ACT Government
Chief Minister, Treasury and Economic Development

Freedom of Information Publication Coversheet

The following information is provided pursuant to section 28 of the *Freedom of Information Act 2016*.

FOI Reference: CMTEDDFOI 2023-014

Information to be published	Status
1. Access application	Published
2. Decision notice	Published
3. Documents and schedule	Published
4. Additional information identified	No
5. Fees	Waived
6. Processing time (in working days)	34
7. Decision made by Ombudsman	N/A
8. Additional information identified by Ombudsman	N/A
9. Decision made by ACAT	N/A
10. Additional information identified by ACAT	N/A

From: Cassandra Webeck
To: CMTEDD FOI
Cc: Hotham, Emma
Subject: FOI Request received by the ACT Long Service Leave Authority
Date: Wednesday, 25 January 2023 4:38:34 PM
Attachments: image001.png
Importance: High

Some people who received this message don't often get email from cassandra.webeck@actleave.act.gov.au. Learn why this is important

Caution: This email originated from outside of the ACT Government. Do not click links or open attachments unless you recognise the sender and know the content is safe. Learn why this is important

OFFICIAL

Good Afternoon CMTEDD FOI Team

Please find below an FOI request received directly by the ACT Long Service Leave Authority yesterday afternoon.

I will be the Authority's primary point of contact in relation to this request and would appreciate your guidance on navigating this process.

Kind regards,

Cassandra Webeck
Acting Chief Executive Officer and Registrar
Long Service Leave Authority – Portable Long Service Leave Schemes

P: (02) 6247 3900
F: (02) 6257 5058
[redacted]
w actleave.act.gov.au
Trevor Pearcey House, Unit 1, 28 Thynne Street, Bruce
PO Box 234, Civic Square ACT 2608

From: [redacted]
Sent: Tuesday, 24 January 2023 2:06 PM

To: Enquiry <enquiry@actleave.act.gov.au>
Cc: [redacted]
Subject: FOI Request

Good afternoon,

Under the Freedom of Information Act I wish to be supplied with the most recent actuarial report containing an estimate of (i) the number and, if available, percentage of employees in the a) building and construction b) contract cleaning c) community sector d) security industries who are not expected to reach the required minimum LSL qualifying period of 7 years, if possible broken down by the estimated time spent in each industry (ii) the amount of money contributed to the Authority by employers on behalf of those employees, in total and in each industry.
If this information is not detailed in an actuarial report I ask that I be supplied with the most recent documentation held by the Authority relevant to the information requested.
Could you please liaise with [redacted] from my office, who I have copied in, on the processing of this request?

Kind regards,

[redacted]

This message was sent as private. The private flag was removed as the recipient was a shared mailbox.

ACT Government

Chief Minister, Treasury and Economic Development

Our ref: CMTEDD 2023-014

[redacted]

FREEDOM OF INFORMATION REQUEST

I refer to your request submitted under section 30 of the *Freedom of Information Act 2016* (the Act), received by the ACT Long Service Leave Authority on 24 January 2023, in which you sought access to the following:

> *The most recent actuarial report containing an estimate of (i) the number and, if available, percentage of employees in the a) building and construction b) contract cleaning c) community sector d) security industries who are not expected to reach the required minimum LSL qualifying period of 7 years, if possible broken down by the estimated time spent in each industry (ii) the amount of money contributed to the Authority by employers on behalf of those employees, in total and in each industry.*
>
> *If this information is not detailed in an actuarial report I ask that I be supplied with the most recent documentation held by the Authority relevant to the information requested.*

The Chief Minister, Treasury and Economic Development Directorate (CMTEDD) Information Access Team is your contact for this matter.

Authority

I am an Information Officer appointed by the Director-General under section 18 of the Act to deal with access applications made under Part 5 of the Act.

Timeframes

In accordance of section 40 of the Act, and following the need for third party consultation under Section 38 of the Act, CMTEDD is required to provide a decision on your access application by 16 March 2023.

Decision on access

Searches were completed for relevant documents and one document was identified that falls within the scope of your request. While the document does not directly provide the estimates requested, it is the most recent documentation held by the Authority relevant to the information requested.

I have included as **Attachment A** to this decision the schedule of relevant documents. This provides a description of each document that falls within the scope of your request and the access decision for each of those documents.

I have decided to grant full access to the relevant document. The document released to you are provided as **Attachment B** to this letter.

Charges

Processing charges are not applicable for this request because the document released is 50 pages or less.

Online publishing – Disclosure Log

Under section 28 of the Act, CMTEDD maintains an online record of access applications called a disclosure log. Your original access application, my decision and documents released to you in response to your access application will be published in the CMTEDD disclosure log after **20 March 2023**. Your personal contact details will not be published. You may view CMTEDD disclosure log at https://www.cmtedd.act.gov.au/functions/foi.

Ombudsman Review

My decision on your access request is a reviewable decision as identified in Schedule 3 of the Act. You have the right to seek Ombudsman review of this outcome under section 73 of the Act within 20 working days from the day that my decision is published in CMTEDD disclosure log, or a longer period allowed by the Ombudsman.

We recommend using this form *Applying for an Ombudsman Review* to ensure you provide all of the required information. Alternatively, you may write to the Ombudsman at:

The ACT Ombudsman
GPO Box 442
CANBERRA ACT 2601

Via email: actfoi@ombudsman.gov.au

ACT Civil and Administrative Tribunal (ACAT) Review

Under section 84 of the Act, if a decision is made under section 82(1) on an Ombudsman review, you may apply to the ACAT for review of the Ombudsman decision. Further information may be obtained from the ACAT at:

ACT Civil and Administrative Tribunal
Level 4, 1 Moore St
GPO Box 370
Canberra City ACT 2601
Telephone: (02) 6207 1740
http://www.acat.act.gov.au/

Should you have any queries in relation to your request please contact me by telephone on 6207 7754 or email CMTEDDFOI@act.gov.au.

Yours sincerely,

Emma Hotham
Information Officer
Information Access Team
Chief Minister, Treasury and Economic Development Directorate

14 March 2023

ACT Government
Chief Minister, Treasury and Economic Development

Attachment A
FREEDOM OF INFORMATION REQUEST SCHEDULE
CMTEDD 2023-014

WHAT ARE THE PARAMETERS OF THE REQUEST	Reference NO.
The most recent actuarial report containing an estimate of (i) the number and, if available, percentage of employees in the a) building and construction b) contract cleaning c) community sector d) security industries who are not expected to reach the required minimum LSL qualifying period of 7 years, if possible broken down by the estimated time spent in each industry (ii) the amount of money contributed to the Authority by employers on behalf of those employees, in total and in each industry. If this information is not detailed in an actuarial report I ask that I be supplied with the most recent documentation held by the Authority relevant to the information requested.	**CMTEDD FOI 2023-014**

Ref No	Page number	Description	Date	Status	Reason for Exemption	Online Release Status
1		ACT Long Service Leave Authority Report Accounting basis - long service leave liabilities valuation as at 30 June 2022	**August 2022**	**Full**	**nil**	**Yes**
Total No of Docs						
1						

ACT Long Service Leave Authority

Accounting basis - long service leave liabilities valuation as at 30 June 2022

August 2022

pwc

Tracy Savage
Chief Executive Officer
ACT Long Service Leave Authority
PO Box 234
Civic Square ACT 2608

1 August 2022

Dear Tracy,

Annual Actuarial Review and Valuation – Estimate of long service leave liabilities as at 30 June 2022.

We are pleased to provide our report on the estimate of the long service leave liabilities values for the Construction, Cleaning, Community and Security schemes (the Schemes) within the ACT Long Service Leave Authority (the Authority) as at 30 June 2022.

Summary of results

Long service leave liabilities ($000) as at	Construction	Cleaning	Community	Security	Total
30 June 2022	140,831	10,859	65,885	6,053	**223,628**
30 June 2021 (annual report)	129,527	9,991	58,578	5,366	**203,462**

These liabilities are for inclusion in the Authority's financial statements for the year ended 30 June 2022 on the accounting basis and are prepared annually, as opposed to triennial actuarial valuations which are carried out for solvency and funding purposes. The most recent triennial valuation was as at 30 June 2020. We understand that there have been no changes in the benefits provided by the four Schemes since the 30 June 2021 annual valuation.

The valuation assumptions are unchanged from the 30 June 2021 annual valuation.

Please do not hesitate to contact Alison Duffield on 0407 990 609 if you wish to discuss any aspect of this report.

Yours sincerely,

Nathan Bonarius, FIAA
Superannuation and Investment Consulting
Authorised Representative (#1284864) of
PricewaterhouseCoopers Securities Ltd

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
One International Towers Sydney Watermans Quay Barangaroo NSW 2000
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

Contents

1. Background

This report has been prepared in accordance with the signed service agreement with the Authority, contract number: 2017.28790.210.

Board	**ACT Long Service Leave Authority Board**
Governing rules	Long Service Leave (Portable Schemes) Act 2009
Purpose of report	Annual valuation and review - estimate of the long service leave liabilities under accounting basis
Valuation date	30 June 2022
Data date	31 March 2022
Prepared by	Nathan Bonarius, FIAA
Worker and financial data provided by	ACT Long Service Leave Authority
Status of financial data	Unaudited
Previous annual valuation and review	Accounting basis - long service leave liabilities valuation as at 30 June 2021
Valuation date	30 June 2021
Data date	31 March 2021
Prepared by	Janice Jones, FIAA
Dated	03 September 2021

2. Reliance and limitations

Prepared in accordance with the signed service agreement with the Authority, contract number: 2017.28790.210.

- PricewaterhouseCoopers Securities Ltd (PwC) has prepared this report solely for the ACT Long Service Leave Authority's use and benefit in accordance with and for the purpose set out in the signed service agreement with the ACT Long Service Leave Authority, contract 2017.28790.210.
- In doing so, PwC has acted exclusively for the ACT Long Service Leave Authority and considered no-one else's interests.
- Our work does not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and accordingly no assurance is provided in this report.
- This report must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.
- The advice contained in this report is based on the circumstances of the ACT Long Service Leave Authority Scheme as a whole. It does not take into account the specific circumstances of any individual.
- Past performance is no guarantee of future performance and investment markets are volatile. PricewaterhouseCoopers Securities Ltd does not guarantee that any specific level of returns will be achieved.
- All reasonable care has been taken to provide performance and investment data that are accurate. However, we have relied on a range of external sources for data. As a result, we are unable to guarantee the accuracy of the data contained in this report.
- This report is not intended to be read or used by anyone other than the ACT Long Service Leave Authority. PwC accepts no responsibility, duty or liability:
  - To anyone other than the Board in connection with this report.
  - To the Board for the consequences of using or relying on it for a purpose other than that referred to above.
- PwC makes no representation concerning the appropriateness of this report for anyone other than the ACT Long Service Leave Authority. If anyone other than the ACT Long Service Leave Authority chooses to use or rely on it they do so at their own risk.
- PwC is not obliged to provide any additional information or update anything in this report, even if matters come to our attention which are inconsistent with its contents.
- This disclaimer applies:
  - To the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
  - Even if PwC consents to anyone other than the Board receiving or using this report.
- If, after the issue of this report, you intend to rely on the information set out in this report to make any changes in relation to the Schemes, you should only do so after consultation with us to ensure that our recommendations are still valid as at the date of making any decision.

Statement of Compliance

- Our advice to you constitutes Actuarial Advice and has been prepared in accordance with the Institute of Actuaries of Australia Code of Conduct.
- Our report has been prepared in accordance with professional standards issued by the Institute of Actuaries of Australia, to the extent relevant.
- You have advised us that your financial statements are intended to comply with AASB137 on Provisions, Contingent Liabilities and Contingent Assets. Where relevant we have also considered AASB101 and AASB119. Under AASB137 the responsibility for formulating the accounting policies, accounting treatment and selection of the appropriate economic assumptions rests with management.

3. Summary of results

Total estimated long service leave (LSL) liabilities of $224 million as at 30 June 2022, an increase of $20 million or 10% over the financial year.

	30 June 2022 ($000s)							30 June 2021 ($000s)
Scheme	FV of liabilities	Vested benefits in service	Vested benefits leaving industry	Present value of liabilities[1]	Benefits paid/accrued after last date on claim file	Cost of obligation	Estimated LSL liabilities	Estimated LSL liabilities
Construction	180,045	73,120	114,292	137,516	(173)	3,488	140,831	129,527
Cleaning	14,382	6,613	9,529	10,599	(9)	269	10,859	9,991
Community	86,675	51,236	52,243	64,506	(255)[2]	1,634	65,885	58,578
Security	9,186	3,669	4,128	5,930	(28)	150	6,053	5,366
Total	**290,288**	**134,638**	**180,192**	**218,551**	**(465)**	**5,541**	**223,628**	**203,462**

1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.
2. Exclude prior year claims correction in claim files of $15,248.

- Construction scheme remains the largest scheme and liabilities have increased by $11.3 million (9%) over the year.
- Cleaning scheme liabilities have increased by $0.9 million (9%) over the year.
- Community scheme liabilities have increased by $7.3 million (13%) over the year.
- The Security scheme is relatively new and this is the third year where workers have reached the vested period. Liabilities have increased during the year by $0.7 million (13%).
- Individual scheme results are presented in Section 6.
- The 2021 figures are from the “Accounting basis - long service leave liabilities valuation as at 30 June 2021” dated 03 September 2021.
- Totals may not reconcile due to rounding.

4. Key assumptions

Key assumptions remain unchanged since the 30 June 2021 annual review dated 3 September 2021.

The key assumptions are the *earning rate*, *rate of wage inflation* and *discount rate.*

Wage inflation: *baseline* *plus*	2022-23 2023-24 and beyond	2.00% p.a. 2.50% p.a.
Service based	Scheme specific service based increases (see Appendix A)	
Discount rate:	4.5% p.a.	
Earning rate assumed:	4.5% p.a.	

- The Authority's expected **investment return** for the portfolio is 4.5% p.a. reflecting advice from their investment consultant on the expected investment returns for each asset sector over the medium to longer term. This has remained unchanged since the 2022 projection report and the 30 June 2021 annual review. 4.5% p.a. is within the range of our expectations for the Authority's diversified investment portfolio.
- The Authority has advised that the **discount rate** assumption is set at the expected investment earning rate (i.e. 4.5% p.a.). This is the same as the discount rate adopted for the 2022 projection report and the 30 June 2021 annual review.
- The **wage inflation** assumptions used remain unchanged (but the baseline increases have been moved forward by a year) from those used for the 30 June 2021 annual review.
- Wage inflation reflects changes in the hourly rate of pay and the number of hours worked per week. This means wage inflation do not simply reflect award driven increases or industry conditions but also the workers' hours worked.
- As workers may reduce hours even as their base hourly wage increases, or vice versa, the net increase in wages can mask any underlying change to base hourly rates or increases due to promotion.
- Currently the wage inflation assumption is a base rate of increase plus an additional service based rate of increase based on past experience, as updated based on our experience review conducted in the 30 June 2020 triennial review.
- The 2022-23 Federal Budget forecasts for wage growth have been revised upwards by 1.0% p.a. to 1.25% p.a. for the years to 2024, indicating a general upward expectation in wages growth. However, the employee data to 31 March 2022 shows that actual average increase in average weekly wage over the 9 months for continuing employees has been below expectation (based on the assumptions set in the 30 June 2020 triennial review) for each of the scheme. In light of current uncertainty, the appropriateness of the salary assumptions should be reviewed again at the 2023 March projections and the upcoming triennial review.
- The sensitivity of the results to the key assumptions of discount rate and wage inflation were demonstrated in the ***2022 Financial Projections: 1 July 2021 to 30 June 2026*** report (dated 1 April 2022) and in response to potential short term wage pressures, we have provided additional wage sensitivity testing on page 14 (Sensitivity analysis) of this report.
- All assumptions have been discussed and agreed with the Authority. For more information on the assumptions, see Appendix A.

5.1 Recorded workers data summary

Construction remains the largest Scheme with 103,068 recorded workers.

Summary of recorded data as at 30 June 2022	Construction	Cleaning	Community	Security
Number of workers				
Active with service recorded in the current financial year	15,621	3,784	20,342	2,065
Active with no service recorded in the current financial year	14,001	3,799	13,668	1,299
Total active	**29,622**	**7,583**	**34,010**	**3,364**
Inactive	73,446	18,419	29,794	2,535
Total workers	**103,068**	**26,002**	**63,804**	**5,899**
Average weekly wages ($)	1,324	623	865	877
Total face value ($000)	**180,045**	**14,382**	**86,675**	**9,186**

This report is based on the following information provided by the Authority:

- Worker files for the four Schemes dated 17 May 2022, including all reported service up to 31 March 2022.
- Weekly wages are as reported to us then rolled forward for three months (see Appendix B for more information). These are wages for benefit purposes.
- Claims and refunds reports for the four Schemes from 1 July 2021 to 30 June 2022, and information of total claims paid for the four Schemes from 1 July 2021 to 30 June 2022 were provided on 4 July 2022.
- The data included some relatively high wage amounts for the Community, Cleaning and Construction Schemes as well as three Community employees that had a change in date of birth over the year. While we have brought these to the Authority's attention, we do not believe they are material to the valuation results and the data was not amended.
- The Authority has advised that, at the time of providing information, the following number of employer returns for the quarter ending March 2022 were outstanding: 36 for Construction scheme, 1 for Cleaning scheme, 1 for Community scheme and 1 for Security scheme.

5.2 Benefit payments data summary

Construction remains the largest with benefit payments during the year totalling $13 million.

Summary of benefit payment data as at 30 June 2022 ($000s)	Construction	Cleaning	Community	Security	Total
In claims file to 30 June 2022	13,184	692	5,300 *	452	19,628
Final 2021/22 from the Authority	13,357	701	5,540	479	20,077
Adjustment	173	9	240 *	28	450

* Includes prior year claims correction of $15,248.

- The Authority supplied claims files for each scheme and final benefit payments for the full year on 4 July 2022.
- Payments for all four Schemes are made on a weekly cycle and the most recent payment date on each of the claims files supplied was 30 June 2022.
- Payments include any refunds included in the claims files provided by the Authority.
- In the table above, the last line shows the differences between the two sources of benefit payments. We have been advised that the claims files provided for Community scheme includes a prior year corrections of $15,248. We have used the final 2021/22 benefit payment from the Authority as illustrated in the graph on slide 12 for the reconciliation of liability for the Community scheme.
- Totals may not reconcile due to rounding.

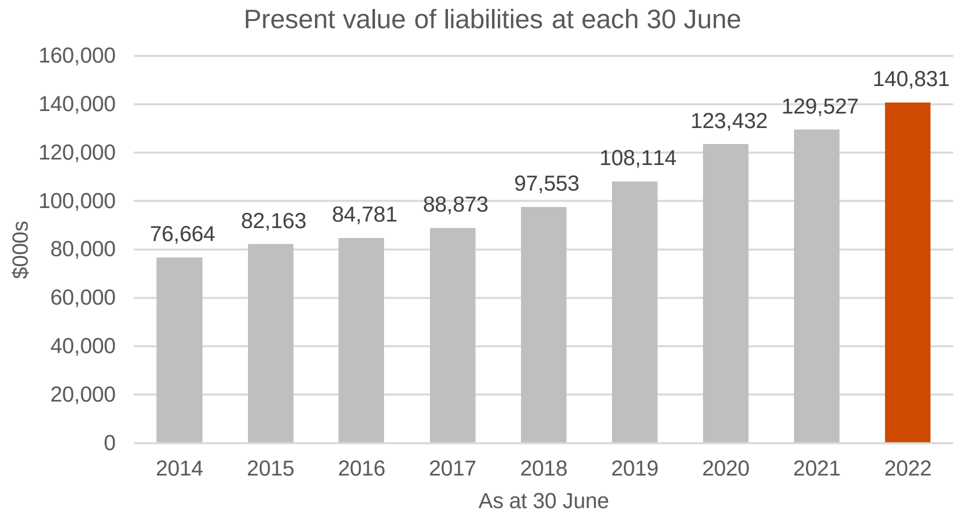
6.1 Building and Construction Industry Scheme

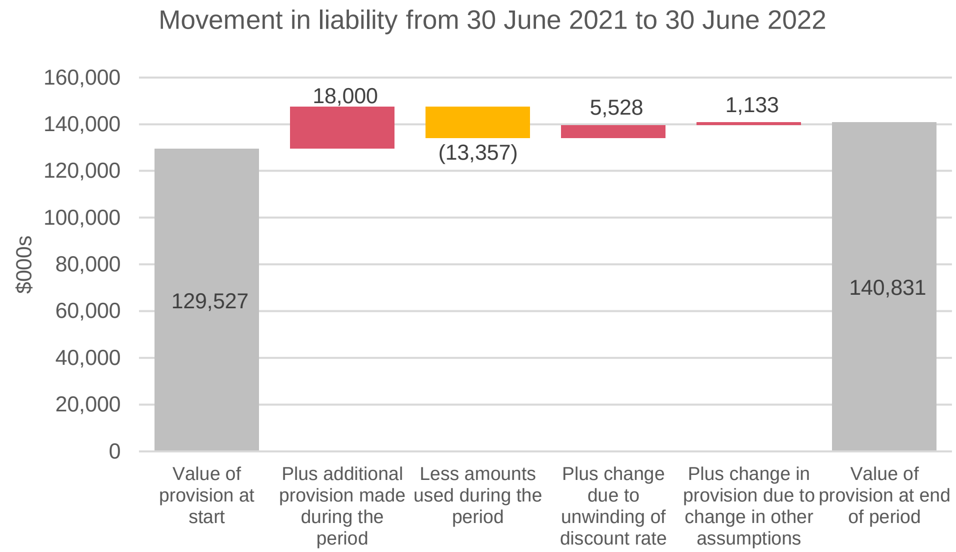
Estimated liabilities increased by $11.3 million (9%), from $129.5 million as at 30 June 2021 to $140.8 million as at 30 June 2022.

Benefit ($000s)	FV of liabilities	In service	Leaving industry	Present value of liabilities[1]
Active with service	134,799	63,627	89,114	116,992
Active with no service	45,246	9,493	25,178	20,524
Total	**180,045**	**73,120**	**114,292**	**137,516**

1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.

Liability as at 30 June ($000s)	2022	2021	Difference ($000s) (%)
Liabilities for active workers	137,516	127,631	**9,884** *7.7%*
Less benefits paid/accrued after last date on claim file	-173	-1,387	**1,214**
Plus cost of settling obligation	3,488	3,282	**206** *6.3%*
Total	**140,831**	**129,527**	**11,304** *8.7%*
Current	117,018	110,197	**6,821** *6.2%*
Non current	23,813	19,330	**4,483** *23.2%*





The 2021 figures are from the “Accounting basis - long service leave liabilities valuation as at 30 June 2021” dated 03 September 2021.

6.2 Contract Cleaning Industry Scheme

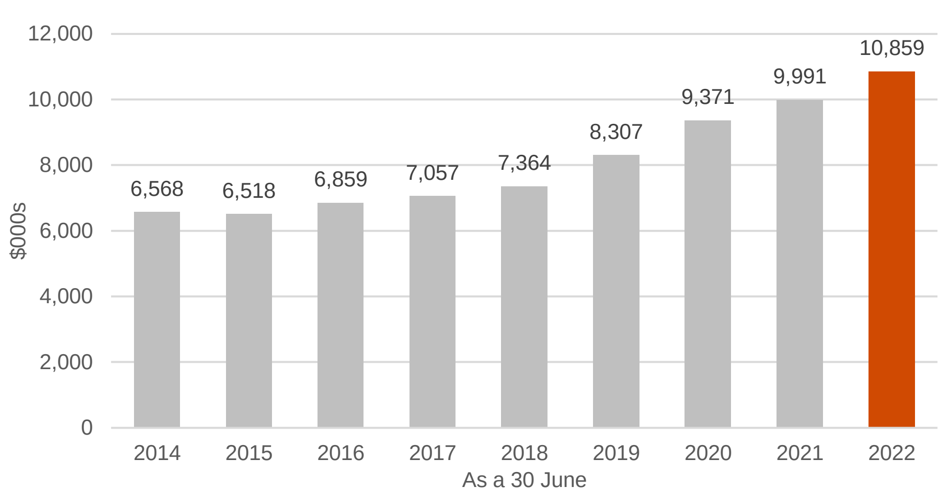
Estimated liabilities increased by $0.9 million (9%), from $10.0 million as at 30 June 2021 to $10.9 million as at 30 June 2022.

Benefit ($000s)	FV of liabilities	In service	Leaving industry	Present value of liabilities[1]
Active with service	10,756	5,854	7,481	9,162
Active with no service	3,626	759	2,048	1,437
Total	**14,382**	**6,613**	**9,529**	**10,599**

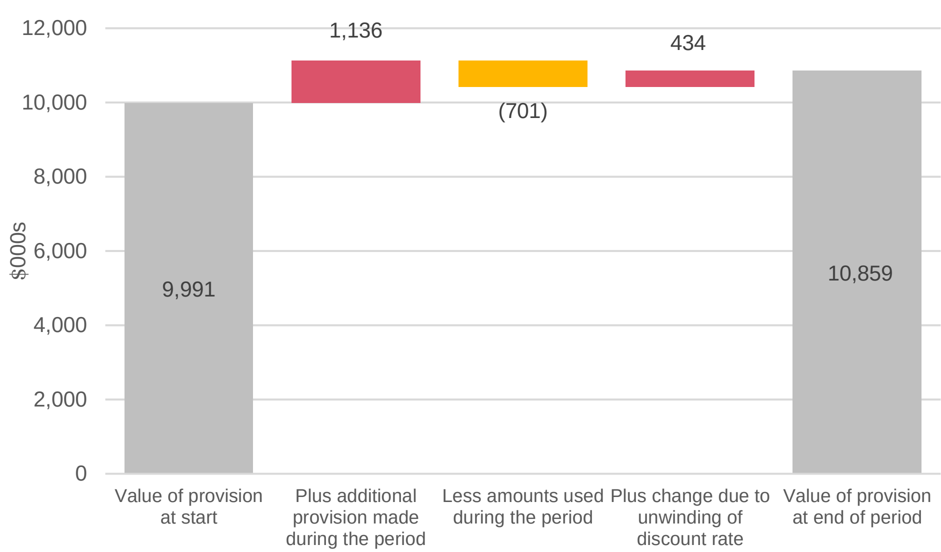
1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.

Liability as at 30 June ($000s)	2022	2021	Difference ($000s) (%)
Liabilities for active workers	10,599	9,748	**851** *8.7%*
Less benefits paid/accrued after last date on claim file	-9	-11	***2***
Plus cost of settling obligation	269	253	**16** *6.5%*
Total	**10,859**	**9,991**	**868** *8.7%*
Current	9,761	8,832	**929** *10.5%*
Non current	1,098	1,158	**-60** *-5.2%*

Present value of liabilites at each 30 June



Movement in liability from 30 June 2021 to 30 June 2022



The 2021 figures are from the “Accounting basis - long service leave liabilities valuation as at 30 June 2021” dated 03 September 2021.

6.3 Community Sector Industry Scheme

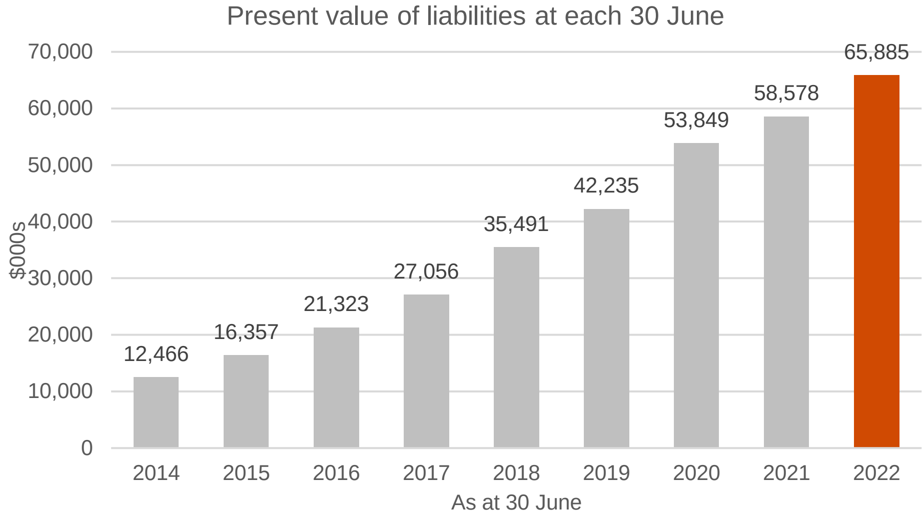
Estimated liabilities increased by $7.3 million (13%), from $58.6 million as at 30 June 2021 to $65.9 million as at 30 June 2022.

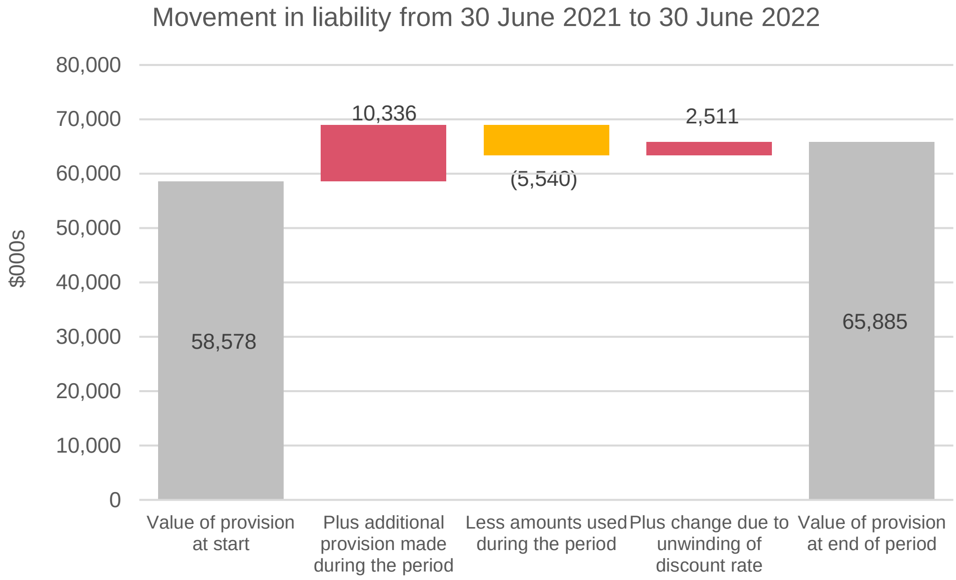
Benefit ($000s)	FV of liabilities	In service	Leaving industry	Present value of liabilities[1]
Active with service	68,934	45,833	45,977	59,062
Active with no service	17,741	5,403	6,266	5,444
Total	**86,675**	**51,236**	**52,243**	**64,506**

1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.

Liability as at 30 June ($000s)	2022	2021	Difference ($000s) (%)
Liabilities for active workers	64,506	57,577	**6,929** *12.0%*
Less benefits paid/accrued after last date on claim file	-255 *	-482	***226***
Plus cost of settling obligation	1,634	1,482	**152** *10.3%*
Total	**65,885**	**58,578**	**7,307** *12.5%*
Current	53,309	39,875	**13,434** *33.7%*
Non current	12,576	18,703	***-6,127*** *-32.8%*

* Excludes prior year claims correction in claim files of $15,248.





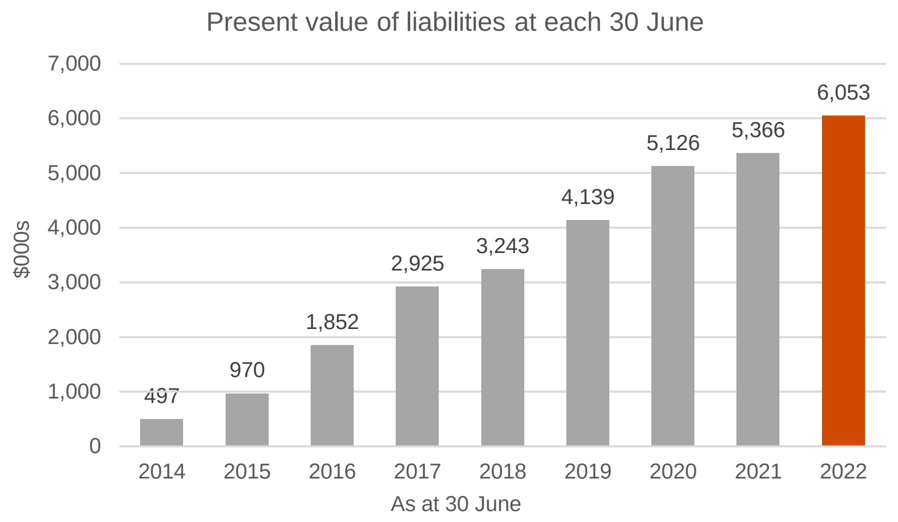
The 2021 figures are from the “Accounting basis - long service leave liabilities valuation” as at 30 June 2021 dated 03 September 2021.

6.4 Security Sector Industry Scheme

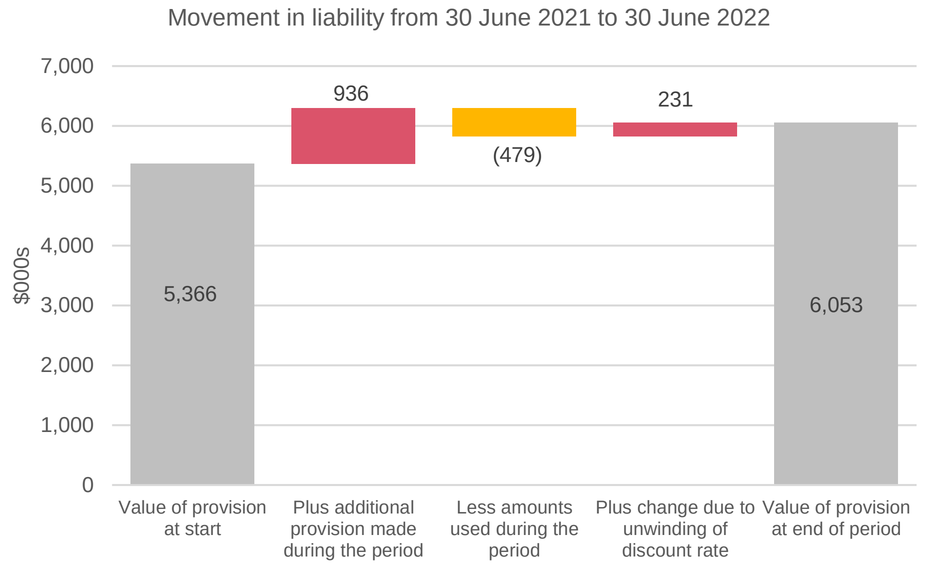
Estimated liabilities increased by $0.7 million (13%), from $5.4 million as at 30 June 2021 to $6.1 million as at 30 June 2022.

Benefit ($000s)	FV of liabilities	In service	Leaving industry	Present value of liabilities[1]
Active with service	7,131	3,467	3,762	5,598
Active with no service	2,055	202	366	332
Total	**9,186**	**3,669**	**4,128**	**5,930**

1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.



Liability as at 30 June ($000s)	2022	2021	Difference ($000s) (%)
Liabilities for active workers	5,930	5,294	**637** *12.0%*
Less benefits paid/accrued after last date on claim file	-28	-63	***36***
Plus cost of settling obligation	150	136	**14** *10.5%*
Total	**6,053**	**5,366**	**687** *12.8%*
Current	4,205	3,282	**922** *28.1%*
Non Current	1,848	2,084	**-235** *-11.3%*



The 2021 figures are from the "Accounting basis - long service leave liabilities valuation as at 30 June 2021" dated 03 September 2021.

7. Sensitivity analysis

One of the key assumptions that impact the liability is the wage inflation assumption.

- We have tested the impact on the liabilities for each Scheme by varying the baseline wage inflation assumption while all other assumptions remain unchanged in light of the current uncertainty around future wage increases.
- The baseline wage inflation was increased from 2.0% p.a. to 4.0% p.a. for the first year, while remaining unchanged at 2.5% p.a. thereafter.
- The impact for each Scheme is detailed below:

	Construction	Cleaning	Community	Security	Total
Baseline wage inflation assumptions:					
Standard		2022-23 2023-24 and beyond	2.00% p.a. 2.50% p.a.		
Change in assumption		+2.0% p.a. in the first year (2022-23)			
Sensitivity		2022-23 2023-24 and beyond	4.00% p.a. 2.50% p.a.		
Present value of liabilities[1] $000s:					
Standard	137,516	10,599	64,506	5,930	218,551
Sensitivity	139,674	10,766	65,596	6,035	222,071
Change in present value of liabilities	2,158	167	1,090	105	3,520
Change in present value of liabilities %	1.6%	1.6%	1.7%	1.8%	1.6%

1. Value before adjustment for benefits paid after the last date on claim file and excluding cost of settling obligation.

- Higher wage inflation is expected to increase the present value of liabilities.
- Increasing the baseline wage inflation assumption in the first year (2022-23) from 2% p.a. to 4% p.a. increases each Scheme's present value of liabilities by between 1.6% and 1.8%.

Appendices

A: Assumptions

Financial – the financial and investment assumptions have been discussed and agreed with the Authority.

	Construction	Community	Security	Cleaning
Discount rate (% p.a.)	4.50%	4.50%	4.50%	4.50%
Investment returns (% p.a.)	4.50%	4.50%	4.50%	4.50%
Current levy (% wages)	2.10%	1.60%	1.07%	1.07%

- The latest audited assets, as shown in the 2021 Annual Report, total to $261m of which $242m is invested.
- Under the Statement of Intent 2021-22, the investment objective is to achieve a rate of return over five year periods which is 2.5% p.a. in excess of the increase in Average Weekly Ordinary Time Earnings (AWOTE) for each Scheme and maintain an Accrued Benefit Reserve Index (ABRI) of at least 110%.
- The strategic asset allocation at 30 June 2021 incorporated 65% in growth-oriented assets, such as equity and property funds, and 35% in other assets including cash and fixed interest investments, and management has indicated that this remained unchanged.
- The Authority's expected investment return is 4.5% p.a. reflecting advice from their investment consultant on the expected long term return rate based on the current asset allocation.
- 4.5% p.a. is consistent with our expectations for the Authority's strategic asset allocation over five or more years.
- the Authority advised that the investment return will apply as the discount rate for all liability valuations.
- The discount rate assumption is therefore set as the expected investment earning rate (i.e. 4.5% p.a.) and this is the same as used for the 2022 projection report.

A: Assumptions (continued)

Cost of settling the obligation is estimated at 2.54% of the leave amounts.

Derivation of cost of settling the obligation	
Time required to process a benefit	0.85 hours
Salary costs per hour	$132.91
Overhead margin	$132.91
Cost of settling the obligation (per claim)	($132.91 x 2 x 0.85) = $225.95
Average benefit paid (across all Schemes)	$8,884
% to be applied to the benefit liabilities	$225.95/$8,884 **= 2.54%**

Scheme	Benefit liability after adjustment for claims after last date on claims file ($000s)	Cost of settling the obligation ($000s)
Construction	137,343	3,488
Cleaning	10,590	269
Community	64,251	1,634
Security	5,903	150
Total	**218,087**	**5,541**

- We have estimated the cost of settling the obligations by reviewing the cost incurred by the Authority in actually paying the leave amounts. This particular liability is open to some interpretation and different methods are justifiable, we have used the same method as in the recent valuations for accounting purposes as agreed with the Authority and Auditor.
- The estimated cost of settling the obligation per claim for this year's accounting valuation is $225.95 and the derivation is shown above. The salary cost used in this estimate is $132.91 per hour, an increase of 2.73% from $129.38 per hour in 2021.
- The average benefit paid is based on the claim information (across all Scheme's) received from the Authority for the period 1 July 2021 to 30 June 2022 and was $8,884.
- The cost of setting the obligation is 2.54% of the average benefit paid, compared with 2.60% in the 2021 valuation.
- This percentage was then applied to the total liability to determine the liability due to cost of settling the obligation.
- Figures may not reconcile due to rounding.

A: Assumptions (continued)

The key assumption used in the 30 June 2022 annual review were set at the 30 June 2020 triennial review (agreed to by the Authority) and the approach remains unchanged with one correction to Construction retirement rates for age 55 to 79.

Death Disability & Retirement rates (% p.a.)
30 June 2022 annual valuation

Age last birthday	Construction	Cleaning	Community	Security
Retirement rates (% p.a.)				
55-79	13%	7%	5%	3%
80-84	20%	20%	20%	20%
85+	100%	100%	100%	100%
Death and Disability rates (%p.a.) - examples				
ALT % Male/Female	100% Male	50% Male 50% Female	50% Male 50% Female	100% Male
20	0.049%	0.034%	0.034%	0.049%
45	0.194%	0.154%	0.154%	0.194%
45	0.395%	0.318%	0.318%	0.395%
65	0.857%	0.685%	0.685%	0.857%
70	1.370%	1.119%	1.119%	1.370%
75	2.352%	1.938%	1.938%	2.352%
80	4.268%	3.590%	3.590%	4.268%
85	8.133%	7.028%	7.028%	8.133%

- Base wage increases are as recommended by the triennial valuation as at 30 June 2020 (shifted forward two years) with service based scale applied to all four Schemes.
- Wage increases reflect changes in the hourly rate of pay and the number of hours worked per week.
- The retirement rate for Construction scheme for age group 55 to 79 has been corrected to 13% (previously 8%) in line with the experience observed at the 30 June 2020 triennial review.

Wage inflation (% p.a.)
30 June 2022 annual valuation

Base increase – All Schemes	
Year ending 30 June:	
2023	2.00% p.a.
2024 and onwards	2.50% p.a.

Service based increase

Service calendar years	Construction	Cleaning	Community	Security
0	6%	22%	17%	17%
1	6%	17%	11%	4%
2	6%	7%	6%	2%
3	6%	4%	6%	2%
4	6%	0%	6%	2%
5	4%	0%	6%	2%
6	4%	0%	3%	0%
7	4%	0%	3%	0%
8	2%	0%	3%	0%
9	2%	0%	3%	0%
10	2%	0%	0%	0%
11 - 15	2%	0%	0%	0%
16+	0%	0%	0%	0%

A: Assumption (continued)

The next detailed experience review will be carried out as part of the triennial valuation due in 2023.

In service benefit rate (% p.a.)
30 June 2022 annual valuation

Service credit years	Construction	Cleaning	Community	Security
0 - 4	0%	0%	0%	0%
5	0%	0%	1%	0%
6	0%	0%	2%	0%
7	0%	2%	2%	7%
8 - 9	0%	5%	2%	7%
10	3%	5%	2%	7%
11	5%	5%	2%	7%
12 - 25	5%	7%	2%	7%
26+	9%	7%	2%	7%

Leaving service rate (% p.a.)
30 June 2022 annual valuation

Service credit years	Construction	Cleaning	Community	Security
0	16%	20%	11%	20%
1	11%	10%	10%	20%
2 - 3	11%	10%	8%	10%
4	7%	10%	8%	3%
5 – 6	7%	5%	5%	3%
7 – 9	7%	11%	5%	3%
10 - 15	13%	11%	5%	3%
16+	13%	7%	5%	3%

30 June 2022 annual valuation (% p.a.)

	Construction	Cleaning	Community	Security
Participation rate	87%	90%	86%	87%
Active no service - return to active rate	10%	0%	10%	0%
Net expenses	0.15%	0.30%	0.20%	0.20%
Discount rate	4.5%	4.5%	4.5%	4.5%

B: Roll forward of data to 30 June 2022

The same general rolling forward approach has been taken for this valuation as the previous valuation.

Roll forward by estimating the number of additional service credits that would have been notified for Active workers up to 30 June and increase average wages as at 31 March by 0.50% for all Schemes (assumed baseline increase for one quarter).

- **Inactive** workers have left the Schemes having been paid a withdrawal benefit, or they have no recorded service for four or more years and do not have sufficient service to qualify for a “leaving the industry” benefit.
- **Active** workers are workers who haven’t left the Schemes having been paid a withdrawal benefit and haven’t been made inactive:
    - **Active with service** have recorded service during the current financial year (i.e. on or after 1 July 2022).
    - **Active with no service** are those with no recorded service in the current financial year.
- In determining the additional liability for workers over the last quarter, we assumed:
    - No change in the number of active workers.
    - Active workers with service recorded in the current year receive additional days service credits for the quarter 31 March 2022 to 30 June 2022 as shown in the table.
    - Active workers with no service credits in the current year receive no additional service credits.
    - Wage increase over the quarter for those workers with service credits in the year to date.
    - No wage increase over the quarter for those workers with no service credits in the year to date.
- Allowance has be made for benefit payments and refunds incurred by the Construction, Cleaning, Community and Security Schemes after the last date of the payments on the claims files we received up to 30 June 2022 based on the information provided by the Authority.

Assumed additional days service credits and average wages increases over the last quarter of 2021/22 for active workers with service credits

Scheme	Additional service credits	Wage Increase
Construction	45 days	0.50%
Cleaning, Community and Security	Average days per quarter based on days credited in the first 3 quarters	0.50%

Result of roll forward

Scheme	Average weekly wage ($)	Accrued service credits before roll forward (days)	Accrued service credits after roll forward (days)	Face value of credits after roll forward ($ millions)
Construction	1,324.1	19,824,771	20,459,311	180.0
Cleaning	622.9	7,374,537	7,629,929	14.4
Community	865.2	33,626,687	35,072,569	86.7
Security	877.4	3,298,563	3,861,469	9.2

B: Methodology

These valuations have applied the same valuation methodology as the recent triennial and the annual financial valuations and projections prepared over the last four years.

Benefits

Worker leave benefits are as detailed in the Scheme legislation.

Present value of accrued liabilities

The steps to determining the present value of benefits due to accrued service, that will be paid in the future are:

- Calculate the unconditional and pro-rata long service leave for workers, based on current remuneration rates, where:
    - Unconditional leave refers to that portion of the accrued long service leave to which the worker currently has an entitlement to take at any time, even if they have not ceased employment.
    - Pro-rata long service leave refers to the accruing portion of a worker's long service leave entitlement, based on service to date, conditional on remaining in service for a specified number of years.
- Apply the participation rate (a percentage of the maximum service days that can be credited per year) to predict the rate of accrual of future service credits and therefore the timing of eligibility for benefits.
- Inflate the liability to take into account projected increases in remuneration rates.
- Allow for the probability of a worker taking leave in each year, whether on retirement, disability, death, resignation or in-service.
- Discount the expected payment using the discount rate to estimate the present value of future cash-outflows.
- Active workers with no service in the previous 12 months are assumed to return to service at a rate of 10% p.a. for the Construction and Community Schemes and 0% for the Cleaning and Security Schemes.
- As the Authority does not meet the payment of long service leave on-costs, such as payroll tax or superannuation, we do not include any allowance for on-costs in the liabilities.

Roll forward

- As the data is as at 31 March 2022, we have rolled forward to 30 June 2022 as described earlier.

Incurred but not reported service

- As has been the case in past years, no allowance has been made for incurred but not reported (IBNR) service credits as at the valuation date because these amounts are relatively small and they are likely to be offset, at least partially, by revenue received after the valuation date.

Continued on next page…

B: Methodology (continued)

The Authority has advised us that their financial statements are intended to comply with AASB137 on Provisions, Contingent Liabilities and Contingent Assets. Where relevant we have also considered AASB101 and AASB119.

AASB 137 requires

- The determination of a best estimate. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.
- The amount of a provision is to be the present value of the expenditures expected to be required to settle the obligation. The valuation method is outlined earlier.
- The responsibility for formulating the accounting policies, accounting treatment and selection of appropriate economic assumptions rests with management. The wage inflation and discount rate assumptions used to calculate the present value of cash flows have been determined by the Authority after discussion with investment advisors and scheme actuary.
- AASB137 also requires a provision for the present value of expenditures expected to be required to settle the obligation (pay claims). This ‘cost of settlement’ is included in the valuation. It is determined based on information from the Authority, including expected time and hourly costs to pay a claim. The expected cost per claim paid is determined as a percentage of average claim and this percentage is then applied to the present value of accrued liabilities to determine a dollar value as at 30 June for each Scheme. This amount is then indexed for the purposes of any projections.

Current liabilities

- The current liabilities have been calculated using the same method as in previous reports and audited financial statements, as:
    - The sum, at the valuation date, of all vested leave where the Authority does not have an unconditional right to defer settlement for at least 12 months after the reporting date.
    - With a maximum value being the present value of accrued liabilities at the valuation date.

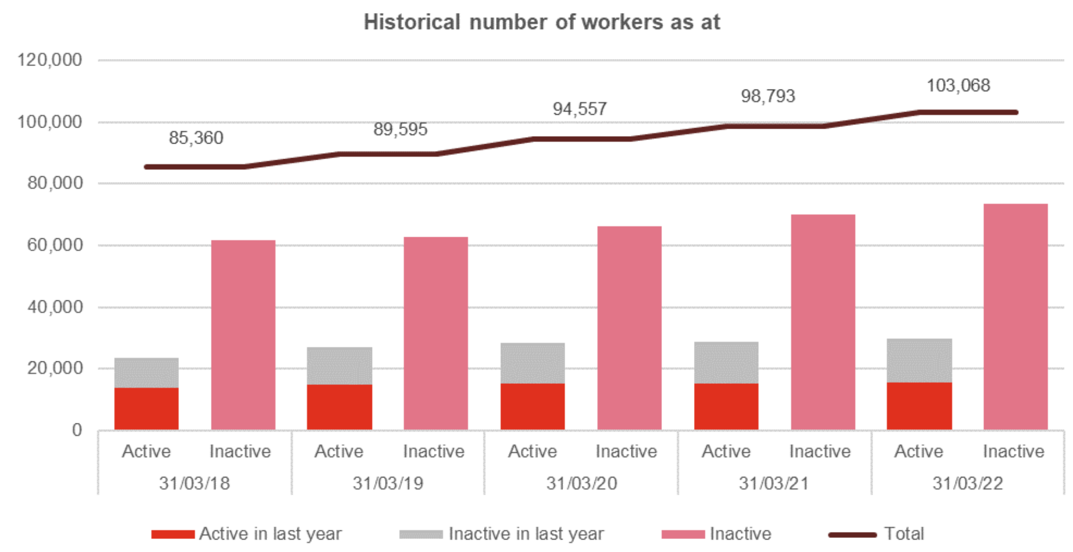
Non current liabilities

- The balance of accrued benefit liabilities less current liabilities, with a minimum of 0.

C: Data

Construction – Number of workers.

Steady increase in the total number of recorded workers over the last 5 years with a relatively stable active workforce over the last 2 years.

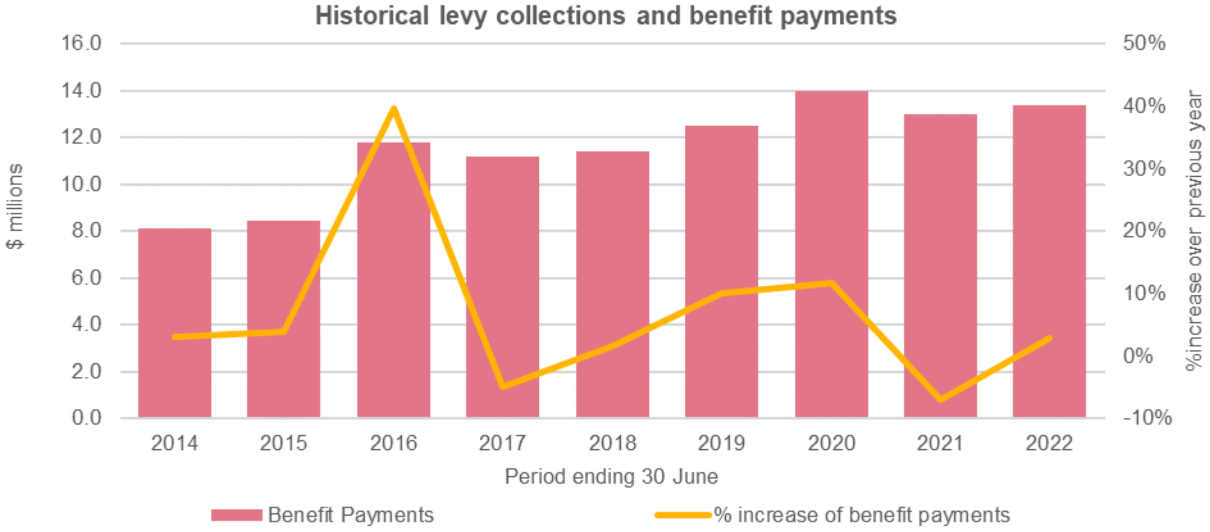


- The annual increase (to 31 March) in the number of active workers has been lower in the last two years (3% to 2022 and 1% to 2021) than in the previous two years (6% to 2020 and 14% to 2019).
- Latest workers information was provided by the Authority as at 17 May 2022.
- Inactive workers are those who are believed to have left the Scheme because they have been paid out a withdrawal benefit, or they have not recorded any service in the ACT for four years or more.
- Workers who have not recorded service for four or more years will remain active if their service is sufficient to qualify for a "leaving the industry" benefit.

Date of data	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Active					
With service during year	13,996	14,847	15,129	15,066	15,621
With no service	9,564	12,079	13,295	13,609	14,001
Sub-total	**23,560**	**26,926**	**28,424**	**28,675**	**29,622**
Inactive	61,800	62,669	66,133	70,118	73,446
Total	**85,360**	**89,595**	**94,557**	**98,793**	**103,068**

C: Data (continued)

Construction – benefit payments $13.4 million over the year to 30 June 2022.



Benefit payments ($m)

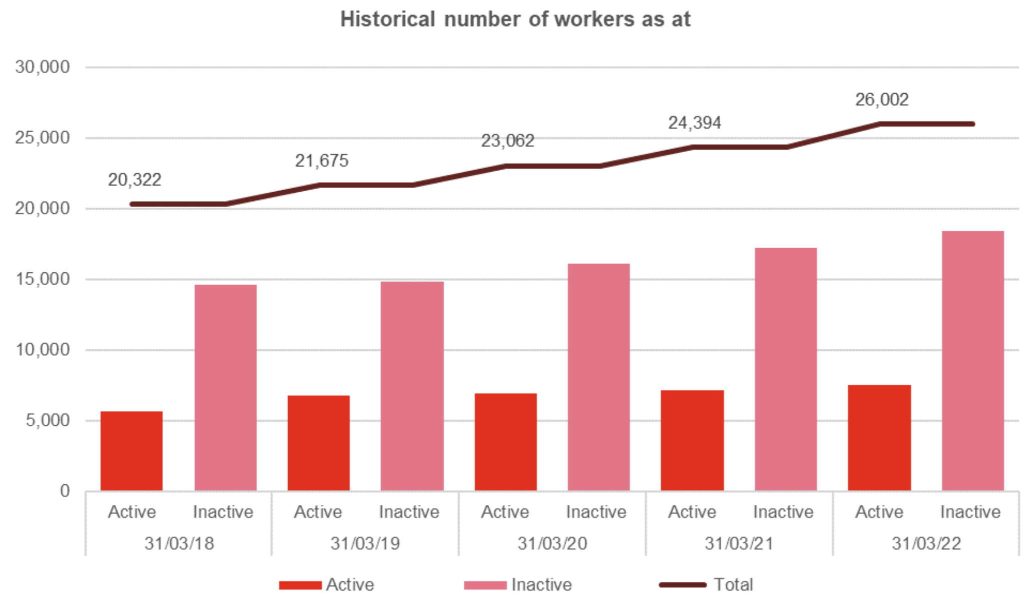
Financial year	*Actual*	*% Increase*
2013/14	8.1	
2014/15	8.5	3.8%
2015/16	11.8	39.6%
2016/17	11.2	-5.0%
2017/18	11.4	1.5%
2018/19	12.5	10.0%
2019/20	14.0	11.6%
2020/21	13.0	-7.1%
2021/22	13.4	2.8%

- 36 employers are yet to submit March 2022 quarter returns.
- Benefit payments from 1 July 2021 to 30 June 2022 are $13.4 million.
- Benefit payments have decreased by 7.1% in the year to 30 June 2021 and increased by 2.8% in the year to 30 June 2022.

C: Data (continued)

Cleaning – Number of workers.

Steady increase in the number of recorded workers over the last 5 years and a slowly increasing active workforce.

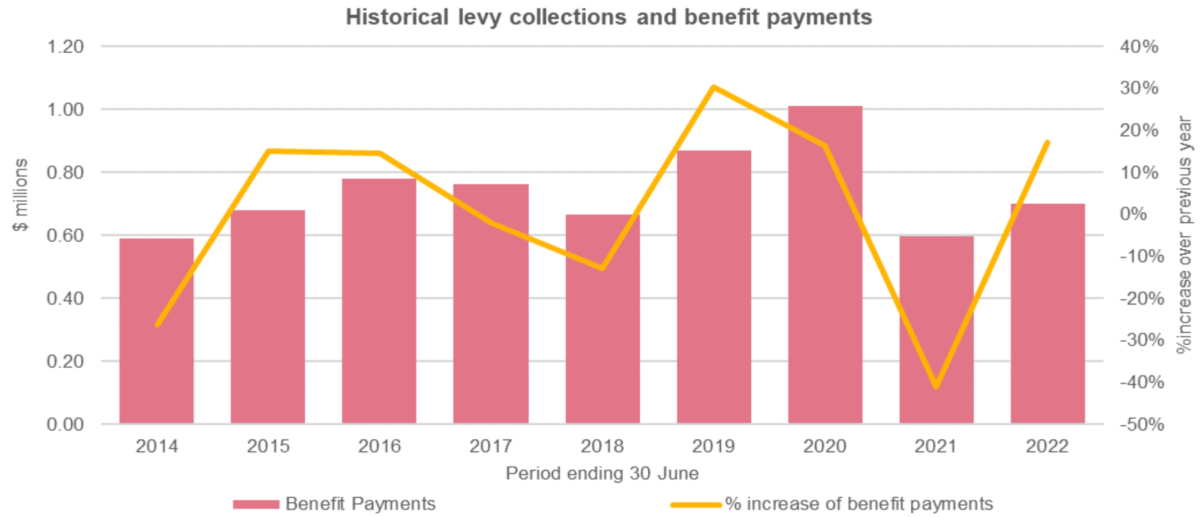


- The annual increase (to 31 March) in the number of active workers to 2022 was 6%, up from 3% in 2021.
- Latest workers information was provided by the Authority as at 17 May 2022.
- Inactive workers are those who are believed to have left the Scheme because they have been paid out a withdrawal benefit, or they have not recorded any service in the ACT for four years or more.
- Workers who have not recorded service for four or more years will remain active if their service is sufficient to qualify for a “leaving the industry” benefit.

Date of data	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Active	5,682	6,819	6,939	7,153	7,583
Inactive	14,640	14,856	16,123	17,241	18,419
Total	**20,322**	**21,675**	**23,062**	**24,394**	**26,002**

C: Data (continued)

Cleaning – benefit payments $0.7 million over the year to 30 June 2022.



Benefit payments ($m)

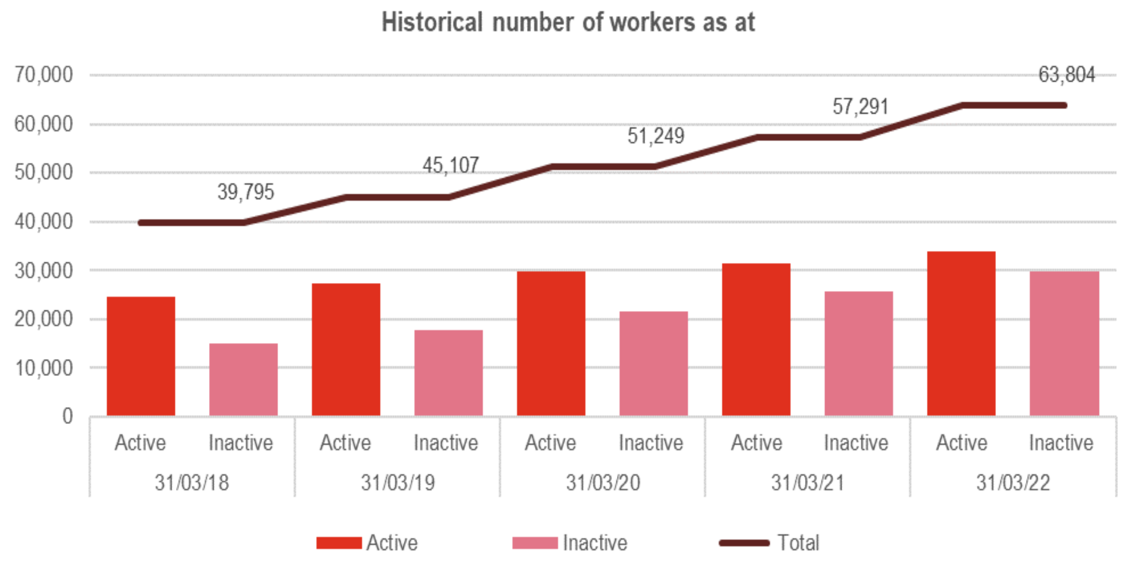
Financial year	*Actual*	*% Increase*
2013/14	0.6	
2014/15	0.7	15.3%
2015/16	0.8	14.7%
2016/17	0.8	-1.9%
2017/18	0.7	-12.8%
2018/19	0.9	30.4%
2019/20	1.0	16.3%
2020/21	0.6	-40.9%
2021/22	0.7	17.3%

- 1 employer is yet to submit March 2022 quarter returns.
- Benefit payments from 1 July 2021 to 30 June 2022 are $0.7 million.
- Benefit payments have decreased by 40.9% in the year to 30 June 2021 and increased by 17.3% in the year to 30 June 2022.

C: Data (continued)

Community – Number of workers.

Significant increase in the number of registered workers over the 5 years and a stable active workforce.

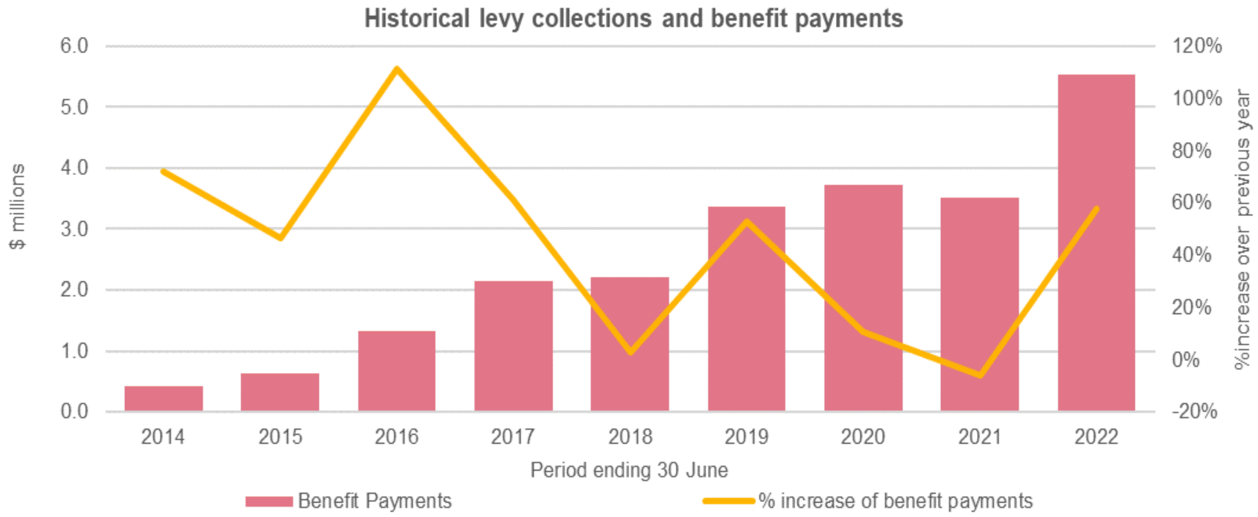


- The annual increase (to 31 March) in the number of active workers was 9%, 6% and 8% in the years to 2020, 2021 and 2022.
- Latest workers information was provided by the Authority as at 17 May 2022.
- Inactive workers are those who are believed to have left the Scheme because they have been paid out a withdrawal benefit, or they have not recorded any service in the ACT for four years or more.
- Workers who have not recorded service for four or more years will remain active if their service is sufficient to qualify for a "leaving the industry" benefit.

Date of data	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Active	24,665	27,319	29,769	31,570	34,010
Inactive	15,130	17,788	21,480	25,721	29,794
Total	**39,795**	**45,107**	**51,249**	**57,291**	**63,804**

C: Data (continued)

Community – benefit payments $5.5 million over the year to 30 June 2022.



Benefit payments ($m)

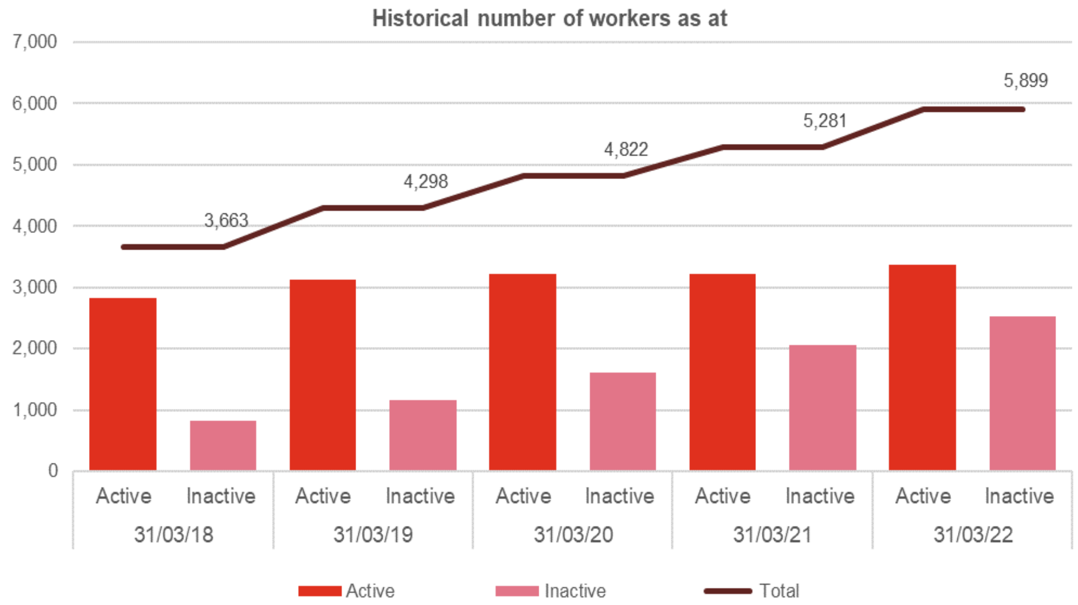
Financial year	*Actual*	*% Increase*
2013/14	0.4	
2014/15	0.6	46.5%
2015/16	1.3	111.1%
2016/17	2.1	61.1%
2017/18	2.2	2.8%
2018/19	3.4	53.1%
2019/20	3.7	10.5%
2020/21	3.5	-5.8%
2021/22	5.5	57.8%

- 1 employer is yet to submit March 2022 quarter returns.
- Benefit payments from 1 July 2021 to 30 June 2022 are $5.5 million.
- Benefit payments have increased in the year to 30 June 2022 by 57.8% after decreasing by 5.8% in the year to 30 June 2021.

C: Data (continued)

Security – Number of workers.

Significant increase in the number of active workers until 2019, then reasonably stable.

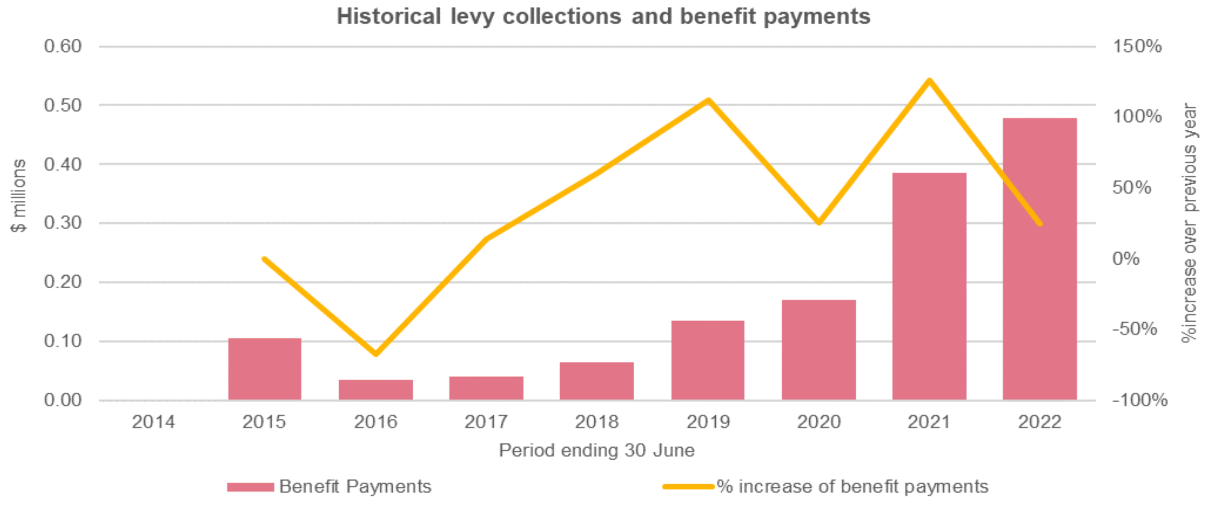


- Growth in the number of active workers (to 31 March) has been relatively stable over the last three years with almost no growth in the year to 2021 and increasing by 4% in the year to 2022.
- Latest workers information was provided by the Authority as at 17 May 2022.
- Inactive workers are those who are believed to have left the Scheme because they have been paid out a withdrawal benefit, or they have not recorded any service in the ACT for four years or more.
- Workers who have not recorded service for four or more years will remain active if their service is sufficient to qualify for a “leaving the industry” benefit.

Date of data	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Active	2,834	3,128	3,212	3,227	3,364
Inactive	829	1,170	1,610	2,054	2,535
Total	**3,663**	**4,298**	**4,822**	**5,281**	**5,899**

C: Data (continued)

Security – benefit payments $0.5 million over the year to 30 June 2022 as more become eligible for leave.



Benefit payments ($m)

Financial year	*Actual*	*% Increase*
2014/15	0.11	-
2015/16	0.04	-67%
2016/17	0.04	14%
2017/18	0.06	60%
2018/19	0.14	112%
2019/20	0.17	25%
2020/21	0.39	126%
2021/22	0.48	25%

- 1 employer is yet to submit March 2022 quarter returns.
- Benefit payments from 1 July 2021 to 30 June 2022 are $0.5 million.
- Benefit payments have increased over the last two years by 126% to 30 June 2021 and by 25% to 30 June 2022 as workers become eligible to vest.

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