



ACT
Government

Chief Minister, Treasury and
Economic Development

INVESTMENT PLAN

FOR THE FINANCIAL INVESTMENT ASSETS

OF THE

LIFETIME CARE AND SUPPORT 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

| Version No. | Date | Comments | Approver |
|--------------------|-------------------|---|---|
| 1 | April 2016 | The initial Investment Plan for the LTCS Fund | Lifetime Care and Support Commissioner |
| 2 | May 2017 | Amend Strategic Asset Allocation and add an additional investment fund | Lifetime Care and Support Commissioner |
| 3 | December 2018 | Refresh the Investment Plan to align with the reorganisation of the Treasury financial investment structure | Lifetime Care and Support Commissioner and Treasurer |
| 4 | 24 September 2021 | Periodic review of the investment strategy, allowable asset classes and strategic allocations | Acting Lifetime Care and Support Commissioner and Treasurer |

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PURPOSE

This Individual Investment Plan is established for the financial investment assets of the Lifetime Care and Support Fund.

This Investment Plan is not intended to be a detailed operational description but rather a general guide to the investment strategy for the Lifetime Care and Support 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 Lifetime Care and Support Fund is established by the *Lifetime Care and Support (Catastrophic Injuries) Act 2014*. Section 80 provides that an amount in a Lifetime Care and Support Fund banking account that is not immediately needed for a purpose mentioned in section 79 may be invested—

- (a) in a way that is authorised by the *Financial Management Act 1996* (the “FMA”); or
- (b) in any other way prescribed by the Lifetime Care and Support Fund investment guidelines, if any.

Lifetime Care and Support Fund moneys are invested in accordance with the provisions of section 38 of the FMA and the *Financial Management Investment Guidelines 2015*.

LIFETIME CARE AND SUPPORT FUND DESCRIPTION AND BACKGROUND

The Lifetime Care and Support Scheme was established in 2014 and provides on-going treatment and care to people who have been catastrophically injured as a result of a motor accident in the Australian Capital Territory, on or after 1 July 2014, on a no-fault basis.

Amendments to the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* extended the Lifetime Care and Support Scheme to also cover private sector workers that are catastrophically injured on or after 1 July 2016 in the course of their employment in the ACT.

The Lifetime Care and Support Fund will pay for treatment, rehabilitation and care for people who have been catastrophically injured in a motor accident or a private sector workplace accident in the ACT.

The Lifetime Care and Support Fund receives funding from a levy on compulsory motor accident injury insurance policies; and a levy on workers compensation insurers and self insurers.

INVESTMENT STRATEGY

The purpose of the investment strategy is to accumulate financial assets in the Lifetime Care and Support Fund to fund the present and likely future liabilities of the Lifetime Care and Support Scheme.

INVESTMENT RETURN OBJECTIVE

The long-term return objective is to achieve a return of CPI+2.5 per cent per annum while minimising the risk taken and costs incurred in achieving this return objective.

Performance is measured from the 2016-17 base financial year.

TIME HORIZON

Due to the long-term nature of the scheme 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 long-term time horizon for the investment strategy, nature of the liabilities and potential liquidity requirements, the Lifetime Care and Support Fund is considered to have an average to 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 of the Lifetime Care and Support 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 8 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 | 10.0% | 0.0% - 20.0% |
| Australian Inflation-Linked Bonds | 10.0% | 0.0% - 20.0% |
| International Sovereign Bonds | 10.0% | 0.0% - 20.0% |
| Total Defensive Assets | 40.0% | 30.0% - 70.0% |
| 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 | 15.0% | 0.0% - 30.0% |
| International Equities | 30.0% | 0.0% - 45.0% |
| Total Return Seeking Assets | 60.0% | 30.0% - 70.0% |
| Total Portfolio | 100.0% | |
| Foreign Currency Exposure¹ | 19.5% | |
| Illiquid Asset Exposure² | 15.0% | |

INVESTMENT STRATEGY LIQUIDITY

The Lifetime Care and Support Fund 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 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 Lifetime Care and Support Fund 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 excess to working capital requirements transferred to the investment account.

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 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>.