

# Superannuation Management Amendment Guidelines 2004 (No 1)

## Disallowable Instrument DI 2004-170

made under the

Territory Superannuation Provision Protection Act 2000, s 67 (Guideline-making power)

## EXPLANATORY STATEMENT

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### Outline

These guidelines are issued in accordance with section 16 of the *Territory Superannuation Provision Protection Act 2000*. These guidelines amend the *Superannuation Management Guidelines 2002*.

These guidelines amend the *Superannuation Management Guidelines 2002* with the following changes:

- ◆ New Section – Investment Plan
  - The new section requires superannuation investments to only be undertaken in accordance with an investment plan approved by the Treasurer.
- ◆ Amended Section 5 – Meaning of *debt instrument*
  - These guidelines amend the credit rating limitations that previously applied to debt instruments.

### **Details of the Superannuation Management Amendment Guidelines 2004 (No 1)**

**Sections 1, 2, and 3** are formal requirements. They refer to the name of the guidelines, the commencement date of the guidelines, and identify the guidelines that are being amended.

**Section 4** is a new section, **4A – Investment Plan**. Moneys held in the Superannuation Provision Account are invested in accordance with section 16 of the *Territory Superannuation Provision Protection Act 2000*. The requirement to ensure that superannuation investments are made in accordance with an investment plan approved by the Treasurer is a prudent step in the investment process.

The investment plan means the basis upon which the investment objectives can be achieved through the adoption of processes that recognise long-term risk and return characteristics of a portfolio of combined asset classes.

**Section 5** is an amendment to section, **5 – Meaning of *debt instrument***.

The benchmark index used for the domestic fixed interest class of investment (UBS Composite Bond Index) is being extended to incorporate individual bonds rated down to the Standard & Poor's credit rating of BBB-.

The BBB- rating represents the lower end of the investment-grade spectrum.

Territory Investments are made in fixed interest index managed funds which prior to the change to the Composite Bond Index only invested in bonds rated down to the Standard & Poor's credit rating of A.

The section has also been amended to include the most recent Standard & Poor's equivalent credit rating limitations in respect of debt instruments rated by Moody's credit rating agency. Standard & Poor's and Moody's are recognised as the two most prominent ratings agencies in the world.

