

NOTIFICATION OF INVESTMENT CHANGES (RELEVANT TO EMPLOYEE MEMBERS WITH AN 'OTHER OFFSET ACCOUNT')

Whenever there is an important change to information contained in your APSS Product Disclosure Statement (PDS), by law the APSS must send you a 'Significant Event Notice' (SEN).

Certain changes must be notified to members at least 30 days before the change, while others may be notified up to 12 months after the change. This SEN falls into the second category as the changes have been in place from 29 November 2019.

What are the investment changes?

The Trustee has made two minor adjustments to the allocation of assets (called the 'Strategic Asset Allocation' or SAA) held in the Defined Benefit portfolio. This portfolio is invested and used to fund the payment of your Defined Benefit to you when you leave employment or retire.

Remember, the investment return of this portfolio **has no financial impact on most Defined Benefit members**. This is because the value of your Defined Benefit is determined by a formula, and is not impacted by investment returns of this portfolio. Your employer bears this investment risk and not you. The only exception is where a member has an 'Other Offset Account' (as explained below).

In November 2019, as part of its overall strategy to reduce the risk of assets it invests in the Defined Benefit portfolio, the Trustee adjusted the longer term asset allocation down slightly in public market shares and increased its allocation to bonds:

Asset Class	Previous (Pre 29/11/19)		New (From 29/11/19 – Current)	
	SAA	Range	SAA	Range
Public market shares	30%	20% - 40%	▼ 25%	20% - 40%
Private equity	12%	0% - 30%	12%	0% - 30%
Real assets	15%	0% - 25%	15%	0% - 25%
Alternative credit	8%	0% - 15%	8%	0% - 15%
Bonds	30%	20% - 40%	▲ 35%	20% - 40%
Cash	5%	0% - 20%	5%	0% - 20%

The current version of the PDS dated 1 July 2020, titled *Your Defined Benefit & Member Savings*, includes these new adjustments and can be downloaded at apss.com.au by going to the 'Product disclosure' section under 'Publications & Forms'.

As mentioned previously, these investment strategy adjustments pose no investment risk to your APSS Defined Benefit.

However, if you have an 'Other Offset Account' (see below) now or in the future, then these adjustments will have an effect on the rate of interest charged to it. In practice, because the adjustments are designed to 'de-risk' the Defined Benefit 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 Other Offset Account should mean there's less to offset against your APSS Defined Benefit (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'?

When you stop working, your APSS Defined Benefit is calculated based on a specific formula. It is not possible to deduct any amounts from your Defined Benefit prior to your ceasing employment.

If part of your APSS Defined Benefit is paid to you early on compassionate grounds or due to severe financial hardship, or if you use some of your Defined Benefit to commence an APSS Pension while you are still working, an 'Other Offset Account' is opened for you. This 'Other Offset Account' records the amount already paid to you (plus interest). The accrued balance of your Other Offset Account (including interest) is then deducted from the value of your Defined Benefit and the net balance is paid to you when you ultimately cease employment.

Interest is charged on the balance of your 'Other Offset Account' at the crediting rate calculated from the investment return of the Defined Benefit portfolio. This is why the change only affects you if you have an Other Offset Account (because it affects the amount of interest you pay on that offset account balance).

Do you have any questions?

If you have questions about this letter, just email sr@apss.com.au or phone **1300 360 373**.

Yours sincerely



APSS Member Services

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