



**ACT**  
Government

---

Chief Minister, Treasury and  
Economic Development

**INVESTMENT PLAN**

**FOR THE FINANCIAL INVESTMENT ASSETS  
OF THE  
PUBLIC SECTOR WORKERS COMPENSATION FUND**

MADE IN ACCORDANCE WITH THE *FINANCIAL MANAGEMENT INVESTMENT GUIDELINES 2015*  
("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 Guidelines, the terms of the Guidelines prevail.*

**Version Control**

<b>Version No.</b>	<b>Date</b>	<b>Comments</b>	<b>Approver</b>
1	1 March 2019	The initial Investment Plan for the PSWC Fund	Public Sector Workers Compensation Commissioner and Treasurer
2	24 September 2021	Periodic review of the investment strategy, allowable asset classes and strategic allocations	Public Sector Workers Compensation Commissioner and Treasurer

TABLE OF CONTENTS

PURPOSE .....4

LEGISLATIVE REQUIREMENTS .....4

PUBLIC SECTOR WORKERS COMPENSATION FUND DESCRIPTION AND BACKGROUND .....4

INVESTMENT STRATEGY.....5

STRATEGIC ASSET ALLOCATION.....5

INVESTMENT STRATEGY LIQUIDITY .....6

INVESTMENT GOVERNANCE.....7

RESPONSIBLE INVESTMENT.....7

## PURPOSE

This Individual Investment Plan is established for the financial investment of assets of the Public Sector Workers Compensation Fund.

This Investment Plan is not intended to be a detailed operational description but rather a general guide to the investment strategy for the Public Sector Workers Compensation Fund, 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 Public Sector Workers Compensation Fund is established by the *Public Sector Workers Compensation Fund Act 2018*. Section 14 provides that an amount in a Public Sector Workers Compensation Fund banking account that is not immediately needed for a purpose mentioned in section 12 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 Public Sector Workers Compensation Fund investment guideline under section 17.

*Note* The Treasurer may also invest an amount in a Public Sector Workers Compensation Fund banking account in an investment mentioned in section 38 of the *Financial Management Act 1996* (the “FMA”).

Public Sector Workers Compensation Fund moneys are invested in accordance with the provisions of Section 38 of the FMA and the *Financial Management Investment Guidelines 2015*.

## PUBLIC SECTOR WORKERS COMPENSATION FUND DESCRIPTION AND BACKGROUND

On 28 November 2018, the Safety, Rehabilitation and Compensation Commission determined to grant the ACT Government a self-insurance licence under the *Safety, Rehabilitation and Compensation Act 1988*. The self-insurance licence commenced on 1 March 2019 and from this date, the ACT Government is responsible for all aspects of workers’ compensation for ACT public servants.

The *Public Sector Workers Compensation Fund Act 2018* establishes supporting prudential and financial governance arrangements for the Territory’s workers’ compensation self-insurance operations.

The Public Sector Workers Compensation Fund is established to maintain financial assets to fund the present and future liabilities of the Government in relation to workers’ compensation claims under the *Safety, Rehabilitation and Compensation Act 1988* and associated expenses.

## INVESTMENT STRATEGY

The purpose of the investment strategy is to accumulate financial assets in the Public Sector Workers Compensation Fund to fund the present and likely future liabilities in relation to workers' compensation claims.

## INVESTMENT RETURN OBJECTIVE

The long-term investment return objective is to achieve a return of CPI+1.5 per cent per annum while minimising the risk taken and costs incurred in achieving this return objective.

Performance is measured from the 2021-22 base financial year.

## TIME HORIZON

Due to the long-term nature of the 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

Recognising the nature of the liabilities, the commencing asset/liability funding ratio and the recent establishment of the new structure, the Public Sector Workers Compensation Fund is considered to have a below average to 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 of the Public Sector Workers Compensation Fund.

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 7 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 the allowable asset classes and the target investment objective.

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	10.0%	0.0% - 20.0%
Australian Bonds	12.5%	0.0% - 20.0%
Australian Inflation-Linked Bonds	15.0%	0.0% - 20.0%
International Sovereign Bonds	12.5%	0.0% - 25.0%
<b>Total Defensive Assets</b>	<b>50.0%</b>	<b>30.0% - 80.0%</b>
Unlisted Property	5.0%	0.0% - 10.0%
Unlisted Infrastructure	5.0%	0.0% - 10.0%
Alternate Debt	5.0%	0.0% - 10.0%
Australian Equities	10.5%	0.0% - 15.0%
International Equities	24.5%	0.0% - 35.0%
<b>Total Return Seeking Assets</b>	<b>50.0%</b>	<b>20.0% - 70.0%</b>
<b>Total Portfolio</b>	<b>100.0%</b>	
<b>Foreign Currency Exposure<sup>1</sup></b>	<b>15.9%</b>	
<b>Illiquid Asset Exposure<sup>2</sup></b>	<b>15.0%</b>	

### INVESTMENT STRATEGY LIQUIDITY

The Public Sector Workers Compensation Fund is considered to have an 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 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 Public Sector Workers Compensation Fund transactional banking account for the purpose of meeting daily cash flow requirements and ensuring compliance with the Territory's self-insurance licence. Periodically the cash balance of the banking account will be reviewed with any cash determined to be excess to working capital requirements transferred to the investment account.

---

<sup>1</sup> 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.

<sup>2</sup> Illiquid asset exposures include 100 per cent of the unlisted property and unlisted infrastructure allocations, as well as 50 per cent of the alternate debt allocation.

## **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>.