May 2020

AUSTRALIA POST SUPER SCHEME

Significant Event Notice

Whenever there is an important change to information disclosed in your APSS Product Disclosure Statement (PDS), a 'Significant Event Notice' (SEN) needs to be sent to you. Certain SENs must be sent at least 30 days before the 'event' in question, while others may be issued up to 12 months after the event. We've collated the changes that you need to know about in this one SEN rather than sending you multiple letters. If you have questions about these changes, just email **sr@apss.com.au** or phone **1300 360 373**.

This SEN covers the following important changes:

1. **COVID-19: Early release of some of your super**
2. **COVID-19: Temporary reduction in the minimum Pension drawdown (Pension members only)**
3. **New way to make a binding beneficiary nomination**
4. **Investment changes (relevant to employee members who have an 'other offset account' only).**

COVID-19: Early release of some of your super

The primary purpose of super is to help you save money for your retirement, or to leave some financial protection for your loved ones if you die before retirement. Generally, you cannot withdraw your super in cash before you reach your preservation age, which is between age 55 and age 60, depending on your date of birth. For more information, go to **apss.com.au** and click 'Accessing your super' under the 'About' tab.

There are, however, some limited circumstances in which you can access part of your super early. Members continue to be able to access their super early in cases of severe financial hardship or on compassionate grounds. Further, as part of the Government's economic response to the Coronavirus (COVID-19) pandemic, from mid-April 2020, if you are eligible, you may be able to access up to $10,000 of your super in the current 2019-20 financial year, and a further $10,000 in the 2020-21 financial year to help you deal with the adverse economic effects of COVID-19. For further details, please go to the:

- 'Supporting Individuals and Households' page on **treasury.gov.au/coronavirus**; and
- COVID-19 information page on **ato.gov.au**
- COVID-19 accessing your super page on **moneysmart.gov.au**

From 20 April 2020, applications for early release of super relating to COVID-19 can be made through the myGov website at **my.gov.au** where you can sign-in to your existing account or find information on creating an account if you don't have one.

Any such payments will be tax-free and will not impact on Centrelink or Veteran's Affairs payments.

Am I eligible for this early release of super?

To apply for early release of super to help you deal with the adverse economic effects of COVID-19, you will have to satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- on or after 1 January 2020:
  - you were made redundant; or
  - your working hours were reduced by 20 per cent or more; or
  - if you are a sole trader - your business was suspended or there was a reduction in your turnover of 20 per cent or more.

What impact will accessing my super today have on my eventual retirement benefit?

If you are withdrawing money from an accumulation account (e.g. your APSS Rollover or Spouse account), the impact will depend on your age now, the age you retire, your investment choice(s) and how much you withdraw. 'Moneysmart', the consumer website of the Australian Securities & Investments Commission (ASIC), has a useful 'Super withdrawal estimator' on its 'COVID-19 accessing your super' page, which can help you to calculate the impact on your retirement savings of accessing some of your super now due to COVID-19. You can search for the estimator on ASIC's **moneysmart.gov.au** website. Please also be aware of the potential impact on any insurance cover you have through your accumulation account. If the amount you access early leaves you with too low an account balance, your insurance cover might cease.

Note that the ASIC estimator does not work for defined benefit funds, including the APSS Defined Benefit. See below for more details on this. Also, any applicable insurance cover provided by your APSS Defined Benefit won't be impacted either.

How long will it take before I receive my early access payment?

Up to 5 business days, unless it is an APSS Defined Benefit, which involves a manual process that can take about 10 business days, from the date the APSS is notified of your request by the Australian Taxation Office.

So I can also get early access to my APSS Defined Benefit?

Yes, the Trustee has approved early access to your APSS Defined Benefit (up to the relevant $10,000 limit for each financial year) if you don't have any, or don't have enough, APSS Member Savings to draw on. Importantly, you must use any Member Savings that you have (including any money in an APSS Rollover Account), before using part of your Defined Benefit.

If you do access your Defined Benefit early, an 'other' Offset account will be set up for you. It's very important to understand how an offset account will impact your Defined Benefit when it is eventually payable to you.

The opening balance of your 'other' Offset account will equal the amount of your Defined Benefit that you access early and that balance will attract interest at the same rate as the Crediting Rate calculated from the Investment return of the Defined Benefit assets.
The Trustee's investment objective for the Defined Benefit assets aims to achieve a long-term average investment return of 4.0% each year (after taxes and costs). This is measured over rolling five-year periods. As this interest compounds over time, your offset account balance will increase by the time you retire, potentially very significantly. The ultimate balance will be offset against your APSS Defined Benefit entitlement when you come to start your retirement. Importantly, it won't just be offset by the amount you decide to take early; it will be that amount plus compounded interest added, as demonstrated in the example on the next page. This means that your 'other' Offset account will reduce your retirement benefit and if the interest rates applied are high enough, an APSS 'Other' offset account may actually grow faster than a Defined Benefit.

For more information on how offset accounts work, please refer to the fact sheet on *Using your APSS Defined Benefit to transition to retirement*, which can be downloaded at **apss.com.au** in the 'Fact sheets' under the 'Publications & Forms' tab. Although this is primarily written for members using part of their APSS Defined Benefit to transition to retirement, its description of how offset accounts work applies equally to any other Offset account created as a result of accessing an APSS Defined Benefit early.

Important!

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Example

'Alex', a 50-year-old member, has an APSS Defined Benefit today worth $100,000 and does not have an APSS Member Savings account. He decides to take $20,000 early under the COVID-19 early release measures (i.e. $10,000 in 2019-20, and another $10,000 in 2020-21). This triggers the creation of an APSS 'other' Offset account with an opening balance of $20,000, which starts attracting interest at the rate applicable to 'other' offset accounts. Let's assume a 4.0% p.a. average annual compounded interest rate applies. In 17 years' time, when Alex retires at the age of 67, the original $20,000 offset account balance will have grown, with interest to $39,000. Over those 17 years, Alex's Defined Benefit entitlement will also have grown to an assumed $378,300*. So Alex's Defined Benefit, adjusted for the other Offset account, would be $339,300:

$378,300 - $39,000 = $339,300

*Assumes Alex has a Final Average Salary of $70,000, receives 2% p.a. salary increases, and is a 14.3% APSS Defined Benefit Member who works full time to age 67.

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COVID-19:

Temporary reduction in the minimum Pension drawdown

Note: This is relevant only to members with an APSS Pension Account.

Pension members can choose the amount of income they receive each year, but there is a minimum limit that is set by the Government.

Minimum payment requirements

The minimum income drawdown requirement is the proportion of your APSS Pension account that the Government states you must be paid each financial year. The minimum income is calculated on 1 July each year as a percentage of your Pension account balance, and that percentage will depend on your age.

As part of the Government's economic response to the Coronavirus (COVID-19) pandemic, the Government is temporarily reducing the superannuation minimum drawdown requirements by 50% for the 2019-20 and 2020-21 financial years – see the comparison of the 'Default' and new 'Temporary' minimums in the following table:

Your age at 1 July	Minimum %	
	Default	Temporary
Under 65	4	2
65 - 74	5	2.5
75 - 79	6	3
80 - 84	7	3.5
85 - 89	9	4.5
90 - 94	11	5.5
95 or more	14	7

The Government believes this will provide support for retirees by helping them preserve their capital while still drawing an income from their superannuation.

For further details, please go to the:

- 'Supporting Individuals and Households' page on **treasury.gov.au/coronavirus**; and
- COVID-19 information page on **ato.gov.au.**

Example

Alison is 64 and has an APSS Pension account with a $100,000 balance at 1 July 2019. Her default minimum income percentage was 4% of her APSS Pension account, so her minimum income for 2019-20 would have been:

$100,000 x 4% = $4,000.

However, taking into account the temporary reduction in the minimum drawdown requirements due to the COVID-19 pandemic, Alison is only required to drawdown 2% of her account balance, which is $2,000 by 30 June 2020.

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New way to make a binding beneficiary nomination

From 1 April 2020, you can set your binding beneficiary nomination so that it won't lapse every three years.

When you die, the Trustee will pay the remaining balance of your account (and any insured benefit, if applicable), to one or more of your dependants and/or your legal personal representative (i.e. your estate) (Beneficiaries).

The APSS currently offers members two options for nominating Beneficiaries:

- Binding nomination (lapsing); or
- Non-binding nomination.

Binding nomination (lapsing)

A lapsing Binding nomination allows you to instruct the Trustee how to pay your death benefit if you die, but it has to be renewed every three years. As long as it's valid and in effect at the date of your death, your lapsing Binding nomination is legally binding, and the Trustee must pay your benefit to the Beneficiaries you have nominated in the proportions set out in your nomination (subject to certain exclusions such as family court orders). You can only nominate your Dependants or your legal personal representative as Binding Beneficiaries and to be valid, the nomination must be signed and witnessed by two people over 18 who are not nominated as Beneficiaries.

Non-binding nomination

A Non-binding nomination allows you to tell the Trustee who you would prefer your account balance to be paid to in the event of your death, and you can nominate more than one person. But, your choice is not legally binding, meaning the Trustee will use your nomination as a guide when deciding who will get your death benefit, but in the end, the Trustee decides who receives your APSS account balance and in what proportions, and not your Will (if you have one).

Non-lapsing Binding nomination

The new Non-lapsing Binding nomination will give members another option for nominating Beneficiaries and will allow you to instruct the Trustee on how to pay your account balance if you die. Provided your Non-lapsing Binding nomination has been validly made, it will be legally binding and the Trustee will be required to pay your death benefit to your nominated Beneficiaries in the proportions specified in your Non-lapsing Binding nomination.

Importantly, in contrast to a lapsing Binding nomination, this nomination will not lapse every three years. You can change or revoke a Non-lapsing Binding nomination at any time, but it will remain in place unless you do so.

Choosing to make a Non-lapsing Binding nomination will provide you with certainty about who will receive your benefit when you die and you won't need to update it every three years.

However, if you choose to make a Non-lapsing Binding nomination, it is important to keep it updated, especially if there has been a change in your circumstances, because we are required to comply with any valid Non-lapsing Binding nomination made.

Similar to a lapsing Binding nomination, you can only nominate your Dependants or your legal personal representative as Binding Beneficiaries and to be valid, the nomination must be signed and witnessed by two people over 18 who are not nominated as Beneficiaries.

You can set up or change your nomination, including a Non-lapsing Binding nomination, at any time by downloading the Binding nomination form at **apss.com.au** in the 'Print a form' section under the 'Publications & Forms' tab of the main menu. The form now includes the option to make either a lapsing or Non-lapsing Binding nomination – it's up to you.

Note: If you operate an APSS Pension, please note that Binding nominations cannot override any existing Reversionary Beneficiary nomination you have previously made. Call 1300 360 373 for details.

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Investment changes

Note: This is relevant only to employee members who have an 'Other Offset Account'

At the end of March 2020, the Trustee approved a recommendation to reduce the investment objective of the Defined Benefit (DB) portfolio's 'return' objective.

Please remember, the DB portfolio's investment return (i.e. crediting rate) has no financial impact on the APSS Defined Benefit for most members. This is because that entitlement is determined by a formula, rather than the investment returns of the portfolio.

The only exception is where a member has an 'Other Offset Account' (see 'What is an 'Other Offset Account'?' below).

Investment objective change

The Trustee's investment objective for the DB portfolio is to implement an investment strategy that has a high probability of allowing the APSS to pay benefits, as well as other costs as needed. This objective and the associated strategy remain unchanged, but the Trustee has now adopted a lower 'return' objective for the investment strategy. That particular objective, from 1 April 2020, is to achieve a long-term average investment return of 4.0% each year (after taxes and costs), measured over rolling five-year periods. Previously, that objective was to achieve a long-term average investment return of 4.5% each year (after taxes and costs), measured over rolling five-year periods. Please note, we cannot guarantee that the long-term target will be met because investment returns are unpredictable.

This adjustment was made following a recommendation by the Scheme Actuary to reset and align the return objective of the Trustee's investment strategy for the DB portfolio to the level of investment return required to allow the APSS to pay APSS DB to members and meet other financial obligations as needed.

Again, please remember that your APSS Defined Benefit is determined by a formula, not the investment returns achieved by the Defined Benefit portfolio.

No Strategic Asset Allocation (SAA) changes

No adjustment to the SAA of the Defined Benefit portfolio was required in order to target the new 4.0% p.a. investment return.

Effect on 'Other Offset Accounts'

If you have an 'Other Offset Account' (see 'What is an 'Other Offset Account'?' below), now or in the future, then this adjustment will have an effect on the rate of interest charged to it. In practice, because the adjustment is designed to further 'de-risk' the DB portfolio, the rate of interest should be lower than in the past. That should, in turn, reduce your risk because a lower rate of interest being charged to your APSS Other Offset Account should mean there's less to offset against your APSS DB (i.e. giving you a bigger entitlement). However, there is no guarantee this will be the outcome because the future performance of asset classes cannot be predicted.

What is an 'Other Offset Account'?

Because your DB is calculated at the time it is to be paid based on a specific formula, it is not possible to deduct amounts from your DB until it is paid to you. So we may set up an 'Other Offset Account' to record the amounts that need to be deducted from your benefit in the future.

You will have an 'Other Offset Account' if part of your APSS DB is paid to you on compassionate grounds (including early release as a result of the COVID-19 crisis) or due to severe financial hardship, or if you use some of your APSS DB to commence an APSS Pension while still in employment.

Interest is charged on an Other Offset Account at the crediting rate calculated from the investment return of the portfolio of DB assets.

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