



## LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

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STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY

Ms Nicole Lawder MLA (Chair), Ms Suzanne Orr MLA (Deputy Chair),

Mr Johnathan Davis MLA

### Standing Committee on Economy and Gender and Economic Equality

#### Inquiries into Annual and Financial Reports 2019–2020 and ACT Budget 2020–2021

Responses to **questions taken on notice** at public hearing of 23 February 2021

### **Special Minister of State portfolio**

## ACT Standing Committee on Economy and Gender and Economic Equality

Inquiries into Annual and Financial reports 2019–20 and ACT Budget 2020–21

**Index QToN—Public hearing—23 February 2021**

### **Special Minister of State portfolio**

<b>No.</b>	<b>Date</b>	<b>Member</b>	<b>Subject</b>	<b>Minister</b>	<b>Answered</b>
SMoS 1	23 Feb 21	Cain	ACTIA—explanation for 437% gain on investment compared to 19–20 audited outcome—cause of variation? Detail on nature of ‘extraordinary investment return’. [Table 5—Budget Statement B, p. 139]	Special Minister for State	2 March 21
SMoS 2	23 Feb 21	Lawder	ACTIA—the percentage gain over the past 10 for ACTIA investment returns?	Special Minister of State	2 March 21
SMoS 3	23 Feb 21	Cain	ACTIA—explanation for 437% gain on investment compared to 19–20 audited outcome—what methodology and data were used to determine/calculate the 437% projected increase?	Special Minister of State	2 March 21
SMoS 4	23 Feb 21	Cain	MAIC staffing—actual numbers of FTE for the Commission.	Special Minister of State	2 March 21



**STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY**

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

**Inquiries into Annual and Financial Reports 2019–20 and ACT Budget 2020–21**  
**ANSWER TO QUESTION TAKEN ON NOTICE**  
**23 February 2021**

Asked by PETER CAIN MLA

In relation to:

MR CAIN: Thank you, Chair. Table 5 being the authority's operating statement, and again I think at page 139 of budget statement B, the authority is projecting a—and I want to say this really slowly—a 437 per cent gain on investment compared to the 19-20 audited outcome. I have just got to say that again: 437 per cent. What is the cause of such a significant variance?

Ms Shields: We have had an extraordinary investment return in our investments in the past 12 months and that is projected to continue.

MR CAIN: Could you be more explicit? What was the nature of that return?

Ms Shields: I will need to take that question on notice.

CHRIS STEEL MLA: The answer to the Member's question is as follows:—

The 2019-20 audited outcome of gains on investment was \$3,733,000 and a forecast of \$20,039,000 for 2020-21, representing a forecasted increase of 437% as stated in Table 5 on page 139 of Budget Statement B.

The ACT Insurance Authority investment portfolio generated an investment return of +3.49% for the 2019-20 financial year due to the economic and financial market impacts as a result of the COVID-19 pandemic.

- Gains on investments (capital gains) were low for the financial year with a larger component of the total return being derived from income.

The 2020-21 Budget estimate for investment earnings (income and capital gains) is based off a projection from the end December 2020 investment position and incorporates an estimated investment return of approximately +10% for the 2020-21 financial year.

- The investment return for the ACT Insurance Authority portfolio for the 2020-21 financial year to date (YTD) to end December was +7.75%.
- The expectation for capital gains on the investments for the financial year is higher, as compared to 2019-20, due to strong financial YTD gains on share markets in both Australia (+13.4%) and internationally (+13.7%) and the higher expected portfolio investment return.



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

**QTON No. SMOs1**

**STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY**

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

Approved for circulation to the Standing Committee on Economy and Gender and Economic Equality

Signature:

A handwritten signature in blue ink, appearing to be "C Steel", is written over the signature line.

Date:

2/3/21

By the Special Minister of State, Chris Steel MLA



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

**QTON No. SMoS 2**

**STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY**

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

**Inquiries into Annual and Financial Reports 2019–20 and ACT Budget 2020–21**  
**ANSWER TO QUESTION TAKEN ON NOTICE**  
**23 February 2021**

Asked by NICOLE LAWDER MLA

In relation to:

THE CHAIR: So how does it trend, though, perhaps over ten years? What sort of percentage gain are we talking?

Mr Miners: Yes. Now I will have to just ...(indistinct)... [4.16.18] this in my head. We do look at long-term trends, and the objective that we are trying to achieve through a lot of our investments, I have got to check the funds. Normally it ...(inaudible)... [4.16.27] around just under 7 per cent is what we are trying to achieve in the long run.

CHRIS STEEL MLA: The answer to the Member's question is as follows:–

The ACT Insurance Authority's investments are made through the Territory Banking Account investment platform managed within Treasury.

The Authority's funds are invested in the balanced investment strategy which has a target average investment return objective of CPI+2.5 per cent per annum (4.5 per cent per annum nominal). The investment return on the fund was 8.4 per cent for 2018-19 financial year, 3.5 per cent for the 2019-20 financial year, and 7.8 per cent for the 2020-21 financial year to date to end December 2020.

The modelling assumptions underlying the target return objective incorporate current market pricing, including cash and inflation rates, and are the base case expectations for major asset class returns, risk (volatility) and correlations of returns over a ten-year outlook. These capital market assumptions underlying the target return objective modelling are updated annually.

Approved for circulation to the Standing Committee on Economy and Gender and Economic Equality

Signature:

Date:

1/3/21

By the Special Minister of State, Chris Steel MLA



STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

**Inquiries into Annual and Financial Reports 2019–20 and ACT Budget 2020–21**  
**ANSWER TO QUESTION TAKEN ON NOTICE**  
**23 February 2021**

Asked by PETER CAIN MLA

In relation to:

MR CAIN: And just a supplementary on that. And Mr Miners, you may have answered this, but just to be specific, so what methodology and data were used to formulate this 437 per cent projected increase?

Mr Steel: We will come back on notice in relation to that, I think, as well as some further detail behind the number.

CHRIS STEEL MLA: The answer to the Member's question is as follows:–

The ACT Insurance Authority is invested in a balanced investment strategy which has a target average investment return objective of CPI+2.5% p.a.

- This strategy has a 50% exposure to growth assets, such as shares, and a 50% allocation to income assets, such as bonds.
- The total investment return for the ACT Insurance Authority portfolio includes both investment revenue (income) and gains on investments (capital gains) – gains on investments will be more volatile from year to year, as compared to investment income.

The 2019-20 audited outcome of gains on investment was \$3,733,000 and a forecast of \$20,039,000 for 2020-21, representing a forecasted increase of 437% as stated in Table 5 on page 139 of Budget Statement B.

The ACT Insurance Authority investment portfolio generated an investment return of +3.49% for the 2019-20 financial year due to the economic and financial market impacts as a result of the COVID-19 pandemic.

- Gains on investments (capital gains) were low for the financial year with a larger component of the total return being derived from income.

The 2020-21 Budget estimate for investment earnings (income and capital gains) is based off a projection from the end December 2020 investment position and incorporates an estimated investment return of approximately +10% for the 2020-21 financial year.

- The investment return for the ACT Insurance Authority portfolio for the 2020-21 financial year to date (FYTD) to end December was +7.75%.



**LEGISLATIVE ASSEMBLY**  
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**QTON No. SMoS 3**

**STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY**

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

- The expectation for capital gains on the investments for the financial year is higher, as compared to 2019-20, due to strong FYTD gains on share markets in both Australia (+13.4%) and internationally (+13.7%) and the higher expected portfolio investment return.

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Signature:

Date:

2/3/21

By the Special Minister of State, Chris Steel MLA



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

**QTON No. SMoS 4**

**STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY**

MS NICOLE LAWDER MLA (CHAIR), MS SUZANNE ORR MLA (DEPUTY CHAIR), MR JOHNATHAN DAVIS MLA

**Inquiries into Annual and Financial Reports 2019–20 and ACT Budget 2020–21**  
**ANSWER TO QUESTION TAKEN ON NOTICE**  
**23 February 2021**

Asked by PETER CAIN MLA

In relation to:

MR CAIN: Thank you. A couple of supplementaries, Chair. How many full time equivalents does the commission employ?

Ms Holmes: So we have a team which is a blend across both lifetime care and the MAI scheme. So the MAI commission does not directly employ staff. The staff for the branch, the insurance branch, is within CMTEDD and we then do reimbursements back against the lifetime care and against the MAI commission. In terms of the actual number of FTE for the MAI commission, I am going to have to take that on notice.

CHRIS STEEL MLA: The answer to the Member's question is as follows:—

The MAI Commission does not directly employ any staff. The Insurance Branch of the Economic and Financial Group in the Chief Minister, Treasury and Economic Development Directorate supports the MAI Commission by providing a number of staff to carry out the Commission's functions.

Currently 7.7 staff FTEs from the Insurance Branch are carrying out the MAI Commission's functions.

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By the Special Minister of State, Chris Steel MLA