



Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

CORPORATE PLAN 2016/2017

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FOREWORD

I am very pleased to share with you this Corporate Plan – my first as Head of the Coal Mining Industry (Long Service Leave Funding) Corporation (CMILSL).

The history of the Fund is of interest to many, representing significant value to those who have worked, or continue to work, in the Australian Black Coal Mining Industry (CMI). Established as a portable Long Service Leave Scheme for the Australian Black Coal Mining Industry in 1949, the scheme was administered by Federal and State Governments until 1992, when it was established as a statutory authority of the Commonwealth Government. It now reports to the Minister for Employment, the Honourable Michaelia Cash.

The Fund is in a strong financial position and is well positioned to embark on a period of progression and evolution. We are committed to enhancing our systems, reporting and governance frameworks, and to providing the Board and our stakeholders with appropriate insight into the ongoing benefits the scheme brings industry employees and employers. We will continue to provide this benefit and to ensure the longevity of the Fund through consistent investment returns; and by sustaining an efficient and effective delivery model. Success will depend on our ability to be responsive and transparent.

The team is committed to making sure we are informed, and therefore prepared for the future. To this end we will engage, respond and contribute positively to the CMI by remaining progressive in our interactions with clients and stakeholders. By the same token, it is vital our clients, industry employers and employees understand their obligations to the Fund and the benefits of the Fund. As part of our role we will also continue to guide clients through their technical questions and help them understand what is required of them.

Our vision is clear – to be responsive, adaptive, compliant and effective.

The next four years will be challenging and rewarding. As the Fund moves through a period of change, this four-year plan will inform the Minister, government, stakeholders and staff of our strategies and objective priorities. It underpins our business planning and prioritisation of resources, and lays a path clearly aligning it with the functions and responsibilities of the Corporation, across the organisation and its services providers.

Darlene Perks
Head of LSL

INTRODUCTION

Statement of Preparation

We, the Board, as the accountable authority of the Coal Mining Industry (Long Service Leave Funding) Corporation (the Corporation), present the 2016 Corporate Plan, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013.

Mr Andrew Vickers
Chairman
August 2016

Period of Coverage

This Corporate Plan is prepared for the reporting period 2016-17, covering the 2016-17 to 2019-20 reporting periods.

PURPOSE

MISSION

To facilitate the payment of long service leave entitlements to persons employed in the Australian black coal mining industry.

ROLE

The Coal Mining Industry (Long Service Leave Funding) Corporation (the Corporation) is a statutory authority established under the Coal Mining Industry (Long Service Leave) Administration Act 1992. It operates in a complex operational environment; regulated by the Australian Government; commercially focused; and inter-dependent on the Australian Black Coal Mining Industry.

Its role is to:

- **Collect funds** from employers by way of levy;
- **Invest funds** and ensure fund sufficiency to finance the cost of reimbursements of long service leave;
- Ensure accurate and compliant **record-keeping**; and
- **Reimburse** employers' authorised payments of long service leave.

The Corporation strives to operate in the most efficient and cost-effective manner. Working with its stakeholders, including industry employers, eligible employees, employer and employee organisations, the Minister of Employment, the Government and service providers, the Corporation is continually pursuing excellence to build capacity and create optimum efficiency and effectiveness of the Long Service Leave Fund (the Fund).

CAPABILITY

A skilled and capable workforce remains a key enabler of the Corporation’s performance.

Since 2015, the organisation has evolved from an administrative services entity to a multi-faceted, pro-active business prioritising customer service and stakeholder relations. It was evident there were limitations between what the historic structure (outsourced arrangements with the Corporation’s service providers) could provide and what needed to be delivered.

The new context in which the Corporation must operate includes: an increased funds-under-management

load; evolved governance requirements; a commitment to proactive compliance enforcement; streamlined, secure online self-services; and improved customer and stakeholder engagement.

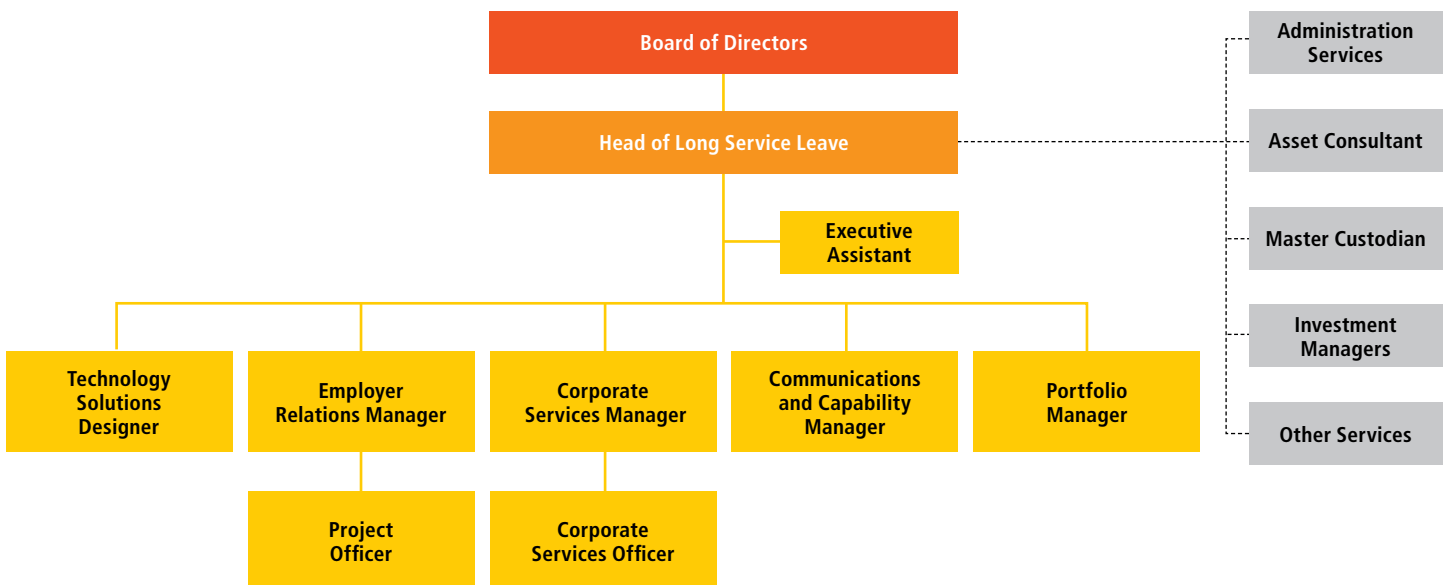
The Corporation’s response has been to build capacity and capability through a new business model based on an enhanced resource of senior executives. Guided by the Board, and working with its administrative service provider, the new model will facilitate the timely delivery of the Corporation’s strategic priorities and enable a strengthened response to a changing environment.

The Corporation’s enhanced capacity is geared to thrive, mature and adapt within this environment. It now has the capacity to move forward as an organisation optimising its capability to manage and deliver. Maintaining outstanding governance and delivering efficiencies through continuous improvement remain key objectives.

Once fully implemented, the organisational structure supporting the Corporation as it delivers its objectives is shown in Table 1.

ORGANISATIONAL STRUCTURE

TABLE 1



CAPABILITY

CONTINUED

PEOPLE

As the implementation of this change in approach to resources rolls out, there is a need for procedures and policies that support the HR Framework. The Corporation is prioritising this as part of its commitment to the development of a high-performing executive team geared to delivering its objectives.

The Corporation appoints an administration service provider to provide excellence in administration, client and technology services. The current administration contract expires in June 2017. As part of the Corporation's undertaking to provide an effective, efficient, ethical and economic service delivery, a tender process is being conducted for the appointment of the Administrator. The contract will be determined by October 2016, with the successful service provider assuming operations from July 2017.

TECHNOLOGY

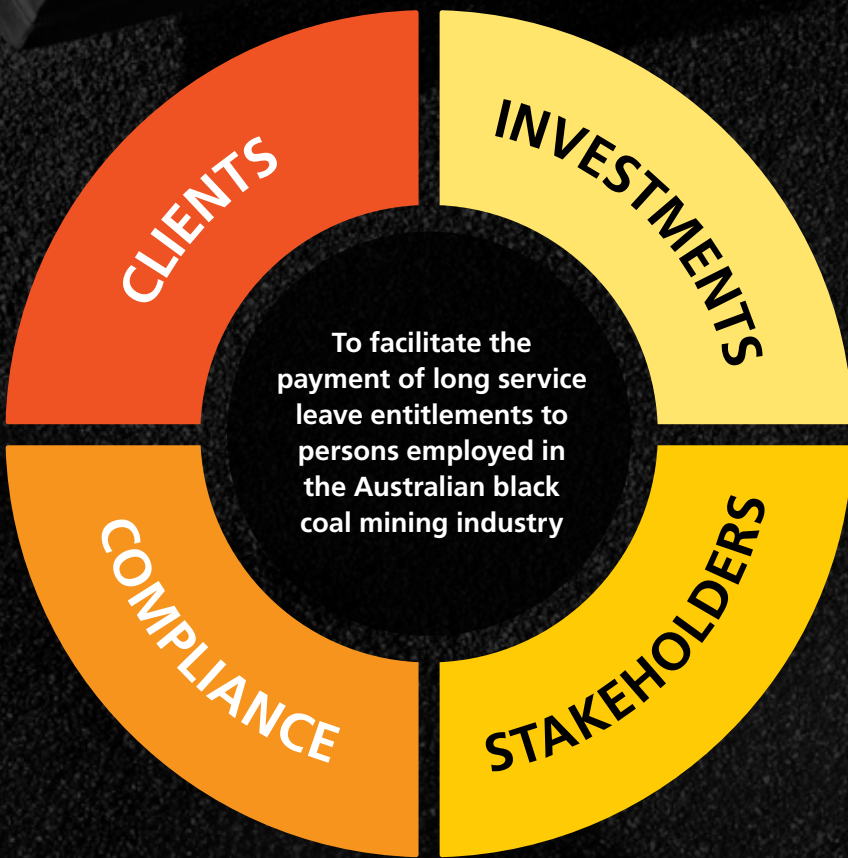
The Corporation is also committed to improving its capabilities through technology solutions. These solutions are geared towards:

- providing user-friendly interactions with the Corporation;
- demonstrating its value to employers and employees;
- increasing employer compliance; and
- streamlining record-keeping and data entry.

Technology solutions will include:

- The delivery of services with automated workflows via a new administration platform;
- A refreshed website;
- A self-service employer/employee portal;
- Digital record storage; and
- The implementation of a Governance, Risk and Compliance system.

STRATEGIC FOCUS



INVESTMENTS

Achieve investment objectives to maintain Fund sufficiency

STAKEHOLDER RELATIONS

Engaged and connected with the Corporation's stakeholders in Government, industry groups, clients and service providers

COMPLIANCE

Compliance with our governing legislations (Admin Act, Payroll Levy Collection Act, PGPA)

CLIENTS

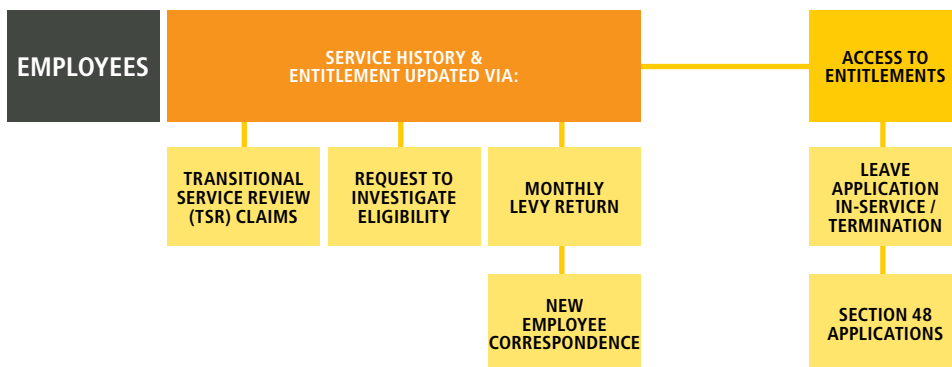
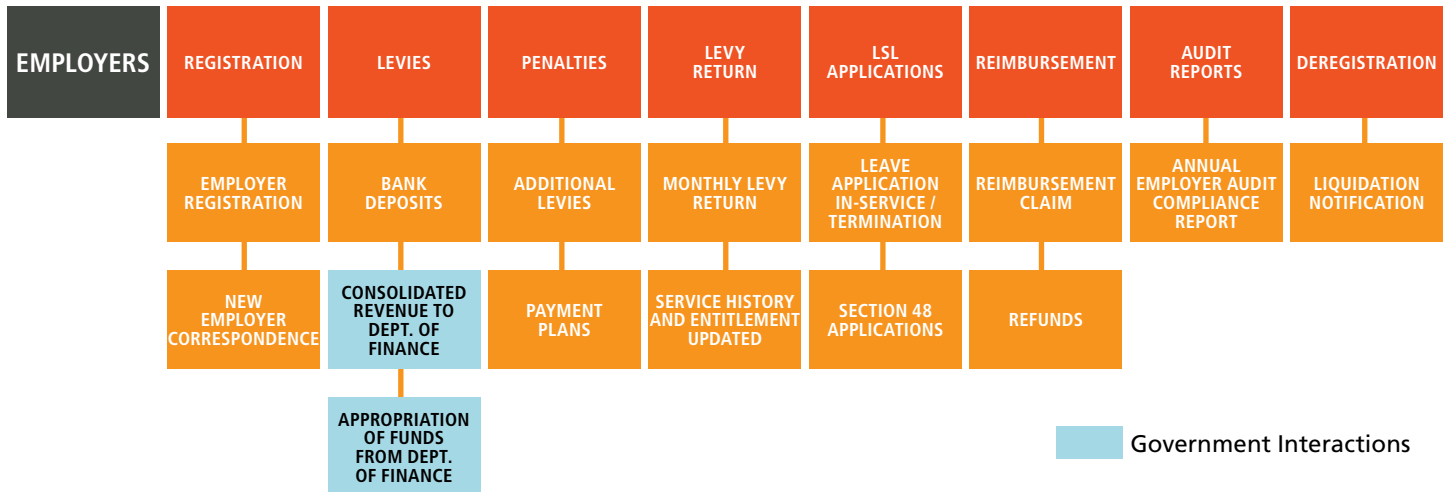
(Industry employers and employees)

Exceptionally good client experience achieved through people and technology

STRATEGIC FOCUS CONTINUED

The Role of the Corporation and its interactions with contributing employers and eligible employees is best illustrated in Table 2:

TABLE 2



STRATEGIC FOCUS AND OBJECTIVES ON A PAGE

FUND ASSURANCE

Keep the fund in surplus

Prudent Investment Strategy

Maintain a surplus in the fund of 115%, +/- 5%

STAKEHOLDER RELATIONS

Multi-channel delivery of communications to stakeholders

Strong connection with an understanding of Corporate Identity

Committed to value proposition and maintaining trusted relationships

COMPLIANCE

Ensuring all employers comply with the legislative obligations of the CMI (LSL) Admin Act

Pro-active approach to compliance

CMILSL knowledge workshops

SERVICE DELIVERY

Optimised business model with improved online accessibility for employers and employees

Development of new administration platform

Enhanced CMILSL website

STRATEGIC OBJECTIVE 1

FUND ASSURANCE

1.1 PURPOSE

It is the responsibility of the Corporation to maintain Fund sufficiency. Achieving investment objectives contributes to the Fund surplus, minimizing the risk of an increase, and providing opportunities to reduce the employer levy.

1.2 ENVIRONMENT

The estimated liabilities of the Corporation and its asset holdings dictate levy rates for employers. Keeping the Fund in surplus is a vital objective for the Corporation that relies heavily on the success of its investment strategy. The Fund must maintain sufficient revenue to finance the cost of long service leave entitlements to employees in the black coal mining industry at all times. Additional revenue raised from investment potentially enables a reduction in levy costs for employers.

To this end, the Corporation's investment strategy and associated investment performance is key.

In December 2015, as a result of an anticipated, continuing low return environment, the Corporation resolved to lower its long-term investment return objective by 1% – downward from CPI + 4% pa to CPI + 3% pa.

The CPI + 4% return objective had become more difficult to achieve going forward without significantly increasing the Corporation's investment risk. In the context of its mission, the Corporation's targeted return objective must be realistic and achievable, and the CPI + 3% objective is a direct response to this.

Additionally, the Corporation has extended the measurement period for the return objective from 5 years to 8 years. The Corporation believes

that 8 years is better aligned with the funding of LSL liabilities, which have an 8-year minimum service period until they become vested. On this basis, a longer measurement period is more likely to capture a full market cycle and provide for more consistent measurement of the return objective over time.

1.3 CAPABILITY

The selection of investment managers for the Fund is a thorough process undertaken by the Board, together with professional strategic advice provided by the Asset Consultant and Independent Chairman to the Investment Committee. The selection process ensures consideration and evaluation of the overall processes and performance of the investment manager, including its approach to compliance. The investment manager's profile must fit with the Corporation's Statement of Investment Objectives and Policy.

The Corporation's Asset Consultant (Willis Towers Watson) is engaged to research and provide investment strategy advice, engagement and continuing performance evaluation of investment managers. The appointment of a Portfolio Manager to the LSL senior executive team will further enhance the Corporation's capacity to meet its fund assurance objectives, with this capability focused on the implementation of the investment strategies.

STRATEGIC OBJECTIVE 1

FUND ASSURANCE

1.4 PERFORMANCE

In 2016-17 we will:

- Aim to maintain a surplus in the fund of 115% at June 2017, with a 5% tolerance

Over the next four years we will:

- Continue to maintain a surplus in the fund of 115%, with a 5% tolerance;
- Provide clearer and regular analysis of the Fund's surplus, with transparency around the drivers impacting the Fund's liquidity (e.g. investment returns and wage increases);
- Ensure ongoing training is provided to Investment Committee members; and
- Review the levy rate if the Fund continues to exceed its objective of 115% surplus funds.

We will demonstrate our performance through the following measure:

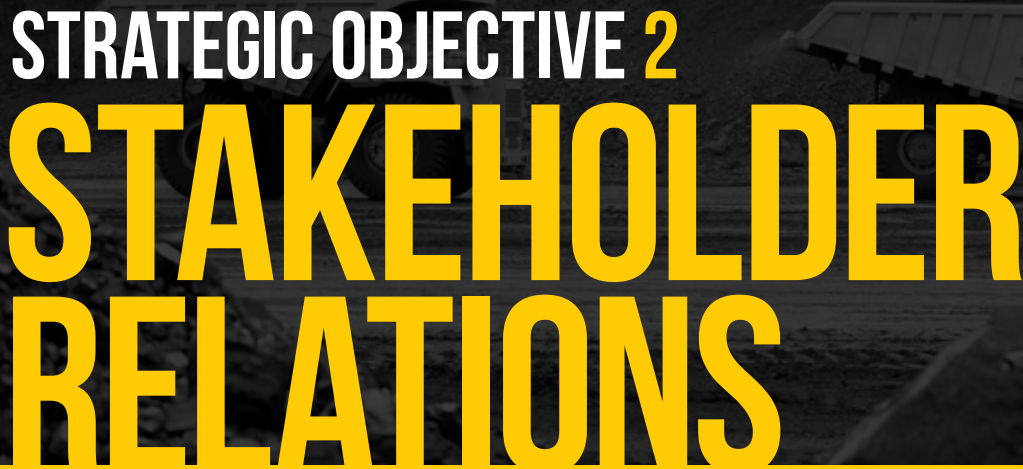
NO.	MEASURE	TARGET	2016-17	2017-18	2018-19	2019-20
1.	Delivery of fund surplus	15% (+/- 5%) tolerance	✓	✓	✓	✓

1.5 RISK

The Corporation's inability to retain a surplus in the Fund will precipitate a review of the employer levy to cover the costs of long service leave payments and Fund operation.

1.6 OPPORTUNITY

A prudent investment strategy will result in a continual and growing Fund surplus, providing the opportunity for the Corporation to lower employer levies.



STRATEGIC OBJECTIVE 2

STAKEHOLDER RELATIONS

2.1 PURPOSE

To be proactive, engaged and connected with the stakeholders of the Fund in order to understand the operating environment, and to continue to be responsive, relevant and agile in this environment.

To create meaningful, multi-channel delivery of communications to the Corporation's stakeholders in government, industry groups, employer and employee organisations and service providers.

2.2 ENVIRONMENT

In the 2014/15 Corporate Plan, we acknowledged that the industry moved from an expansion and construction phase to a more steady production phase.

In 2015/16 the industry focus on efficient mining production continued with companies looking at ways of building efficiencies into their operating models. This resulted in outcomes across the industry such as offshoring of corporate payroll functions; mining leases being put into care and maintenance; and a reduction in mining contract services/contractor remuneration.

These actions across the industry had minimal financial impact on the Fund in 2016. Specifically, in 2015/16, there was a minor reduction in the levy dollars received, an increase in the number of employee long service leave applications, and a minor increase in employer reimbursement claims. This trend is expected to continue in the short term.

2.3 CAPABILITY

The Board of Directors is appointed by the Minister for Employment, bringing expertise to the Corporation with skills in the areas of black coal mining, financial, investment, legal, commercial/contractual and human resources. The board has equal representation from industry employers (NSW Minerals Council, Queensland Resources Council and WA employers) and employees (CFMEU Mining and Energy Division (*2), Electrical Trades and others).

Under the present legislation it is not possible to include independent board members; however, the Corporation has an Independent Chairman of the Audit, Risk and Compliance Committee and an Independent Chairman of the Investment Committee.

STRATEGIC OBJECTIVE 2

STAKEHOLDER RELATIONS

2.4 PERFORMANCE

In 2016-17 we will:

- Develop and deliver a Stakeholder Management and Engagement Plan

Over the next four years we will:

- Continue to evolve the Stakeholder Management and Engagement Plan;
- Build the Corporation's corporate identity and brand in a way that identifies it as the CMILSL expert;
- Communicate the value proposition; and
- Implement a CRM with information-capture and data-integration capability. This information will be used to inform and support decision-making and provide insight into stakeholder requirements.

We will demonstrate our performance through the following measures:

NO.	MEASURE	TARGET	2016-17	2017-18	2018-19	2019-20
1. Stakeholder engagement and management plan						
1.1	Develop a stakeholder engagement and management plan	100%	✓			
1.2	Implement a stakeholder engagement and management plan	100%	✓	✓	✓	✓
2. Survey						
2.1	Stakeholder engagement	Positive feedback from surveys	✓		✓	
2.1	Brand relevance	Feedback from surveys	✓		✓	

2.5 RISK

Inadequate mutual engagement with stakeholders leading to ineffective operations.

2.6 OPPORTUNITY

The Corporation sees an opportunity to demonstrate its value and increase brand relevance which will in turn increase employer compliance.

STRATEGIC OBJECTIVE 3

COMPLIANCE

3.1 PURPOSE

To ensure all employers comply with the legislative obligations of the Coal Mining Industry (Long Service Leave) Administration Act 1992.

3.2 ENVIRONMENT

The Corporation operates in an environment which includes registered and non-registered employers. The Corporation is committed to ensure those employers with an obligation to pay a levy understand their full obligation and remit levies accordingly.

Legislation was amended in 2009 and 2011 to transition from the award-derived long service leave scheme to a new statutory long service leave scheme. In the wake of this legislative change, the Corporation has dedicated resources to administer the new obligations. This is known as Transitional Service Review (TSR).

Under the TSR program, the Corporation has been considering and evaluating applications for recognition of service and calculation of long service leave entitlement. To date, there are a number of employees with approved service under TSR. During the period of this plan, the Corporation will engage with employers questioning their liability for the payment of associated levies.

In a changing environment, the Corporation is committed to ensuring LSL compliance of employers with eligible employees.

3.3 CAPABILITY

A more pro-active approach to compliance has been demonstrated with dedicated technical staff and enhanced technological resources to administer and support the TSR Project and a Request for Investigation into Eligibility enquiries.

This enhanced capability includes a sub-committee of the Board; a project team; and contracted administrative resources. The appointment of the Employer Relations Manager to the LSL senior executive team will further enhance the Corporation's capacity to meet its compliance objectives.

STRATEGIC OBJECTIVE 3

COMPLIANCE

3.4 PERFORMANCE

In 2016-17 we will:

- Conduct Coal Mining Industry Long Service Leave (CMILSL) knowledge workshops to registered employers;
- Conduct CMILSL knowledge workshops to employer auditors;
- Engage with employers identified through the TSR process and;
- Engage with employers identified through the Request to Investigate Eligibility.

Over the next four years we will:

- Conduct CMILSL knowledge workshops to registered employers;
- Conduct CMILSL knowledge workshops to employees in the black coal mining industry to assist them understand their eligibility;
- Conduct Community of Practice workshops to employees in the black coal mining industry to assist them understand their eligibility;
- Engage with employers who have not submitted audit reports;
- Finalise discussions with employers identified through the TSR process; and;
- Maintain continued engagement with employers identified through the Request to Investigate Eligibility.

We will demonstrate our performance through the following measures:

NO.	MEASURE	TARGET	2016-17	2017-18	2018-19	2019-20
1.	Increased employer awareness of compliance obligations	10% increase on number of employer's attending knowledge workshops	✓	✓	✓	✓
2.	Increased employee awareness of eligibility	Positive feedback in employee surveys		✓	✓	✓

3.5 RISK

Employer non-compliance with the legislation has the potential to impact the sustainability of the Fund; as well as hindering employee rights and access to entitlements.

3.6 OPPORTUNITY

The Corporation sees an opportunity to use its' enhanced resources to strengthen communications and relationships with employers. Improved understanding of employer obligations will potentially reduce penalties on non-complying employers, and improve employees' rightful access to entitlements.

STRATEGIC OBJECTIVE 4

SERVICE DELIVERY

4.1 PURPOSE

To fine-tune operations in a way that delivers an optimised business model with improved accessibility for employers and employees. In turn, this will yield an efficient, effective and user-friendly self-service that demonstrates the Corporation's value and encourages employer compliance.

4.2 ENVIRONMENT

The Corporation acts through its contracted service providers to perform its functions and fulfil its responsibilities under the Administration Act, the Payroll Levy Act, the Payroll Levy Collection Act and the PGPA Act.

The administration of the Corporation is carried out under a contract with an Administrator (currently Mine Wealth and Wellbeing Services Pty Ltd). The Administrator acts for the Corporation in the administration and collection of levies, the keeping of records and the payment of reimbursements.

4.3 CAPABILITY

The Corporation recognises and acknowledges that the cost of administration should remain competitive. Administration services should be delivered in a manner and at a cost that promotes the efficient, effective, economical and ethical use of the Corporation's resources. In line with this objective, the Board is currently reviewing the administration arrangements for the Corporation against other commercial providers. A new contract for Administration Services will take effect in July 2017.

The Corporation is committed to investing in systems and technology to support an efficient and effective delivery model. The appointment of a Technology Solutions Designer to the LSL senior executive team demonstrates this commitment. This position will enhance the Corporation's capacity to meet its service delivery objectives by working closely with the LSL business to translate business strategies into high-level architecture and technology-focused business solutions.

The design of a new administration platform is in progress. Once complete, it will include online Employer and Employee portals to facilitate automated workflow of processing, reducing manual tasks benefiting both employers and the administrator. The new platform will meet the Corporation's objectives of accurate record-keeping, coupled with generating operational efficiencies and an improved customer experience via automation and online interactions. The Corporation is committed to providing dedicated technical customer support to lead the transition and provide initial education, as well as ongoing platform functionality and accessibility support.

STRATEGIC OBJECTIVE 4

SERVICE DELIVERY

4.4 PERFORMANCE

In 2016-17 we will:

- Support the development of a new administration platform; and
- Develop implementation and training plans for all stakeholders.

Over the next four years we will:

- Provide customers with relevant, timely access to information to enhance their interactions and experience with the Corporation;
- Implement a digital business model, including a new administration platform;
- Implement Employee and Employer portal with online capability and secure self-service options;
- Refresh CMILSL website with enhanced functionality; and
- Continually seek insight into stakeholder requirements and, where feasible, integrate feedback with operations.

We will demonstrate our performance through the following measures:

NO.	MEASURE	TARGET	2016-17	2017-18	2018-19	2019-20
1. Deliver new administrative platform						
1.1	Development platform	100%	✓			
1.2	Implementation of platform	100%		✓		
1.3	Development of engagement and training program	100%	✓			
1.4	Delivery and ongoing engagement and training program	100%		✓	✓	✓
2. Enhanced client experience						
2.1	Immediate access to entitlements	100%				
2.2	Client Experience Survey – Transition to new platform	Positive survey results		✓		
2.3	Client Experience Survey	Positive survey results		✓	✓	✓

4.5 RISK

The failure to deliver efficiency and accuracy in the processing and record-keeping for the Fund and LSL entitlements.

4.6 OPPORTUNITY

The Corporation sees an opportunity to create a streamlined service delivery model to create long-term efficiencies and demonstrate and deliver value to employers and employees.

RISK

As the accountable authority of the Corporation, the Board is committed to promoting a culture of efficient and effective risk management. The Board acknowledges: the importance of leading and supporting this approach in order to deliver on strategic and operational objectives; and in being risk-aware in identifying and delivering on opportunities, and in effectively managing potential threats.

The Corporation is steadily building awareness and embedding meaningful dialogue on risk through: maintaining and reporting on strategic, operational and project risks; regular review and improvement of risk and compliance management programs; providing leadership and oversight through the Board, and Board Sub-Committees, particularly the Audit, Risk and Compliance Committee (ARCC); and investing in resources to enhance the Corporation's capacity to better manage risk and compliance.

Ongoing review and evaluation of risk for the Corporation will continue to be achieved through active oversight by the Board and its Sub-Committees, such as the ARCC, Investment Committee, and the Transitional Service Review Committee. The resulting moderation of risk information across Corporation activities, supports a more valued, accurate and contextual view on current and emerging risk. The Corporation strives to be risk intelligent, adopting the philosophy to learn from its mistakes and wins, sharing and learning from these experiences.

The Corporation will continue to support a consistent risk management process for all Corporation objectives and activities through further refinement and promulgation of policies and frameworks underpinning risk initiatives. The Board has specific measures and procedures in place to identify, monitor and manage the risks relating to: the Fund's governance; potential fraud and theft; changes to the legislative or political environment; the Fund's investment strategy; the Fund's financial position; and outsourcing arrangements.

The Corporation requires its contracted service providers to comply with relevant policies, including its policies on risk and fraud control, and monitors the compliance of its contracted service providers. Although defined and accepted single accountability for a risk is optimal, the management of risk is recognised as a shared responsibility across the Corporation. Understanding this enables an improved efficiency and effectiveness in mitigating critical and common risks.

Transparency and accountability for risk management are viewed as the key drivers behind successful adoption of risk management for the Corporation. Integration of risk and opportunity identification and management into planning links the management of risk to the achievement of business and performance objectives.

Implementation of GRC System

The Corporation is in the process of sourcing a simple, easy access, online resource that manages governance related activities, such as risk, compliance, and incidents and more. Corporation resources are finite, therefore managing things that matter, assessed according to a consistent framework, as opposed to all potential risks, incidents and scenarios that might eventuate, is important for ongoing efficiency and effectiveness. The Governance Risk and Compliance (GRC) system will assist the Corporation in identifying, reporting and monitoring the matters that concern the Corporation's operations, compliance and capacity to satisfy strategic and operational objectives.



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