



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2014-2015

Brendan Smyth MLA (Chair), Mary Porter MLA (Deputy-Chair),
Giulia Jones MLA, Yvette Berry MLA

**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**



Asked by Mr Andrew Wall MLA on 18 June 2014: Mr Robert Barnes took on notice the following question(s):

[Ref: Hansard Transcript Wednesday 18 June 2014, Page 16]

In relation to:

Why are levies so high for the cleaning industry (2%) compared to other industries?

Mr Simon Corbell MLA: The answer to the Member's question is as follows:—

The previous actuary conducted a valuation of the Contract Cleaning Industry Scheme as at 30 June 2008. In that valuation, the theoretical levy rate to fund the benefits was determined to be 1.33% and there was 0.8% for the expenses of running the Scheme as well as a surplus of \$0.3 million which reduced the rate by 0.07%. That gave a theoretical rate of 2.06% and the then actuary recommended maintaining the existing levy rate of 2.0%.

In the most recent valuation, conducted in 2011, the actuary determined a rate to fund the benefits of 1.21% and they reduced the expenses to 0.6%. The surplus was \$1.8 million which reduced the rate by 0.33% giving a theoretical rate of 1.48%. The actuary recommended reducing from 2.0% to 1.67% at that time. However, the Long Service Leave Board considered that, as it was still a relatively new scheme and the investment conditions were quite volatile, the rate should remain at 2.0% until the next valuation due as at 30 June 2014.

With the growth in the number of Schemes administered by the Authority, the expenses incurred in running the scheme should continue to decline. The next valuation of the schemes will be conducted in the latter half of this year, based on data up to 30 June 2014, and will include recommendations on appropriate levy rates for each scheme.

Despite the Community Services Sector and Security Industry schemes having similar entitlements, the different demographics of the employees can have a significant impact on the funding requirements. Additionally, the Community Services Sector and Security Industry schemes are both quite new so it is too early to be confident of their actual requirements or to make comparisons with the Contract Cleaning Industry. To demonstrate the differences, I draw your attention to the staff retention figures provided by the actuary in relation to the different schemes, as shown below.

Cleaning

- after 5 years: 39.5%
- after 10 years: 30.2%

Community and **Security** have not yet being in existence for 5 years. However, the assumptions used by the actuary for these schemes result in:

Community

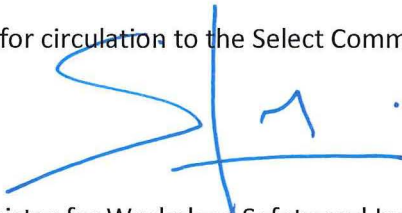
- after 5 years: 40.7%
- after 10 years: 20.3%

Security

- after 5 years: 28.5%
- after 10 years: 20.0%

Approved for circulation to the Select Committee on Estimates 2014-2015

Signature:



Date: 30.6.14

By the Minister for Workplace Safety and Industrial Relations, Mr Simon Corbell MLA