

# NT Build - portable long service leave

Annual Report 2011-12

## Objective of the report

The objective of the report is to satisfy the requirements of section 68 of the *Construction Industry Long Service Leave and Benefits Act* by presenting the Minister responsible for NT Build with a summary of the activities of the Board during the 2011-12 financial year.

It also provides the Northern Territory Legislative Assembly, government agencies, stakeholders and other interested parties with an account of the performance of NT Build during the year in relation to the activities, achievements and operations of the portable construction industry long service leave scheme.

## Published by NT Build

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# Letter of transmission

The Hon Terry Mills MLA  
Minister for Lands, Planning and the Environment  
Legislative Assembly of the Northern Territory  
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2011-12

On behalf of the NT Build Board, I am pleased to present you with the seventh NT Build Annual Report, for the year ending 30 June 2012.

The report details the activities and achievements of NT Build during its seventh year of operation and has been prepared in accordance with the provisions of Section 68 of the *Construction Industry Long Service Leave and Benefits Act* (the CILSLB Act).

I advise that, to the best of my knowledge and belief, the system of internal control within NT Build provides reasonable assurance that:

- proper accounts and records of the Board's transactions and financial affairs are kept and the financial statements included in this report have been prepared from proper accounts and records and are in accordance with the CILSLB Act;
- there are adequate controls over the incurring of the Board's liabilities ;
- all payments out of the Board's money are correctly made and properly authorised;
- adequate control is maintained over the Board's property and property in the Board's custody, control and management;
- there is no indication of fraud, malpractice, major breach of legislation or delegation, or major error in or omission from the accounts and records;
- all employment matters have been handled in accordance with *Public Sector Employment and Management Act* and the CILSLB Act, as appropriate.

As required by section 69 of the CILSLB Act, you are advised that the Auditor-General has audited NT Build's financial statements for the year ending 30 June 2012 and his comments are contained in this report.

May I also draw your attention to section 68(5) of the CILSLB Act, which requires that a copy of this Report be tabled in the Legislative Assembly within six sitting days of receipt.

Yours sincerely

BARRY CHAMBERS  
Chairperson, NT Build Board

17 October 2012



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# Part 1: Introduction and overview

## Chairperson's and Registrar's report

The 2011-12 reporting period remained a time of continued consolidation for the scheme which has now completed seven years of operation.

During the year the scheme continued to enjoy strong employer and worker support, achieving total active registrations of 10 533 workers and 312 employers as at 30 June 2012. A further 148 benefit claims (totalling 642 since the scheme commenced) were also processed as more workers became eligible for benefit payments, due in part to the National Reciprocal Agreement, which recognises workers' service from other jurisdictions.

In August 2012 the Minister for Lands and Planning decided that the NT Build levy rate would be reduced from 0.4% to 0.3% effective from 1 April 2012. The levy rate reduction gives effect to the recommendation to the Minister made by the scheme's Actuary following the statutory triennial review of the scheme.

The impact of a 25% reduction to the scheme's income was relatively minor for this reporting period. However, the full impact will be realised during future reporting periods. Notwithstanding the magnitude of the levy rate reduction, the scheme's actuary predicts that NT Build will be able to comfortably meet its liabilities in the medium term. The NT Build Board will continue to closely monitor the scheme's financial position and make timely recommendations to the Minister if necessary.

The unusually high increase in levy income in 2011-12 when compared to previous years was largely attributable to a substantial levy liability accrued to the scheme in relation to the commencement of a major construction project being undertaken in the Territory.

In response to the ongoing economic uncertainty of the post-global financial crisis and the cyclical nature of the construction industry, the Board continued to closely monitor and refine its investment strategy to ensure any adverse exposure of its investments was minimised throughout the reporting period. The scheme's conservative investment portfolio remains well positioned to meet its growing liabilities.

The ageing of the scheme and the steady registration of active workers also saw the estimated accumulated liabilities for the scheme grow to \$28.5 million as at 30 June 2012. While this represented an increase of \$7.5 million from the previous reporting period it is pleasing to note that the scheme's assets continue to cover its estimated liabilities.

We also take this opportunity to acknowledge and thank the members of the Board and the staff of NT Build for their continued dedication and commitment during the seven years of operation and we look forward to their continued support.

BARRY CHAMBERS  
Chairperson

THEO TSIKOURIS  
Registrar

## 2011-12 Highlights

- 25% reduction in the levy rate, from 0.4% to 0.3%, effective from 1 April 2012.
- Conducted second formal triennial actuarial review of the administration of the scheme, methods used in working out long service benefits and the levy rate.
- Continued to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the scheme.
- Recorded approximately \$12 million in levy contributions (up by \$2.1 million from the previous reporting period).
- Continued to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs.
- Recorded total active registrations of 10 533 workers, 312 employers and made benefit payments to 148 workers at a cost of \$450 000.
- Minimised the impact of the global financial crisis on the scheme's financial assets through the continuation of a conservative investment strategy.

## 2012-13 Priorities

- Continue to monitor and review the investment program to identify appropriate opportunities to support the ongoing financial viability of the scheme.
- Conduct an administrative review of the Construction Industry Long Service Leave and Benefits legislation, including assessment of recommendations contained in actuarial review reports.
- Identify and implement a suite of on-line and electronic business transaction services that improve processing interaction between stakeholders and NT Build.
- Continue to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs.
- Actively encourage the registration of all eligible workers.

## About the organisation

NT Build is a statutory corporation established by the *Construction Industry Long Service Leave and Benefits Act* (the CILSLB Act) which came into effect on 1 July 2005.

The purpose of the scheme as set out in the CILSLB Act is:

***To provide long service leave and long service leave benefits to Territory construction workers.***

The establishment of the scheme in the Northern Territory completed a network of similar schemes in all Australian jurisdictions. The Territory construction industry and its employees are therefore no longer at a disadvantage in respect of this form of benefit.

The scheme is administered by a Board, called NT Build, which comprises an independent Chairperson, a Ministerial nominee and four industry members.

NT Build is not an agency within the meaning of the *Financial Management Act* or the *Public Sector Employment and Management Act* and as such no general allocation of funding is provided to NT Build through the Territory Budget.

Under the Administrative Arrangements Order in force for the period ended 30 June 2012 the Department of Lands and Planning had the principal responsibility for the general administration of the CILSLB Act<sup>1</sup>. However, in accordance with the CILSLB Act, the Board holds the specific responsibility for the day-to-day management of the scheme and for providing advice and making recommendations to the Minister about the operation of the legislation.

The scheme, including staffing and operational expenses, is self funded through the collection of a levy imposed on eligible construction work undertaken in the Territory and investment earnings. This revenue is used to fund the payment of long service leave benefits accrued by construction workers while working on defined projects in the Territory.

The staff of NT Build are Northern Territory Public Sector employees who are made available to the NT Build Board under an agreed full cost recovery arrangement.

The NT Build Board is responsible for expending the scheme's money and has its own financial reporting requirements. The Board has therefore prepared this annual report on the performance of the scheme for submission to the responsible Minister.

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<sup>1</sup> Following the change in Government after the General Election held on 25 August 2012, a new Administrative Arrangements Order was issued on 4 September 2012 announcing changes to the structure of the public service. Under the new Arrangements principle responsibility for the general administration of the CILSLB Act was allocated to the newly formed Department of Lands, Planning and the Environment. While the Minister for Lands and Planning was the responsible Minister as at 30 June 2012, this report has been submitted to the Minister for Lands, Planning and the Environment as the current Minister responsible for the scheme.

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## General overview – portable long service leave scheme

### **Key features**

The scheme enables workers in the construction industry to qualify for long service leave based on their service in the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry and continue to accumulate long service leave benefits.

Some key features of this scheme include:

- Long service leave coverage consistent with interstate arrangements. (The Northern Territory Government is party to the reciprocal arrangements agreement between all States and the Australian Capital Territory.)
- Benefits consistent with current building and construction industry and NT long service leave standards.
- The scheme is funded through a Ministerially determined levy.
- Administration through a local office, with the support of an established scheme administrator (contract with Construction Industry Long Service Leave Board, South Australia).
- Maintenance of a register recording the number of service days worked by each registered worker within the construction industry in the Northern Territory.
- A statute based scheme, governed by a board consisting of employer, employee and independent representatives appointed by the Minister to oversee the management of the scheme.

### **Workers**

The scheme enables the Territory's building and construction workers to benefit from the introduction of a portable long service leave scheme based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The portability also extends across state borders under the National Reciprocal Arrangement.

A registered worker can be credited with a maximum of 260 days of qualifying service each financial year. A total of 6.5 days long service leave credit is accrued for each 260 days. Once a worker has accrued 65 days long service leave credit (i.e. 10 years service), they can apply for 13 weeks (i.e. 65 days) long service leave, or with the agreement of their employer, take leave in separate periods of not less than 5 days. Workers need to accrue a further 32.5 days long service leave credit before they can apply for further leave.

Special pro rata provisions are also contained in the CILSLB Act for workers who die, retire or cease to perform construction work. Long service leave benefits accrued under this scheme are paid by NT Build upon application by the worker or their authorised representative.

To be eligible for registration under the scheme a worker must:

- be employed to carry out construction work on a site in the Northern Territory;
- work for the private sector, i.e. not for the government (including the Territory, local, interstate or Commonwealth governments);
- not be working in an administrative, clerical, office-based managerial or professional capacity;
- spend at least 50% of their work time at the construction site for the work; and
- work a minimum of three days in any reporting period (i.e. six months).

Workers employed either full-time, part-time, as a casual or as a labour-only contractor (i.e. those who have an ABN) are eligible to register.

Work undertaken on both residential and commercial construction and maintenance jobs, whether big or small, is recognised as counting towards a long service leave benefit.

## ***Employers***

As noted previously, the scheme enables workers to qualify for long service leave based on their service to the industry rather than service with the same employer. Workers can therefore work for any number of employers in the construction industry.

The scheme is funded by:

- a levy on specified construction work in the Northern Territory; and
- investment earnings.

Most employers of construction workers will therefore not have to make any financial contribution to the scheme, as this will be the obligation of project developers. However, in certain circumstances where an employee has been continuously employed by the one employer, employers may have to contribute or pay for long service leave that accrued before 1 January 2005 under the Northern Territory private sector *Long Service Leave Act*.

Once a worker has been registered, employers are required to keep adequate records to account for any eligible workers employed and complete an employer return form twice a year advising NT Build of the number of days worked by all registered employees and any other information required by NT Build. The information provided by employers is used to update registered workers' records.

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An eligible employer under the scheme is one:

- that employs an eligible construction worker to carry-out construction work;
- that is in the private sector (i.e. is not in the Territory, local, interstate or Commonwealth government sectors); and
- whose usual business is to carry out or offer to carry out construction work for reward.

An employer must register with NT Build within one month of commencing to employ a construction worker who is registered with NT Build.

Alternatively, an employer who employs one or more eligible workers may elect to register their workers with NT Build for the portable long service leave scheme at the same time they register their business.

For the purpose of this scheme, construction work covers commercial, domestic, industrial and civil construction. Construction work includes workers performing repair, maintenance, extension and demolition, and is recognised regardless of whether the work performed is subject to the levy liability.

### ***Long service levy***

The scheme is funded by a levy on specified construction work undertaken in the Northern Territory and from investment earnings.

Unless an exemption applies, the levy is payable on all construction projects of \$200 000 or more in value and is calculated as a percentage of the total cost of the work.

The cost of construction work is the sum total of all contract prices for the work, covering aspects such as the cost of labour, materials (including prefabricated goods and installation), equipment, design, project management, consultancy and any other cost that directly or indirectly relates to the work.

The levy does not apply to:

- Class 1a(i) and Class 10(a) buildings under the Building Code of Australia (being single detached dwellings, including related private garages, carports, sheds, or the like);
- work for which the total contract price for the construction work is less than \$200 000 in value; or
- work undertaken for not-for-profit organisations in respect of voluntary labour and donated materials.

The levy rate is based on actuarial estimates of the anticipated level of expenses and income for the scheme and is determined by the Minister responsible for the scheme.

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For construction work that costs up to \$1 billion, the amount of the levy is calculated as a set percentage of the cost of the work.

A two tier levy regime applies to projects with costs in excess of \$1 billion. Under this two tier regime the 'standard' prescribed levy rate, which applies to all eligible construction projects under the scheme, is applied to the first \$1 billion and a project specific levy rate - determined by the Minister and based on actuarial advice - is applied to the project costs that exceed the \$1 billion threshold.

Effective from 1 April 2012, the Northern Territory Government approved a 25% reduction in the levy rate. This reduction gave effect to the recommendations made by the scheme's actuary following the second statutory triennial review of the scheme.

The 'standard' prescribed levy rates that apply to eligible construction works undertaken in the Territory are:

- 0.3% for work started on or after 1 April 2012, regardless of completion date.
- 0.4% for work started from 1 July 2009 to 31 March 2012, regardless of completion date.
- 0.5% for work started from 1 July 2005 to 30 June 2009, regardless of completion date.

It is the responsibility of the person for whom the work is to be done to notify NT Build of the work, prior to commencement. Interest and fines may be imposed if the levy is not paid when required. NT Build also has the power to issue an order to stop work on the project until such time as the levy payer has met their statutory responsibility.

This reporting period saw the commencement of the first project covered by the two tier levy regime since the amendment to the legislation was introduced in 2009. The INPEX ICHTHYS project started in April 2012. Accordingly, the levy liability calculated in relation to the initial levy amount applicable to the first \$1 billion of the ICHTHYS project's cost has been recorded as accrued income in the scheme's financial statements reported in this report. Given the long period of construction involved with this project, discussions were held with INPEX management to determine the most appropriate method for the implementation and administration of the levy arrangements. It is essential these arrangements are clarified to ensure the smooth administration of the levy arrangements over the duration of the project life.

# Statistical highlights

## Workers

### Registration numbers

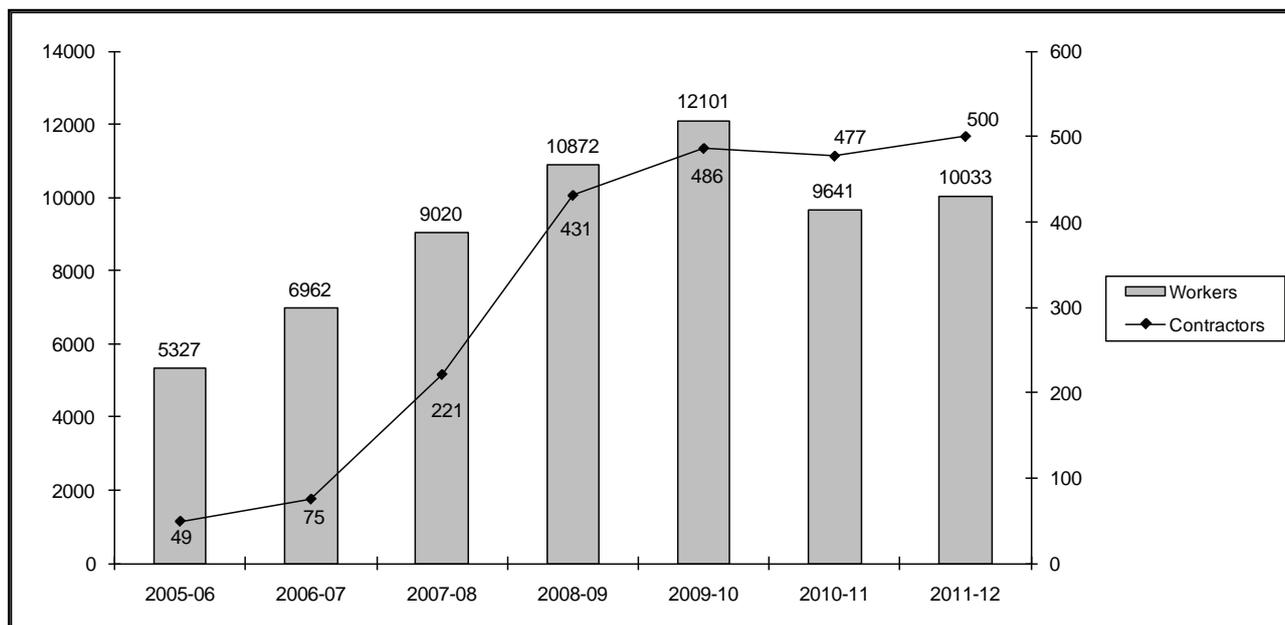
The CILSLB Act defines a construction worker as a person who carries out construction work either as an employee or as a contractor - who only supplies their own labour. Construction workers can also be engaged on a full-time, part-time or casual basis.

As shown in the table and chart below, the total number of active worker registrations recorded by the scheme reflected a slight increase of 415 on the numbers for the previous reporting period. This variance consists of 392 employees and 23 labour-only contractors.

Table 1: Total number of worker registrations

Total Registrations	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
Approved	5 376	7 037	9 241	11 303	12 587	10 118	10 533
Rejected	39	43	60	83	94	125	110

Chart 1: Employee and labour-only contractor registrations



Section 13(1)(a) of the CILSLB Act requires the Registrar to deregister a person who has not been credited with any qualifying service for a continuous period of four years. The first of this deregistration process occurred in September 2010 and the impact of this initial deregistration process is illustrated in the Table 1 above. On going deregistrations are automatically processed biannually.

The highly transient nature of the Northern Territory construction industry workforce is evidenced by the deregistration of a total of 5 709 workers from the NT Build scheme as at 30 June 2012. While these workers are no longer active in the Territory construction industry a majority of the workers are still actively working in the construction industry - interstate.

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Under the terms of the National Reciprocal Arrangement, a person deregistered with the NT Build scheme may be eligible to have their service credits reinstated if they are registered with an interstate scheme and have continued to work in the construction industry interstate.

Each Australian state and territory is party to the National Reciprocal Arrangement. This Arrangement provides for a worker's service credits while working in the building and construction industry in any of the states or territories, to be recognised as part of that worker's qualifying period of service for the purpose of determining their long service leave entitlement.

This means that workers are able to have construction industry service accrued both with multiple employers and across multiple jurisdictions combined towards accruing a long service leave entitlement. It is therefore anticipated that a significant proportion of the scheme's deregistered workers will have their NT service reinstated under the terms of the National Reciprocal Arrangement.

The level of participation by eligible workers in the scheme have previously been noted by both the scheme's actuary and the Northern Territory Auditor-General. In the Triennial Actuarial Review Report tabled in the Legislative assembly on 21 June 2012 the scheme's actuary noted the following as likely issues affecting scheme registrations.

- Very high turnover of employment in the local construction industry.
- The voluntary nature of the NT Build scheme (whereas most equivalent interstate schemes are compulsory).
- The high proportion of the NT construction industry workforce operating as labour-only contractors rather than employees.

Industry feedback also supports anecdotal evidence that there may be a significant number of eligible labour-only contractors in the Northern Territory who are not registered with the scheme.

Plans to promote the scheme and actively encourage the registration of all eligible workers in the Northern Territory construction industry have been developed and a focused marketing program will be implemented in late 2012.

It is noted however that any significant increase in registrations would see an increase in the scheme's liabilities without attracting any additional levy income. The actuary has taken this into account in recommending a reduction in the levy rate.

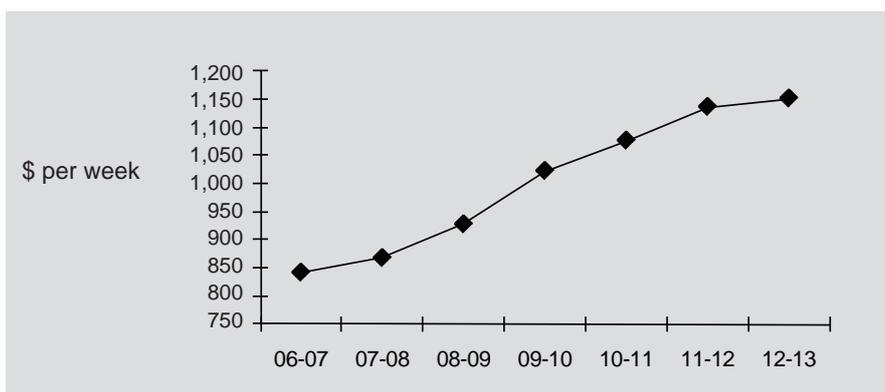
### Benefit payments

A worker who has accrued a long service leave credit can apply to use the credit. The benefit rate for the payment of the credit is determined by the Board, having regard to the average weekly ordinary time earnings for the construction sector published by the Australian Bureau of Statistics. The rate is reviewed annually, generally on 1 July, and the defined rate is applied to both workers and contractors. This process provides greater certainty in predicting future liabilities than is the case for a number of interstate schemes.

The benefit payment rate for the 2011-12 period was \$1136 per week and at the Board Meeting held on 20 June 2012 the new rate of \$1151 per week was approved to take effect from 1 July 2012. The following table and chart illustrates the annual movement in the benefit rate since the commencement of the scheme.

Table 2 and Chart 2: Approved Benefit rates and Annual movement in rate

2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$810pw	\$841pw	\$867pw	\$927pw	\$1022pw	\$1076pw	\$1136pw	\$1151pw



The CILSLB Act contains special pro rata provisions to enable a long service leave benefit to be paid to workers who retire, cease to perform construction work or die. However, generally a worker must accrue 65 days long service leave credit (i.e. 10 years service) before they can apply for 13 weeks (i.e. 65 days) long service leave. Once accrued the leave may also be taken in separate periods of not less than 5 days. Subsequent credits of long service leave can then be accessed after every additional accrual of 32.5 days long service leave credit (i.e. 5 years service).

While the NT Build scheme will not mature for another three years, a total of 148 claims for long service leave benefits were paid during the 2011-12 reporting period. These claims resulted in a total gross benefit payments expense of approximately \$450 000 in respect of work performed in the Northern Territory, which was significantly more than the \$242 000 paid during the 2010-11 reporting period.

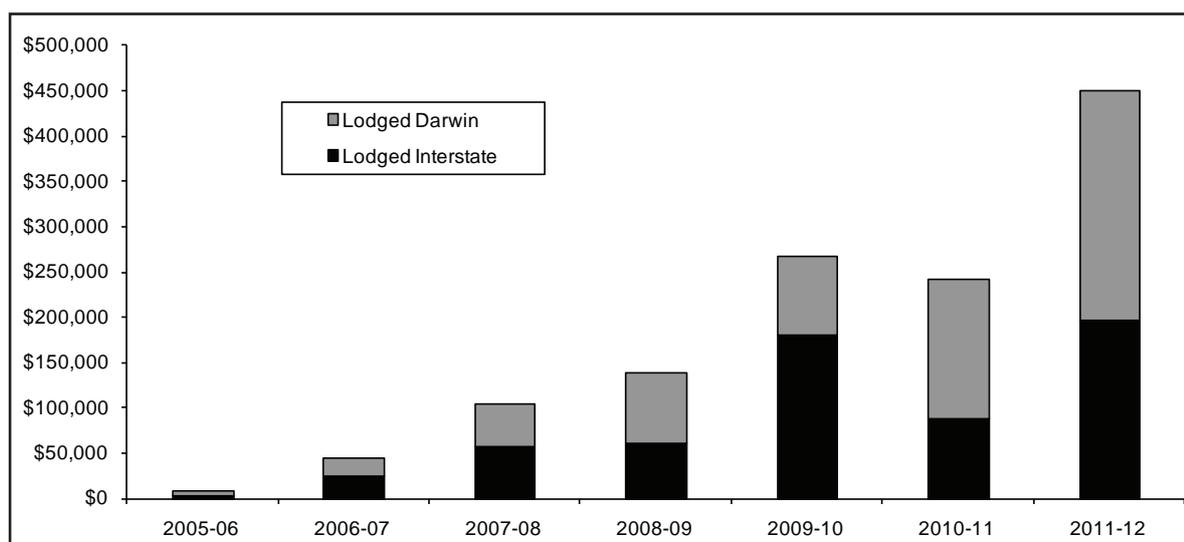
It can be expected that the amounts paid out will continue to increase as the scheme reaches maturity.

Table 3: Benefit claims processed

Benefit Claims	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Lodged through interstate scheme	7	24	50	60	105	72	99
Lodged through NT Build	4	22	21	34	48	47	49
<b>Total claims lodged</b>	<b>11</b>	<b>46</b>	<b>71</b>	<b>94</b>	<b>153</b>	<b>119</b>	<b>148</b>

The ability to recognise service credits and make benefit payments during these early years of the scheme's operation is a direct result of the Territory scheme being a party to the National Reciprocal Arrangement. The following diagram illustrates the scheme's financial liability for benefit claims that were lodged direct with NT Build and those lodged through a reciprocal interstate portable long service leave scheme.

Chart 3: NT Benefit Payments by place of lodgement.



## Registration profile

Table 4: Age profile

	June 06	June 07	June 08	June 09	June 10	June 11	June 12
Average age	38	39	39	40	40	39	38
Oldest #	72	73	74	75	80	81	77
Youngest *	16	15	14	15	15	14	15

\*Registrations are accepted from apprentices working in the construction sector, including school based apprentices  
 #Includes workers who have been inactive for less than 4 years and therefore not yet deregistered

Table 5: Days of service

	* June 06	June 07	June 08	June 09	June 10	June 11	June 12
Total estimated service days	1M	1.5M	2.6M	3.25M	3.24M	4.35M	5.12M

\*includes the additional pre commencement period for workers registered by 30 June 2006

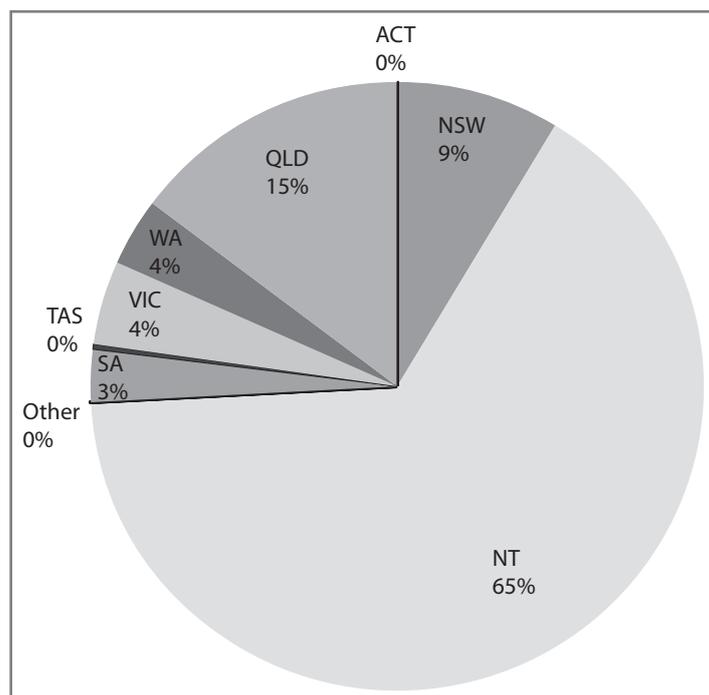
### Scheme demographic

The continued success of the scheme in terms of providing benefits to Northern Territory construction industry workers and in attracting skilled workers to the Territory is evidenced by the following table and chart which shows that almost two thirds of the registered workers are Territory residents.

Table 6: No. of workers by contact location

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
ACT	4	7	10	11	13	11	11
NSW	649	824	1 025	1 272	1 364	885	903
NT	2 619	3 579	4 970	6 172	7 043	6 101	6 899
QLD	1 463	1 751	1 991	2 273	2 436	1 480	1 534
SA	236	291	383	452	481	289	286
TAS	35	47	64	72	72	38	35
VIC	189	270	438	558	615	473	471
WA	181	268	360	493	563	364	380
Other	-	-	-	-	-	-	14
<b>Total</b>	<b>5 376</b>	<b>7 037</b>	<b>9 241</b>	<b>11 303</b>	<b>12 587</b>	<b>9 641</b>	<b>10 533</b>

Chart 4: Percentage of workers by contact location, 2011-12



## Employers

Eligible employers are identified through either self registration or by notification on a worker registration form and the numbers are shown in the table below.

Table 7: Active employer registrations

	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
Registrations	192	204	219	230	238	256	312

Section 81(1)(a) of the CILSLB Act empowers the Registrar to compel a person who employs construction workers to provide any information relating to that employment. Where an employer fails to comply with a section 81(1)(a) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(a) notices aims to streamline the administrative effort required to effect successful and timely prosecution of employers who choose not to fulfil their statutory obligation to notify NT Build about the number of days of service each registered employee worked and any periods of long service leave granted by the employer to any registered employee. No notices were issued under this provision during the 2011-12 reporting period.

## Levy payment and compliance

NT Build has continued to enjoy a high level of compliance by project developers. Some developers have however been reluctant to provide timely notification of their projects and pay respective levies.

Table 8: Summary of contributions from levy payers

	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
Total levy income # (approximate)	\$3.2M	\$5.3M	\$8.0M	\$11.8M	\$8.3M	\$9.9M	\$12.0M*

#includes accrual of full levy amount where payment by an instalment plan has been granted

\*includes accrual of initial levy liability amount calculated in relation to the start of a major project

Section 81(1)(b) of the CILSLB Act empowers the Registrar to compel a person to provide any information relating to construction work on which the levy is or may be imposed. Where a levy payer fails to comply with a section 81(1)(b) notice the person could be prosecuted for failure to comply with the notice.

Issuing of section 81(1)(b) notices aims to streamline the administrative effort required to effect successful and timely prosecution of developers who choose not to fulfil their statutory obligation to notify NT Build of the project commencement and paying the levy. As demonstrated in the following table, a total of 15 notices were issued during the 2011-12 reporting period.

Table 9: Summary of section 81(1)(b) action

YEAR	B/FWD	New Notices	Finalised	C/FWD
2011-12	2	15	16	1
2010-11	1	9	8	2
2009-10	5	20	24	1
2008-09	10	25	30	5
2007-08	3	26	19	10
2006-07	-	5	2	3

The Board continues to pursue compliance issues to ensure that the scheme is administered equitably.

### ***Debt recovery***

The NT Build Board has authorised the Registrar to recover debts owing to the scheme directly through the engagement of a debt collection agent and, if necessary, through the small claims court. The use of debt collection agents is generally reserved for those instances where a levy payer, who has been issued an invoice by NT Build in relation to a levy amount owing, defaults on the payment of their levy obligation.

Table 10: Summary of debt recovery action

YEAR	B/FWD	New Action	Finalised	C/FWD
2011-12	3	4	5	2
2010-11	-	3	-	3
2009-10	1	1	2	-
2008-09	-	3	2	1
2007-08	-	2	2	-
*2006-07	-	-	-	-

\*Debt collection agents appointed with effect from 4 June 2007

## Investment of funds

As noted in the Financial Statements included in this report, NT Build continued to invest accumulated funds from revenue raised through the collection of levies.

The scheme is fully self-funded through the collection of a levy imposed on construction work undertaken in the Territory and earnings from invested accumulated funds. This revenue is used to fund the payment of long service leave benefits accrued by construction workers while working in the Territory and to meet the scheme's staffing and operational expenses. As the liabilities of NT Build will in the main be longer term, the accumulated funds are invested to ensure there will be sufficient funds to meet the scheme's liability in the longer term.

In the context of ongoing volatility and uncertainty in global and Australian financial markets, the Board determined that an investment strategy heavily biased towards secure cash investments remained appropriate for the 2011-12 reporting period. The Board therefore continued to implement the scheme's investment strategy through a combination of:

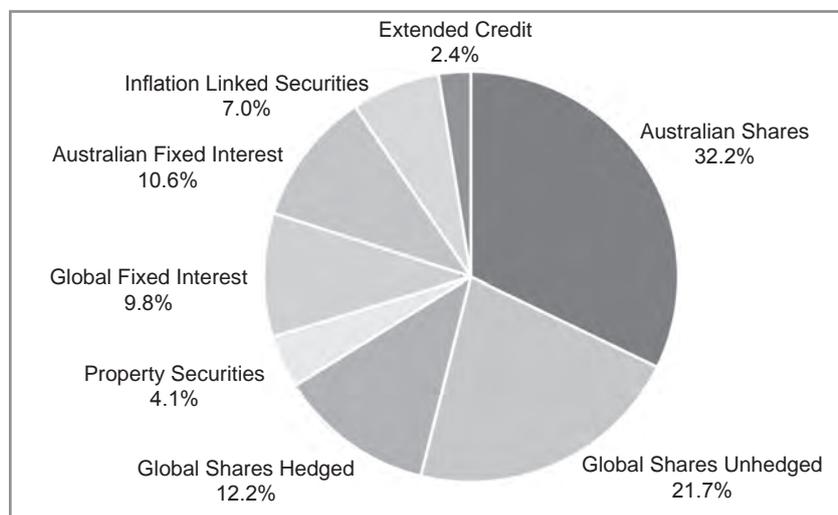
- direct cash investments with Westpac and TIO; and
- a multi-asset class, multi-manager fund provided by JANA Moderate Trust [*formerly MLC(NCIT) Moderate Trust*].

While information regarding the performance of the scheme's investments is provided in the Financial Statements included in this report, the following table reflects the actual amount invested.

Table 11: Summary of actual funds transferred to Fund Managers for investment

Fund Managers	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	TOTAL
MLC/JANA	-	\$4.2M	\$3.9M	-	\$4.9M	\$4.7M	\$2.0M	<b>\$19.7M</b>
TIO	-	-	\$2.8M	\$4.3M	\$0.3M	\$1.0M	\$6.5M	<b>\$14.9M</b>
WESTPAC	-	-	-	\$5.0M	\$2.8M	-	-	<b>\$7.8M</b>
<b>TOTAL</b>	-	<b>\$4.2M</b>	<b>\$6.7M</b>	<b>\$9.3M</b>	<b>\$8.0M</b>	<b>\$5.7M</b>	<b>\$8.5M</b>	<b>\$42.4M</b>

Chart 5: Actual asset allocations of MLC/JANA managed portfolio - 30 June 2012



## Actuarial advice

### ***Long service leave liability***

A number of factors affect the actuary's ability to reliably measure the scheme's liability. These factors include:

- As a relatively new scheme, the limited extent of established historical data available to enable an accurate assessment of the scheme's liability;
- Extent of construction work undertaken that is exempt from payment of the levy (e.g. value less than \$200 000 and single detached residential dwellings);
- Expenses estimated in administering the scheme;
- Level of worker registrations and service turnover;
- Range of non-levied activity for which worker benefit liability will still apply;
- The extend to which service credits are abandoned without benefit payments in the future; and
- A funding period of ten years for non-levied activity.

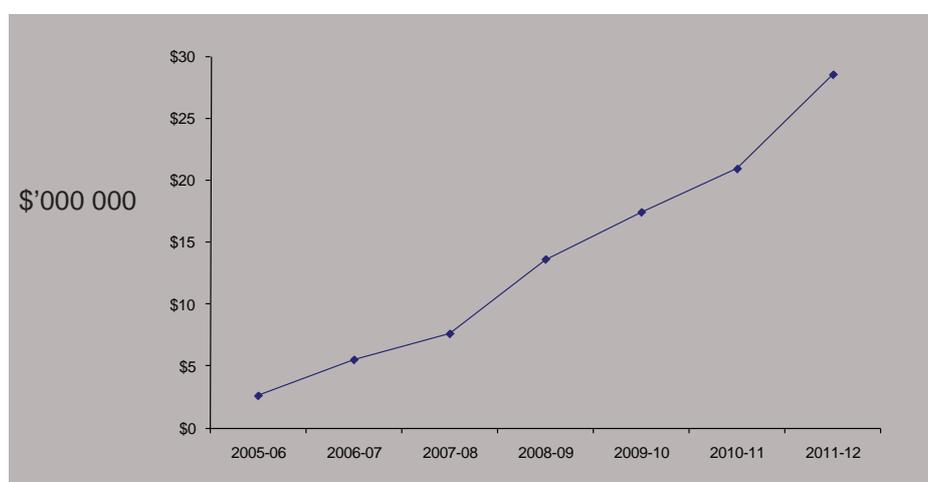
Having regard for the above factors, the scheme's consulting actuary Cumpston Sarjeant Pty Ltd assesses and recommends a liability amount for accrued long service leave benefits to be adopted for accounting purposes as at 30 June each year.

For accounting purposes as at 30 June 2012 the actuary recommended a liability of \$28.5 million for accrued long service leave benefits be adopted. This represents an increase of \$7.5 million from the 30 June 2011 estimate.

Table 12: Summary of accrued long service leave liability

2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$2.6M	\$5.5M	\$7.6M	\$13.6M	\$17.4M	\$20.9M	\$28.5M

Chart 6: Rate of long service leave liability accrual



As noted above, a provision of \$28.5 million has been disclosed on the Statement of Financial Position of the Board as at 30 June 2012 in the Financial Statements included in this report.

## **Section 91 actuarial review**

Under the CILSLB Act, the scheme's actuary must undertake a review of the:

- administration of the scheme (including any financial aspect of the administration);
- methods used in working out long service benefits; and
- the levy rate.

The report on the findings of each review are presented to the Minister responsible for the scheme and tabled in the Legislative Assembly.

The first review of the scheme was undertaken in November 2008. As part of this review the actuary's advice was also sought on options for adopting a variable threshold levy rate model, to accommodate unusually large scale construction projects.

In response to the actuary's findings in this first review, in regards to the levy rate, the NT Government:

- Approved a 20% temporary reduction in the levy rate, from 0.5% to 0.4% for two years, commencing from 1 July 2009 until 30 June 2011; and
- Effective from 1 July 2009, introduced a \$1 billion threshold for the purpose of calculating the levy on large scale construction projects, below which the standard levy per cent rate would apply and from which an actuarially determined levy amount would be applied on a project specific basis.

Following the completion of the scheme's sixth year of operation, a second triennial actuarial review was undertaken during the 2011-12 reporting period. The advice of the actuary was also sought on the impact of an additional 2000 participants in the scheme over the next 5 years with steady growth beyond that period.

In response to the actuary's findings in the second review, in regards to the levy rate, the NT Government approved a 25% reduction in the levy rate, from 0.4% to 0.3% of leviable activity effective from 1 April 2012.

As discussed earlier in this report, the Triennial Actuarial Review Report made note of the lower than anticipated level of participation by eligible workers in the scheme.

In response to both the actuarial review and anticipated growth in the local construction industry workforce, a focused marketing program has been developed and will be implemented in late 2012 in the endeavour to promote the scheme and actively encourage the registration of all eligible workers in the Northern Territory construction industry.