

Public Sector Workers Compensation Fund (Investments and Funding Ratio) Management Guidelines 2019 (No 2)

Notifiable instrument NI2019–797

made under the

Public Sector Workers' Compensation Fund Act 2018, s 17(1) (PSWC fund management guidelines)

1 Name of instrument

This instrument is the *Public Sector Workers Compensation Fund (Investments and Funding Ratio) Management Guidelines 2019 (No 2)*.

2 Commencement

This instrument commences on the commencement of schedule 1, part 1.6 of the *Statute Law Amendment Act 2019*.

3 Investments and Funding Ratio

I make the Investments and Funding Ratio Fund Management Guidelines as set out in the Schedule to this instrument.

4 Revocation

This instrument revokes the *Public Sector Workers Compensation Fund (Investments and Funding Ratio) Management Guidelines 2019 (No 1)* [NI2019-149].

Andrew Barr MLA
Treasurer
9 December 2019

Investment and Funding Ratio Fund Management Guidelines

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Part 1 Preliminary

1 Dictionary

The dictionary at the end of these guidelines is part of these guidelines.

Note 1 The dictionary at the end of these guidelines defines certain words and expressions used in these guidelines and includes references (**signpost definitions**) to other words and expressions defined elsewhere in these guidelines.

Note 2 A definition in the dictionary (including a signpost definition) applies to the entire guidelines unless the definition, or another provision of the guidelines, provides otherwise or the contrary intention otherwise appears (see *Legislation Act 2001*, s 155 and s 156 (1)).

2 Notes

A note included in these guidelines is explanatory and is not part of the guidelines.

Note 3 See *Legislation Act 2001*, s 127 (1), (4) and (5) for the legal status of notes.

Part 2 Investments of the PSWC fund

3 Prescribed investments—Act, s 14 (1) (b)

- (1) Subject to section 5 of these guidelines the following are prescribed investments for the purposes of section 14(1)(b) of the PSWC Fund Act and refer to investments made and/or held anywhere in the world:
 - (a) cash and cash equivalents;
 - (b) debt;
 - (c) derivatives;
 - (d) listed equity;
 - (e) private equity;
 - (f) property;
 - (g) infrastructure;
 - (h) natural resources and commodities;
 - (i) currency;
 - (j) listed and unlisted unit trusts that invest in one, or more, or combination thereof, of investments mentioned in paragraphs (a) to (i).

4 Investment Plan and Responsible Investment Policy

- (1) Any investments made under section 14 of the PSWC Fund Act may only be made in accordance with an Investment Plan and Responsible Investment Policy.
- (2) An Investment Plan and Responsible Investment Policy must be approved in writing by the Treasurer.
- (3) Any amendment to an Investment Plan or Responsible Investment Policy takes effect from the time of approval of the amendment in writing by the Treasurer.
- (4) An Investment Plan or Responsible Investment Policy must be made publicly available, including by publishing on a Territory website.

Part 3 Funding and liquidity levels

5 Fund Value

- (1) The Fund Value must not be less than the combined value of:
 - (a) the Minimum Fund Value; plus
 - (b) the PSWC services.
- (2) The PSWC commissioner must obtain a recommendation on the estimated value of the PSWC Services from the actuary responsible for preparing the Liability Report.
- (3) The PSWC commissioner must have regard to the recommendation obtained in accordance with section 6(2) of these guidelines when estimating the value of the PSWC services, and provide reasons to the SRCC where a different value has been adopted.

6 Acceptable funding ratio

- (1) This section does not apply during the Transitional Period.
- (2) The acceptable ratio of Fund Value to Outstanding Claim Liability plus PSWC services is the range between 100 and 110 per cent.
- (3) If the funding ratio is estimated to be outside of the acceptable range, the PSWC commissioner must develop a funding ratio action plan, which describes steps to be taken to return the funding ratio to the acceptable range within 30 months of the date of the departure from the acceptable range.

Note 5 *If the reported departure from the acceptable funding ratio also results in the Fund Value being less than the value indicated in section 6(1) of these guidelines, the obligations provided in sections 6 and 7 apply concurrently.*

7 Liquidity levels

- (1) The PSWC commissioner must ensure that the Fund Money Value is sufficient to meet the cost of all payments expected to be made in accordance with section 12 of the PSWC Fund Act.
- (2) In order to satisfy the requirement in section 7(1) of these guidelines, the Fund Money Value must exceed:
 - (a) the estimated value of the PSWC Services for the financial year in question; plus
 - (b) the current liability component of the Territory's Outstanding Claim Liability, as broken down under condition 33(b) of the self-insurance licence in the most recent Liability Report; minus

- (c) the total amount of any payments from the PSWC fund during the financial year in question, excluding payments paid under section 12(e) of the PSWC Fund Act.

Dictionary

(see s 3)

Note 1 The *Legislation Act 2001* contains definitions and other provisions relevant to these guidelines.

Note 2 The *Public Sector Workers Compensation Fund Act 2018* contains definitions relevant to this Investment and Fund Ratio Fund Management Guideline. For example, the following terms used in this guideline have the meaning given by the *Public Sector Workers Compensation Fund Act 2018*:

- PSWC commissioner
- PSWC fund
- PSWC fund banking account

cash and cash equivalents means discounted debt securities with twelve months or less maturity, term deposits, interest paying facilities and cash.

commencement date means 1 March 2019.

debt means government and non-government nominal and inflation-linked debt securities, mortgage-backed and asset-backed debt securities, zero coupon debt securities, project debt securities, institutional corporate loans and high yield debt securities.

derivatives means a financial asset or liability (whether issued over the counter or exchange traded) whose value depends on, or is derived from, other assets, liabilities or indices (the 'underlying asset'), such as interest rate, inflation, currency, equity, commodity and credit derivatives and includes futures, forwards, swaps, options, or warrants.

Fund Money has the same meaning as defined in the self-insurance licence.

Fund Money Value has the same meaning as defined in the self-insurance licence.

Fund Value has the same meaning as defined in the self-insurance licence.

Minimum Fund Value has the same meaning as defined in the self-insurance licence, except during the Transitional Period, when it has the same meaning as Minimum Transition Fund Value, as defined in the self-insurance licence.;

infrastructure means an equity or debt capital investment in assets and services such as transportation, energy, pipelines, communications and social infrastructure.

Investment Plan means details about the investment risk and return objectives, strategic asset allocation, investment governance and any other information considered relevant for the PSWC Fund Portfolio.

Liability Report has the same meaning as defined in the self-insurance licence.

listed equity means an investment in a unit of ownership interest in a company or corporation or trust or similar entity listed on a public exchange.

listed and unlisted trusts means a unit trust, whether or not its units are traded on a public exchange and any other form of trust.

natural resources and commodities means securities (whether or not traded on a public exchange) which provide an economic exposure to changes in prices in commodities or natural resources.

Outstanding Claim Liability has the same meaning as defined in the self-insurance licence.

private equity means an equity or debt capital investment in a company or corporation that is not listed on a public exchange.

property means real property.

PSWC Fund Act means the *Public Sector Workers Compensation Fund Act 2018* (ACT).

PSWC Services means those things described in sections 12(c) and 12(d) of the PSWC Fund Act, which the Commissioner expects to be paid from the PSWC fund during the relevant financial year.

Responsible Investment Policy means a responsible investment statement of objectives; details about the responsible investment framework; and share voting arrangements, and any other information considered relevant for the PSWC Fund Portfolio.

self-insurance licence means the licence granted to the Territory by the SRCC under the SRC Act as amended from time to time .

strategic asset allocation means the target exposure weightings to the prescribed investments specified in terms of these guidelines.

PSWC Fund Portfolio means a portfolio of investments made under s14 of the PSWC Fund Act (Investment of amounts in PSWC fund banking accounts) and money provided for making the investments.

trust means an arrangement whereby a fiduciary obligation exists on the part of one person to hold real property on behalf of another.

SRC Act means the *Safety, Rehabilitation and Compensation Act 1988* (Cth).

SRCC means the Safety, Rehabilitation and Compensation Commission as established under the SRC Act.

Transitional Period means the Transition Period that applies under the self-insurance licence.

unit trust means a trust where in exchange for a payment of money to a trustee by a beneficiary the trustee issues units in the unit trust to the beneficiary to represent the beneficiary's interest in the unit trust.