

NT Build - portable long service leave

Annual Report 2008-2009

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 2008-2009 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.

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Enquiries should be made to:

NT Build – portable long service leave

Street: Units 32-33 / 12 Charlton Court,
Woolner NT 0820

Post: PO Box 36644, Winnellie NT 0821

General enquiries: 1300 795 855

Office phone: (08) 8923 9300

Fax: (08) 8923 9318

Email: info@ntbuild.com.au

Web: www.ntbuild.com.au

ABN: 16 851 173 952

Letter of transmission

The Hon. Gerald McCarthy MLA
Minister for Lands and Planning
Legislative Assembly of the Northern Territory
Darwin NT 0800

Dear Minister

RE: NT BUILD ANNUAL REPORT 2008-2009

On behalf of the NT Build Board, I am pleased to present you with the fourth NT Build Annual Report, for the year ending 30 June 2009.

The report details the activities and achievements of NT Build during its fourth 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 2009 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

13 January 2010

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Part 1: Introduction and overview

Chairperson's and Registrar's report

The 2008-2009 reporting period has been a period of further consolidation for the scheme which has now completed four years of operation. It also provided the opportunity for Board members and staff to continue to develop, refine and implement a range of shorter term administrative processes and longer term strategies aimed at streamlining administration and supporting the ongoing financial viability of the scheme.

During the year the scheme continued to enjoy employer and worker support, achieving total registrations of 11303 workers and 230 employers by 30 June 2009. Thanks to the National Reciprocal Agreement, a further 94 benefits claims were also processed as workers reached their eligibility period. It is pleasing to note that the number of registered workers increased by more than 22% from the previous reporting period.

Notwithstanding the challenging global economic climate, the Territory continued to benefit from a relatively high level of construction activity during this reporting period which provided a considerable growth in levy income. However, conscious of the cyclical nature of the industry and the ongoing impact of the global financial crisis, the Board maintains a conservative approach to the long term viability of the scheme. Given the volatility in financial markets, which remained a feature throughout the year, the Board continued to monitor and refine its investment strategy to ensure exposure of its investments was minimised. The scheme's investment portfolio remains well positioned to meet its growing liabilities. While the accumulated liabilities for the scheme were estimated to be \$13.6 million (an increase of \$6 million), it is pleasing to note that the scheme's assets continue to exceed the estimated liabilities.

This reporting period saw the departure of two board members, Joe Gallagher and Alan Paton. The successful establishment and administration of the scheme over the last four years is a tribute to the cooperative and effective operation of the board, of which they were an integral part. On behalf of the Board and staff of NT Build we take this opportunity to acknowledge their active and constructive participation in the activities of the board. The board also welcomed two new members, Trevor Gauld and Bob Wade.

An extensive actuarial review was completed during the first half of this reporting period. One of the key findings of the review noted there was scope for the general levy rate to be temporarily reduced to 0.4 per cent without adversely affecting the solvency of the scheme. In response the NT Government approved the 20 per cent reduction in the levy, from 0.5 per cent to 0.4 per cent for two years. It is noted that the reduction only affects projects, and therefore the scheme's revenue, that commence on or after 1 July 2009 and up to 30 June 2011 - regardless of completion date.

Finally, we thank the members of the Board and the staff of NT Build for the dedication and commitment shown throughout the year and look forward to their continued support.



BARRY CHAMBERS
Chairperson



THEO TSIKOURIS
Registrar

2008-2009 Highlights

- Monitored and reviewed the investment program and implemented short to medium term opportunities that supported the ongoing financial viability of the scheme within the volatile global financial climate.
- Finalised a strategic compliance audit framework that strengthens levy compliance and supports the effective and efficient administration of the scheme.
- Completion of an actuarial review of the administration of the scheme, methods used in working out long service benefits, and the levy rate.
- Received contributions from levy payers that exceeded \$11 million as a result of a continued high level of activity in the construction sector.
- Implemented revised operational practices that increased levy compliance and minimised administrative costs.
- Recorded total registrations of 11303 workers, 230 employers and made benefit payments to 94 workers.
- Developed a closer working relationship with major investors in the development and resource industries.
- Welcomed two new members appointed to the board to replace out-going members.

2009-2010 Priorities

- Review the investment strategy and implement short to medium term opportunities that support the ongoing financial viability of the scheme within the current global market climate.
- Assess findings and implement recommendations contained in the report on actuarial review of the scheme.
- Identify and implement a suite of on-line and electronic business transaction services that improve processing interaction between stakeholder and NT Build.
- Continue to monitor, review and implement operational systems to maximise revenue collection and minimise administrative costs.
- Successfully host the national conference of Construction Industry Long Service Leave Schemes.

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, an NT Treasury 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.

Following a Cabinet reshuffle in February 2009 the Administrative Arrangements Order was amended resulting in the principal responsibility for the general administration of the CILSLB Act being transferred from the Office of the Commissioner for Public Employment (OCPE) to the Northern Territory Treasury (NTT)¹. However, under 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.

¹ As a result of changes to the structure of the public service announced on 4 December 2009 the Administrative Arrangements Order was again amended resulting in the principal responsibility for the general administration of the CILSLB Act being transferred to the newly formed Department of Lands and Planning. While the Treasurer was the responsible Minister as at 30 June 2009, this report has been submitted to the Minister for Lands and Planning as the current Minister responsible for the scheme.

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.
- A 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 workers 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 Agreement.

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.

Registered labour-only contractors can apply to cash out their leave benefits.

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 of registered workers is paid from the fund upon application by the employee.

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.

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 worker's records.

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 includes commercial, domestic, industrial and civil construction work. Construction work covers workers performing repair, maintenance, extension and demolition work, and is 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.

The levy is calculated as a percentage of the cost of the work, based on actuarial estimates of the anticipated level of expenses and income for the scheme and determined by the Minister responsible for the scheme. The applicable levy rate for projects commenced during this reporting period was 0.5%.

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 is paid by the person for whom the work is to be done - except where the work is to be done for the Australian Government or an interstate Government entity, in which case the contractor doing the work is liable to pay the levy.

Unless otherwise approved, the levy is payable before construction work starts at the site of the work.

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.

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 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 Ministerially determined, after consideration of actuarial advice. A 0.5% levy rate applies to all projects started on or after 1 July 2005 and before 1 July 2009 - regardless of completion date. *(Note: The Northern Territory Government approved a 20% reduction in the levy amount for a period of two years, effective from 1 July 2009. This means a levy rate of 0.4% will apply to construction projects that start on or after 1 July 2009 but before 1 July 2011, and the levy rate of 0.5% will re-apply after 30 June 2011.)*

Statistical highlights

Workers

Registration numbers

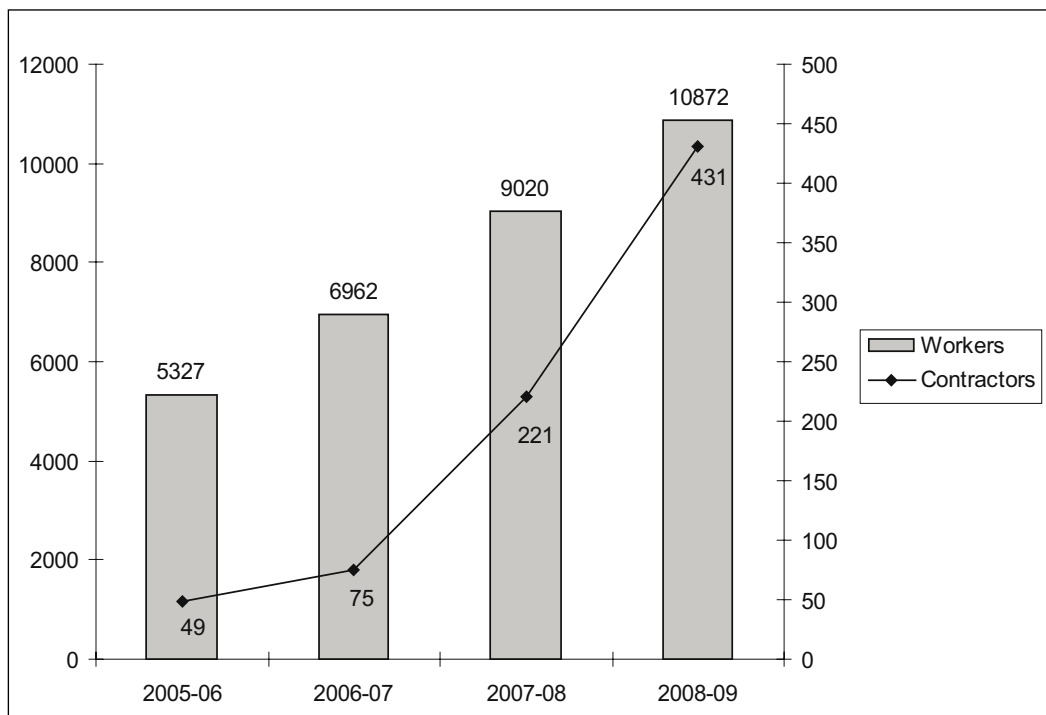
While the long-term forecast for numbers of worker registrations in the Northern Territory was estimated to be approximately 5000, membership numbers have continued to grow at a steady rate.

As shown in the table and diagram below, the total number of worker registrations recorded by the scheme reflected an overall increase of 2062 when compared to the previous reporting period. This variance consisted of 1852 employees and 210 labour-only contractors.

Table: Summary of employee and contractor registrations

| Total Registrations | June 2006 | June 2007 | June 2008 | June 2009 |
|---------------------|-----------|-----------|-----------|-----------|
| Approved | 5376 | 7037 | 9241 | 11303 |
| Rejected | 39 | 43 | 60 | 83 |

Diagram: Employee Vs Contractor

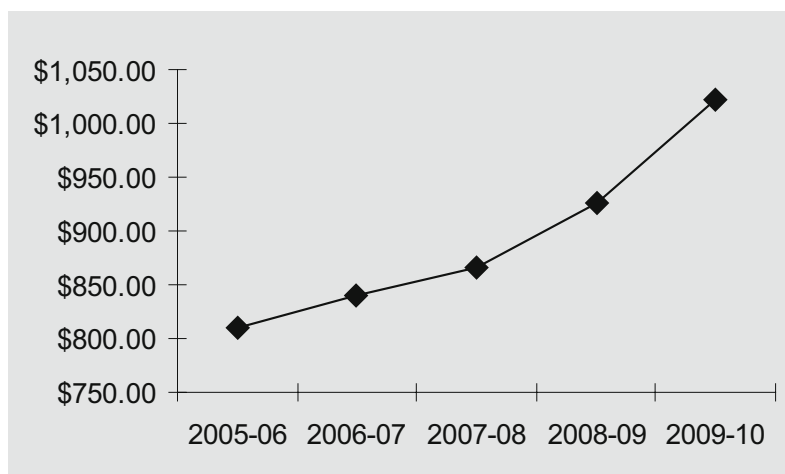


Benefit payments

Once a worker has accrued 65 days long service leave credit they 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. The benefit payment rate for the 2008-09 period was \$927 per week and at the Board Meeting held on 9 June 2009 the new rate of \$1022 per week was approved to take effect from 1 July 2009. The table and diagram below illustrates the annual movement in the benefit rate since the commencement of the scheme.

Table and Diagram: Approved Benefit rates and Annual movement in rate

| 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|----------|----------|----------|----------|-----------|
| \$810 pw | \$841 pw | \$867 pw | \$927 pw | \$1022 pw |



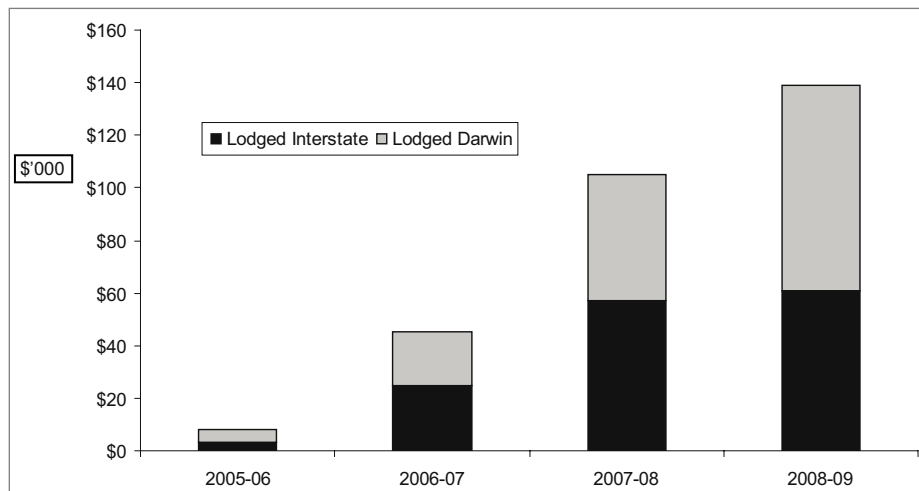
During the 2008-09 reporting period 94 claims for long service leave benefits were received. These claims resulted in a total gross benefit payments expense of approximately \$139,000 in respect of work performed in the Northern Territory, an increase of approximately 32% on the \$105,000 paid during the 2007-08 reporting period.

Table: Benefit claims processed

| Benefit Claims | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|----------------------------------|-----------|-----------|-----------|-----------|
| Lodged through interstate scheme | 7 | 24 | 50 | 60 |
| Lodged through NT Build | 4 | 22 | 21 | 34 |
| Total claims lodged | 11 | 46 | 71 | 94 |

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 Agreement. The following diagram compares the scheme's financial contributions for benefit claims that were lodged direct with NT Build with those lodged through a reciprocal interstate portable long service leave scheme.

Diagram: NT contribution to Benefit claims by place of lodgement.



Age profile

| | June 2006 | June 2007 | June 2008 | June 2009 |
|-------------|-----------|-----------|-----------|-----------|
| Average age | 38 | 39 | 39 | 40 |
| Oldest | 72 | 73 | 74 | 75 |
| Youngest * | 16 | 15 | 14 | 15 |

*Registrations are accepted from apprentices working in the construction sector, including school based apprentices

Days of service

| | * June 2006 | June 2007 | June 2008 | June 2009 |
|------------------------------|-------------|-----------|-----------|-----------|
| Total estimated service days | 1 M | 1.5 M | 2.6 M | 3.25 M |

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

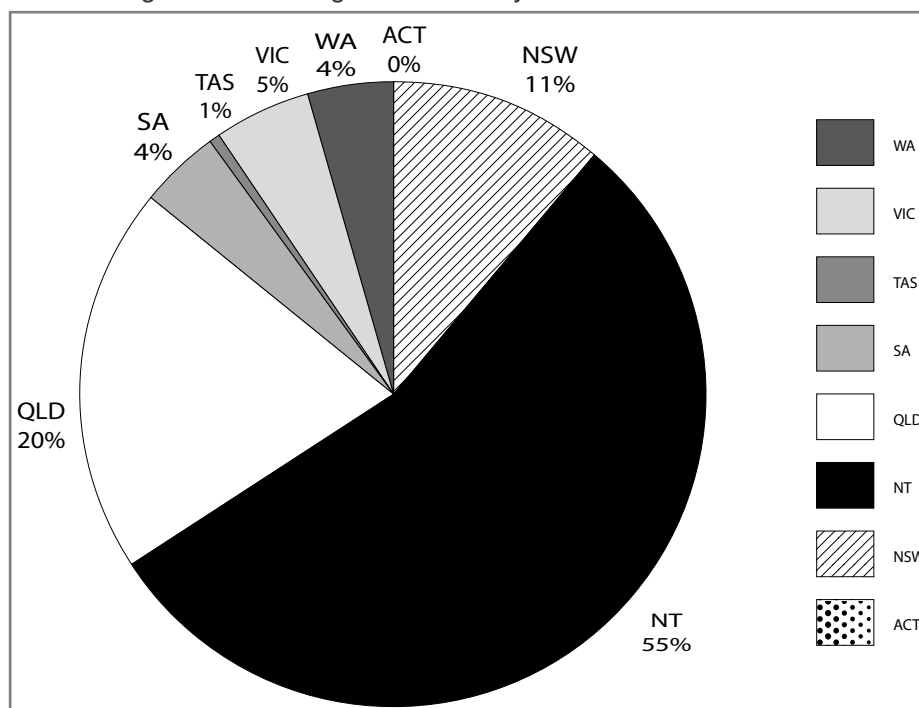
Scheme demographic

The continued success of the scheme in terms of providing benefits to local Territory private sector construction workers and in attracting skilled workers to the Territory is evidenced by the following table and diagram which shows that more than half of the registered workers are Territory residents.

Table: No. of workers by contact location

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|--------------|-------------|-------------|-------------|--------------|
| ACT | 4 | 7 | 10 | 11 |
| NSW | 649 | 824 | 1025 | 1272 |
| NT | 2619 | 3579 | 4970 | 6172 |
| QLD | 1463 | 1751 | 1991 | 2273 |
| SA | 236 | 291 | 383 | 452 |
| TAS | 35 | 47 | 64 | 72 |
| VIC | 189 | 270 | 438 | 558 |
| WA | 181 | 268 | 360 | 493 |
| Total | 5376 | 7037 | 9241 | 11303 |

Diagram: Percentage of workers by contact location - 2008/09



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: Active employer registrations

| | June 2006 | June 2007 | June 2008 | June 2009 |
|-----------------------|-----------|-----------|-----------|-----------|
| *Active Registrations | 192 | 204 | 219 | 230 |

* excludes previously registered employers who, at 30 June 2008, did not have any current registered workers in their employ.

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. Only one notice was issued under this provision during the 2008-2009 reporting period - the first since the commencement of the CILSLB Act.

Levy payment and compliance

NT Build has continued to enjoy a generally high level of compliance by project developers. Notwithstanding the following, some developers have been reluctant to provide information to assist the administration of the scheme.

Table: Summary of projects notified and levies paid

| Total levy payer notifications | June 2006 | June 2007 | June 2008 | June 2009 |
|--|------------------|------------------|------------------|------------------|
| * Active levy payers who notified of leviabile construction work | 62 | 167 | 278 | 176 |
| Total of invoices issued equating to a levy income (approximate) | \$3.2 M | \$5.3 M | \$8.1 M | \$11.8 M |

*includes payers who have notified of multiple projects undertaken.

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 table below, a total of 25 notices were issued during the 2008-2009 reporting period.

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

| YEAR | B/FWD | New Notices | Finalised | C/FWD |
|------------------|--------------|--------------------|------------------|--------------|
| 2008-2009 | 10 | 25 | 30 | 5 |
| 2007-2008 | 3 | 26 | 19 | 10 |
| 2006-2007 | - | 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. Two debt collection agents (TDC NT Pty Ltd and Bridgement Smith Holdings) have been contracted to undertake this work.

The engagement of debt collection agents is 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. In those instances, the matter is handed to a debt recovery agency for action.

During the 2008-2009 reporting period three (3) levy payers were referred to debt collection agents for recovery action. As at 30 June 2009 payment of outstanding levy money owed had been successfully recovered from two payers and action to recover the levy from the remaining payer was in progress.

Investment of funds

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

The scheme is fully self-funded through the collection of a levy imposed on 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 and to meet staffing and operational expenses.

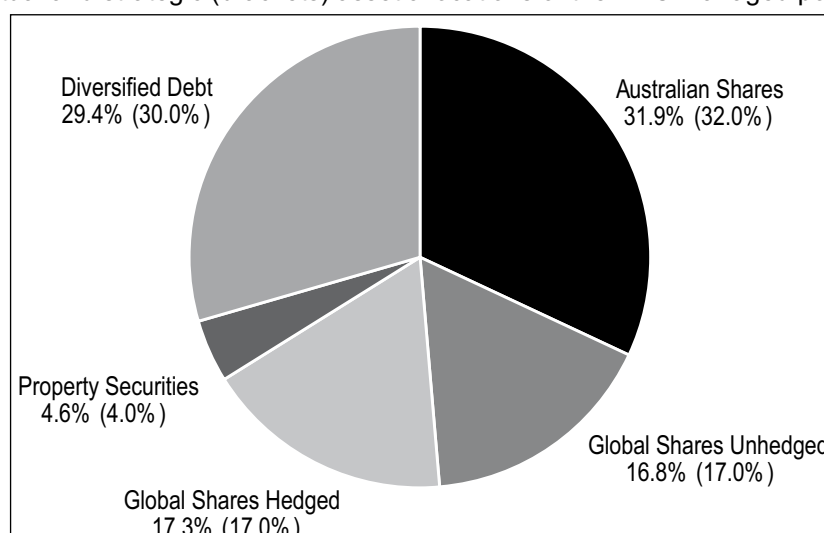
The liabilities of NT Build will be, in the main, longer term and will predominantly be influenced by wage growth. Accordingly, in early 2007 the Board implemented an initial investment strategy which embraced a conservative balance of both growth and interest bearing assets. While MLC Implemented Consulting - GWM Adviser Services had been appointed as the scheme's primary fund manager, due to the volatile global investment climate, the Board undertook a review of its investment strategy in early 2008 and opted to diversify its investments into interest bearing term deposits with the Territory Insurance Office (TIO).

Given the ongoing volatility in financial markets during this reporting period the Board continued to monitor and refine its investment strategy to ensure exposure of its investments was minimised. In early 2009 the Board chose to transfer further investment funds into interest bearing term deposits with Westpac, in addition to existing funds placed with TIO and MLC. While information regarding the performance of the scheme's invested funds is provided in the Financial Statements included in this report, the following table reflects the actual amount of cash funds transferred for investment.

Table: Funds invested with Fund Managers

| Fund Managers | 2005-06 | 2006-07 | 2007-08 | 2008-09 | TOTAL |
|----------------------|----------------|----------------|----------------|----------------|-----------------|
| MLC (GWM) | - | \$4.2 M | \$3.9 M | - | \$8.1 M |
| TIO | - | - | \$2.8 M | \$4.3 M | \$7.1 M |
| WESTPAC | - | - | - | \$5.0 M | \$5.0 M |
| TOTAL | - | \$4.2 M | \$6.7 M | \$9.3 M | \$20.2 M |

Diagram: Actual and strategic (brackets) asset allocations of the MLC managed portfolio - 30/6/09



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;
- work exempt from payment of the levy;
- 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 extent to which service credits are abandoned without benefit payments in the future; and
- a funding period of ten years for non-levied activity.

Notwithstanding the above, the scheme's consulting actuary Cumpston Sarjeant Pty Ltd has recommended that a liability for accrued long service leave benefits of \$13.6 million be adopted for accounting purposes as at 30 June 2009, an increase of \$6 million from the 30 June 2008 estimate of \$7.6 million. Accordingly, as noted in the Financial Statements included in this report, the \$13.6 million provision has been disclosed on the balance sheet of the Board at 30 June 2009.

Section 91 actuarial review

As required by the *Construction Industry Long Service Leave and Benefits Act*, the Minister for Public Employment requested an extensive actuarial review of the scheme be undertaken during the 2008-2009 reporting period. This review encompassed the administration of the scheme, the methods used in working out long service benefits and the levy rate. In addition, the actuary's advice was also sought on options for adopting a variable threshold levy rate model, to accommodate unusually large scale construction projects.

The Actuary's report on his review of the scheme was completed and submitted to the Minister however following a Cabinet reshuffle the report was forwarded to the Treasurer for reference prior to tabling in the Legislative Assembly.

Due to the unfolding impact of the global financial crisis since the report was completed, the Treasurer requested the actuary provide additional advice, based on revised estimates of NT construction industry employees and updated assumptions of relevant economic indicators, to take into account the global financial crisis and examine capacity to apply a short-term levy reduction.

Both the original report and the supplementary report were tabled in the Northern Territory Legislative Assembly during the February 2009 sittings.

While the reports conveyed a number of general observations, assumptions and recommendations the actuary's findings, in short, noted there was scope to;

- adjust the levy mechanism for unusually large-scale construction projects, and
- reduce the levy rate to 0.4 per cent in the short-term without jeopardising the solvency of the NT Build Scheme.

In response to the actuaries findings the NT Government approved a 20% temporary reduction in the levy rate, from 0.5 to 0.4 per cent for two years. Appropriate legislative amendments to the *Construction Industry Long Service Leave and Benefits Regulations* to put this reduction into effect from 1 July 2009 were finalised.

The NT Government also indicated its intention to introduce 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. An amendment to the *Construction Industry Long Service Leave and Benefits Act* will be necessary to give effect to this change.

The NT Government is confident these changes will give temporary relief to investors and developers during the economic downturn. These changes will also ensure the scheme's costs are appropriately covered by sufficient levy contributions while minimising cross subsidy provided by large-scale projects.

The actuary's report also contained a number of other recommendations regarding the operation and administration of the NT Build Scheme, some of which may also require legislative amendment to implement. Recommendations for any remedial action against these other matters are still under consideration by the Board.

