

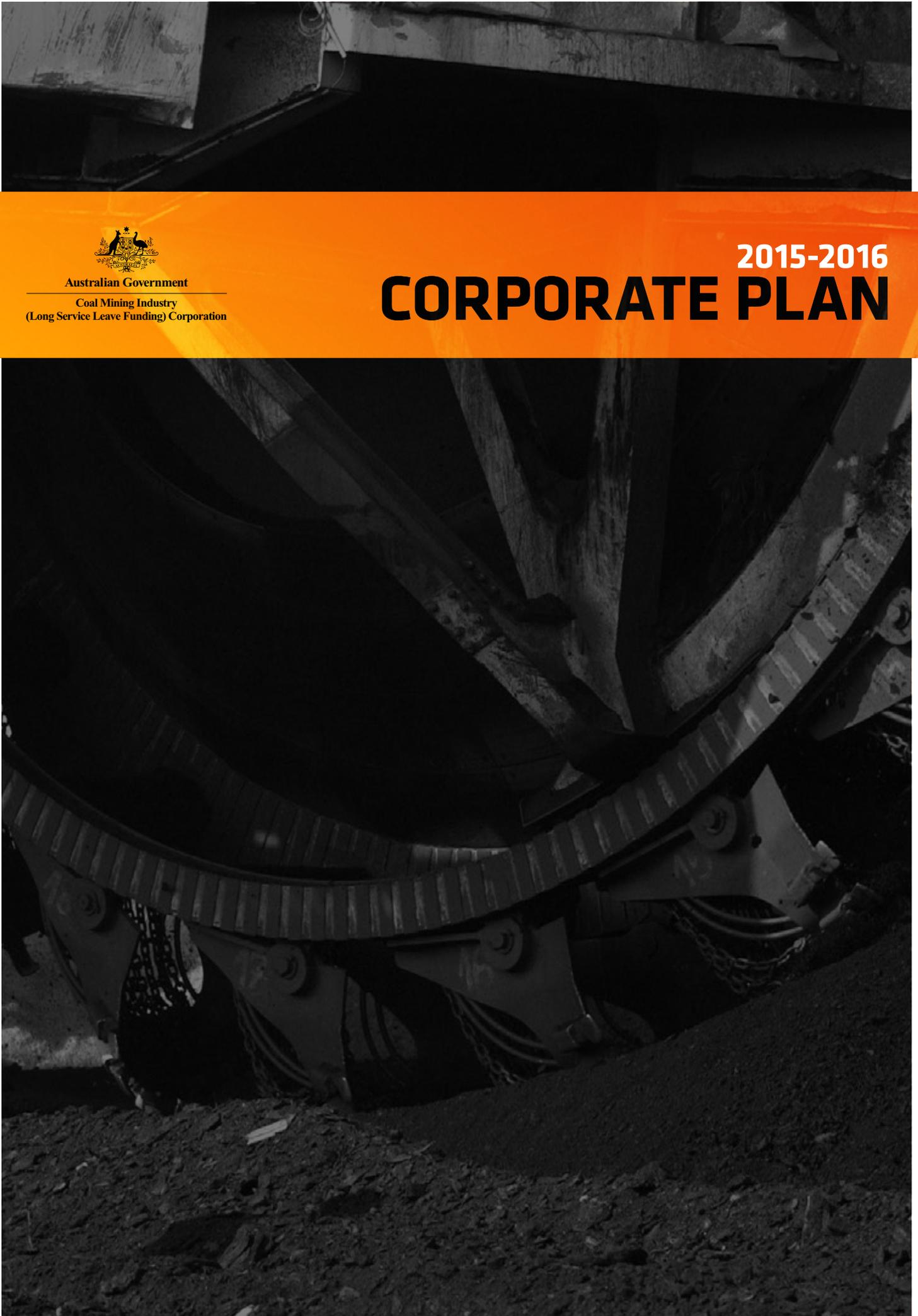


Australian Government

Coal Mining Industry
(Long Service Leave Funding) Corporation

2015-2016

CORPORATE PLAN





CONTENTS

INTRODUCTION	2
PURPOSES	3
ENVIRONMENT	4
PERFORMANCE	6
CAPABILITY	11
RISK OVERSIGHT AND MANAGEMENT	12

1. INTRODUCTION

We, the Board, as the accountable authority of the Coal Mining Industry (Long Service Leave Funding) Corporation (the Corporation), present the 2015 Corporate Plan, which covers the period 1 July 2015 to 30 June 2019, as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

ABOUT THE CORPORATION

The Corporation was established by the Coal Mining Industry (Long Service Leave) Administration Act 1992 (the Administration Act) as the Federal body responsible for the administration of the Coal Mining Industry Long Service Leave Fund (the Fund).

The Fund is a central method of funding Long Service Leave to those employed in the black coal mining industry in NSW, Queensland, WA and Tasmania. The Fund is built around 'industry employment service', rather than leave entitlement based on service with a single employer within the industry. In this way, the Fund ensures the interests of employers and employees of the black coal mining industry are properly superintended to ensure sufficient funds, levies and reimbursements are collected, documented and dispersed according to the law.

The 2015 Corporate Plan reflects our key deliverables and performance measures, linking them back to the purposes of the Fund to ensure its optimum performance. Underpinned by our Internal Operational Plan, our Strategic Investment Plan, team objectives and key performance indicators, the Corporate Plan maps a strategic path for the future of the Fund.

We are committed to ensuring that the delivery of our goals, as outlined in this plan, position the Corporation to administer the Fund and fulfil its obligations in the most efficient and effective manner.

The plan will be updated annually and will be reported on in our 2015-16 annual report.



2. PURPOSES

THE CORPORATION'S PURPOSES ARE TO FACILITATE THE PAYMENT OF LONG SERVICE LEAVE ENTITLEMENTS TO PERSONS EMPLOYED IN THE AUSTRALIAN BLACK COAL MINING INDUSTRY BY ENSURING:

- Funds provided by employers by way of levy and the investment of those funds are sufficient to finance the cost of reimbursements of long service leave;
- Proper records of levy payments, qualifying service of employees and reimbursements are kept; and
- Employers are properly reimbursed for payments of long service leave.

The Corporation is governed by several Acts of Parliament, including:

- The Coal Mining Industry (Long Service Leave) Administration Act 1992 (The Administration Act);
- The Coal Mining Industry (Long Service Leave) Payroll Act 1992 (Payroll Levy Act); and
- The Coal Mining Industry (Long Service Leave) Payroll Levy Collections Act 1992 (Payroll Levy Collection Act).

This legislation enables:

- the raising and collection of levies imposed by the Commonwealth on employers in the black coal mining industry;
- appropriations to the Fund for the creation of assets from which reimbursement payments are made; and
- the investment of monies.

The Corporation strives to fulfil its purposes in the most efficient, effective, economic and ethical manner to ensure the enactment of the legislation best serves the black coal mining industry and its stakeholders.

To do so, we have formulated objectives and investment strategies to guide the performance of the Corporation and best reflect a systematic approach to their implementation. These objectives are detailed in section 4 (Performance) of this plan; and our investment strategies in the Investment Plan.

The Board is committed to the continuous improvement of our operations. By working with our stakeholders, including industry employers, eligible employees, employer and employee organisations, the Minister, the Government and service providers, we are continually pursuing excellence to achieve greater efficiency and effectiveness of the Fund.

3. ENVIRONMENT

3.1 ADMINISTRATION AND MANAGEMENT OF THE CORPORATION AND THE FUND

The administration and management of the Corporation and the Fund are carried out under contracts with various third party service providers.

- **Administrator:** The administration of the Corporation is carried out under a contract with an Administrator (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.

A Secretary to the Corporation is also engaged under the contract with the Administrator to undertake the secretariat, treasury and corporate functions related to the administration of the Corporation as a Corporate Commonwealth entity and oversee the investment of the assets of the Fund.

- **Asset Consultant:** The Corporation has engaged an Asset Consultant (Towers Watson) to provide research and advice in relation to the Corporation's investment strategy and recommended engagement and continuing performance evaluation of investment managers.
- **Investment Managers:** The Corporation engages professional portfolio managers (Investment Managers) who have responsibility for the investment of the assets of the Fund allocated to them under contract and within specified constraints.
- **Master Custodian:** The Corporation has engaged a Master Custodian (JPMorgan Chase Bank) who has custody of the assets of the Fund.
- **Other services:** Specialist services such as internal audit, actuarial services and legal counsel are all retained under contract on an 'as required' basis.

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

3.2 BLACK COAL MINING INDUSTRY

The Corporation and the Fund's major source of revenue is from appropriations by the Commonwealth from the Consolidated Revenue Fund. Such appropriations are made equivalent to the amount of levies collected from employers of persons employed in the black coal mining industry.

The economic environment in the black coal mining industry affects both the amount of levies collected from employers and the reimbursement to employers of long service leave to employees. This is never more apparent than during difficult economic times, when eligible wages paid to employees are often reduced and redundancies in the industry tend to lead to increased reimbursements from the Fund for long service leave entitlements.

Currently, the industry can be characterised as moving from an expansion-and-construction phase to a more steady production phase. Tonnages of coal through both NSW and Queensland ports are increasing. While there have been business failures of smaller contractors and companies in the industry, the majority of coal mining leases are under the control of major international companies meaning these closures have had minimal, if any, effect on the industry.



3. ENVIRONMENT

3.3 INVESTMENT OF THE FUND

Setting the levy rate is influenced by the estimated liabilities of the Corporation and its asset holdings, which are the aggregate of the appropriations from the Commonwealth and investment earnings, less reimbursement payments to employers and administration costs.

Additional revenue from investment may reduce the impost of levies on employers through a reduction in the amount of levy payable, which in turn represents a reduction in operating cost of their engagement in the black coal industry.

While no-one can be certain about the outlook, it is anticipated investment returns in the medium to long term (over the next five to 10 years) will be lower than normal. Forecasting future asset returns is always difficult however, risk free (cash) rates are expected to be

much lower than normal for longer and the risk premiums embedded in most assets are also now at or below average levels. As such, the likely return for the Fund's strategy over the next five to 10 years is around 1.5% to 2% per annum lower than if conditions were 'normal'.

This translates into a reduced likelihood of the Fund achieving its return objective of CPI + 4% over the coming five years. Put simply, the very good returns that have been experienced in recent years have 'brought forward' the returns from future years, with a natural consequence of lower expectations for future returns. The Corporation applies a long-term horizon to the investment strategy and the strong recent returns have contributed to the building of a buffer in the funding position (as calculated by the actuary) which can potentially be used to weather the impact of lower expected returns over the next few years.

3.4 TRANSITIONAL SERVICE REVIEW

The Administration Act was amended in 2009 and 2011 by the Coal Mining Industry (Long Service Leave Funding) Amendment Act 2009 (Cth) and the Coal Mining Industry (Long Service Leave Funding) Amendment Act 2011 (Cth).

Among other amendments, these acts extended the preserved award-based long service leave entitlements to all the eligible employees in the black coal mining industry who did not otherwise have an award derived long service leave entitlement from 1 January 2010 and established a regime for transition from the award-derived long service leave scheme to the new statutory long service leave scheme.

The Corporation has been undertaking the Transitional Service Review since 2012 to consider and evaluate applications for recognition of service and calculation of long service leave entitlement under the transitional provisions of the amendment acts above. This review is an exhaustive process but is expected to continue during the 2015-16 financial year which forms part of the period covered by this plan.

Further development during the 2015-16 financial year will see the Corporation communicating with the current and former employers of employees with approved service under the Transitional Service Provisions questioning their possible liability for the payment of levies relating to the recognised service.

4. PERFORMANCE

This section describes how the Corporation will achieve its purposes for the period 1 July 2015 to 30 June 2019 and how its performance will be measured and assessed. The Corporation has formulated a number of key objectives for the Corporation to achieve its purposes.

4.1 OBJECTIVE: PROPER RECORDS ARE KEPT

Ensure proper records are kept of the employment of eligible employees, qualifying service, long service leave entitlements, notional accounts, Fund management, employers, reimbursement amounts that are or may become payable and levy payments made by employers. Ensure records accurately reflect information provided to the Corporation by employers.

As long service leave entitlements are based on periods of qualifying service in the black coal mining industry, rather than on employment with a single employer, proper records of eligible employees, their qualifying service, long service leave entitlements and employees are vital to ensure that the correct amounts of levy are collected and correct reimbursement payments are made.

Activities

- The Corporation will maintain a central register of eligible employees, their qualifying service, long service leave entitlements, and employers.
- The Corporation will create and maintain notional accounts for eligible employees for the purpose of reimbursing employers under the Employer Reimbursement Rules.
- The Corporation will allocate promptly payments of levies to notional accounts.
- The Corporation will investigate and resolve appropriately all inquiries from employees and former employees on the accuracy of their records.

PERFORMANCE MEASURES	2015 - 16	2016 - 17	2017 - 18	2018 - 19
More than 90% of monthly returns from employers are processed within 10 working days of receipt.	✓	✓	✓	✓
More than 90% of monies banked are allocated to notional accounts on the day following the Appropriation of funds received from Government.	✓	✓	✓	✓

4. PERFORMANCE

4.2 OBJECTIVE: SUFFICIENT FUNDS ARE PROVIDED BY WAY OF LEVY

Ensure sufficient funds are provided by employers by way of levy to finance the cost of reimbursements of long service leave for employees in the black coal mining industry in accordance with the Administration Act.

Activities

- The Corporation will advise the Minister at least once every three years (based on the advice of an actuary), in accordance with section 43 of the Administration Act, on the amount of levy, to be set as a percentage of 'eligible wages', that will be sufficient to meet the estimated liability for future reimbursement payments to employers.
- The Corporation will manage the collection of levies to ensure an efficient collection of levies due and payable by employers in accordance with the timeframes in the Payroll Levy Collection Act.
- The Corporation will notify employers who have failed to pay the levy on time that they are late.
- When appropriate, the Corporation will, in accordance with the Payroll Levy Collection Act:
 - > extend the time for payment of levy;
 - > permit the payment of levy to be made by instalments; or
 - > ensure additional levies are imposed on those employers failing to make the levy payment.
- The Corporation will send requests for audit reports to employers before the due date for the audit reports.
- The Corporation will monitor the provision of returns and audit reports by employers to ensure returns and audit reports are provided within the timeframes in the Payroll Levy Collection Act.
- The Corporation will notify employers who have failed to provide returns or audit reports on time that they are late.
- When appropriate, the Corporation will ensure penalties are sought against employers who fail to lodge returns or audit reports.
- The Corporation will maintain records of levies paid by employers.
- The Corporation will promptly remit levies paid by employers to the Consolidated Revenue Fund.
- The Corporation will reconcile payments of levies against audit reports provided by employers.

PERFORMANCE MEASURES	2015 - 16	2016 - 17	2017 - 18	2018 - 19
The actuary advises the Corporation that the Fund is sufficient to finance the cost of reimbursements of long service leave for employees in the black coal mining industry in accordance with the Administration Act.	-	-	✓	-
Where audit reports are not submitted, the Corporation takes steps to notify the relevant employer and requires the audit report to be provided, and where appropriate, will consider seeking penalties.	✓	✓	✓	✓
All levies collected by the Corporation are remitted to the Consolidated Revenue Fund by the first business day of the month following receipt of the levy.	✓	✓	✓	✓

4. PERFORMANCE

4.3

OBJECTIVE: COMMUNICATE WITH EMPLOYERS AND EMPLOYEES

The Corporation will regularly communicate with employers and 'eligible employees' engaged in the black coal mining industry to ensure employers and employees understand the operation of the long service leave scheme established by the Administration Act and their rights and obligations under the Administration Act and Payroll Levy Collection Act and the role of the Corporation.

Activities

- The Corporation has established and maintains its own website: www.coallscorp.com.au, which includes a number of guidance notes, forms and procedures, frequently asked questions and notices of changes in procedures or other significant events for employers and employees.

- The Corporation maintains a function on its website for employers and employees to login and view their records.
- The Corporation will conduct information workshops for employers on the operation of the long service leave scheme established by the Administration Act.
- The Corporation will respond promptly to routine telephone and written enquiries from employers and employees.

PERFORMANCE MEASURES	2015 - 16	2016 - 17	2017 - 18	2018 - 19
The website is being utilised, as measured by the number of hits to the website.	✓	✓	✓	✓
More than 95% of administrative employer and employee telephone and email enquiries are responded to within 24 hours.	✓	✓	✓	✓

4. PERFORMANCE

4.4

OBJECTIVE: REIMBURSEMENT TO EMPLOYERS FOR PAYMENTS OF LONG SERVICE LEAVE TO THEIR EMPLOYEES

Ensure that employers are promptly reimbursed in accordance with the Employer Reimbursement Rules for payments of long service leave to their employees in the black coal mining industry.

Activities

- The Corporation will provide reimbursement payments to employers in accordance with the Employer Reimbursement Rules.
- The Corporation will provide reimbursement payments promptly.
- The Corporation will investigate and resolve any queries in relation to the amount of a reimbursement.

PERFORMANCE MEASURES	2015 - 16	2016 - 17	2017 - 18	2018 - 19
All reimbursement payments are made to the employer within five working days of a complete application from the employer (or a revised application where the Corporation requires further information from the employer).	✓	✓	✓	✓

4. PERFORMANCE

4.5 OBJECTIVE: MINIMISE THE AMOUNT TO BE RAISED BY LEVY BY PRUDENT INVESTMENT OF THE FUND

The Corporation has the following three investment objectives:

- to maximize the long-term investment return, subject to constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits, to accommodate 'liquidity risk';
- to obtain a net return from investment that exceeds inflation, as measured by the Consumer Price Index, by at least 4% per annum over rolling five year periods; and
- that the Fund be invested such that there is less than a 1/3 probability of the employer levy recommended by the actuary rising above 2.7% p.a. of eligible wages paid.

Activities

- In accordance with Section 42 of the Administration Act that requires the Corporation to prepare an investment plan the Board will set the investment return objective taking into account short term volatility of financial markets.
- The Board will regularly review the investment strategy in the investment plan to reflect fundamental changes in the investment environment and changes to the Corporation's investment policy. The Board will formally review the investment strategy at least once per year.
- The Corporation will engage and monitor the performance of professional investment managers to invest assets within specified constraints as set out in the investment plan.
- The Corporation will engage and monitor the performance of an Asset Consultant to monitor investments.
- The Corporation will engage and monitor the performance of a Master Custodian to hold investments.

PERFORMANCE MEASURES	2015 - 16	2016 - 17	2017 - 18	2018 - 19
The net return from investment for the rolling five year period ending on 30 June exceeds inflation, as measured by the Consumer Price Index, by at least 4%.	✓	✓	✓	✓
An independent actuary advises the Corporation that there is less than a 1/3 probability of the employer levy recommended by the actuary rising above 2.7% p.a. of eligible wages paid.	-	-	✓	-
The Custodian provides monthly reports to the Corporation detailing the financial performance of the Corporation's investment portfolio and adherence to governance and compliance regulations.	✓	✓	✓	✓
The Asset Consultant provides monthly reports to the Corporation including the financial performance of the investment portfolio and monitoring and rating of the individual investment managers.	✓	✓	✓	✓



5. CAPABILITY

Section 4 of this plan (Performance) details the activities and strategies the Corporation currently has in place to fulfil its purposes. The Corporation is committed to continuous improvement in performing all its functions. For this purpose, the Board is implementing or considering a number of activities for the period covered by this plan, including the following activities:

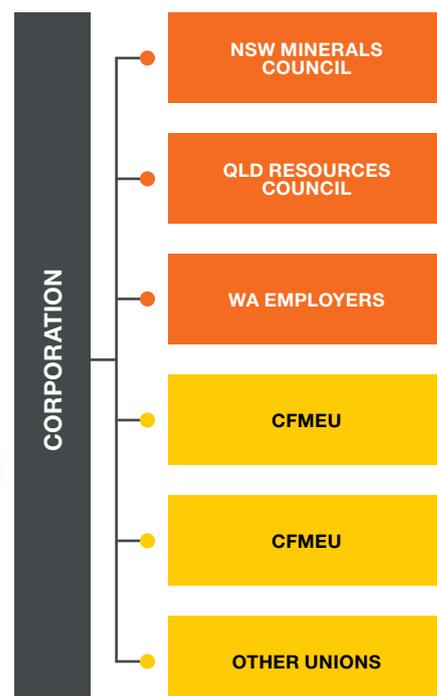
- The Corporation has undertaken a comprehensive review of all its policies, procedures, agreements with contracted service providers and its website to ensure these are compliant with its obligations under the PGPA Act. The Corporation is committed to regular annual review and improvement of its policies and procedures.
- The Board has undertaken fraud training and is taking steps to improve fraud control in the Corporation including by updating its fraud control policy to comply with the PGPA Act and align with the Commonwealth's Fraud Control Policy.
- Given the importance of accurate records to the performance of the Corporation's functions, the Corporation has processes in place to regularly review the accuracy and completeness of its records and take steps to address any errors or gaps in its records.

- Once the Transitional Service Review is complete and the Corporation is satisfied employee records have been updated to reflect the changes implemented by the amendment acts, the Corporation intends to begin issuing annual statements of long service leave entitlements to employees.
- Given that the Corporation currently has no employees, instead relying on contracted service providers to fulfil its functions, the Corporation requires its contracted service providers to implement procedures and policies consistent with the Corporation's legislative obligations and strategic purposes.

Despite their disparate roles, it is vital contractors deliver outcomes that are in tune with the Corporation's charter to ensure it is not compromised. To this end, the performance of service providers is reviewed on a regular basis to confirm capability throughout the Corporation is being developed consistently and synonymously.



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 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 Chairmen of the Audit, Risk and Compliance Committee and an Independent Investment Adviser on the Investment Committee.





6. RISK OVERSIGHT AND MANAGEMENT

The Board is committed to complying with its obligations under the PGPA Act as the accountable authority of the Corporation and otherwise implementing best practice in governance in the Corporation.

The Board's governance structure is designed to ensure efficient, transparent and effective decision making by the Board. To this end, the Board has implemented a Board Charter for the conduct of the Board and implemented Board policies that seek to instill a positive risk culture in the Corporation, including policies in relation to risk management, fraud and business recovery. The Board reviews these policies at least annually. The Board has reviewed all its policies to ensure they are compliant with the Board's obligations under the PGPA Act. The Board has aligned its risk and fraud policies with the Commonwealth's Risk Management Policy and Fraud Control Policy.

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.

Other Board policies, including the fraud control policy, outsourcing policy and other governance policies, are aligned with the risk management policy through the implementation of risk-mitigation procedures.

The Secretary of the Corporation is responsible for day-to-day risk management in accordance with the Board policies and reports on a quarterly basis to the Board's Audit, Risk and Compliance Committee. The Secretary continuously reviews the risk management policy and the risk register. The Audit, Risk and Compliance Committee regularly reviews and if required, amends, the risk management policy and the risk register. The Board reviews the risk management policy and risk register at least annually and approves any required amendments to the risk management policy.

The Corporation engages its contracted service providers in accordance with an outsourcing policy, which requires the evaluation of potential service providers to include consideration of their fraud controls, business continuity and disaster recovery arrangements. The Corporation requires its contracted service providers to comply with relevant policies, including its policies in relation to risk and fraud control, and monitors the performance of its contracted service providers regularly.