



An Post
Superannuation Schemes 2011
Annual Report and Financial Statements

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Trustees and Other Information

Trustees

Patrick Gallagher (Chairman)
Sean Bregazzi
Anthony Harmon
Patrick Knight
Brian McCormick
Alan McGeehan (appointed 1 May 2011)
Charles O'Neill
Michael Tyndall (retired 21 March 2011)

Actuary

Michael Madden F.S.A.I.
Mercer Consulting
Charlemont Street, Dublin 2

Registered Administrator

Pensions Administration,
An Post, General Post Office, Dublin 1

Investment Managers

AllianceBernstein (ceased July 2011)
AXA Rosenberg (EAFE mandate ceased July 2011)
State Street Global Advisors (SSgA)
Irish Forestry Unit Trust (IForUT)
Irish Property Unit Trust (IPUT)
LaSalle Euro Growth II Sarl
Esemplia
PIMCO Europe Ltd
Rockspring Property Investment Managers LLP
Czech Asset Management LP (formerly FrontPoint Partners)
Alder Capital Limited
Goldman Sachs Asset Management
North American Forestry Investment Trust (NAFIT)

Custodian

The Bank of New York Mellon Asset Servicing BV
160 Queen Victoria Street, London EC4V 4LA, United Kingdom

Independent Auditor

KPMG
Chartered Accountants & Registered Auditor
1 Harbourmaster Place, IFSC, Dublin 1

Solicitor

Chief Legal Officer
An Post, General Post Office, Dublin 1

Bankers

Bank of Ireland
6 Lower O'Connell Street, Dublin 1

Secretary

Paul Dolan
An Post, General Post Office, Dublin 1

Registration Number

PB 43750

Trustees of the An Post Superannuation Schemes

1.



2.



3.



4.



5.



6.



7.



8.



1. Patrick Gallagher
2. Sean Bregazzi
3. Anthony Harmon
4. Patrick Knight
5. Brian McCormick
6. Charles O'Neill
7. Alan McGeehan
8. Paul Dolan

Chairman
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee
Secretary



Benefits are provided through two schemes, An Post Main Superannuation Scheme, 1990 and An Post Spouses' and Children's Contributory Pension Scheme, 1990.

Trustees' Report

1. Introduction

This Annual Report contains all the details and information required under the Pensions Acts, 1990 to 2002, the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 and the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised May 2007) (the SORP), together with some additional information which we feel will be of interest to members and other interested parties.

The An Post Superannuation Schemes ("the Schemes") are registered with the Pensions Board in accordance with Section 60 of the Pensions Act, 1990 as Public Service Defined Benefit Occupational Pension Schemes and the appropriate annual registration fee has been paid.

A summary of the investment strategy and valuation of the Fund is set out at pages 7 and 8 of the Trustees' Report under "Developments During the Year." A copy of the latest actuarial valuation is available to members on request from the Secretary of the An Post Superannuation Schemes, General Post Office, O'Connell Street, Dublin 1.

2. The Schemes

The Superannuation arrangements effective from 1 January 1984 (Vesting Day) for pensionable staff of An Post (the principal employer) are set out in an Interim Trust Deed dated 6 February 1986 and a definitive Trust Deed dated 12 November 1990. Benefits are provided through two schemes, An Post Main Superannuation Scheme, 1990 and An Post Spouses' and Children's Contributory Pension Scheme, 1990. These Schemes were approved by the then Minister for Communications on 11 June, 1990, by the Minister for Finance on 25 June 1990 and by the Revenue Commissioners on 14 February 1991. A booklet summarising the principal details of the Schemes has been distributed to all members.

An Post Main Superannuation Scheme, 1990 was amended by deed dated 28 July 1992 which provided formal schemes for (a) the purchase of notional service, (b) the granting of professional notional service and (c) the refund of marriage gratuities on re-employment. Ministerial and Revenue Commissioners' approval were received for these amendments. On 10 June 1997, the Trustees adopted the An Post Superannuation (Amendment) Scheme, 1997 which formalised the calculation and repayment mechanism in respect of the amount due from the Minister for Finance.

On 7 December 1999, the Trustees adopted the An Post Superannuation (Amendment) Scheme, 1999 whereby the Minister for Finance commuted his liability as calculated with effect from 30 November 1999 by the payment of €571 million into the Schemes. Consequently, the Schemes assumed responsibility for the payment of all pension entitlements of staff, as calculated at that time, for service given before and after Vesting Day. The pensionable entitlement of any member remains unaffected by these funding arrangements.

An Post Main Superannuation Scheme, 1990 was amended by deed dated 1 January 2002 whereby the Trustees agreed with An Post that all expenses formerly discharged by the Company under Clause 29(b) of the principal deed would henceforth be paid by the Trustees.

An Post Main Superannuation Scheme, 1990 was further amended by deed dated 13 February 2012 which took account of all legislative amendments to the Pensions Act 1990 not previously reflected in the Main Scheme and subsequent changes which occurred as a result of payroll agreements implemented by the Company. This deed entitled the An Post Main Superannuation Scheme (2011), 2012 reflected the relevant changes advised to members in a letter from the Trustees dated 11 July 2011. The changes were subsequently incorporated into the amended An Post Main Superannuation Scheme 2012 with an effective date of 1 January 2012. Both amendments were approved by the Minister for Communications, Energy and Natural Resources and the Minister for Public Expenditure and Reform on 13 February 2012. There have been no adverse changes to members' benefits, as a consequence of these amended Schemes.

Trustees' Report continued

If members wish to inspect any of the Schemes' documents or have any queries about the provisions of the Schemes or the entitlements thereunder, they should contact the Secretary of the An Post Superannuation Schemes, General Post Office, O'Connell Street, Dublin 1 (Telephone 01-7057594).

3. The Trustees

Stewardship of the Schemes' assets is in the hands of the Trustees. The current Trustees of the Schemes, at the date of signing of this report, are as set out on page 2 of this report. Mr Michael Tyndall retired as a Trustee on 21 March 2011 and Mr Alan McGeehan was appointed as a Trustee on 1 May 2011.

Trustee meetings are held at least quarterly and nine Trustee meetings were held during 2011. A minimum of two Trustees must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present.

The power to appoint and remove all Trustees is vested in the Company and this power must be exercised by deed. Three of the Trustees are selected by An Post and three of the Trustees are recommended for appointment by the members. The seventh Trustee, who also holds the position of independent Chairman, is selected by the Company.

In accordance with the terms of the Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) (No.3) Regulations, 1996 (SI 1996/376), the members have the right to select or approve the selection of Trustees.

The Pensions Act, 1990 outlines the general duties of Trustees which are:

- (a) to ensure, in so far as is reasonable, that contributions payable by the members and the employer are received;
- (b) to provide for the proper investment of funds;
- (c) to make arrangements for the payment of benefits;
- (d) to ensure that proper membership and financial records are kept; and
- (e) to comply with the requirements of the Pension Acts 1990 to 2006 as they apply to their scheme.

The Trustees and the administrator have access to appropriate training on their duties and responsibilities and, during the year, €6,335 (2010:€3,025) was expensed in relation to Trustees' training. The Trustees and the administrator of the Schemes have access to (i) the Trustee Handbook produced by The Pensions Board and (ii) the Guidance Notes issued by The Pensions Board from time to time in accordance with Section 10 of the Pensions Act, 1990. The Trustees are compliant with all Trustee training requirements.

4. Sponsoring Employer

The Schemes are provided for eligible employees of An Post. An Post's registered address is General Post Office, O'Connell Street, Dublin 1. The Main Scheme is primarily financed by An Post and details of contributions and other financial developments during the year are set out in the Trustees' report in paragraph 8 on the next page.

5. Contributions

Contributions were paid in accordance with the rules of the Schemes and were received in full within 30 days of the Schemes' year end. The Trustees are satisfied that appropriate procedures are in place to ensure that contributions payable are received in accordance with the legislative requirements set out under Section 58A of the Pensions Act, where applicable or within 30 days of the Schemes' year end and in accordance with the rules of the Schemes and the recommendation of the actuary. Please see note 13 to the Financial Statements regarding the late receipt of the February 2011 employee contributions.

6. Condition of the Schemes

The financial condition of the Schemes is dealt with below in “Developments during the Year” and in the Financial Statements, the Actuary’s Statement and the Investment Report section of this report.

7. Statement of Risks

Under the Occupational Pensions Schemes (Disclosure of Information) Regulation, 2006, the Trustees are required to describe the risks associated with the Schemes and to disclose these to members. A Statement of Risks, adopted by the Trustees, is included at Appendix 2 to this report.

8. Developments during the Year

The Trustees terminated both EAFE mandates with Alliance Bernstein and Axa Rosenberg in July 2011, due to poor investment performance. A period of transition took place during July and August, after which the funds were transferred to SSgA to be managed on a passive basis in the State Street Exempt Unit Trust funds.

Investment valuations fell during 2011 due to uncertainty in Europe surrounding sovereign debt and the banking crisis. As mentioned in last year’s annual report the Trustees invested in the Goldman Sachs currency fund in April 2011. In addition there were further investments in Venture Capital, following previous commitments made to invest with particular managers in this asset class.

In addition the Government introduced a Pension levy in the Finance (No 2) Act 2011 resulting in the Schemes paying Revenue €10.77m in September 2011. The Trustees agreed to pay this amount from the Schemes’ funds, pending the formulation of a funding proposal.

The Investment Report on pages 12 to 21 provides more detail on the performance of the Fund for the year.

The triennial actuarial review (an assessment of the actuarial position of the Schemes on a continuance basis) carried out as at 1 January, 2011 showed a deficit in the Fund and it was agreed that the An Post (“the Company”) contribution rate be 14.4% of pensionable pay, pending the submission of a funding proposal to the Pensions Board. The Trustees are required to submit an actuarial funding certificate to the Pensions Board every three years. The certificate states whether or not the Schemes’ assets are sufficient to meet the Schemes’ liabilities, in the event of a winding up of the Schemes. A copy of this certificate is included at Appendix 4, which states that the Schemes did not meet this test on the effective date 31 December 2011. The Trustees continue to monitor this position, with a view to agreeing a funding proposal with the Schemes’ Actuary and the Company. This proposal, once agreed, will be presented to The Pensions Board for consideration. The Pensions Board has further extended the time to submit a funding proposal to 31 December 2012 and the Trustees and the Company are currently working to deliver a proposal by this date. The financial position of the Schemes at the time of writing this report is broadly in line with the valuation at 31 December 2011.

During 2011, contributions and transfers totalling €61.4m (employer – €56.8m, employees – €4.6m) were due. Investment income net of investment management expenses of €3.3m amounted to €36.0m. Benefits and other payments (including the Pension levy) for which the Schemes were liable totalled €88.4m. Net movement in market value of investments resulted in a decrease of €89.9m of assets under management. The Schemes achieved a negative return of 3.7% on their investments in 2011, a year in which long bonds in general returned over 4% and global equities lost in excess of 3%.

Trustees' Report continued

At 31 December 2011, the net assets of the Schemes were valued at €1,760.0m. Details of the composition of the Schemes' net assets at 31 December 2011 are set out in the table below:-

	€'000
Quoted fixed interest securities	394,126
Unquoted equities	10,115
Unit trusts	1,202,612
Property pooled investments	84,033
Alternative Assets	44,312
Derivative assets	
Futures	3,841
Options	137
Swaps	71
Cash instruments	7,527
Cash on deposit	4,657
Other investment balances	(741)
Accrued investment income	7,771
Derivative Liabilities	
Forward Foreign Exchange (FX)	(2,239)
Total Investments	1,756,222
Current Assets	4,219
Current Liabilities	(433)
Total Fund	1,760,008

9. Membership Details at 31 December 2011

Employed	2011	2010
At 1 January	9,640	9,769
Additions	729	398
Leavers	(433)	(527)
At 31 December	9,936	9,640
Deferred Pensioners <i>(i.e. former staff of An Post who have preserved pension entitlements)</i>		
At 1 January	2,180	2,135
Additions	138	161
Leavers	(64)	(116)
At 31 December	2,254	2,180
Pensioners <i>(i.e. retired staff of An Post)</i>		
At 1 January	3,712	3,520
Additions	222	311
Leavers	(105)	(119)
At 31 December	3,829	3,712
Dependents <i>(i.e. widows, widowers and children of former staff of An Post)</i>		
At 1 January	1,272	1,254
Additions	80	82
Leavers	(75)	(64)
At 31 December	1,277	1,272

There are no members of the An Post Main Superannuation Scheme insured for death in service benefit only.

The increase in the additions to employed numbers is due to the fact that the casual staff with more than two calendar years service have now been recognised as members of the Schemes.

10. Subsequent Events

The Schemes remain underfunded and the Company is still in discussion with the group of Unions, with a view to agreeing a funding proposal to restore the Schemes to a fully funded position over the next number of years. Once agreement has been reached between the parties, and the Trustees and the Schemes' Actuary are satisfied with same, the proposal will be submitted to the Pensions Board for ratification. Members will be informed of developments, as soon as a proposal is finalised.

Markets have been volatile during the first five months of 2012, with the May valuation slightly above the year end valuation quoted in this report. The Trustees continue to review their investment strategy with a view to de-risking and, as a consequence, reducing the Schemes' performance volatility.

Trustees' Report continued

11. Taxation Status

The Schemes have been approved as an "exempt approved scheme" for the purposes of Section 774 of the Taxes Consolidation Act 1997 and so the Schemes' income and gains are generally exempt from taxation with the exception of a pensions levy which was effected by Section 4 of the Finance (No. 2) Act 2011 and which introduced a new Section 125B to the Stamp Duties Consolidation Act 1999.

12. Changes to the Rules of the Schemes

There have been some changes since the previous year in the information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006. The Trustees, as stated earlier on page 5 of this report, have made amendments to the An Post Main Superannuation Scheme, 1990. There have been no adverse changes to members' benefits, as a consequence of these amendments to the Schemes. The revision formalised administrative practice applied in previous years.

13. Pension Increases

During the year under review, no increases were granted to pensioners.

As a consequence, no increases were applied to deferred benefits, which remain a liability of the Schemes. There were no pensions or pension increases paid by or at the request of the Trustees for which the Schemes would not have a liability should they wind up.

14. Scheme Governance

Trustee Governance/Trustee Knowledge

All Trustees have received formal training by a recognised third party educational training course provider.

Each Trustee, on appointment, receives formal Trustee training as part of an induction programme. Serving Trustees are encouraged to continue to update their knowledge by attending further training seminars.

Training is provided in a number of ways, by a variety of service providers. The Actuary and other professional advisors provide training to some or all of the Trustees in routine Board meetings or in specially arranged training events. Trustees also avail of the Trustee Forum training sessions provided by the Irish Association of Pension Funds (IAPF) and update their knowledge via the on-line learning facility available on the Pensions Board's website www.pensionsboard.ie.

15. Internal Disputes Resolution

In compliance with Article 5 of the Pensions Ombudsman Regulations 2003, a procedure has been put in place to facilitate internal dispute resolution. Details of the procedure are set out in Appendix 3 to this report.

16. Conclusion

In order to produce the material for this report a considerable amount of research work was carried out on behalf of the Trustees by staff seconded from An Post and by our professional advisers. We are grateful to all concerned for their efforts.

On behalf of the Trustees

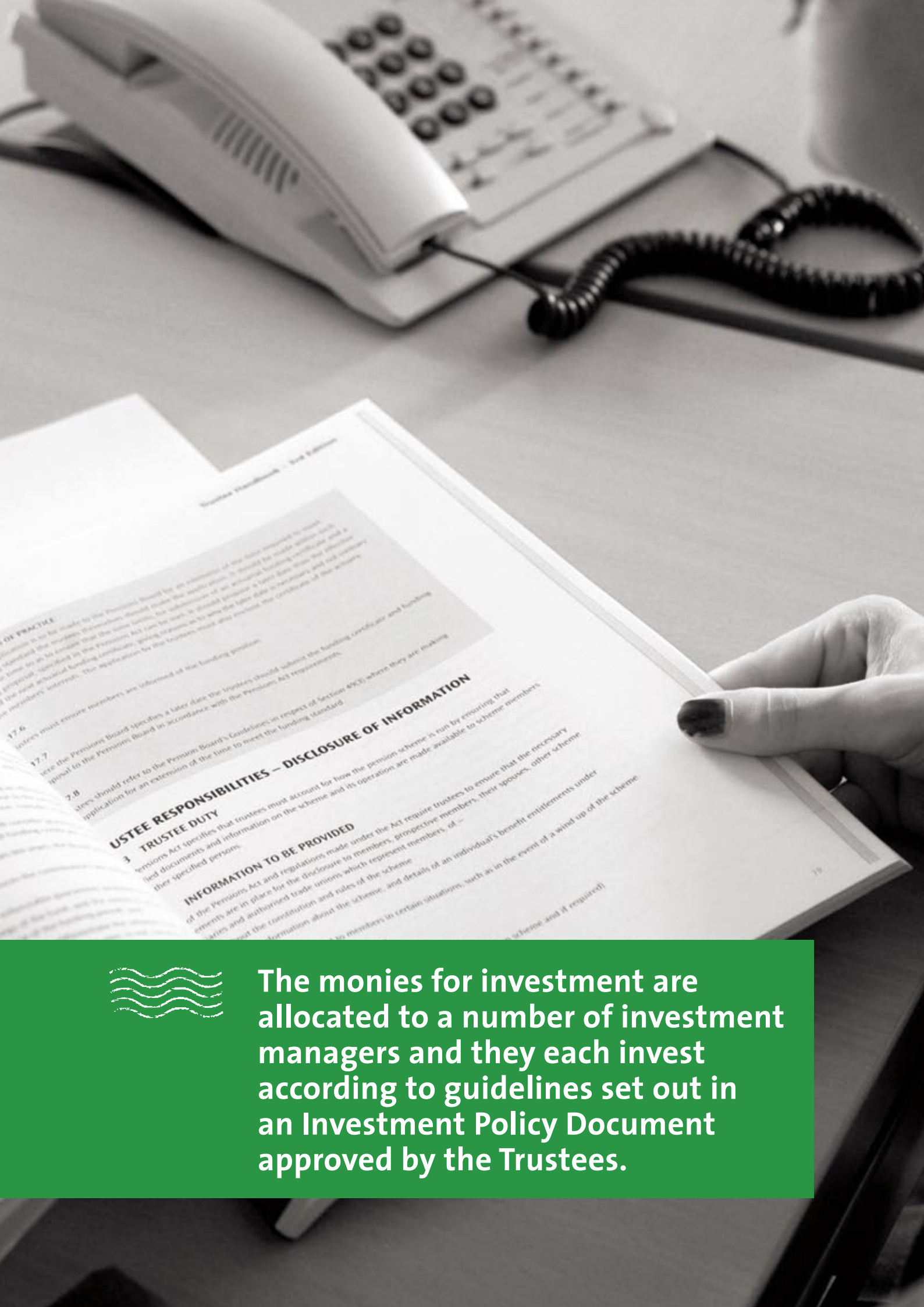


Patrick Gallagher
Trustee



Anthony Harmon
Trustee

28 July 2012



The monies for investment are allocated to a number of investment managers and they each invest according to guidelines set out in an Investment Policy Document approved by the Trustees.

Investment Report

Investment Policy

The assets of the Schemes are vested in the Trustees and, accordingly, are totally separated from the assets of An Post. Under the Trust Deed, the Trustees have full power to decide investment policy and to administer the funds at their disposal. The monies for investment are allocated to a number of investment managers and they each invest according to guidelines set out in an Investment Policy Document approved by the Trustees. They provide detailed quarterly reports to the Trustees and investment performance is monitored on a regular basis by the Trustees.

A significant change in investment strategy was implemented during 2011. The Trustees decided that the Schemes' core equity holdings should be managed passively. The two active global equity managers, Alliance Bernstein and Axa Rosenberg, appointed in 2005, had not met the Trustees' performance expectation. Both mandates were terminated and the assets were combined with the existing passive US equity mandate to create a passive global developed equity mandate. A Statement of Investment Policy Principles (SIPP), in accordance with Section 35 of the Pensions Act, 1995, agreed by the Trustees is detailed at Appendix 1. Four investment managers manage the following key mandates, which together account for the bulk of the Schemes' assets:-

- (1) passive global developed equity mandate - SSgA
- (2) active fixed interest mandate - PIMCO
- (3) passive fixed interest mandate - SSgA
- (4) active global small cap equity mandate - Axa Rosenberg
- (5) active emerging markets equity mandate - Eemplia

The Trustees have retained the property investments with State Street Global Advisors (formerly Bank of Ireland Asset Management), Irish Property Unit Trust, Rockspring PIM (Regulated), LaSalle Euro Growth II and Irish Forestry Unit Trust. The Fund is committed to an investment in a number of venture capital funds. The Trustees continue to invest in a number of alternative investments - in some cases the investment amount is called down by the manager over a period of time rather than an upfront investment. These investments include currency, direct lending, private equity and overseas forestry. Details of these new investments are on page 20 of this report.

Details of the investment holdings at 31 December 2011 are set out in the table overleaf.

Investment Manager	Assets (€'000)	% of Portfolio
AXA Rosenberg - Small Cap Equities	86,060	4.9
Esemplia - Emerging Markets Equities	121,106	6.9
State Street Global Asset Advisors - Equities and Bonds	995,466	56.7
PIMCO - Bonds	337,048	19.2
PIMCO - Bank Capital	31,222	1.8
State Street Global Advisors - Property	34,166	2.0
Rockspring PIM (Regulated) Limited - Property	19,983	1.1
La Salle Euro Growth II Sarl - Property	3,846	0.2
Irish Property Unit Trust	18,839	1.1
Irish Forestry Unit Trust	2,571	0.1
NAFIT - Property	5,016	0.3
Trustee Managed - Cash/Venture Capital	21,028	1.2
Blackstone Capital Partners - Private Equity	1,437	0.1
Miscellaneous Bonds	35,560	2.0
Alder Capital Limited - Currency	24,422	1.4
Goldman Sachs - Currency	13,011	0.7
Czech Asset Management LP	5,441	0.3
Total	1,756,222	100.0%

The Trustees regularly monitor the strategic asset allocation mix of the Schemes' funds (as set out in the Statement of Investment Principles at Appendix 1). A major transition of assets took place in September on foot of the change in investment strategy. The Irish equity holding continues to be reduced, with the year end holding valued at just 0.5% of net assets.

The overall asset allocation of the Schemes' funds at the end of 2011 was as follows:

Equities	52.6%
Bonds	38.8%
Property	4.6%
Alternatives	3.4%
Cash	0.6%.

The overall currency exposure of the Scheme's funds at 31 December 2011 was:

Euro	51%
USD	26%
GBP	5%
Yen	4%.

Other currencies account for the remaining balance of 14%.

Bank of New York Mellon Asset Servicing B.V. acts as global custodian for the Schemes.

Summary investment commentaries for the year, from each of the investment managers, are set out on pages 14 to 17 of this report. Commentaries on the performance of the property and forestry investment managers, together with updates on the investments in venture capital and miscellaneous bonds, and other investment programmes are set out on pages 18 to 21.

Details of how investment management fees are computed are set out under the "Expenses" heading in the Statement of Accounting Policies section of this report.

Investment Report continued

Statement from AllianceBernstein - EAFE mandate

Alliance Bernstein's mandate was terminated during 2011 as explained on page 7 under "Developments during the Year". The manager's final trading date was the last business day of July. From then until 1 September the portfolio was managed on a care and maintenance basis by the Custodian meaning no stocks were bought or sold.

The opening value of assets at 1 January 2011 was €235.7m. The value of the portfolio as at 31 July 2011 was €220.4m. The return on assets for these 7 months was -6.5%, underperforming the benchmark index which returned -3.6%. The manager's appointment commenced 31 October 2005 and the portfolio's annualised performance from the inception date to 31 July 2011 was -2.7% p.a. versus the benchmark return of 0.7% p.a.

Statement from Axa Rosenberg - EAFE and Global Small Cap Mandates

AXA Rosenberg Investment Management managed two mandates on behalf of the Scheme; EAFE Large Cap and Global Small Cap. The EAFE Large Cap mandate was terminated during 2011 as explained on page 7 under "Developments during the Year". The manager's final trading date for this portfolio was the last business day of July. From then until 1 September the portfolio was managed on a caretaker basis by the Custodian meaning no stocks were bought or sold.

The EAFE portfolio had an opening market value of €294.9m on 1 January 2011. There were no cash flows during the year and the closing value of the portfolio at 31 July 2011 was €282.4m. The performance for the first seven months of 2011 was -4.1% against the benchmark of -3.2%. The mandate originally commenced 5 October 2005 and the portfolio's annualised performance from the inception date to 31 July 2011 was -1.0% p.a. versus the benchmark performance of 0.8% p.a.

Axa Rosenberg retains the mandate to manage a Global Small Cap portfolio. The table below shows the performance of the Small Cap portfolio in 2011. The benchmark against which performance is measured is the S&P SmallCap Index Global.

	Portfolio	Benchmark	Value
Global Small Cap	-5.6%	-6.3%	€86.1m

The Global Small Cap portfolio had an opening market value of €90.1m, at 1 January 2011. There were no cash flows during the year. The closing value of the portfolio at 31 December 2011 was €86.1m. The portfolio out-performed the benchmark for the year by 0.7%.

Global equity markets in 2011 faced numerous crises and political uncertainty. Unrest in the Middle East, natural catastrophes, an unprecedented U.S. debt downgrade, heightened uncertainty over the European sovereign debt crisis and fear of a slowing global economy all combined to drive global equities lower. In 2011 the Small Cap index declined 8.6% in US dollar terms. The weakness of the euro versus the dollar meant that this return translated to a negative 6.3% in euro terms.

The Fund outperformed its benchmark by 0.7% for the full year 2011. A major challenge to active performance was the increased volatility and emotion-driven investor sentiment which put pressure on the fundamental link between future earnings and stock price. Accordingly, the manager's bias towards value focused investing was challenged.

Active sector exposures modestly detracted from performance. The underweight to healthcare was not rewarded as heightened market uncertainty drove investors to avoid the more cyclical sectors and pay a premium for the

perceived safety of the defensive sectors. The sector underweight to financials was a positive contributor as investors grew increasingly worried about the exposure of banks to the European sovereign debt crisis and the negative impact of slowing global economic growth.

Stock selection was the primary contributor to out-performance, particularly within the utilities, industrials and discretionary sectors. Because of the large number of stocks held in the portfolio, no one stock dominates return. The best performers contributed a maximum of 0.25% per stock to performance while the worst performers detracted no more than 0.23% per stock from performance.

The Small Cap portfolio holds 685 stocks out of an index of over 5,600 names. At year end, 53.2% of the portfolio's holdings were in the US; Japan was the next largest country holding at 9.9%; the Eurozone accounts for 9.4%; and 8.5% of the portfolio is in the UK.

Statement from Esemplia

Esemplia manages an emerging market equity mandate, which is invested in a pooled unitised fund.

The opening value of assets at 1 January 2011 was €159.8m. There were no cashflows during the year. The closing value of the portfolio at 31 December 2011 was €121.1m. The return on assets for the year was -24.3% compared with the benchmark return of -15.7%, an underperformance of 8.6%.

2011 was a challenging year for many equity managers, including Esemplia, with the market environment dominated by non-fundamental macro factors. These factors, exogenous to Emerging Markets, have had a disproportionate impact on the asset class with most stocks trading at distressed levels and market outflows over the period of US\$ 34 billion; reflective of short term sentiment, not the long term fundamentals of these markets.

With this backdrop the manager's investment style, which embodies a valuation anchor, was not favoured and as a result portfolio performance was challenged. Value as a style has been shown to outperform over the long term within Emerging Markets and the manager believes that their process remains the best way to approach the asset class.

During the year, even facing such challenges, the manager remained true to their style, approach and process. Esemplia continued to focus on its highest conviction investment ideas, which represented high quality, strong franchise names.

Esemplia's view of the asset class has not altered. The manager continues to believe in its sound fundamentals and the opportunity it presents for attractive investment opportunities even with excessive market focus on near term macro uncertainties dominated by the Eurozone.

The manager has seen a rebound in performance during the first few months of 2012, taking the opportunity to further reposition the portfolio so that performance holds during times of increased scepticism and market volatility.

The portfolio remains positioned in favour of countries/sectors/stocks which will benefit from domestically oriented growth. The manager believes that there will be a strong alpha recoupment over the coming year.

These factors, coupled with some incorrect stock selection decisions resulted in the underperformance against the broad index. In any year the manager would expect some stocks to come under challenge in the market. However 2011 proved to have an unusually high number of stocks which disappointed.

Investment Report continued

The portfolio invests in 22 countries defined as Emerging Markets, ranging from China, India and Brazil to Kazakhstan, Chile and Thailand. 54.6% of the portfolio's holdings are in Asia, with 22.8% in Latin America and 20.5% in the Europe/Middle East/Africa region (EMEA). There is a small cash holding of 2.2%. The largest individual country holdings are China (19.5%), Brazil (15.3%) and Korea 10.7%.

Statement from State Street Global Advisors (SSgA) – Passive Mandate

SSgA passively manage a portfolio of investments in State Street Exempt Unit Trusts, whose objective is to match the return generated by the relevant market index.

SSgA continue to manage the Irish Equity and Eurozone Bonds portfolios as before.

As part of the restructuring described on page 7 under “Developments during the Year”, SSgA were awarded a mandate to passively manage a portfolio of Global Equities. The existing US Equity portfolio was rolled into this new structure as part of the transition process. During the period of approximately 5 weeks from the end of July 2011 until the inception of the new mandate, the holdings were managed by the Custodian on a care and maintenance basis.

The individual fund returns for the year and the portfolio allocation as at 31 December 2011 are as follows:

	Portfolio Value	Portfolio %	Fund Performance
Global Equities	€708.7m	71.2%	9.8% (inception date is 9 Sept 2011)
US Equities	–	–	-3.5% (to end July 2011)
Irish Equities	€9.4m	0.9%	2.8%
Eurozone Bonds	€277.4m	27.9%	4.1%
Total	€995.5m	100.0%	

The opening value of the total assets of the portfolio, on 1 January 2011 was €554.1m. The closing value at 31 December 2011 was €995.5m

2011 was a turbulent year for many of the world's stock markets, against the background of a Eurozone sovereign debt crisis and economic uncertainty. Most major equity markets produced negative returns for the year, with Eurozone and Emerging Markets particularly weak. An exception was the US where a better tone to US economic data and the continuing resilience of corporate earnings led to a strong rally in the final quarter which resulted in a positive return for the year. The Irish stockmarket produced a positive return of 2.6%.

Bond markets had a healthy year as yields fell almost everywhere and at all maturities. The safe haven bond markets of the US, UK and Germany saw yields reach historic lows. Peripheral Eurozone bonds were supported by ECB purchases.

The Trustees continue to reduce exposure to the Irish equity market - selling a total of €35m in four tranches during the year. This process will continue until the position is liquidated, subject to market timing. Going forward, exposure to Irish equities will be in line with the country's weighting in the benchmark Global Equities index - this is very small at approximately 0.1%.

Statement from PIMCO Europe Ltd

The mandate of PIMCO is to actively manage a portfolio of global fixed interest investments.

The opening market value of the portfolio on 1 January 2011 was €317.9m. There was no cash flow during the year. The closing value of the portfolio at 31 December 2011 was €337.0m. The portfolio returned 6.3% for the year, ahead of the benchmark return of 4.2%.

PIMCO's investment philosophy is to construct a diversified portfolio that uses multiple bond strategies. No single strategy dominates risk and the aim is to reduce portfolio volatility while targeting consistent long-term returns.

Eurozone fixed income markets struggled in the first quarter of 2011 as yields continued to trend higher (prices fall when yields rise) - mainly on the back of inflationary fears influenced by a spike in energy prices and geopolitical factors. This led the ECB to raise rates at the start of the second quarter. However, as the sovereign debt crisis intensified, German bonds became a safe haven and yields fell while the spreads of peripheral countries against German bonds widened. This continued into the third quarter as fears of contagion within the Eurozone spread. The flight to quality drove core Eurozone yields lower. Fear engulfed the European banking system and risk assets sold off aggressively. In response, the ECB cut interest rates and purchased the distressed bonds of Italy and Spain, global central banks provided monetary support and there was some progress on the political front. The result was a partial recovery in risk assets in quarter four following the freefall of quarter three.

PIMCO remained underweight in Eurozone peripheral governments and credits. Given that interest rates remain low and monetary policy is likely to remain expansionary, the manager shifted focus by targeting "safe" spread investment opportunities - securities which they believe are able to earn a spread relative to government debt across a range of possible economic scenarios. This led to several corporate sectors which offered compelling yields, including exposure to major UK and US banks. The manager has also invested in select positions in high quality asset backed securities and covered bonds.

PIMCO also manages a separate portfolio of bank capital assets. The opening market value of the portfolio on 1 January 2011 was €33.2m. There was no cashflow during the year. The closing value of the portfolio at 31 December 2011 was €31.2m.

The return on the portfolio for the year was -5.9% underperforming the benchmark return of -3.5%. The portfolio's underperformance versus the benchmark was due entirely to the performance in the third quarter of 2011. Financial holdings were at the epicentre of the renewed Eurozone sovereign debt crisis. The potential contagion impact to the global banking system and in particular European banks caused a sell-off in financial stocks. Banks in core countries, such as France and Germany, came under pressure as investors grew wary of high concentrations to European peripheral sovereign debt. Consequently, credit risk premiums increased across various banking institutions. As is typical in a "risk-off" market environment, bonds lower down in the capital structure lagged behind their senior counterparts and the portfolio suffered.

The portfolio invests in a diversified selection of large high quality global banking names. The majority of the holdings are rated A or AA, in terms of credit quality. Bank capital securities form part of a bank's capital structure and rank above equity. The credit crisis in the banking industry presented an opportunity to purchase these securities at attractive historic discounts. The manager actively manages the holdings and in 2011 favoured US banks which they believed were likely to gain from the improved US cyclical outlook. PIMCO remained cautious on European banks given their sensitivity to sovereign risk and the fiscal headwinds in the region.

The portfolio is not intended to be a long-term hold for the Scheme; the manager will advise on the appropriate time to take profit and liquidate the assets.

Investment Report continued

Property

The property investments are managed by the following managers:

State Street Global Advisors
 Irish Property Unit Trust
 Rockspring Property Investment Managers LLP
 La Salle Euro Growth II Sarl
 Irish Forestry Unit Trust
 North American Forestry Investment Trust (NAFIT)

Overall the return on property investments for the year ended 31 December 2011 was -1.0%. The following are the reports from each of the investment managers:

State Street Global Advisors

The Schemes are invested in the SSgA Exempt Property Unit Trust and this holding was valued at €34.5m on 1 January 2011. There was no cash flow in or out of the fund during the year. The closing value of the assets at 31 December 2011 was €34.2m. The return on the portfolio for the year was -1.0%.

Sectoral Allocation		Geographic Allocation	
Offices	48.0%	Ireland	73.0%
Retail	36.0%	UK	24.0%
Industrial	13.0%	Europe	3.0%

Transaction activity in the Irish market remained stagnant against a backdrop of a difficult economic environment and uncertainty on government plans for rent reviews.

However, there was good news in December with the announcement that the government would abandon plans to ban upward only rent reviews and introduce incentives such as reducing stamp duty on commercial property from 6% to 2%. This is expected to stimulate the market in 2012. The UK properties are fully let while vacancy rate for the Irish portfolio is under 5%. Management focus remains on the Irish assets in tough market conditions.

Rockspring Property Investment Managers LLP

Rockspring manages investments on behalf of the PanEuropean Property Limited Partnership and the UK Retail Plus Property Trust.

The Trustees invested €20.0m in the PanEuropean fund in 2000, and a further €3.1m in the form of a convertible loan in 2009. The opening value of the portfolio at 1 January 2011, including the loan, was €16.2m. The closing value of the portfolio at 31 December 2011 was €15.2m. The loan converted to an additional 62 units in the fund during the year. Income from the fund was €1.1m. Capital values fell again in 2011 but the strong income yield of over 6% meant an overall negative return for the year of 4.5%.

The fund is focused on commercial property located in major cities and large conurbations in continental Europe. The sector mix is 76.9% retail warehousing, 14.2% shopping centres, 5.5% offices and 3.4% industrial. The fund holds 35 properties, in 9 European countries, valued at €0.9 billion at 31 December 2011. Core Europe (including Switzerland and Germany) accounts for 71.3% of the total portfolio. The remaining properties are in Portugal, Spain, Greece and Hungary.

The investment in the UK Retail Plus Property Trust was valued at €4.5m at 1 January 2011. The fund invests in High Street property in the UK and rental income is distributed quarterly. Income received in the year totalled €0.3m. The fund was valued at €4.5m at 31 December 2011. The weakness of the euro versus sterling resulted in a better performance when reported in euro. Capital values remain under pressure in a difficult retail environment and income remains a significant component of performance. The overall return for the fund for 2011 was 4.9%.

Irish Property Unit Trust (IPUT)

IPUT is a private property trust, open only to tax exempt funds such as pension funds and charities. The value of the Schemes' holding in IPUT at 1 January 2011 was €21.5m. Income earned for the year totalled €1.8m, an attractive yield of over 8%. The closing value of the assets at 31 December 2011 was €18.8m.

The Trust invests in Office (53.0%), Retail (37.0%) and Industrial (10.0%) sectors, all in Ireland. Market sentiment in 2011 was quite negative which saw reduced property valuations and returns. The capital value of the trust's portfolio fell by 10.1% in the year. However, the strong rental income performance offset much of that fall resulting in a total return of -1.9% for the year. Income is the key driver of performance and the Trust's weighting in favour of modern offices located in Dublin's central business district remains an advantage. Despite an extremely difficult economic and trading environment for the tenant base, rental income and recovery is strong, although the level of distributions to holders was lower than in 2010.

LaSalle Euro Growth II Sarl

The Trustees have invested €10m in this fund, dating from 2002. In total, 97% of the capital invested has been returned to investors to date.

The fund is in the process of being wound down. Given the stressed property market environment in Europe, the Trustees have agreed to extend the life of the fund in order to avoid forced sales of the remaining 10 assets. These assets are spread across warehouses (45%), retail (39%) and offices (16%) in France, Spain, Sweden, Italy, Germany and Holland.

The value of the holding in the LaSalle Euro Growth II Fund at 1 January 2011 was €5.3m. Interest earned and capital returned during the year totalled €1.1m. The closing value of the investment at 31 December 2011 was €3.8m, resulting in a return of 4.3% for the year.

Irish Forestry Unit Trust (IForUT)

The Irish Forestry Unit Trust has a portfolio of almost 15,000 hectares (37,500 acres) of commercial forests. This is mostly located in Ireland, with a small holding in Scotland. It covers a wide geographic range as well as diversity in age structure. Timber prices nationally eased slightly in 2011 so the Trust reduced the volume offered for sale. The trees continue to grow and add value until such time as prices improve.

The value of the investment at 1 January 2011 was €2.5m. The return for the year was 3.3%. At 31 December 2011, the investment was valued at €2.6m.

North American Forestry Investment Trust (NAFIT)

NAFIT invests in North American forestry and commenced operations in 2009. It operates as a sub-fund of IForUT. The Trustees have committed to invest US\$15.0m in NAFIT. By the end of 2011 the Trust had placed over \$18 million in US forest assets with four separate managers, and had made further commitments for investment of \$14 million. NAFIT also continued due diligence work on additional investment opportunities in the US. The Trustees invested \$6.8m in this fund during 2011 and the investment was valued at €5.0m at year end.

Investment Report continued

Venture Capital

The existing holdings in three Venture Capital funds, UBIM Venture Capital Fund, UBIM/ACT Venture Capital 94 Fund and Delta Equity Fund I continue to wind down. The opening value of these investments at 1 January 2011 was €2.3m and their closing value at 31 December 2011 was €1.7m. Income for the year amounted to €1.1m.

The Trustees have committed to invest €40.0m in four Venture Capital funds, Delta Equity Fund III, Fountain Healthcare Partners Fund, Seroba Kernel Life Sciences Fund and Atlantic Bridge II Venture Capital Fund. Investment into the four funds during the year totalled €3.9m. Fountain returned €1.3m to An Post on foot of a successful investment. The closing value of these four investments at 31 December 2011 was €8.4m.

Miscellaneous Bonds

The Trustees invested €20.0m in a 20-year Irish inflation linked bond, maturing in 2027. The bond pays an annual coupon linked to the rate of inflation and in 2011 this income amounted to €0.4m. The investment is a suitable match for the Schemes' liabilities and will be held to maturity. The bond is issued by Bank of Ireland Global Capital Markets. The Trustees have valued the bond at par (€20.0m) at year end.

The Trustees hold a 10 year amortising corporate bond, maturing 2019. The bond was valued at €7.5m at year end. The bond pays an annual coupon and in 2011 this amounted to €0.7m.

The Trustees hold €10.0m of an Irish Government 5.0% 2020 bond, at a yield to maturity of 5.4%. The bond was valued at €8.2m at 31 December 2011.

Alternative Investments

Since 2010 the Trustees have pursued a strategy of diversifying the asset profile of the Schemes through investments in a number of new asset classes. In particular, the Trustees are seeking to reduce the dependence on highly volatile equity returns within the Schemes. Alternative asset classes, which have different drivers of return, offer lower correlation to the traditional asset classes of equities, bonds and property.

A diversified portfolio of assets with low correlations to each other can contribute to a reduction in the overall volatility of the Fund.

Currency

The Trustees decided to invest in two currency funds, which have complementary investment styles. The asset class is volatile but displays low correlation to equity markets meaning that its performance is not linked to that of equities, and the longer term risk adjusted performance profile of currencies is attractive. The fund managed by Alder Capital Limited is a quantitative, model driven fund and that managed by Goldman Sachs is a fundamental, decision-driven fund. The Trustees invested €25.0m in the Alder fund in December 2010 and invested €15.0m in the Goldman Sachs fund in April 2011. At year end, these investments were valued at €24.4m and €13.0m respectively.

Private Equity

The Trustees have made a commitment to invest US\$20.0m in Blackstone Capital Partners' VI LP Private Equity fund. Of this, US\$2.0m had been called by the manager by year end. The fund invests in a portfolio of private companies and by year end there were 11 investments, in sectors such as energy, IT and consumer goods, located in the US, UK and Germany.

Direct Lending

The Trustees have made a US\$15.0m commitment to a direct lending fund managed by Czech Asset Management, L.P. The fund, known as the SJC Offshore Capital Finance Fund, makes privately negotiated senior secured loans to U.S. mid size companies. By year end the manager had drawn down US\$7.0m of the commitment.

Additional Investment Programmes

Securities Lending Programme

The Schemes continued their securities lending programme managed by the Bank of New York Mellon Asset Servicing BV. Income is earned by temporarily lending a security to an investor or a financial intermediary who, in turn, provides collateral to the Schemes to support the loan. Further details of the lending programme are set out in note 11 to the financial statements.

Commission Recapture

As a result of changing market practices and investment strategy, the income earned from this programme has been in steady decline and is now insignificant.

Actuary's statement

The most recent Actuarial Funding Certificate submitted to the Pensions Board in respect of the above Schemes had an effective date of 31 December 2011. It confirmed that, at that date, the schemes did not satisfy the minimum funding standard specified in Section 44 of the Pensions Act, 1990.

As a result, the employer, the Trustees and the actuary will be obliged to prepare a funding proposal to rectify the situation and submit this to the Pensions Board for approval by 31 December 2012.



Michael Madden, FSAI

28 July, 2012



The Trustees have general responsibility for ensuring that proper membership and financial records are kept and to safeguard the assets of the Schemes.

Statement of Trustees' Responsibilities

The financial statements are the responsibility of the Trustees. Irish pension scheme regulations require the Trustees to make available to the Schemes' members, beneficiaries and certain other parties, audited financial statements for the Schemes' year which:

- show a true and fair view of the financial transactions of the Schemes during the year and of the disposition of their assets and liabilities at the Schemes' year end. For this purpose, assets do not include insurance policies which are specifically allocated for the provision of benefits for, and which provide all the benefits payable under the Schemes to, particular members; liabilities do not include liabilities to pay pensions and benefits after the end of the year;
- contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice: Financial Reports of Pension Schemes (Revised May 2007), (the SORP).

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies to be applied consistently, making any estimates and judgements on a prudent and reasonable basis. The SORP has been complied with in preparing these financial statements and particulars of any material departures have been disclosed and explained.

The Trustees are responsible for ensuring that, insofar as is reasonable, the contributions payable by the employer and members of the Schemes are received in accordance with the Schemes' rules and requirements of legislation.

The Trustees have general responsibility for ensuring that proper membership and financial records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Schemes and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls. The Trustees also have responsibility for ensuring that the Schemes are registered with The Pensions Board, the registration details are updated at least once a year, and that the annual fee is paid.

On behalf of the Trustees



Patrick Gallagher

Trustee



Anthony Harmon

Trustee

28 July 2012

Independent Auditor's Report to the Trustees of An Post Superannuation Schemes

We have audited the financial statements of An Post Superannuation Schemes for the year ended 31 December 2011, which comprises the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Schemes' Trustees, as a body, in accordance with the Pensions Act, 1990 and Regulations made thereunder.

Our audit work and our work on contributions has been undertaken so that we might state to the Schemes' Trustees those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Schemes' Trustees, as a body, for our audit work, our work on contributions, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Independent Auditor

As described on page 24 the Trustees are responsible for ensuring that financial statements are prepared in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland). They are also responsible for making available, in an annual report whose contents include the audited financial statements, certain other information about the Schemes which complies with applicable Irish law. Further, they are responsible for ensuring that contributions payable to the Schemes are received. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006. We also report to you whether, in our opinion, the contributions payable have been received by the Trustees within 30 days of the end of the Schemes' year and whether the contributions payable to the Schemes' during the year have been paid in accordance with the Schemes' rules and with the recommendations of the actuary.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinions

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by or on behalf of the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Schemes' circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that the contributions have been paid in accordance with the Schemes' rules and with the recommendations of the actuary. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report to the Trustees of An Post Superannuation Schemes continued

Opinions

In our opinion, the financial statements

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the Schemes' during the year ended 31 December 2011 and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Schemes' year; and
- contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006.

In our opinion, the contributions payable to the Schemes during the year ended 31 December 2011 have been received by the Trustees within 30 days of the end of the Schemes' year and have been paid in accordance with the Schemes' rules and with the recommendations of the actuary.

Jon D'Arcy
for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

28 July 2012

Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Schemes' financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 and the guidelines set out in the Statement of Recommended Practice: Financial Reports of Pension Schemes (Revised May 2007) issued by the Pensions Research Accountants Group. The accounts have been prepared in accordance with applicable accounting standards generally accepted in Ireland. Accounting standards generally accepted in Ireland in preparing accounts showing a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements summarise the transactions of the Schemes and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Schemes' year. The actuarial position of the Schemes, which does take account of such obligations, is dealt with in the latest actuarial valuation at 1 January 2011. The Actuary's statement and the actuarial funding certificate on pages 22 and 54 respectively and the financial statements should be read in conjunction with this valuation.

The figures in the financial statements are presented in euro thousands (€'000).

Accruals Concept

The financial statements have been prepared on an accruals basis, except where stated otherwise below.

Investments

Valuation of Investments

Investments are included at market value.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds, and acquisition costs are included in the purchase cost of investments.

Quoted Securities

The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

Fixed Interest Securities

Fixed interest securities are included at fair value at the date of the net assets statement, estimated by the Trustees based on advice from the investment manager.

Unquoted Securities

Unquoted securities are stated at their fair value at the date of the net assets statement, estimated by the Trustees based on advice from the investment manager.

Unit Trusts and Managed Funds

Pooled investment vehicles are stated at their market price which is the bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager at the date of the net assets statement.

Statement of Accounting Policies continued

Property

Property held in the investment fund, managed by SSgA and Irish Property Unit Trust is included at open market value as at 31 December 2011 determined in accordance with the RICS Valuation Standards (7th edition) contained therein. Property valuations are carried out by an external valuer every three years. In the intervening years, the Trustees, on advice from the investment managers, update the valuations.

Property held by Rockspring Property Investment Manager LLP was valued at 31 December 2011 at open market value by independent valuers, in accordance with the RICS Valuation Standards (7th edition) contained therein. Property held by the LaSalle Euro Growth II Sarl fund is valued by LaSalle Euro Growth II twice yearly. Property held by Irish Forestry Unit Trust is independently evaluated every one to five years, depending on its position in the growth cycle. Property held by NAFIT reflects the underlying manager accounts data at 31 December, where available. Where this information is not available, asset values are as at 30 September.

Derivatives

The Trustees have authorised the use of derivatives by their investment managers as part of their overall investment strategy for the Schemes. Derivatives are required to be reported at the fair value at the date of the net assets statement. This is the bid price for asset positions and the offer price for liability positions. Where there is no bid/offer spread available, the mid, single price is used. The valuation policies applied to derivatives held at the year end and during the year are summarised as follows:-

Options

Options are valued at their mark to market value. If a quoted price is not available on a recognised exchange, the fair value is calculated using pricing models, where the inputs are based on market data at the year end date.

Futures

Open futures contracts are included in the net asset statement at their fair market value, which is unrealised profits or losses at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margins which are due to or from the broker. The amounts included in the 'Change In Market Value' in the Fund Account are the realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Swaps

The fair values are calculated using pricing models where inputs are based on market data at the date of the net assets statement. Interest is accrued monthly on a basis consistent with the terms of each contract. The change in market value includes the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net receipts or payments on swap contracts are reported within 'Change In Market Value', in the Fund Account.

Foreign Forward Exchange

Foreign forward exchange contracts consist of any contracts outstanding at the year end and are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Exchange traded derivatives are stated at market values determined using market quoted prices.

For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at 31 December 2011.

All gains and losses arising on derivative contracts are reported within 'Change In Market Value', in the Fund Account.

Investment Income

Dividends from quoted securities are accounted for when the security is declared on an ex-dividend basis.

Interest is accrued on a daily basis.

Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge in the financial statements.

Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. It is reported within 'Change in Market Value' in the financial statements.

Contributions

Employee normal contributions are accounted for when deducted from pay.

Employer normal contributions are accounted for as they fall due and according to the rate agreed between the Trustees and the Company for the year and as recommended by the Actuary.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Payments to Members

Benefits are accounted for in the period in which the member notifies the Trustees of the date of retirement or leaving.

Transfers

Individual transfers in or out of the Schemes are accounted for when received or paid which is normally when member liability is accepted/discharged. All the values are based on methods and assumptions determined by the Actuary to the Schemes.

Expenses

Investment management fees for equity and fixed interest based managers are calculated each quarter in arrears, based on the market value of the assets under management and are computed using a sliding scale rate. The remaining investment managers' fees are calculated in arrears, based on fixed percentage rates of the assets under management on a monthly or quarterly basis. The Schemes bear the costs of the investment managers' fees. The full cost of investment management fees together with associated VAT costs, are reflected in the investment management expenses within the Fund Account and all expenses are accounted for on an accrual basis.

Pensions Levy

The pensions levy was calculated on the basis of the aggregate market value of assets (excluding contingent assets) held as at 30 June 2011 and is accounted for as it falls due.

Fund Account for year ending 31 December 2011

	Note	2011 (€'000)	2010 (€'000)
Contributions and Benefits			
Contributions receivable	1	61,200	71,529
Individual transfers in	2	171	92
		61,371	71,621
Benefits payable	3	(76,544)	(78,307)
Administration expenses	4	(1,071)	(1,025)
		(77,615)	(79,332)
Net withdrawals from dealings with members		(16,244)	(7,711)
Returns on investments			
Investment income	5	39,267	34,197
Change in market value of investments	6	(89,955)	163,998
Investment management expenses	7	(3,257)	(4,521)
Net returns on investments		(53,945)	193,674
Pension Levy	8	(10,768)	–
Net (decrease)/increase in the fund during the year		(80,957)	185,963
Net assets of the Schemes at beginning of year		1,840,965	1,655,002
Net assets of the Schemes at end of year		1,760,008	1,840,965

The notes on pages 32 to 43 form part of the Financial Statements.

On behalf of the Trustees



Patrick Gallagher
Trustee



Anthony Harmon
Trustee

28 July 2012

Net Assets Statement at 31 December 2010

	Note	2011 (€'000)	2010 (€'000)
Assets			
Investments	6	1,756,222	1,840,242
Current assets	9	4,219	2,019
Current liabilities	10	(433)	(1,296)
Net current assets		3,786	723
Net assets of the Schemes at end of year		1,760,008	1,840,965

The notes on pages 32 to 43 form part of the Financial Statements.

The accounts summarise the transactions of the Schemes and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Schemes' year. The actuarial position of the Schemes, which does take account of such obligations, is dealt with in the Actuary's statement and the actuarial funding certificate included in the Annual Report and these accounts should be read in conjunction with them.

On behalf of the Trustees



Patrick Gallagher
Trustee



Anthony Harmon
Trustee

28 July 2012

Notes Forming Part of the Financial Statements

1. Contributions Receivable

	2011 €'000	2010 €'000
An Post		
– Normal	51,261	51,935
– Augmentation*	5,523	15,075
Members		
– Spouses' and Children's Pension Scheme	2,596	2,899
– Purchase of added years	311	301
– Employee 5% contribution	1,509	1,319
	61,200	71,529

*On the recommendation of the Actuary, the augmentation from An Post was paid to meet the additional costs to the Schemes, resulting from the Company's voluntary exit schemes.

2. Individual Transfers In

	2011 €'000	2010 €'000
Individual transfers from other Revenue approved Schemes	171	92

3. Benefits Payable

	2011 €'000	2010 €'000
Superannuation Scheme		
– Pensions	56,484	54,442
– Lump sums	10,171	14,075
– Mortality benefits	444	800
	67,099	69,317
Spouses and Children's Pension Scheme		
– Pensions	9,445	8,990
	76,544	78,307

4. Administration Expenses

	2011 €'000	2010 €'000
Management expenses	1,034	981
Auditors remuneration	37	44
	1,071	1,025

5. Investment Income

	2011 €'000	2010 €'000
Income from fixed interest securities	18,172	15,891
Dividends from equities	17,190	15,548
Income from property unitised funds	3,976	2,760
Interest on cash deposits and other income	1,420	793
Income from liquidity funds	134	698
	40,892	35,690
Less irrecoverable withholding tax on dividends	(1,625)	(1,493)
	39,267	34,197

Interest on cash deposits and other income includes income earned from the Securities Lending programme of €397,274 (2010: €420,311).

Notes Forming Part of the Financial Statements continued

6. Investments

Investment Reconciliation table

	Market Value 01/01/2011 €'000	Purchases At Cost and Derivative Payments €'000	Sales Proceeds and Derivative Receipts €'000	Change in Market Value €'000	Market Value 31/12/2011 €'000
Fixed Interest securities	389,392	1,656,894	(1,644,309)	(7,851)	394,126
Equities	532,909	1,196,662	(1,631,971)	(87,485)	10,115
Unit Trusts	803,947	663,159	(275,415)	10,921	1,202,612
Property	83,928	8,090	(3,148)	(4,837)	84,033
Alternatives	25,471	46,141	(25,112)	(2,188)	44,312
Derivatives					
Futures	(1,707)	5,407	(12,239)	12,380	3,841
Options	(1,358)	895	(1,208)	1,808	137
Swaps	(1,529)	36,339	(33,137)	(1,602)	71
Forward FX	559	17,347	(18,959)	(1,186)	(2,239)
Cash Instruments	25,100	1,849,974	(1,867,217)	(330)	7,527
	1,856,712	5,480,908	(5,512,715)	(80,370)	1,744,535
Cash Deposits	5,761	—	—	—	4,656
Margin	—	—	—	—	—
– Initial	—	—	—	—	—
– Variation	1	—	—	—	1
Other Investment balances	(29,920)	—	—	(9,641)	(741)
Outstanding dividends & interest receivable	7,688	—	—	56	7,771
Total investments	1,840,242	—	—	(89,955)	1,756,222

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at the year end, profits and losses realised on the sale of investments held during the year and foreign exchange differences arising on the translation of investments denominated in foreign currencies.

6. Investments continued

Where the investments are held in unitised funds, the change in market value also includes expenses both implicit and explicit for the year and any reinvested income, where the income is not distributed.

There are no material restrictions or financial penalties on the realisation of investments.

The cash flows relating to derivatives are recognised in the investment reconciliation table as follows:

Futures – On close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments in the investment reconciliation table, depending on whether there is a gain or loss.

Options – premiums paid and received are reported as payments or receipts in the table together with any close out costs or proceeds arising from early termination.

Swaps – the payments or receipts under the swap contract are reported in the reconciliation table, together with any close out costs or proceeds arising on early termination.

Forward Foreign Exchange – the forward FX trades settled during the period are reported within the table. To recognise Forwards from the Spot FX trades the following rule is used:

FX is classified as a Spot if there is less than (or equal to) 5 days between trade and settle dates. FX is classified as Forward if there are more than 5 days between trade and settle dates.

Transaction Costs – are included in the cost of purchases and sale proceeds and include costs charged directly to the Schemes such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year amounted to €1.0m (2010: €1.18m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not separately provided to the Schemes.

Other investment balances consist of the following:

Description	2011 (€'000)	2010 (€'000)
Payables for investment purchases	(16,767)	(49,126)
Receivables for investments sold	16,026	19,210
Unrealised gain on receivables for investments sold	–	(4)
Total	(741)	(29,920)

Notes Forming Part of the Financial Statements continued

Derivative Contracts

Objectives and Policies

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the Schemes. Investments in derivative instruments may only be made if they contribute to a reduction of risk or facilitate efficient portfolio management (including reduction of the cost of generation of additional capital or income with an acceptable level of risk) and such investments must be made and managed so as to avoid excessive risk exposure to a single counterparty.

Details of the classes of derivatives held at the year end are summarised as follows:

Futures Contracts

The Schemes have open future contracts relating to the Euro Bond and Bank Capital portfolios at the year end as follows:

Type of Future	Expiration	Economic Exposure Value (€'000) at 31 Dec 11	Market Value (€'000) at 31 Dec 11
Euro Bonds Purchased	Less than 1 Year	15,079	723
Euro Interest Rate Futures Purchased	Greater than 1 Year	274,808	3,073
US Treasury Notes Futures Purchased	Less than 1 Year	4,141	39
Eurodollar Futures Purchased	Less than 1 Year	3,823	12
Eurodollar Futures Sold	Less than 1 Year	18,177	(21)
Australian Bond Futures Purchased	Greater than 1 Year	1,221	15
Total		317,249	3,841

Collateral held at the year end in respect of future contracts amounted to \$US 2.2m (2010: \$US2.6m).

6. Investments continued

Options

The Schemes have outstanding option contracts at the year end as follows:

Type of Options	Expiration	Underlying Investment	Economic Exposure of Outstanding Contracts €'000	Market Value at 31 Dec 11 €'000	Liability Value at 31 Dec 11 €'000
Bond Call Option	Less than 1 Year	US Bond	(136,100)	563	–
Bond Call Option	Greater than 1 Year	US Bond	(19,200)	–	(40)
Bond Put Option	Less than 1 Year	Euro Bond	(48,100)	–	(18)
Bond Put Option	Less than 1 Year	US Bond	(358,500)	–	(320)
Bond Put Option	Greater than 1 Year	US Bond	(19,200)	–	(48)
Sub Totals			(477,400)	600	(463)
Net Total			–	137	–

Swaps

The Schemes had derivative contracts outstanding at the year end relating to their fixed income investment portfolio. These are traded over the counter and details are as follows:

Nature	Notional Principal	Duration	Asset Value at 31 Dec 11 €'000	Liability value at 31 Dec 11 €'000
Credit Default Swaps Euro	–	More than 1 Year	1,465	–
Credit Default Swaps \$US	–	More than 1 Year	–	(2,922)
Credit Default Swaps JPY	–	Less than 1 Year	–	(2)
Interest Rate Swaps Euro	–	More than 1 Year	2,482	–
Interest Rate Swaps AUD	–	More than 1 Year	746	–
Interest Rate Swaps GBP	–	More than 1 Year	–	(959)
Interest Rate Swaps \$US	–	More than 1 Year	–	(739)
Sub Totals			4,693	(4,622)
Net Total			71	–

Collateral held at the year end in respect of Swaps totalled \$US 6.7m (2010: \$US 5.6m).

6. Investments continued

Forward Foreign Exchange (FX)

The Schemes had open FX contracts at the year end as follows:

Contract	Settlement	Currency	Currency Sold ‘000	Currency	Currency Purchased ‘000	Asset Value at 31 Dec11 €‘000	Liability Value at 31 Dec11 €‘000
Forward OTC	Jan 12	AUD	405	EUR	308	–	(11)
		BRL	16,528	USD	8,742	–	(92)
		EUR	3,756	GBP	3,234	115	–
		EUR	4,981	USD	6,564	75	–
		MXN	4,693	USD	334	–	–
		GBP	12,445	EUR	14,552	–	(344)
		USD	9,020	BRL	16,528	–	(122)
		USD	9,031	EUR	6,860	–	(172)
Forward OTC	Feb 12	AUD	2,650	EUR	1,967	–	(114)
		AUD	332	USD	341	1	–
		CNY	22,146	USD	3,419	–	(58)
		EUR	2,574	GBP	2,180	33	–
		EUR	20,527	USD	27,522	666	–
		GBP	31,748	EUR	37,158	–	(817)
		KRW	17,499	USD	16	–	–
		USD	110	SGD	144	–	–
		USD	5,498	CNY	35,467	75	–
		USD	57,575	EUR	42,475	–	(1,860)
Forward OTC	Mar 12	BRL	8,264	USD	4,561	146	–
		MXN	137,112	USD	10,106	263	–
		PHP	189,259	USD	4,373	44	–
		USD	346	MXN	4,859	–	–
		USD	4,327	PHP	189,259	–	(8)
Forward OTC	Apr 12	MYR	6,858	USD	2,186	27	–
		USD	2,258	MYR	6,858	–	(82)
Forward OTC	Jun 12	USD	600	CNY	3,782	–	(4)
Sub Totals						1,445	(3,684)
Net Total							(2,239)

Notes Forming Part of the Financial Statements continued

6. Investments continued

Investments at Market Value

	2011 €'000	2010 €'000
Fixed interest securities		
Eurozone public sector quoted	162,600	161,949
Eurozone other quoted	145,053	144,225
Rest of world public sector quoted	39,589	12,482
Rest of world other quoted	46,884	70,736
	394,126	389,392
Equities		
Eurozone quoted	–	147,144
Eurozone unquoted	10,115	9,677
Rest of world quoted	–	376,088
	10,115	532,909
Property Funds		
Eurozone Property	74,540	79,431
Non Eurozone Property	9,493	4,497
	84,033	83,928
Unit Trusts		
Eurozone other than property	995,447	310,010
Rest of world other than property	86,059	334,129
Emerging markets other than property	121,106	159,808
	1,202,612	803,947
Alternative Investments		
Eurozone	37,433	25,050
Non Eurozone	6,879	421
	44,312	25,471
Derivatives		
Forward FX	–	559
Futures	3,841	–
Options	137	–
Swaps	71	–
	4,049	559
Cash Instruments		
Euro	4,612	11,833
Foreign currency	2,915	13,267
	7,527	25,100
Sub Total	1,746,774	1,861,306

Notes Forming Part of the Financial Statements continued

6. Investments continued

Investments at Market Value continued

	2011 €'000	2010 €'000
Cash	4,657	5,762
Other Investment Balances	(741)	(29,920)
Outstanding dividends, interest receivable	7,771	7,688
Derivative Liabilities		
Futures	–	(1,707)
Options	–	(1,358)
Swaps	–	(1,529)
Forward FX	(2,239)	–
Total investments	1,756,222	1,840,242

7. Investment Management Expenses

	2011 €'000	2010 €'000
Administration, management and custody fees in accordance with the relevant investment mandates and custody contracts.	3,257	4,521

8. Pensions Levy

	2011 €'000	2010 €'000
The Trustees were required to make a payment to Revenue in respect of a mandatory pension levy calculated at 0.6% of the asset value at 30 June 2011. The amount paid over to Revenue under the terms of the Finance (No 2) Act 2011 was €10.77m. The Act imposes an annual levy at 0.6% of the asset value of the Schemes for the years 2011 to 2014 inclusive.	10,768	–

9. Current Assets

	2011 €'000	2010 €'000
Income tax recoverable	656	600
Cash at bank	1,753	1,358
Sundry Debtors	71	61
Balance due from An Post	1,739	–
	4,219	2,019

10. Current Liabilities

	2011 €'000	2010 €'000
Balance due to An Post	–	327
Accrued expenses	433	969
	433	1,296

The accrued expenses are primarily comprised of outstanding Investment Manager fees at the year end.

11. Securities Lending

The Schemes participate in a securities lending programme which involves the temporary transfer of a security from its owner to another investor or financial intermediary. It is a low risk means of earning additional return and enhancing portfolio performance. Borrowers are typically investment banks or brokers/dealers who require securities to satisfy short positions, in which the borrower sells a security it does not currently own and borrows a security to settle the sale and then buys it back at a later date and returns it to the lender.

When securities are lent, the lender retains all beneficial ownership entitlements including dividends, interest payments, rights issues and other corporate actions. The Schemes' securities lending programme is managed by the Bank of New York Mellon Asset Servicing B.V. Under the programme, loans are made to approved counterparties who meet minimum credit criteria. They are secured by collateral in the form of government bonds, bonds of specified supranational issuers and specified equity index baskets.

The value of the collateral maintained by the custodian must be at least 102.0% of the market value of securities lent, where the collateral is in the same currency as the loaned security and 105.0% otherwise. All loans are structured in a manner which allows the Schemes to terminate the loans at any time.

The total amount of equity on loan at 31 December 2011 was €2,095,019 (2010: €85,446,811) and the collateral held in respect of these loans totalled €2,344,094 (2010: €111,917,359). The equity on loan is included in the net assets at the year end. The cessation of the EAFE mandates and the transfer of funds to the passive manager SSgA, has impacted on the Scheme's ability to generate earnings from Security lending, hence the reduction in stock on loan at the year end.

Notes Forming Part of the Financial Statements continued

12. Concentration of Investments

The following investments accounted for more than 5.0% of the net assets of the Schemes at 31 December 2011:

	€'000	% of net assets
SSgA EUT Euro Long Bond Index Fund	277,443	15.8%
SSgA Global Developed Index Equity Fund	708,587	40.3%
Esemplia Emerging Markets	121,106	6.9%

The following investments accounted for more than 5.0% of the net assets of the Schemes at 31 December 2010:

	€'000	% of net assets
SSgA EUT Euro Long Bond Index Fund	266,543	14.5%
SSgA EUT North America Index Fund	244,103	13.3%
Esemplia Emerging Markets	159,808	8.7%

No single investment in any of the pooled investment vehicles listed above, comprised more than 5.0% of the net assets of the Schemes.

13. Self Investment

There was no self investment at any time during the Schemes' year, except for the February 2011 employee contributions which were, due to an administrative delay, received by the Trustees on 22 March 2011 being overdue by one day.

14. Related Party Transactions

Six Trustees who are employees of An Post are also members of the Schemes and contributions to the Schemes include contributions in respect of those Trustees. The Chairman receives an annual fee for his services to the Schemes. All other Trustees did not receive and are not due any remuneration from the Schemes. Staff in the Pensions Administration Section of An Post have been seconded to the Schemes since 1 January 2002.

The investment managers are appointed by the Trustees to manage the Schemes' assets. The managers are remunerated on a fee basis calculated as a percentage of the assets under management. These fees which are borne by the Schemes amounted to €3.3m (2010 €4.5m) of which €0.4m (2010: €1.0m) was outstanding at the year end. At 31 December 2011 a total of 68.5% (2010: 46.9%) of the net assets of the Schemes are invested in products of the investment managers.

An Post is the principal employer and employer contributions have been made in accordance with the trust deed and rules and the recommendations of the Actuary. The Schemes bear all of the administration and investment management expenses.

Mercer Consulting provides actuarial services to the Trustees and the fees for such services are borne by the Schemes.

There were no other related party transactions requiring disclosure in these financial statements.

15. Contingent Liabilities and Contractual Commitments

These financial statements do not take account of liabilities to pay pensions and other benefits in the future. On this basis, in the opinion of the Trustees, the Schemes had no contingent liabilities or contractual commitments at the year end apart from outstanding commitments of €27.9m (2010: €32.2m) to the Venture Capital investment managers; \$8.0m (2010: \$14.4) to FrontPoint, \$8.2m to NAFIT (2010: nil), \$18m (2010: \$20m) to Blackstone Private Equity VI Fund, €20m to Macquarie (2010: nil) and €20m to Fidelity (2010: nil) - details of these investments, with the exception of the last two, are noted on pages 19 and 20 of this report.

16. Subsequent Events

No events took place after the year end that required disclosure in or amendment to these financial statements.

17. Approval of Financial Statements

The financial statements were approved by the Trustees on 21 June 2012.

Appendix 1:

Statement of Investment Policy Principles

Introduction

The purpose of this Statement of Investment Policy Principles (the “Statement”) is to document the policies and guidelines that govern the management of the Schemes’ assets. It has been reviewed and adopted by the Trustees; it outlines the responsibilities, objectives, policies and risk management processes in order that:

- There is a clear understanding on the part of the Trustees, consultants, investment managers and others as to the objectives and policies of the Trustees;
- There are clear principles governing the guidelines and restrictions to be presented to the investment managers regarding their investment of the Schemes’ assets;
- The Trustees have a meaningful basis for the evaluation of the investment performance of the individual investment managers, investment performance of the Schemes as a whole and the success of overall investment strategy through achievement of defined investment objectives; and
- The Trustees fulfil the requirements of the Occupational Pension Schemes (Investment) Regulations 2008, which stipulate that such a Statement is put in place.

It is intended that this Statement be sufficiently specific to be meaningful but adequately flexible as to be practical. The intention is not to outline detailed guidelines for the Schemes’ investment managers - this is done within the specific legal agreements with those parties - but rather to state the general philosophy, risk appetite and policies of the Trustees that will shape the governance of the Schemes as a whole.

This Statement will be reviewed at least every three years, and also following any change in investment policy which impacts on the content of the Statement.

Identification of Investment Responsibilities

Because of the number of parties involved in the management of the Schemes, it is appropriate to clearly identify each entity’s role with regard to investment in order to ensure operational efficiency, accountability and clear lines of communication.

Company

The Company is the Schemes’ sponsor and contributes substantially to the Schemes, but is generally not responsible for Schemes’ investments. However, the Trustees recognise that the Company’s continued financial support for the Schemes is of utmost importance in serving the best interests of members; therefore the principles outlined in this Statement are not shaped by the objectives of the Trustees in isolation.

Trustees

The Trustees have fiduciary responsibility for selecting and monitoring the Schemes’ investments. Their specific responsibilities include:

- Identifying the Schemes’ risk tolerance level and formulating an appropriate and efficient investment policy which best serves the interests of the members;
- Delegating the management of Schemes’ investments to investment managers. The Trustees recognize that their role is supervisory - not investment advisory;
- Monitoring and evaluating performance results to ensure that all guidelines are being adhered to in line with objectives;
- Making any necessary changes in the investment strategy and structure and the investment managers, custodians, consultants and others that provide services to the Schemes relating to the investment of assets; and
- Regularly reviewing this Statement, which they may amend or restate at any time at their sole discretion.

Investment Managers

One or more investment managers have been appointed to act on behalf of the Trustees. The investment managers must observe the specific guidelines, restrictions and philosophies within this Statement and as expressed in any written agreement with the Trustees. Subject to such guidelines and restrictions, the investment managers will be responsible for making all investment decisions on a discretionary basis and will be evaluated on their ability to achieve the performance objectives set for them by the Trustees.

Other parties with specific duties with regard to investment include the Schemes' custodian, commission recapture agent, consultants and Schemes' administrator. These duties are separately documented within contractual agreements with those parties, where appropriate.

Investment Objectives

The overall investment objective of the Trustees is to maximise the level of investment return at an acceptable level of risk, through adopting a prudent, carefully planned and well-executed investment policy. This will in turn assist in the Trustees' ultimate objective of maximising the security of benefits provided to members.

Risk Measurement Methods

In determining the level of risk appropriate to the Schemes at any point in time, the Trustees recognise the importance of the nature and duration of the liabilities, and measure the risk of the chosen investment policy by reference to these liabilities. In particular, the Trustees consider the following risks:

- The risk of achieving an insufficient level of investment return relative to the rate required to match the growth in liabilities over time;
- The required rate will depend on the funding policy adopted for the Schemes. Therefore, the Trustees acknowledge the critical need for interaction and co-operation between the Trustees and the Company when formulating investment policy;
- The risk of excessive volatility in the investment returns of the Schemes relative to the movement in liabilities over shorter-term periods (e.g. one year);
- The Trustees will consider this volatility in relation to the liabilities measured under the Schemes' Actuary's ongoing basis and any other relevant measures. The Trustees recognise that the pattern and volatility of the Schemes' investment returns can impact directly on the volatility of the contribution rates to the Schemes. Therefore, risk will also be considered in these terms where appropriate.

Managing the two risks above in isolation may lead to conflicting investment policies. Therefore, in formulating an appropriate investment policy, the Trustees seek to arrive at an acceptable balance between these risks in order to best meet their investment objectives. Furthermore, the Trustees will manage a range of other investment risks using the risk management processes outlined in the next section in order to create a prudent, diversified and efficient portfolio.

Appendix 1: Statement of Investment Policy Principles continued

Risk Management Processes

The Trustees will ensure, either through direct guidance or through ascertaining the suitability of any commingled (unitised) vehicles that are used, that policies and guidelines are in place for the appointed investment manager and other providers such that:

- investments are, for the most part, limited to marketable securities traded on recognised/regulated markets;
- investment in derivative instruments may be made only in so far as they either contribute to a reduction of investment risks or facilitate efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations;
- the portfolio is properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Schemes to excessive risk concentration; and
- the security, quality and liquidity of the portfolio as a whole is ensured, with due regard paid to the level of non-Euro currency exposure.

All investment managers are employed by the Trustees and subject to termination at any time.

Current Investment Policy

The current investment strategy of the Trustees is set out on the following pages along with a description of the investment manager arrangements adopted.

Strategic Asset Allocation

Having had regard to the nature and duration of the expected future retirement benefits, the Trustees have established their strategic asset allocation mix as set out in the table below and believe it prudently positions the portfolio so as to achieve the Trustees' objectives at the current time.

Sector	Central Weighting	Benchmark Index
Global Developed World Equities	40%	MSCI World Index
Emerging Markets Equities	8%	MSCI Emerging Markets Index
Global Small Cap Equities	5%	S&P/Citigroup Extended Market Index Global
Irish Equities	2%	ISEQ Index
Total Equity	55%	–
Eurozone Bonds	33%	Merrill Lynch EMU Direct Govt Bond Index >10 years
European Property	7%	Various
Alternative Assets	5%	Various
Total	100%	Composite

The currency of the Schemes, and that of the benchmark, is the euro. The composite performance benchmark above is to be calculated on a quarterly basis (i.e. to assume quarterly rebalancing).

The Trustees recognise that even though the Schemes' investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The Trustees intend to avoid ad-hoc revisions to their philosophy and policies in reaction to either speculation or short-term market fluctuations.

Rebalancing

Market movements will result in a portfolio that differs from the strategic mix outlined in the previous table. The desire to maintain this constant strategic mix must be balanced with the cost of portfolio rebalancing. As a specialist manager structure is in place, no single manager has control over this overall asset allocation and the Trustees shall instead formally review the portfolio investment strategy and allocations on a quarterly basis, rebalancing to targeted central weightings where the mix has gone outside defined ranges (outlined below) and where viewed appropriate. Cash-flow shall be used to aid rebalancing where the opportunity arises.

Sector	Central Weighting	Range
Global Developed World Equities	40%	36% – 44%
Emerging Markets Equities	8%	6% – 10%
Global Small Cap Equities	5%	4% – 6%
Irish Equities	2%	0% – 3%
Total Equity	55%	50% – 62%
Eurozone Bonds	33%	30% – 36%
European Property	7%	5% – 8%
Alternative Assets	5%	2% – 10%
Total	100%	

Manager Structure

The trustees have appointed a number of active equity and bond managers - Axa Rosenberg, Esemplia and PIMCO. State Street Global Advisors (SSgA) manages passive equities and bonds. Together these managers manage nearly 90% of the Scheme's total assets. There are five property managers - SSgA, Irish Property Unit Trust, Rockspring PIM Limited, LaSalle and Irish Forestry Unit Trust. In addition, there a number of alternative asset managers who together manage less than 4% of the Scheme's assets.

Performance Objectives

The performance objectives of the appointed managers are as follows:

Investment Manager	Benchmark	Performance Objective
SSgA Passive	Composite	Tracking error <0.3%
PIMCO	Merrill Lynch EMU Direct Govt Bond Index >10 years	Benchmark + 1% p.a. net of fees
Axa Rosenberg	S&P/Citigroup Extended Global Market Index	Benchmark + 2% p.a. net of fees
Esemplia	MSCI Emerging Markets Index	Benchmark + 2% p.a. net of fees
Rockspring	n/a	11% net of fees
Rockspring Retail	IPD All Retails <GBP£10m	Outperform benchmark by 0.75%
IPUT	Mercer Average Property Fund (Mercer Survey)	Outperform average
Alternative Managers	Various	Individual Benchmarks

Performance is evaluated against these objectives on at least an annual basis, with a critical review every three years.

Appendix 2: Statement of Risks

The Trustees' primary responsibility is to ensure that members receive the benefits to which they are entitled under the rules of the Schemes. In order to provide for these future benefit payments, the Trustees invest the assets of the Schemes in a range of investments and agree with the employer, on the advice of the Actuary, the rate of contribution to be made to the Schemes to meet the balance of the cost of benefits. Under the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006, the Trustees are required to provide a statement of the risks associated with the Schemes to members.

In a defined benefit scheme the main risk is that there will be a shortfall in the assets (for whatever reason) and the employer is unwilling or unable to pay the necessary contributions to make up the shortfall. In this event there may be insufficient assets available to discharge members' expectation of benefits.

The main types of risks which may lead to a shortfall and the steps being taken by the Trustees to minimise these risks are set out on the following pages.

Risks	Steps being taken to minimise risks
The assets may not achieve the expected return	A Statement of Investment Policy Principles has been put in place. The Trustees monitor the performance of the investment managers on a regular basis and meet with their respective representatives, as required.
Some of the assets may be misappropriated	The Trustees have put in place a global custodial agreement with the Bank of New York Mellon Asset Servicing BV.
The value placed on the future liabilities may prove to be an underestimate	The Trustees have appointed an independent professionally qualified Actuary and discuss with the Actuary the assumptions used for triennial valuations.
The employer may not pay contributions as they fall due	The Trustees monitor the receipt of contributions and pursue any shortfall.
The employer may decide to terminate its liability to contribute to the Schemes, having given the written notice required by the Trust Deed	In that event, the Trustees would consider all of the options available to them under the terms of the Trust Deed and relevant legislation, which could include an orderly wind up of the Schemes.

In addition to the shortfall risks outlined previously, there is also the risk that the records relating to Schemes' members may not be correct.

Risks	Steps being taken to minimise risks
The Schemes' administration records may not be correct and may fail to comply with the Pensions Act.	The Schemes' Secretary receives ongoing training on all matters relating to pensions legislation.
	The Trustees receive regular administration reports from the Pension Administration Section of An Post.
	The Pensions Board has powers to pursue breaches of the Act and the Pensions Ombudsman may investigate any complaints of financial loss caused by maladministration.

Appendix 3: Internal Disputes Resolution (IDR)

Introduction

The Pensions Act, 1990 as amended provides for the establishment of the Pensions Ombudsman's Office. The Act further provides for the provision of regulations requiring pension scheme Trustees to put in place procedures for dealing with complaints and disputes that come under the jurisdiction of the Pensions Ombudsman. The regulations entitled Pensions Ombudsman Regulations, 2003 (S.I. No. 397 of 2003) took effect in September 2003.

An individual can make a complaint to the Pensions Ombudsman if he/she believes, that he/she has suffered financial loss because of poor administration of a pension scheme (or PRSA) and they are an actual or potential beneficiary of an occupational pension scheme (or a PRSA). The Complainant may be any of the following:

- A member or a former member of a pension scheme;
- A surviving dependant of a member who has died;
- A person claiming to be a member or a surviving dependant of a member who has died;
- A contributor to a PRSA;
- A personal representative of a member or contributor who has died;
- A widow or widower of a member or contributor who has died.

If an individual eligible to complain dies, or is under eighteen years of age, or unable to act for themselves, then the complaint may be made by that individual's personal representative.

Without claiming to be at a financial loss, anyone eligible to complain can refer a dispute of fact or law to the Pensions Ombudsman.

The Pensions Ombudsman cannot investigate:

- A complaint or dispute already subject to Court proceedings - unless those proceedings are "stayed" (i.e. suspended) by the Court;
- A complaint or dispute about a State social security benefit (for example, Social Welfare Retirement or Old Age Pensions);
- A complaint that Trustees are not complying with the Pensions Act;
- A complaint that pre-dates 13th April 1996.

If an individual has a complaint or dispute, they should first pursue it with those responsible for the management of the Schemes.

Where the superannuation scheme has an Internal Disputes Resolution (IDR) Procedure, the Pensions Ombudsman cannot as a rule investigate the complaint or dispute unless and until the matter has gone through that procedure and the Trustees/Company or managers have issued their notice of decision.

Under the Pensions Act, all pension schemes must operate an IDR procedure. Parties are not bound by the recommendations arising out of an IDR procedure, unless both parties agree in writing to be bound by it, in which case the Pensions Ombudsman no longer has any jurisdiction.

Any ruling made by the Pensions' Ombudsman in relation to a complaint or dispute will be notified in writing to all parties. The Pension Ombudsman also has power to publish a report on any investigation. The ruling of the Pensions Ombudsman is binding on all parties subject to the right of appeal.

If a party to a complaint or dispute fails or refuses to comply with the ruling of the Pensions Ombudsman, the Circuit Court may make an order to that party to carry out the ruling. Such an order may be applied for by the other party to the complaint or dispute, or by the Minister for Social and Family Affairs, if the Minister considers it proper to do so.

A party to an investigation may appeal to the High Court from a ruling of the Pensions Ombudsman within twenty one days of the date of that ruling. The High Court may cancel the ruling, or confirm it or change it. Some IDR procedures may be expensive. The legislation does not deal with who should pay these costs.

Internal Disputes Resolution Procedure – The An Post Main Superannuation Scheme and the An Post Spouses’ and Children’s Contributory Pension Scheme

The actual or potential beneficiary must apply to the Trustees of the Scheme(s) in writing to make a decision in relation to their complaint or dispute, (although a complaint regarding a pension could be a matter for the Company rather than the Trustees) setting out details of that complaint or dispute. Another person can make an application on behalf of an actual or potential beneficiary. In all cases the application must include:

- Full name;
- Address;
- Date of birth;
- Address to be used for the service of documents;
- A statement covering the nature of the complaint or dispute with sufficient details to show why the complainant is aggrieved;
- Such other information as the Trustees may reasonably require;
- The Trustees/Company may then respond to the claimant either accepting or rejecting his/her case. If the case is rejected, then the communication should include a statement that “under Section 20 of the An Post Main Superannuation Scheme, 1990 (or Section 22 of the An Post Spouses’ and Children’s Contributory Pension Scheme) if a member or former member is aggrieved by the failure or refusal of the Trustees/Company to make an award under the Scheme or by the amount of any award made, he may appeal to the Minister for Communications, Energy and Natural Resources who shall refer the dispute to the Minister for Finance;”
- On appeal to the Minister for Communications, Energy and Natural Resources, the recommendation of the Minister of Finance should be given in writing in a formal Notice of Determination to the complainant;
- This process should be completed within three months of receipt of the initial claim.

The response referred to as a Notice of Determination must include:

- A statement of what has been decided (e.g. make a compensating payment, reject the claim etc.);
- A reference to any legislation, legal precedent, ruling of the Pensions Board, ruling or practice of the Revenue Commissioners or other material relied upon;
- A reference to any parts of the rules of the Schemes relied upon;
- Where discretion has been exercised, a reference to the parts of the rules of the Schemes that confer this discretion;
- A statement that the determination is not binding unless the person assents in writing to be bound by it;
- A statement that the Pensions Ombudsman may have jurisdiction to investigate the matter and that further information can be obtained from the Pensions Ombudsman, giving his address.

Appendix 3: Internal Disputes Resolution (IDR) continued

How will a Complaint be dealt with by the Trustees/Company under IDR

An individual within the Pensions Administration (The Pensions Administration Manager) will be appointed to carry out the initial screening process. This individual will be the initial contact for complaints and will determine the nature of the complaint i.e. whether it may be resolved without IDR and if it qualifies for IDR. Once a decision has been made that a complaint or dispute qualifies for IDR, a further decision must then be made in relation to whether the complaint or dispute is a matter for the Company or the Trustees of the Schemes.

If a complaint or dispute does qualify for IDR it is forwarded to the Company (Human Resources Manager) or the Trustees of the Superannuation Schemes (Scheme Secretary) for decision, whichever is appropriate. To help with the decision making process the Trustees/Company may consult with:

- Employer representatives;
- Scheme administrators;
- Any other parties involved in the dispute;
- Expert advisors (in house legal team etc.);
- The complainant, (oral hearing), if this would add clarity.

If an individual is not satisfied with the outcome of the IDR procedure, he / she may then refer the complaint to the Pensions Ombudsman for his consideration.

IDR Process

The following chart summarises the IDR process.

1. The complainant discusses his/her potential complaint with his/her usual contact, the Pensions Administration Manager, Block 2B, General Post Office, O'Connell Street, Dublin 1. The Pensions Administration Manager helps the complainant to understand whether the complaint qualifies for IDR i.e. is there a financial loss caused by maladministration or a dispute of fact or law in relation to an action that occurred? The Pensions Administration Manager may be able to resolve the issue to the satisfaction of the complainant. Such resolution is preferable as it avoids the expense of formal IDR procedures.



2. If the complaint qualifies for IDR (or if it does not qualify for IDR but the Pensions Administration Manager recommends IDR be used to resolve the complaint), the Pensions Administration Manager should assist the complainant with gathering supporting evidence and putting their case to the Trustees.

OR

If it does not qualify for IDR and IDR is not recommended as an appropriate means of resolving the complaint, the Scheme Secretary should report the complaint and details of any resolution that was reached, at the next trustee meeting.



3. The Trustees consider the complaint. They consult with an employer representative, expert advisors if appropriate and any other relevant parties and consider the recommendation of these parties before making a decision. Trustee boards may nominate a representative rather than all Trustees attending all proceedings.



4. If the case is reasonably clear, whether for or against the complainant, the Trustees/Company issue their decisions to the complainant. The complainant either accepts the finding or reverts to the Appeal Procedure to the Minister for Communications, Energy and Natural Resources for referral to the Minister for Finance under Section 20 of the Main Scheme or Section 22 of the Spouses' and Children's Contributory Pension Scheme.

OR

If the facts of the case are unusually complex, the case can be put to an independent person. The Trustees consider whether using an independent person is appropriate or will bring additional value to the process. For example, there may be evidence that the complainant will not find the independent person acceptable, or the Trustees may be satisfied that they have already received expert and independent advice.



5. If the Trustees decide that reference to an independent person is likely to be useful, the Trustees consider who an appropriate independent person might be (e.g. a pensions lawyer employed by a law firm that does not have any conflict of interest with the case). The case is referred to the independent person with supporting documents.

OR

If the Trustees decide that reference to an independent person is unlikely to be useful, the Trustees must issue their decisions to the complainant. The complainant either accepts the finding or reverts to the Appeal procedure.



6. Under the Appeal procedure the relevant person (the Minister for Communications, Energy and Natural Resources in conjunction with the Minister for Finance) makes known his decision to the Trustees, by way of a copy of the Notice of Determination to the complainant with a statement that the Pensions Ombudsman may have jurisdiction to investigate the matter and that further information can be obtained from the Pensions Ombudsman, giving his/her address.

Appendix 4:

Actuarial Funding Certificate



An Bord Pinsean -
The Pensions Board

Article 4

SCHEDULE BC ACTUARIAL FUNDING CERTIFICATE

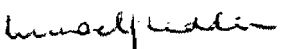
THIS CERTIFICATE HAS BEEN PREPARED UNDER THE PROVISIONS OF SECTION 42 OF THE PENSIONS ACT 1990 ("the ACT") FOR SUBMISSION TO THE PENSIONS BOARD BY THE TRUSTEES OF THE SCHEME

Scheme name:	An Post Superannuation Schemes
Scheme commencement date:	1st January 1984
Pensions board reference no.:	PB 43750
Effective date of this certificate:	31 December 2011
Previous certificate:	31 December 2008

On the basis of information supplied to me and having regard to such financial and other assumptions as I consider to be appropriate:-

- (1) I am of the opinion that at the effective date of this certificate the resources of the scheme, which are calculated for the purposes of section 44 of the Act to be 1,757 million, **would not** have been sufficient if the scheme had been wound up at that date to provide for the liabilities of the scheme determined in accordance with section 44 of the Act which, including the estimated expenses of administering the winding up of the scheme, amount to 2,146 million.
- (2) I am of the opinion that at the effective date of this certificate the resources of the scheme, calculated for the purposes of section 44 of the Act, would have been sufficient, after allowance for the estimated expenses of administering the winding up of the scheme, to provide for the discharge of the liabilities of the scheme determined in accordance with section 44 of the Act as follows:
 - (a) 100% of the benefits as set out in section 44(a)(i) of the Act
 - (b) 100% of the benefits as set out in section 44(a)(ii) of the Act
 - (c) 58% of the benefits as set out in sections 44(a)(iii) and 44(a)(iv) of the Act
 - (d) 0% of the benefits, other than those referred to in subparagraphs (a) to (c) of this paragraph, to which paragraph 5 of the Third Schedule of the Act relates.
- (3) **I hereby state the specified percentage for the above scheme for the purpose of section 44 of the Act to be 0%.**

I therefore certify that as at the effective date of this certificate the scheme does not satisfy the funding standard provided for in section 44 of the Act. I further certify that I am qualified for appointment as actuary to the scheme for the purposes of section 51 of the Act.

Signature: 	Date: 28 July 2012
Name: Michael Madden	Qualification: F.S.A.I.
Name of Actuary's Employer/Firm: Mercer (Ireland) Ltd.	Scheme Actuary Certificate No. P023

Appendix 4: Explanatory note – provided for information only and not forming part of the certificate

This note is intended to provide clarification of the benefits that the actuary has valued in establishing the liabilities for the purposes of the certificate and assumes that the effective date of the certificate is after 22 September 2005. Section 44 of the Pensions Act, 1990, as amended, and the Third Schedule set out in detail the benefits valued.

If the scheme satisfies the funding standard, the actuary is of the opinion that the scheme would have had sufficient assets to meet specified benefits and expenses if it had been wound up. The opinion is based on the position at the effective date of the certificate.

The benefits can be summarised as follows:

(1) In respect of current pensioners –

all future benefit entitlements under rules of the scheme

(2) In respect of members not currently receiving pensions –

- (a) all benefits secured by additional voluntary contributions or granted under the scheme by way of transfer of rights from another scheme, and
- (b) the scheme benefits that are required by the Act to be preserved – this relates to all benefits accrued up to the effective date of the certificate and includes revaluation of benefits accrued from 1991, and
- (c) the certified percentage of the additional benefits described in paragraph 5 of the Third Schedule. This normally relates to revaluation of benefits accrued before 1 January 1991.

Note to the Trustees

Under the Pensions Act, 1990, as amended, the trustees of a defined benefit scheme must arrange to have an actuarial valuation of the scheme carried out periodically and must obtain an Actuarial Funding Certificate.

Certificates must have an effective date of not more than 3 years after the scheme's inception or the date of the previous certificate or, where the previous certificate has an effective date before 23 September 2005, or where the scheme commenced prior to 23 September 2005 and it is the first certificate for the scheme, it must be prepared not more than 3½ years after the scheme's inception or the date of the previous certificate.

Certificates, completed by an actuary who holds a Scheme Actuary Certificate issued by the Society of Actuaries in Ireland, must be submitted to the Board within 9 months of the effective date, or, where the certificate is required as a result of a negative actuarial statement in the trustee annual report for the scheme, within 12 months of the last day of the period to which the trustee annual report relates. Certificates should be sent to:

The Pensions Board
Verschoyle House
28-30 Lower Mount Street
Dublin 2
Tel: (01) 6131900
www.pensionsboard.ie
