We won't be actually going out and buying an office building or shopping centre. Rather, the APSS will have a share of Real assets investments via publicly-listed securities and pooled funds. Real assets are considered to be growth assets.

Alternative credit

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 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 2018-19 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 12, and pages 14-15. 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, \$19.8 million as at 30 June 2018 and \$20.1 million as at 30 June 2019.

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 2019

Public market shares

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

Bonds and Cash

- Colchester Global Investors
- Vanguard Investments Australia

Currency Hedging

- Macquarie Investment Management Global

Note: Investments in other assets (e.g. private equity, real assets 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 2018-19 financial year.

Asset name	APSS asset value (AUD)
Vanguard® Cash Reserve Fund	\$1,072,317,554
Alternative Investment Private Syndicate Fund A	\$1,057,224,717
Vanguard® Cash Plus Fund	\$828,067,583
Vanguard® Australian Fixed Interest Index Fund	\$518,936,741

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 2018		7,781
Plus		
Net earnings from APSS assets	388	763
Increase/(decrease) in value of APSS assets	158	
Employer contributions	138	
Money saved by members	40	
Money transferred to the APSS	39	
Less		
Benefits paid to members	(543)	(612)
Expenses	(12)	
Tax (expense)/benefit	(57)	
Net assets available for member benefits as at 30 June 2019		7,932

A copy of the full, audited 2019 APSS Annual Financial Report will be available in late September 2019 after the Trustee approves the *APSS Annual Financial Report – 30 June 2019*, which you will be able to download at apss.com.au under the *About* menu by clicking on *Policies, reports and rules* and then selecting *Reports*. Please note that the net assets at 30 June 2019 shown above take account of \$0.1 billion of liabilities, including tax liabilities, which are not included in the \$8.0 billion of total assets depicted on page 3.

Insurance, fees and costs



Insurance for employee members

Your APSS Defined Benefit generally 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, account activity, your age and Australian residency status. From 1 July 2019, insurance is automatically cancelled for accounts that have been 'inactive' for 16 continuous months (e.g. have had no contributions or rollovers made), unless you have taken other necessary action that enables you to retain your insurance. For details on the insurance coverage available and cancellation due to inactivity from 1 July 2019, 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.

Insurance, fees and costs

Fees and costs (as at 30 June 2019)

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 with a Pension account or to employees with a Rollover account, if Australia Post or an Associated Employer is currently meeting its contribution obligations for that employee in the APSS.

Following is a quick summary of the main fees and costs as they have applied to APSS members as at 30 June 2019. For details, including updated information on fees and costs, 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 10-11) but do not generally apply to APSS Defined Benefits (see bottom of page 9).			
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 Pension Account and are still an Employee Member, or if you have a Rollover Account and Australia Post or an Associated Employer is currently meeting its contribution obligations for you in the APSS.

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 2018-19 includes no reference to it, then you were not affected by this old tax at 30 June 2019. 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 2019, 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. 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.

These members have always been given the option to remain in the APSS by opening an APSS Rollover Account, and instructing us to transfer their benefits to that account within 60 days of us writing to them seeking those instructions. Before 1 March 2019, if they did not provide us with their instructions within 60 days, their benefits were transferred to the AMP Eligible Rollover Fund (the ERF) after the 60th day. If that happened, their APSS membership would have ceased, with no ability to reactivate it.

As reported in your member newsletter, Insight, for the March 2019 quarter, we ‘turfed the ERF’, introducing a new process from 1 March 2019 that ensures you don’t unintentionally lose your APSS membership if you don’t provide us with your instructions within those 60 days. Under this new process, an APSS Rollover Account is automatically opened for you after the 60th day, with your money invested in the default Balanced investment option. Any existing APSS Member Savings you have will also automatically transfer to your new Rollover Account, but will continue to be invested in the same investment option(s) that previously applied. You will also keep your member number. A fact sheet has been included with your benefit statement (Periodic Statement Part 1) with more details about this, which serves as your official significant event notice.

If your benefits have been transferred to the ERF

If your benefits were transferred to the ERF before 1 March 2019, the Trustee no longer administers your super and holds no super benefits for you. You can arrange for benefits transferred to the ERF to be transferred to another approved fund or paid out to you subject to preservation requirements. However, you cannot transfer those benefits back into the APSS because your APSS membership has ceased and you cannot re-join.

To make such arrangements or for more information, you need to contact AMP:

Phone: **131 267**

Email: **askamp@amp.com.au**

Write to: **AMP Customer Service Centre
PO Box 300
Parramatta NSW 2124**

For information about the ERF, visit **amp.com.au** and search for ‘Eligible Rollover Fund’ to find relevant content.

Please be aware that the ERF 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. It does, however, provide a capital guarantee that ensures returns will never be negative.

Tax File Number

Thank you to all members who have already provided the APSS with their Tax File Number (TFN). As at 30 June 2019, 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 2018-19 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

Generally, 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 **Australian Financial Complaints Authority (AFCA)**, an independent body established by the Federal Government to review, consider and resolve complaints from consumers across the entire financial system, including the superannuation sector. AFCA will review Trustee decisions relating to Members (as opposed to Trustee decisions relating to the management of the APSS as a whole).

How to contact AFCA:

AFCA
 GPO Box 3
 Melbourne VIC 3001
 Phone: **1800 931 678**
 Email: info@afca.org.au
 Web: www.afca.org.au

2019

apss
AUSTRALIA POST SUPER SCHEME

Periodic Statement Part 2



Australia Post Superannuation Scheme
(ABN 42 045 077 895)

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

RSE Licence Number L0002714

APSS Registration Number R1056549

Issued: August 2019