

An Post

Superannuation Schemes 2012
Annual Report and Financial Statements

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Trustees and Other Information

Trustees	Patrick Gallagher (Chairman) Sean Bregazzi (retired 25 January 2013) Anthony Harmon Patrick Knight Brian McCormick Alan McGeehan Charles O'Neill
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	State Street Global Advisors Ireland Limited (SSgA) PIMCO Europe Ltd AXA Rosenberg Eemplia Irish Property Unit Trust (IPUT) Fidelity International Irish Forestry Unit Trust (IForUT) LaSalle Euro Growth II Sarl Rockspring Property Investment Managers LLP Czech Asset Management LLP Alder Capital Limited Goldman Sachs Limited Blackstone Capital Partners 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. Patrick Gallagher, Chairman
2. Anthony Harmon, Trustee
3. Patrick Knight, Trustee
4. Brian McCormick, Trustee
5. Charles O'Neill, Trustee
6. Alan McGeehan, Trustee
7. Paul Dolan, 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 2006, the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 to 2013 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 on pages 07 and 08 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

Trustees' Report (continued)

result of payroll agreements implemented by An Post ("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.

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 02 of this report. Mr Sean Bregazzi retired as a Trustee on 25 January 2013.

Trustee meetings are held at least quarterly and 11 Trustee meetings were held during 2012. 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, €450 (2011: €6,335) was expended 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 have received training and are compliant with Trustee training requirements.

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.

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 below.

5. Contributions

Contributions were paid in accordance with the rules of the Schemes and the recommendation of the Actuary 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.

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 Pension Schemes (Disclosure of Information) Regulation, 2006 to 2013, 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 value of the Fund's investments increased during 2012 by 14.6% as both equity and bond markets posted strong returns. These two asset classes account for the majority of Schemes' investments. Other risk assets also performed well. Returns have been driven by moderate improvement in economic conditions as the year progressed, particularly in the US. This was supported by significant actions from central banks and political authorities around the world.

The Trustees added a number of new investments to the portfolio of alternative assets during the year.

The Trustees were obliged to pay the second instalment of the Pension Levy, which was introduced in 2011. An amount of €10.6m was paid to Revenue from the assets of the Schemes.

The Investment Report on pages 13 to 25 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 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, and states that the Schemes did not meet this test on the effective date, 31 December 2011.

Trustees' Report (continued)

The Pensions Board had extended the time to submit a funding proposal to 30 June 2013. The Company is working towards agreeing a funding plan with the Schemes' Actuary and the Trustees. Included in this funding plan are changes to the Schemes which were accepted by staff, following a ballot of their members by the An Post Group of Unions. However, as the result of the ballot on these changes was not available until 28 June 2013 and given that any amendments to the Schemes will require Ministerial approval, the proposal was not submitted by 30 June 2013. The Trustees have informed the Pensions Board in writing that the proposal will be submitted at a later date.

The financial position of the Schemes at the time of writing this report is broadly in line with the valuation at 31 December 2012. There was a slight improvement in the first quarter of 2013, with a reduction in the MFS deficit of approximately €80.0m.

During 2012, contributions and transfers totalling €63.3m (employer – €58.8m, employees – €4.5m) were due. Investment income net of investment management expenses of €2.0m amounted to €23.4m. Benefits and other payments (including the Pension levy) for which the Schemes were liable totalled €89.3m. Net movement in the market value of investments resulted in an increase of €259.7m. The Schemes achieved a return of 14.6% on their investments in 2012. At 31 December 2012, the net assets of the Schemes were valued at €2,017.2m. Details of the composition of the Schemes' net assets at 31 December 2012 are set out in the table below:

	€'000
Quoted Fixed interest securities	496,552
Unquoted Equities	17,256
Unit Trusts	1,325,589
Property Pooled Investments	101,098
Alternative Investments	72,960
Derivative assets	
Futures	1,025
Forward Foreign Exchange (FX)	2,420
Swaps	7,795
Cash Instruments	10,300
Cash on deposit	111,413
Other Investment Balances	(139,768)
Accrued Investment Income	10,880
Derivative Liabilities	
Options	(1,262)
Total Investments	2,016,258
Current Assets	1,565
Current Liabilities	(602)
Total Fund	2,017,221

The Trustees regularly monitor the strategic asset allocation of the Schemes' funds (as set out in the Statement of Investment Policy Principles at Appendix 1).

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

Summary investment commentaries for the year, for each of the investment managers, are set out on pages 13 to 18 of this report. Commentaries on the performance of the property and forestry investment managers, together with updates on the alternative investments, and other investment programmes are set out on pages 19 to 25.

9. Membership Details at 31 December 2012

	2012	2011
Employed		
At 1 January	9,936	9,640
Additions	213	729
Leavers	(413)	(433)
At 31 December	<u>9,736</u>	<u>9,936</u>
Deferred Pensioners <i>(i.e. former staff of An Post who have preserved pension entitlements)</i>		
At 1 January	2,254	2,180
Additions	208	138
Leavers	(85)	(64)
At 31 December	<u>2,377</u>	<u>2,254</u>
Pensioners <i>(i.e. retired staff of An Post)</i>		
At 1 January	3,829	3,712
Additions	242	222
Leavers	(98)	(105)
At 31 December	<u>3,973</u>	<u>3,829</u>
Dependents <i>(i.e. widows, widowers and children of former staff of An Post)</i>		
At 1 January	1,277	1,272
Additions	77	80
Leavers	(73)	(75)
At 31 December	<u>1,281</u>	<u>1,277</u>

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

Trustees' Report (continued)

10. Subsequent Events

The Schemes remain underfunded and as already stated in paragraph 8 "Developments during the Year", the Group of Unions confirmed acceptance, following a ballot of their members, of the proposed changes to the Scheme which are to be incorporated in the funding proposal. The agreement reached between the parties is being considered by the Trustees and the Schemes' Actuary at the time of writing, with a view to submitting the proposal to the Pensions Board for ratification. The proposal will be submitted after 30 June 2013, as mentioned in paragraph 8 "Developments during the Year". In addition the Trustees are currently carrying out due diligence on the properties being offered by the Company as a contingent asset and a funding proposal cannot be finalised until this work is carried out to the satisfaction of the Trustees. The Trustees have requested an updated actuarial valuation from the Actuary.

Members will be informed of developments, as soon as a proposal is finalised. Markets continued to perform well during the first half of 2013, with the June valuation slightly above the year end valuation quoted in this report. The Trustees continue to monitor the investment strategy with a view to de-risking and, as a consequence, reducing the Schemes' performance volatility.

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 pension 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 no changes since the previous year in the information specified in Schedule C of the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 to 2013. However, it is intended to amend the rules of the Scheme to update them when the Funding Proposal is approved by the Pensions Board.

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 and by a variety of service providers. The Actuary and other professional advisors provide training to some or all of the Trustees in routine Trustee 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.

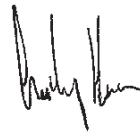
16. Conclusion

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.

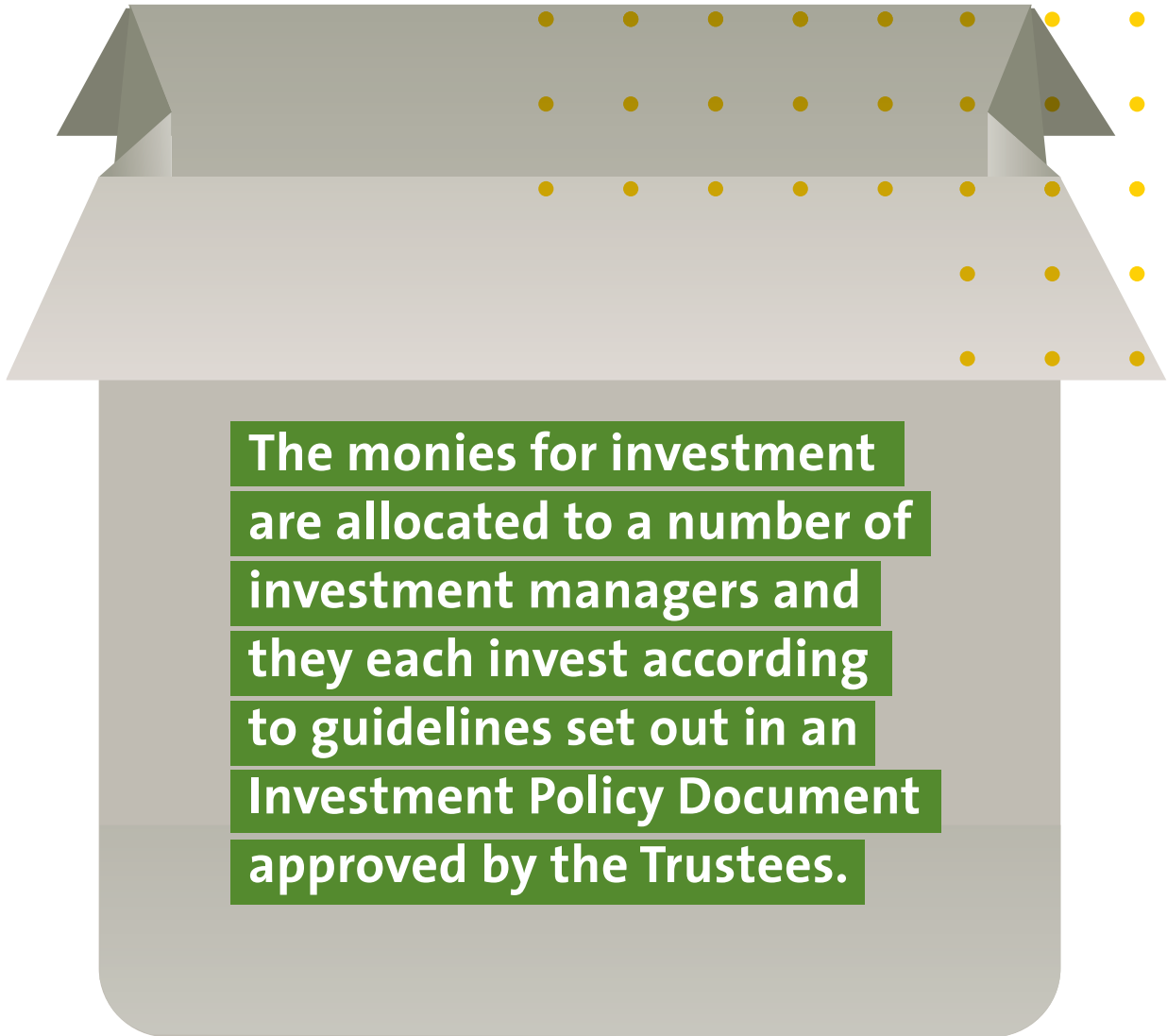
On behalf of the Trustees



Patrick Gallagher
Trustee
6 August 2013



Anthony Harmon
Trustee



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. The investment managers provide detailed reports to the Trustees and investment performance is monitored on a regular basis by the Trustees.

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. The majority of the assets of the Schemes are invested in equities and bonds. The remainder of the assets are invested in alternative asset classes, including property.

Four investment managers manage the following key mandates, which together account for the majority 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 and
5. active emerging markets equity mandate – Eemplia

In addition, the Trustees have property investments with State Street Global Advisors, Irish Property Unit Trust, Rockspring PIM (LLP), LaSalle Euro Growth II, Fidelity Investments, North American Forestry Investment Trust and Irish Forestry Unit Trust. The Trustees have committed to invest 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, infrastructure, direct lending, private equity and overseas forestry. Details of these investments are on pages 19 to 25 of this report.

Details of the investment holdings at 31 December 2012 are set out in the table overleaf.

Investment Report (continued)

Investment Manager	Assets	% of Portfolio
AXA Rosenberg – Small Cap Equities	102,678	5.1
Esemplia – Equities Emerging Markets	136,974	6.8
State Street Global Advisors – Equities & Bonds	1,085,954	53.8
PIMCO – Bonds	417,674	20.7
PIMCO – Bank Capital	40,472	2.0
State Street Global Advisors – Property	35,431	1.8
Fidelity Investments – Property	19,112	0.9
Rockspring PIM (LLP) – Property	16,654	0.8
La Salle Euro Growth II SARL – Property	2,810	0.1
Irish Property Unit Trust	18,165	0.9
Irish Forestry Unit Trust	2,743	0.1
NAFIT – Property	6,183	0.3
Trustee Managed/Venture Capital/Cash	18,643	1.0
Blackstone Capital Partners – Private Equity	3,429	0.2
Collier Capital – Private Equity	4,253	0.2
Partners Group – Private Equity	2,482	0.1
Macquarie – Infrastructure	4,584	0.2
ILIM/AMP – Infrastructure	10,454	0.6
Czech Asset Management LP	8,324	0.4
Miscellaneous Bonds	39,805	2.0
Alder Capital Limited – Currency	23,646	1.2
Goldman Sachs – Currency	15,788	0.8
Total	2,016,258	100.0%

The overall asset allocation of the Schemes' funds at the end of 2012 is as follows: Equities 49.5%, Bonds 40.9%, Property 5.0%, Alternatives 4.5% and Cash 0.1%.

The overall currency exposure of the Schemes' funds at 31 December 2012 is: Euro 53.5%, USD 30.8%, GBP 5.9% and Yen 4.3%. Other currencies account for the remaining balance of 5.5%.

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 13 to 18 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 19 to 25.

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.

Statement from Axa Rosenberg – Global Small Cap Mandate

AXA Rosenberg Investment Management manages a Global Small Cap portfolio. The table below shows the performance of the Small Cap portfolio in 2012. The benchmark against which performance is measured is the S&P SmallCap Index Global.

	Portfolio	Benchmark	Value
Global Small Cap	18.8%	14.8%	€102.7m

The Global Small Cap portfolio had an opening market value of €86.1m, at 1 January 2012. There were no cash flows during the year. The closing value of the portfolio at 31 December 2012 was €102.7m. The portfolio performed strongly during 2012 with a return of 18.8% which out-performed the benchmark by 4.0%.

The manager invests in stocks which are defined as small capitalisation. This generally means the companies have a stock market valuation of less than €2 billion. The weighted average market capitalisation of stocks in the portfolio is €1.9 billion.

The Small Cap sector performed strongly in 2012 outperforming the broader equity market. Value stocks outperformed growth stocks. This environment was conducive to Axa Rosenberg's investment process which focuses on the long-term drivers of equity return. The risk profile of the portfolio was well rewarded, with the manager's bias towards value making a significant contribution. Industry exposures (e.g. overweight retailers and underweight oil and metals) and strong stock selection within the portfolio also contributed to the relative outperformance.

The Small Cap portfolio holds 700 stocks out of an index of almost 5,300 names. At year end, 51.5% of the portfolio's holdings were in the US; the Eurozone was the next largest holding at 10.7%; the UK accounts for 9.9% and 8.9% of the portfolio is in Japan. Other significant country holdings are Australia, Canada and Switzerland. There is a very small holding in Ireland, 0.14%, which is Smurfit Kappa.

Investment Report (continued)

Statement from Esemplia

Esemplia manages an Emerging Markets equity portfolio, which is invested in shares of companies mainly listed in emerging markets. The benchmark against which performance is measured is the MSCI Emerging Markets Index. The table below shows the performance of the portfolio in 2012.

	Portfolio	Benchmark	Value
Esemplia Emerging Markets	13.0%	16.4%	€137.0m

The opening value of assets at 1 January 2012 was €121.1m. There were no cashflows during the year. The closing value of the portfolio at 31 December 2012 was €137.0m. The return on assets for the year, while positive at 13.0%, fell short of the benchmark return of 16.4%.

In a strong year for equities Emerging Markets (EM) outperformed their developed peers by over 2.0%. As growth in developed economies continued to stagnate, investors looked to EM, with its much healthier public finances and fast growing economies. Emerging Market funds experienced a high level of cash inflow during the year, after seeing net outflows in the previous year where investors sought the perceived safety of developed markets. There was wide dispersion of returns across Emerging Markets. Turkey was up a massive 64.0% whilst the heavyweight BRIC countries (Brazil, Russia, India and China) underperformed the broader index.

Esemplia has suffered a period of sustained relative underperformance over the past few years and management has undertaken a strategic review of the business and the investment process. The firm has made changes to the investment team and has hired a number of senior investment professionals to boost their resources. The parent company Legg Mason has reaffirmed its commitment to the business. The Trustees noted these positive actions but nonetheless reached a decision to remove half of the assets from Esemplia and to award a second emerging markets equity mandate to another manager. This process was completed in April 2013 with the appointment of JP Morgan as the second manager.

At the end of 2012 the portfolio held investments in 18 countries defined as Emerging Markets, including India, South Africa, Ghana, Colombia and Indonesia. 55.6% of the portfolio's holdings are in Asia, with 23.6% in Latin America and 17.0% in the Europe/Middle East/Africa region (EMEA). The cash weight was 3.8%. The largest individual country holdings are China 21.6%, Korea 12.7% and Brazil 9.1%.

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

SSgA manages a portfolio of passive investments in State Street Exempt Unit Trusts. The objective of passive management is to match the return generated by the relevant market index. The fees associated with passive management are considerably less than those for active management.

SSgA manages two separate portfolios; Global Equities and Eurozone Long Bonds. The individual fund returns for the year and the portfolio allocation as at 31 December 2012, are as follows:

	Portfolio Value	Portfolio %	Fund (and Index) Performance %
Global Equities	€759.4m	70.0%	14.5% (14.1%)
Eurozone Bonds	€326.6m	30.0%	17.7% (17.8%)
Total	€1,086.0m	100.0%	

The opening value of the total assets of the portfolio, on 1 January 2012 was €995.5m. The closing value at 31 December 2012 was €1,086.0m. In January, the Trustees completed the strategic sale of the remaining holding in SSgA's Irish Equity fund, worth €9.5m. Exposure to the Irish equity market is now gained through the Global Equity fund – at year end this was just 0.1%. In addition to the sale of Irish equities, there were a number of redemptions from the Global Equity fund throughout the year, totalling €51.0m. The funds raised were used to pay the Government Pension Levy and fund alternative investments. Total cash outflow for the year was €60.5m.

2012 produced welcome gains for both equities and bonds. It is unusual to see strong returns in both markets simultaneously. Although there were periods of heightened volatility, global equity markets generated robust returns for the year. In fact, many markets are close to pre-crisis levels. The decisive intervention by ECB president Mario Dragi, who declared that the ECB would do “whatever it takes” to save the Euro, was key to the change in sentiment towards the Eurozone. In an effort to stimulate growth the central banks of the US, UK and Eurozone maintained low interest rates and continued to provide liquidity via quantitative easing. These policies were supportive of risk assets and bond yields.

Eurozone bonds remained extremely volatile through 2012. The yields in core Eurozone countries continued to decline with German bond yields falling as low as 1.1% before finishing the year at 1.3%. French bond yields also fell sharply during the year despite being downgraded to AA. French bond yields finished the year at 2.0%, close to the all-time low. Italian and Irish bond yields also showed significant falls. As yields fall, prices rise and the index returned almost 18% for the year – a strong return for government bonds.

Investment Report (continued)

Statement from Pacific Investment Management Company (PIMCO)

The mandate of PIMCO is to actively manage a portfolio of fixed interest investments against a Eurozone long dated government bond benchmark.

The opening market value of the portfolio on 1 January 2012 was €337.0m. There was no cash flow during the year. The closing value of the portfolio at 31 December 2012 was €417.7m. The portfolio returned 22.8% for the year, ahead of the benchmark return of 17.8%.

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 bonds performed strongly in what was another eventful year for the single currency. The bond market was driven by the various policy moves by the ECB. The year began with massive liquidity injections from the ECB which helped risk assets rally aggressively. A disorderly Greek default was avoided. The EU agreed to establish a banking union and create a pan-European banking supervisor, combined with a direct bank recapitalisation scheme. In July, supportive comments from ECB President Mario Draghi helped to stabilise markets amidst gloomy economic news. This momentum continued through to year end aided by other small but significant steps toward a more stable currency union. German bond yields ended the year at near record lows of 1.3% and peripheral yields continued to tighten against German bonds. The manager remained cautious during the year on the economic outlook and actively positioned the portfolio for uncertainty and market volatility whilst looking for opportunities to de-risk.

PIMCO also manages a separate portfolio of bank capital assets. The opening market value of the portfolio on 1 January 2012 was €31.2m. There was no cashflow during the year. The closing value of the portfolio at 31 December 2012 was €40.5m.

The return on the portfolio for the year was 29.3% outperforming the benchmark return of 24.4%. 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 portfolio was funded in June 2008 when the credit crisis in the banking industry presented an opportunity to purchase these securities at attractive historic discounts. Since inception to the end of 2012 the portfolio has returned 10.4% per annum. The excess returns have now largely passed and the manager expects returns to be more normal going forward. The portfolio is not intended to be a long-term hold for the Schemes and it is expected that the assets will be sold and profit taken and reinvested elsewhere in the portfolio.

Property

The property investments of the Schemes are held in funds managed by the managers listed in the table below along with the value of those investments at 31 December 2012:

Manager	Value
State Street Global Advisors	€35.4m
Irish Property Unit Trust	€18.2m
Fidelity Investments	€19.1m
Rockspring PIM (LLP)	€16.7m
La Salle Euro Growth II Sarl	€2.8m
North American Forestry Trust (NAFIT)	€6.2m
Irish Forestry Unit Trust	€2.7m

Overall the return on property investments for the year ended 31 December 2012 was -4.9%, due to disappointing returns from the Rockspring portfolio. 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 €34.2m on 1 January 2012. There was no cash flow in or out of the fund during the year. The closing value of the assets at 31 December 2012 was €35.4m. The return on the portfolio for the year was 3.7%.

Sectoral Allocation		Geographic Allocation	
Offices	50.0%	Ireland	70.0%
Retail	35.0%	UK	26.0%
Industrial	15.0%	Europe	4.0%

The fund invests in high quality commercial property with strong cash flows. 2012 was a turning point for the Irish investment property market with commercial property continuing to stabilise throughout the year. Rental levels remained stable and with no new accommodation being completed, vacancy levels fell across the Dublin region. It was the busiest year since 2008, with a notable increase in the volume of investment properties being offered for sale. Investor demand is strong, with a large amount of overseas capital looking to invest in the Irish market, mainly focused on Dublin prime offices. The UK market remains split along geographic lines with London out-performing all other regions in each sector. There were no transactions within the fund in 2012 but the manager is focused on active asset management to protect income and is proactive in dealing with tenants.

The portfolio comprises 40 properties with a current vacancy rate of 3.2% and a rental income yield of approximately 9.0%.

Investment Report (continued)

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 2012 was €18.8m. Income earned for the year totalled €1.6m. The closing value of the assets at 31 December 2012 was €18.2m.

The Trust invests in Office (55.3%), Retail (34.6%) and Industrial (10.1%) sectors, all in Ireland.

The market environment was much improved in 2012 leading to increased investment activity. Following 5 years of downward price adjustments the market stabilised and the slide in capital values has slowed considerably. The capital value of the trust's portfolio fell by 3.1%. However, the portfolio generated strong income which offset this decrease and the trust posted a total return for the year of 5.9%.

The portfolio is weighted in favour of modern offices in Dublin's central business district – this sector has seen strong demand from investors as supply is limited. Rental income is the key driver of performance in a weak economic environment. Active management of the assets is focused on retaining the tenant base, minimising voids and maximising income recovery. The portfolio's vacancy rate has been reduced from 6.7% to 4.6% over the year. Another focus has been on refurbishment projects which have added value to the portfolio.

Office holdings include 1 and 2 Shelbourne Buildings in Dublin 4; 2 Hume Street, Dublin 2; and Swords Business Campus, Co. Dublin. Retail holdings include the Pavilions shopping centre Swords and Opera Lane Cork.

Fidelity Eurozone Select Real Estate Fund

The Trustees decided to invest €20.0m in this fund, managed by Fidelity Investments. The fund's investment focus is centred on the major markets in the Eurozone that are expected to deliver excellent risk adjusted returns. Initial investment activity will be in France, Germany and the Netherlands. The fund will invest directly in Eurozone commercial property and the manager's focus is on buying high quality assets with strong income and tenant profiles. The aim of the fund is to generate attractive and stable income over time, with quarterly distributions. The full €20.0m commitment was called down between June and December 2012. At year end the fund had purchased 6 properties in Germany and France, mainly in Retail and Industrial sectors. In December 2012 the Trustees decided to commit an additional €10.0m to the fund. This will be drawn down as the manager identifies suitable properties. The investment was valued at €19.1m at 31 December 2012.

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 have invested a total of €23.1m in the PanEuropean fund. The opening value of the portfolio at 1 January 2012 was €15.2m. The closing value of the portfolio at 31 December 2012 was €12.8m. Income earned during the year was €0.8m.

The PanEuropean fund invests in both core European countries, including Belgium, Germany, and Switzerland and in peripheral countries such as Portugal, Spain and Greece. There continues to be a marked divergence of performance between core and peripheral assets. Investors remain firmly risk averse and focused on prime core assets in a small number of northern European cities. Capital values in the core portfolio remained fairly resilient over the year. However, a lack of investor interest and subdued economic activity outside core countries has seen the peripheral portfolio show further declines in capital values, down 15.0% in 2012. Overall the capital value of the fund depreciated significantly which was offset by a positive income return, giving a total return for the year of -10.5%.

As a result of the disappointing performance, there have been a substantial number of redemption requests from investors in the fund (almost half of total units in issue).

Consultation is ongoing between the investors and the manager, which may result in a restructuring of the fund in order to facilitate liquidity.

The largest country holdings are Belgium 25.0%, Germany 21.0%, Switzerland 18.0%, Portugal 14.0% and Netherlands 12.0%. The sectoral split of the portfolio is Retail Warehousing 77.0%, Shopping Centres 15.0%, Offices 5.0% and Industrial 3.0%.

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 2012. 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 2012. The fund invests in High Street property in secondary UK locations and rental income is distributed quarterly. Income received in the year totalled €0.3m. The fund was valued at €3.9m at 31 December 2012.

The UK retail environment has been difficult for the past number of years and this, together with the fund's focus on secondary assets has impacted negatively on performance. Following a high level of redemption requests and weak performance prospects, the unit holders voted in January 2013 to wind up the fund with an orderly disposal of assets over a 3 year period. The provision of high levels of rental income will remain a key objective.

The overall return for the fund for 2012 was -6.7%.

Investment Report (continued)

LaSalle Euro Growth II Sarl

The Trustees invested €10m in this fund in 2002. In total, 97.0% of the capital invested has been returned to investors to date.

The fund is in the process of being wound down in an orderly manner. At 31 December 2012 there were 8 remaining assets, and the holding was valued at €2.8m. These assets are spread across retail (60.0%), offices (21.0%) and warehouses (19.0%), in Germany, Spain, Sweden and Italy. At 31 March 2013 there were just 2 assets remaining, both in Italy.

The value of the holding in the LaSalle Euro Growth II Fund at 1 January 2012 was €3.8m. Interest earned and capital returned during the year totalled €0.1m. The closing value of the investment at 31 December 2012 was €2.8m.

North American Forestry Investment Trust (NAFIT)

NAFIT invests in North American forestry funds and commenced operations in 2009. It operates as a sub-fund of Irish Forestry Unit Trust. The Trustees have committed to invest US\$15.0m in NAFIT. \$1.5m was drawn down during 2012 bringing the total capital invested to \$8.3m. The investment was valued at €6.2m at year end. During 2012 NAFIT made further investments in US timberland property and completed due diligence on additional investments. NAFIT will continue to raise additional commitments during 2013 and expects to close the fund towards the end of 2013. In 2012 there was a positive return of 2.4% for unit holders for the year. This has brought NAFIT to a position of covering its set up costs while just 55.0% of capital commitments have been called to date. Long term return potential is positive given the recent upturn in US economic activity, particularly in the housing market. Long term timber price forecasts are also strongly positive which, if realised, will contribute to further gains. Future years will also see the development of distributions from the underlying funds as the timberland properties are actively managed.

Irish Forestry Unit Trust (IForUT)

The Irish Forestry Unit Trust was established in 1994 and owns almost 15,000 hectares (37,500 acres) of commercial forests. This is mostly located in Ireland, with a small holding in Scotland. The forests cover a wide geographic range as well as diversity in age structure.

The value of the investment at 1 January 2012 was €2.6m. At 31 December 2012, the investment was valued at €2.7m.

The Trust actively manages timber sales through timber price cycles to improve long term performance. In 2012, the Trust took advantage of the more buoyant market and increased its sales of timber. The Trust delivered a strong return of 6.7% to unitholders for the year.

Venture Capital

The holdings in three mature 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 2012 was €1.7m and their closing value at 31 December 2012 was €1.9m. There were no income distributions during the year.

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 amounted to €13.1m bringing the total capital drawn down to €20.9m. During the year, two of the funds had successful exits from their portfolio of companies and returned cash to the Trustees; €2.0m from Fountain and €0.6m from Atlantic Bridge. The closing value of the four investments at 31 December 2012 was €14.5m.

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 2012 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 revised the value of the bond from €20.0m to €22.0m at year end, reflecting the improved credit rating for Bank of Ireland in the market. Including accrued interest, the bond was valued at €22.2m at year end.

The Trustees hold a 10 year amortising corporate bond which will mature in 2019. The bond was valued at €7.3m at year end. The bond pays an annual coupon and this, together with some capital repayment, amounted to €0.9m.

The Trustees hold €10.0m of an Irish Government 5.0% 2020 bond, at a yield to maturity of 5.4%. The bond generates income of €0.5m per annum. Irish bonds performed well in 2012 as yields moved in from extreme levels. The bond was valued at €10.3m at 31 December 2012.

Currency

The Trustees have invested 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 the fund 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 €23.6m and €15.8m respectively.

Private Equity

The Trustees have made a commitment to invest in Blackstone Capital Partners' VI LP Private Equity fund. This is one of the largest private equity funds, with US\$15 billion of capital to invest. The Schemes' commitment is US\$20m and US\$4.0m has been drawn down by year end. The fund invests in a portfolio of private companies and at year end there were 21 investments in the US, Europe and Asia. The largest industry sectors to date are energy, healthcare and retail/consumer. The investment was valued at €3.4m at 31 December 2012.

During 2012 the Trustees decided to invest in the Private Equity secondary market, which creates liquidity for those wishing to sell illiquid private equity interests. A secondaries fund makes investments in existing private equity investments and as such there is more visibility on the underlying assets. Changes in the bank regulatory environment means that many primary investors are obliged to reduce or divest their holdings in private equity, creating a unique opportunity for secondaries funds. The Trustees have committed to two funds in this area which are complementary to each other in terms of size and strategy:

- i. Collier International Partners VI is the 6th fund from Collier, a London firm which invests only in secondaries. The fund closed in July 2012 at US\$5.5bn. The Schemes' commitment is US\$20.0m, of which US\$4.6m was drawn down by year end. The holding was valued at €4.3m at 31 December 2012.
- ii. Partners Group Secondary 2011, the fourth fund from Partners Group, a Swiss headquartered firm specialising in private market investments.

The fund closed in December 2012 at €0.8bn. An Post's commitment is €15.0m, of which €1.6m was drawn down by year end. The holding was valued at €2.5m at 31 December 2012.

Both funds have already acquired assets at a discount and are showing an increase in market value.

Infrastructure

Infrastructure as an asset class refers to investment in the basic physical systems of an economy, such as transportation (airports, rail, toll roads), utilities (water, gas and electric networks) and energy (power generators, windfarms). Often, the assets are state regulated with pricing linked to inflation. The resulting businesses are stable with strong cashflows. These characteristics, together with the long life of the assets, make infrastructure a suitable investment for pension funds.

The Trustees made commitments to the following Infrastructure funds in 2012:

- i. Irish Infrastructure Fund: managed by Irish Life and AMP Capital, an Australian infrastructure specialist. The €300.0m fund will invest in a portfolio of infrastructure assets which are primarily located in Ireland. The Schemes' commitment is €20.0m, of which €9.9m was drawn down by year end. The holding was valued at €10.5m at 31 December 2012. The fund's first asset is a portfolio of wind farms in Ireland.
- ii. Macquarie Infrastructure Fund 4: the parent is Macquarie Group, a large Australian financial services company. The Schemes' commitment is €20.0m, of which €4.9m was drawn down by year end. The holding was valued at €4.6m at 31 December 2012 after upfront charges had been applied. In April 2013 the fund closed at €2.7bn. The first two assets in the fund are gas transmission networks in Germany and the Czech Republic.

Direct Lending

The Trustees committed to invest US\$15.0m in 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\$12.6m of the commitment. The return on this fund to date is estimated to be running at approximately 9.0% p.a. The Trustees have been satisfied with the performance of the fund and in February 2013 decided to commit US\$25.0m to a follow-on fund, SJC Offshore Capital Finance Fund II.

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. However, as SSgA manages the bulk of the equity portfolio on a passive basis, income from the Securities lending programme has diminished this year. 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 Schemes had an effective date of 31 December 2011. It confirmed that, at that date, the Schemes did not satisfy the funding standard specified in Section 44 of the Pensions Act, 1990.

If I were to have prepared an Actuarial Funding Certificate at 31 December 2012, the end date of the most recent scheme year, I would similarly have confirmed that the Schemes would not have satisfied the funding standard at that date.

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.

A handwritten signature in black ink, appearing to read "Michael Madden".

Michael Madden
FSAI
24 June, 2013



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 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 to 2013 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 is fee paid.

On behalf of the Trustees



Patrick Gallagher
Trustee
6 August 2013



Anthony Harmon
Trustee

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

We have audited the financial statements of the An Post Superannuation Schemes for the year ended 31 December 2012, which comprises the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Scheme Trustees as a body, in accordance with the Pensions Act, 1990 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustees those matters we are required to state to them in 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 Scheme 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 explained more fully in the Statement of Trustees' responsibilities set out on page 28, the Scheme Trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Schemes circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements

- show a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the financial transactions of the Scheme during the year ended 31 December 2012 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 Scheme year, and
- contain the information specified in the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 to 2013.

Additional matters on which we are required to report by the Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 to 2013.

In our opinion, the contributions payable to the Scheme during the year ended 31 December 2012 have been received by the Trustees within 30 days of the end of the Scheme year, and, have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

Jon D'Arcy

KPMG

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

6 August 2013

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 to 2013 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 26 and 62 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.

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 2012 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 Fidelity International and Rockspring PIM (LLP) was valued at 31 December 2012 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 2012.

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 their 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 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 assets 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 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 changes in market value.

Foreign Forward Exchange Contracts

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 2012.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

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. In addition most of the alternative investment management fees are calculated on a base fee plus performance 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.

Pension Levy

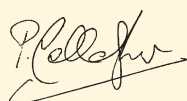
The pension levy is calculated on the basis of the aggregate market value of assets (excluding contingent assets) held as at the effective date and is accounted for as it falls due.

Fund Account for year ending 31 December 2012

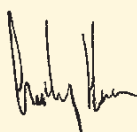
	Note	2012 €'000)	2011 €'000)
Contributions and Benefits			
Contributions receivable	1	63,261	61,200
Individual transfers in	2	106	171
		63,367	61,371
Benefits payable	3	(77,817)	(76,544)
Administration expenses	4	(935)	(1,071)
		78,752	77,615
Net withdrawals from dealings with members		(15,385)	(16,244)
Returns on investments			
Investment income	5	25,402	39,267
Change in market value of investments	6	259,725	(89,955)
Investment management expenses	7	(1,969)	(3,257)
Net returns on investments		283,158	(53,945)
Pension Levy	8	(10,560)	(10,768)
Net increase/(decrease) in the fund during the year		257,213	(80,957)
Net assets of the Schemes at beginning of year		1,760,008	1,840,965
Net assets of the Schemes at end of year		2,017,221	1,760,008

The notes on pages 36 to 49 form part of the Financial Statements.

On behalf of the Trustees



Patrick Gallagher
Trustee
6 August 2013



Anthony Harmon
Trustee

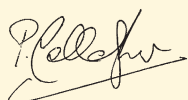
Net Assets Statement at 31 December 2012

	Note	2012 (€'000)	2011 (€'000)
Assets			
Investments	6	2,016,258	1,756,222
Current assets	9	1,565	4,219
Current liabilities	10	(602)	(433)
Net current assets		963	3,786
Net assets of the Schemes at end of year		2,017,221	1,760,008

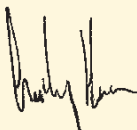
The notes on pages 36 to 49 form part of the Financial Statements.

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
6 August 2013



Anthony Harmon
Trustee

Notes Forming Part of the Financial Statements

1. Contributions Receivable	2012	2011
	€'000	€'000
An Post		
Normal	50,362	51,261
Augmentation*	8,482	5,523
Members		
Spouses' and Children's Pension Scheme	2,536	2,596
Purchase of added years	278	311
Employee 5% contribution	1,603	1,509
	63,261	61,200
* 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		
Individual transfers from other Revenue approved Schemes	106	171
3. Benefits Payable		
Superannuation Scheme		
Pensions	57,905	56,484
Lump sums	10,404	10,171
Mortality benefits	380	444
	68,689	67,099
Spouses and Children's Pension Scheme		
Pensions	9,128	9,445
	77,817	76,544
4. Administration Expenses		
Management expenses	894	1,034
Auditors remuneration	41	37
	935	1,071

5. Investment Income	2012 €'000	2011 €'000
Income from fixed interest securities	21,633	18,172
Dividends from equities	6	17,190
Income from property unitised funds	2,833	3,976
Interest on cash deposits and other income	1,422	1,420
Income from liquidity funds	(492)	134
	25,402	40,892
Less irrecoverable withholding tax on dividends	– *	(1,625)
	25,402	39,267

*As the majority of equities are managed by SSgA within a pooled fund, the manager immediately re-invests income earned. Consequently the income earned figure forms part of the closing market value figure and the irrecoverable withholding tax is not separately identifiable. Income earned within the SSgA investment funds for the year ended 31 December 2012 amounted to €39.6m and was reinvested and reflected in the closing market value figure.

Interest on cash deposits and other income includes income earned from Securities Lending of €97,145 (2011: €397,274). Income from the Securities Lending programme has decreased as SSgA manages the portfolio on a passive basis.

Notes Forming Part of the Financial Statements (continued)

6. Investments					
Investment Reconciliation table	Market Value 01/01/2012	Purchases At Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change in Market Value	Market Value 31/12/2012
	€'000	€'000	€'000	€'000	€'000
Fixed Interest securities	394,126	1,798,879	(1,755,660)	59,207	496,552
Equities	10,115	14,155	(8,380)	1,366	17,256
Unit Trusts	1,202,612	467	(60,493)	183,003	1,325,589
Property	84,033	21,045	(278)	(3,702)	101,098
Alternatives	44,312	28,121	(4,097)	4,624	72,960
Derivatives					
Futures	3,841	4,359	(16,968)	9,793	1,025
Options	137	512	(2,586)	675	(1,262)
Swaps	71	764,185	(760,202)	3,741	7,795
Forward FX	(2,239)	17,588	(12,690)	(239)	2,420
Cash Instruments	7,527	1,741,512	(1,738,642)	(97)	10,300
	1,744,535	4,390,823	(4,359,996)	258,371	2,033,733
Cash Deposits	4,656			1,376	111,413
Margin					
Initial	1				–
Variation	–				–
Other Investment balances	(741)				(139,768)
Outstanding dividends & interest receivable	7,771			(22)	10,880
Total investments	1,756,222			259,725	2,016,258

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 trades are classified as a Spot trade if there is less than (or equal to) 5 days between trade and settle dates. FX trades are classified as Forwards 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 are not separately identifiable this year (2011: €1.0m), as indirect costs incurred through the bid-offer spread on investments within pooled investments vehicles have not been separately provided to the Schemes.

Notes Forming Part of the Financial Statements (continued)

6. Investments (continued)

Other investment balances consist of the following:

Description	2012 €'000	2011 €'000
Payables for investment purchases	(1,002,595)	(16,767)
Receivables for investments sold	862,827	16,026
Total	(139,768)	(741)

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 12	Market Value (€'000) at 31 Dec 12
Euro Bonds Purchased	Less than 1 Year	52,448	1,024
Euro Interest Rate Futures Purchased	Greater than 1 Year	145,329	29
US Treasury Bonds Purchased	Less than 1 Year	2,016	(8)
US Treasury Notes Futures Purchased	Less than 1 Year	6,949	(4)
US Treasury Notes Futures Sold	Less than 1 Year	(608)	–
Eurodollar Futures Purchased	Greater than 1 Year	250,842	(21)
Australian Bond Futures Purchased	Less than 1 Year	2,234	5
Total		459,210	1,025

6. Investments (continued)

Collateral held at the year end in respect of future contracts amounted to \$US 3.9m (2011: \$US2.2m).

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 12 €'000	Liability Value at 31 Dec 12 €'000
Bond Call Option	Less than 1 Year	US Bond	(78,400)		(1,183)
Bond Call Option	Less than 1 Year	Euro Bond	(15,900)		(98)
Bond Call Option	Greater than 1 Year	Euro Bond	(2,700)		(16)
Bond Put Option	Less than 1 Year	Euro Bond	(27,100)		–
Bond Put Option	Less than 1 Year	US Bond	(78,400)		(17)
Bond Put Option	Greater than 1 Year	Euro Bond	(4,900)	44	–
Stock Put Option	Less than 1 Year		18,000	8	–
Sub Totals			(189,400)	52	(1,314)
Net Total					(1,262)

Notes Forming Part of the Financial Statements (continued)

6. Investments (Continued)

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 12 €'000	Liability value at 31 Dec 12 €'000
Credit Default Swaps Euro	–	More than 1 Year	–	(14)
Credit Default Swaps Euro	–	Less than 1 Year	–	(10)
Credit Default Swaps GBP	–	More than 1 Year	–	(86)
Credit Default Swaps \$US	–	More than 1 Year	–	(923)
Credit Default Swaps \$US	–	Less than 1 Year	–	(7)
Currency Swaps JPY	–	More than 1 Year	–	(82,349)
Currency Swaps \$US	–	More than 1 Year	90,261	
Interest Rate Swaps Euro	–	More than 1 Year	865	
Interest Rate Swaps AUD	–	More than 1 Year	446	
Interest Rate Swaps GBP	–	More than 1 Year	–	(201)
Interest Rate Swaps \$US	–	More than 1 Year	–	(206)
Interest Rate Swaps MXN	–	More than 1 Year	–	(1)
Interest Rate Swaps \$US	–	Less than 1 Year	20	
Sub Totals			91,592	(83,797)
Net Total			7,795	

Collateral held at the year end in respect of Swaps totalled \$US 1.8m (2011: \$US 6.7m).

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 Dec 12 €'000	Liability Value at 31 Dec 12 €'000
FORWARD OTC	Jan 13	MXN	1,128	USD	87	–	–
		USD	9,373	EUR	7,217	108	–
		GBP	13,422	EUR	16,536		(11)
		EUR	2,333	USD	3,081	4	
		JPY	60,000	USD	773	60	
		ZAR	3,983	USD	451		(13)
FORWARD OTC	Feb 13	USD	2,713	CNY	17,102		(1)
		CNY	17,385	USD	2,760	2	
		USD	2,847	BRL	5,877	7	
		EUR	4,848	USD	6,260		(102)
		GBP	41,684	EUR	52,139	775	
		USD	48,835	EUR	38,222	1,196	
		EUR	5,129	GBP	4,120		(52)
		JPY	507,500	EUR	4,707	255	
		AUD	360	EUR	293	12	
FORWARD OTC	Mar 13	JPY	180,000	USD	2,184	77	
FORWARD OTC	Apr 13	MXN	209,299	USD	16,114	104	
		USD	641	MXN	8,386		(1)
Sub Totals			1,111,480		186,309	2,600	(180)
Net Total						2,420	

Notes Forming Part of the Financial Statements (continued)

6. Investments (Continued)

Investments at Market Value

	2012 €'000	2011 €'000
Fixed interest securities		
Eurozone public sector quoted	274,306	162,600
Eurozone other quoted	116,193	145,053
Rest of world public sector quoted	40,968	39,589
Rest of world other quoted	65,085	46,884
	496,552	394,126
Equities		
Eurozone unquoted	17,256	10,115
	17,256	10,115
Property Funds		
Eurozone Property	91,056	74,540
Non Eurozone Property	10,042	9,493
	101,098	84,033
Unit Trusts		
Eurozone other than property	1,085,938	995,447
Rest of world other than property	102,677	86,059
Emerging markets other than property	136,974	121,106
	1,325,589	1,202,612
Alternative Investments		
Eurozone	56,955	37,433
Non Eurozone	16,005	6,879
	72,960	44,312
Derivatives		
Forward FX	2,420	–
Futures	1,025	3,841
Options	–	137
Swaps	7,795	71
	11,240	4,049
Cash Instruments		
Euro	7,712	4,612
Foreign currency	2,588	2,915
	10,300	7,527
Sub Total	2,034,995	1,746,774

6. Investments (Continued)

Investments at Market Value

	2012 €'000	2011 €'000
Cash	111,413	4,657
Other Investment Balances	(139,768)	(741)
Outstanding dividends, interest receivable	10,880	7,771
Derivative Liabilities		
Futures	—	—
Options	(1,262)	—
Swaps	—	—
Forward FX	—	(2,239)
Total Investments	2,016,258	1,756,222

Notes Forming Part of the Financial Statements (continued)

7. Investments Management Expenses

	2012 €'000	2011 €'000
Administration, management and custody fees in accordance with the relevant investment mandates and custody contracts.	1,969	3,257

8. Pension Levy

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. The amount was paid over to Revenue under the terms of the Finance (No 2) Act 2011. The Act imposes an annual levy at 0.6% of the asset value of the Schemes for the years 2011 to 2014 inclusive.

	10,560	10,768
9. Current Assets		
Income tax recoverable	444	656
Cash at bank	741	1,753
Sundry Debtors	48	71
Balance due from An Post	332	1,739
	1,565	4,219

10. Current Liabilities

Balance due to An Post	–	–
Accrued expenses	602	433
	602	433

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 income 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 2012 was €9,825,082 (2011: €2,095,019) and the collateral held in respect of these loans totalled €10,068,458 (2011: €2,344,094). The equity on loan is included in the net assets at the year end.

12. Concentration of Investments

The following investments accounted for more than 5.0% of the net assets of the Schemes at 31 December 2012:

	€'000	% of net assets
SSgA EUT Euro Long Bond Index Fund	326,592	16.2%
SSgA Global Developed Index Equity Fund	759,346	37.6%
Esemplia Emerging Markets Fund	136,974	6.8%
Axa Rosenberg Small Cap Equity	102,678	5.1%

Notes Forming Part of the Financial Statements (continued)

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 Fund	121,106	6.9%

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.

14. Related Party Transactions

Five 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 €2.0m (2011: €3.3m) of which €0.5m (2011: €0.4m) was outstanding at the year end. At 31 December 2012 a total of 65.7% (2011: 68.5%) 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 following;

Fund	Total Commitment € million	Undrawn Commitment at	
		31 Dec 2012 € million	31 Dec 2011 € million
Venture Capital funds	€40.0	€19.1	€27.9
Blackstone Capital Partners' VI Fund	\$20.0	\$16.0	\$18.0
Coller International Partners VI	\$20.0	\$15.4	–
Fidelity Eurozone Select Real Estate Fund	€30.0	€10.0	€20.0
Irish Infrastructure Fund	€20.0	€10.1	–
Macquarie Infrastructure Fund 4	€20.0	€15.1	€20.0
North American Forestry Investment Trust	\$15.0	\$6.7	\$8.2
Partners Group Secondary 2011	€15.0	€13.4	–
SJC Offshore Capital Finance Fund	\$15.0	\$2.4	\$8.0

Details of these investments are noted on pages 22 to 25 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 6 August 2013.

Appendix 1

Statement of Investment Policy Principles (continued)

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:

- a. 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;
- b. There are clear principles governing the guidelines and restrictions to be presented to the investment managers regarding their investment of the Schemes’ assets;
- c. 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
- d. 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 the Schemes’ investments. However, the Trustees recognise that the Company’s continued financial support for the Schemes is of the 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:

- a. Identifying the Schemes’ risk tolerance level and formulating an appropriate and efficient investment policy which best serves the interests of the members;
- b. Delegating the management of the Schemes’ investments to investment managers. The Trustees recognize that their role is supervisory, not investment advisory;
- c. Monitoring and evaluating performance results to ensure that all guidelines are being adhered to in line with objectives;
- d. 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
- e. 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 cooperation 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
Total Equity	53%	–
Eurozone Bonds	35%	Merrill Lynch EMU Direct Govt Bond Index > 10 years
European Property	6%	Various
Alternative Assets	6%	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.

Appendix 1

Statement of Investment Policy Principles (continued)

Rebalancing

Market movements will result in a portfolio that differs from the strategic mix outlined in the table above. 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%
Total Equity	53%	48% – 60%
Eurozone Bonds	35%	32% – 38%
European Property / Forestry	6%	4% – 8%
Alternative Assets	6%	4% – 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 Schemes' total assets. There are six property managers – SSgA, Irish Property Unit Trust, Fidelity International, Rockspring PIM (LLC), LaSalle and Irish Forestry Unit Trust. In addition, there are a number of alternative asset managers who together manage less than 5.0% of the Schemes' 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 Market Index Global	Benchmark + 2% p.a. net of fees
Eemplia	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, 2006-2013, 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 previously outlined, there is also the risk that the records relating to the 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.	<p>The Schemes’ Secretary receives ongoing training on all matters relating to pensions legislation.</p> <p>The Trustees receive regular administration reports from the Pension Administration Section of An Post.</p> <p>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.</p>

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 Pensions 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 Protection, 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 and the Minister of Finance, the recommendation 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 Section (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.



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:	1 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) 613 1900
www.pensionsboard.ie

