



ACT
Government

Chief Minister, Treasury and
Economic Development

INVESTMENT PLAN

**FOR THE FINANCIAL INVESTMENT ASSETS
OF THE
SUPERANNUATION PROVISION ACCOUNT**

MADE IN ACCORDANCE WITH THE *FINANCIAL MANAGEMENT INVESTMENT GUIDELINES 2015*
AND THE *SUPERANNUATION MANAGEMENT GUIDELINES 2015*
(“INVESTMENT GUIDELINES”)

This Investment Plan, unless expressly indicated to do so, does not have an exhaustive and binding effect on all investments and investment processes. Where this policy is silent or conflicts with a provision of the Investment Guidelines, the terms of the Investment Guidelines prevail.

Version Control

Version No.	Date	Comments	Approver
1	December 2018	Establish a new Individual Investment Plan for the Superannuation Provision Account following the reorganisation of the Treasury financial investment structure, replacing the Superannuation Provision Account and Territory Banking Account Investment Plan last amended June 2018.	Treasurer
2	24 September 2021	Periodic review of the investment strategy, allowable asset classes and strategic allocations	Treasurer

TABLE OF CONTENTS

PURPOSE4

LEGISLATIVE REQUIREMENTS4

SUPERANNUATION PROVISION ACCOUNT DESCRIPTION AND BACKGROUND4

INVESTMENT STRATEGY.....5

STRATEGIC ASSET ALLOCATION6

INVESTMENT STRATEGY LIQUIDITY6

INVESTMENT GOVERNANCE.....7

RESPONSIBLE INVESTMENT.....7

PURPOSE

This Individual Investment Plan is established for the financial investment assets of the Superannuation Provision Account.

This Investment Plan is not intended to be a detailed operational description but rather a general guide to the investment strategy for the Superannuation Provision Account, including the investment risk and return objectives and strategic asset allocation. As changes occur over time the Investment Plan will be modified or refined as required.

This Investment Plan is to be read in conjunction with the *Investment Governance Policy Framework* and the *Responsible Investment Policy* for the financial investment assets managed by Treasury.

LEGISLATIVE REQUIREMENTS

The Superannuation Provision Account is established by the *Territory Superannuation Provision Protection Act 2000*. Section 11 provides that an amount in a Superannuation banking account that is not immediately needed for a purpose mentioned in section 9 may be invested—

- (a) on deposit with an authorised deposit-taking institution; or
- (b) in Territory, State or Commonwealth securities; or
- (c) in any investment prescribed by a superannuation investment guideline,

and

Transfers between the territory banking account and superannuation banking accounts to facilitate investment may be made without appropriation.

Superannuation Provision Account moneys are invested in accordance with the provisions of Section 38 of the *Financial Management Act 1996*, the *Financial Management Investment Guidelines 2015*, Section 11 of the *Territory Superannuation Provision Protection Act 2000*, and the *Superannuation Management Guidelines 2015*.

SUPERANNUATION PROVISION ACCOUNT DESCRIPTION AND BACKGROUND

The Government has a defined benefit employer superannuation liability on behalf of past and current employees with membership in the Commonwealth Government's closed defined benefit superannuation schemes – the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS).

The Superannuation Provision Account was established in 1991 to assist the ACT Government in managing its defined benefit superannuation liabilities. The Superannuation Provision Account is an ACT Government account established to receive budget appropriation funding and to make payments to the Commonwealth Government in connection with the Government's defined benefit superannuation liabilities. The Superannuation Provision Account is not a superannuation scheme for ACT employees.

The Government maintains a funding plan to extinguish over time the Territory’s unfunded defined benefit superannuation liability. The funding plan involves the accumulation of assets in the Superannuation Provision Account.

Budget appropriation is applied to annual benefit payments with portfolio investment earnings re-invested to support the objective of growing the pool of investment assets to assist in reducing the longer-term cost of this obligation.

INVESTMENT STRATEGY

The purpose of the investment strategy is to accumulate financial assets in the Superannuation Provision Account to fully fund the future defined benefit superannuation liability obligations of the Government.

INVESTMENT RETURN OBJECTIVE

The long term return objective is to achieve a return of CPI + 4.75 per cent per annum whilst minimising the risk taken and costs incurred in achieving this return objective.

Performance is measured from the 1996-97 base financial year.

TIME HORIZON

Due to the long-term nature of the superannuation liabilities the investment strategy time horizon is considered long-term, or greater than 10 years.

The investment strategy risk and return objectives are considered over a 10-year time horizon.

INVESTMENT RISK OBJECTIVES

Due to the long-term time horizon for the investment strategy the Superannuation Provision Account is considered to have an above average ability to take investment risk.

Investment risk is viewed both qualitatively and quantitatively with particular focus given to the nature and likelihood of extreme events that can negatively impact on the financial assets.

The key risk metrics which underpin the long-term portfolio strategic asset allocation considerations include:

- | | |
|-----------------------------|---|
| Negative Returns | Recognising the likelihood of negative returns, one negative year in every three to five years is tolerable; and |
| Portfolio Volatility | Volatility of returns reflects the inherent risk in the portfolio. The higher the volatility the greater the variance in returns measured by the standard deviation.

A standard deviation of up to a maximum of 10 per cent is targeted under normal risk assumptions. |

STRATEGIC ASSET ALLOCATION

The following strategic asset allocation has been established on the basis that it is considered to represent an efficient portfolio (lowest acceptable risk for the target return) based on allowable asset classes and the targeted investment objectives.

The allowable range outlines the minimum and maximum acceptable percentages that permit short term deviations away from the targeted asset allocation to allow for changing market conditions or the availability of investment opportunities.

PORTFOLIO ASSET ALLOCATION

Asset Class	Asset Allocation	Allowable Range
Low Duration Investment Grade Credit	5.0%	0.0% - 10.0%
Australian Bonds	5.0%	0.0% - 10.0%
Australian Inflation-Linked Bonds	5.0%	0.0% - 10.0%
International Sovereign Bonds	5.0%	0.0% - 10.0%
Total Defensive Assets	20.0%	15.0% - 40.0%
Alternate Debt	5.0%	0.0% - 10.0%
Australian Equities	16.5%	0.0% - 25.0%
International Equities	38.5%	0.0% - 50.0%
Unlisted Property	8.0%	0.0% - 15.0%
Unlisted Infrastructure	7.0%	0.0% - 10.0%
Private Equity	5.0%	0.0% - 10.0%
Total Return Seeking Assets	80.0%	60.0% - 85.0%
Total Portfolio	100.0%	
Foreign Currency Exposure¹	25.0%	
Illiquid Asset Exposure²	25.0%	

INVESTMENT STRATEGY LIQUIDITY

The Superannuation Provision Account is considered to have a below average liquidity requirement over the short to medium-term. The strategic asset allocation incorporates a limited exposure to illiquid assets. Even under a stressed financial market scenario, where it is

¹ Unhedged foreign currency exposure is based on international sovereign bonds being 100 per cent hedged to Australian dollars and international equities being 35 per cent hedged to Australian dollars.

² Illiquid asset exposures include 100 per cent of the unlisted property, unlisted infrastructure and private equity allocations, as well as 50 per cent of the alternate debt allocation.

expected that the portfolio's exposure to illiquid assets would increase, the investment strategy is considered to maintain an appropriate level of liquidity.

Working capital will be retained in the Superannuation Provision Account transactional banking account for the purpose of meeting daily cash flow requirements. Periodically the cash balance of the banking account will be reviewed with any cash determined to be in excess to working capital requirements transferred to the investment account.

INVESTMENT GOVERNANCE

Refer to the *Investment Governance Policy Framework* for the financial investment assets managed by Treasury.

The policy is available at <http://www.treasury.act.gov.au/publications>.

RESPONSIBLE INVESTMENT

Refer to the *Responsible Investment Policy* for the financial investment assets managed by Treasury.

The policy is available at <http://www.treasury.act.gov.au/publications>.