



New South Wales

# State Insurance and Care Governance Amendment (Investment Management) Bill 2015

## Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

This Bill is cognate with the *Treasury Corporation Amendment Bill 2015*.

## Overview of Bill

The object of this Bill is to amend the *State Insurance and Care Governance Act 2015* (the **Principal Act**) to make provision with respect to investment and management of certain workers compensation, motor accidents and sporting injuries scheme funds.

The amendments made by this Bill:

- (a) provide for the Treasurer (with the approval of the Minister administering the legislation establishing the scheme funds) to order the authority responsible for the administration of a scheme fund to appoint an investment manager approved by the Treasurer to provide investment management services in relation to the fund subject to any terms and conditions specified in the order and consistently with the investment strategies determined by Insurance and Care NSW (**ICNSW**), and
- (b) enable the Minister to declare prudential standards, or reporting and auditing requirements, in relation to scheme funds and to require ICNSW and the authorities responsible for the administration of the scheme funds to comply with them.

## Outline of provisions

**Clause 1** sets out the name (also called the short title) of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act on a day or days to be appointed by proclamation.

## **Schedule 1      Amendment of State Insurance and Care Governance Act 2015 No 19**

**Schedule 1** inserts Division 4 into Part 2 (proposed sections 16A–16C) of the Principal Act to make the amendments described in the Overview to the Bill.

**Proposed section 16A** inserts definitions for the proposed Division, including a definition of *investment management services*.

**Proposed section 16B** enables the Treasurer, by order, to require the investment of the whole or any part of a scheme fund to be managed by one or more investment managers approved by the Treasurer (*mandated investment managers*). The order of the Treasurer may be given only with the approval of the Minister administering the relevant legislation that established the scheme fund. The order of the Treasurer may be given subject to terms and conditions set out or described in the order.

Under the proposed section, the terms and conditions, may, for example, relate to any or all of the following matters:

- (a) the kind and extent of investment management services to be provided,
- (b) the period during which the scheme funds are to be managed by the mandated investment manager,
- (c) the engagement by the mandated investment manager of another person to provide custodial services and the kind and extent of such custodial services,
- (d) the circumstances in which the agreement or arrangement may be varied or terminated.

A mandated investment manager (or an investment manager engaged by a mandated investment manager) may invest the whole or part of the scheme fund concerned in any investment authorised by the relevant legislation. That investment must be subject to any terms and conditions of the Treasurer's approval and investment strategies for the scheme fund determined by ICNSW.

**Proposed section 16C** provides for the Minister to declare that specified prudential standards, or reporting and auditing requirements, apply to ICNSW and the responsible authorities in the exercise of specified functions relating to scheme funds.



New South Wales

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New South Wales

# State Insurance and Care Governance Amendment (Investment Management) Bill 2015

No. , 2015

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## **A Bill for**

An Act to amend the *State Insurance and Care Governance Act 2015* in relation to the investment of certain funds established under the workers compensation, motor accidents and sporting injuries legislation.

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**The Legislature of New South Wales enacts:**

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**1 Name of Act**

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This Act is the *State Insurance and Care Governance Amendment (Investment Management) Act 2015*.

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**2 Commencement**

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This Act commences on a day or days to be appointed by proclamation.

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<b>Schedule 1</b>	<b>Amendment of State Insurance and Care Governance Act 2015 No 19</b>	1
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<b>Part 2, Division 4</b>		3
Insert at the end of Part 2:		4
<b>Division 4</b>	<b>Investment management of scheme funds</b>	5
<b>16A</b>	<b>Definitions</b>	6
	In this Division:	7
	<i>investment management services</i> include (but are not limited to) the following:	8
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	(a) managing investments for the whole or part of a scheme fund,	10
	(b) advising on investments and investment strategies and other related strategies for the whole or part of a scheme fund,	11
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	(c) services in relation to the custody of the assets and securities of the whole or part of a scheme fund.	13
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	<i>investment manager</i> means a person who provides investment management services for a scheme fund or part of a scheme fund, and includes any other person engaged by that person to provide all or any of those services.	15
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	<i>scheme fund</i> means a fund referred to in section 12 (4).	18
	<i>scheme fund investment strategy</i> means an investment strategy for a scheme fund determined by ICNSW under section 12.	19
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<b>16B</b>	<b>Investment managers for scheme funds</b>	21
(1)	The Treasurer may, by order in writing given to the authority responsible for administering a scheme fund, require:	22
		23
	(a) the investment of the whole or any part of the scheme fund to be managed by one or more investment managers approved by the Treasurer (a <i>mandated investment manager</i> ), and	24
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	(b) the responsible authority to enter into an agreement or arrangement with any such mandated investment manager with respect to investment management services for the whole or part of the scheme fund subject to the terms and conditions set out or described in the order.	27
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(2)	Subsection (1) does not prevent the responsible authority from entering into an agreement or arrangement containing additional terms or conditions that are not inconsistent with the terms and conditions set out or described in the order or any scheme fund investment strategy.	31
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(3)	The Treasurer must consult with the responsible authority and the proposed mandated investment manager before giving an order under this section.	35
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(4)	The order may be given only with the approval of the Minister administering the provisions of the Act under which the scheme fund concerned is established (the <i>relevant Act</i> ).	37
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(5)	The terms and conditions must not be inconsistent with any scheme fund investment strategy for the scheme fund or the relevant Act.	40
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(6)	A mandated investment manager (or an investment manager engaged by the mandated investment manager to provide relevant services):	42
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(a)	may invest the whole or part of the scheme fund concerned only in any investment that is authorised or permitted by or under the relevant Act or any other applicable legislation, and	1 2 3
(b)	must carry out the investment management services concerned subject to the applicable terms and conditions and consistently with any relevant scheme fund investment strategy.	4 5 6
(7)	An order under this section takes effect on the day specified in the order.	7
<b>16C</b>	<b>Prudential standards or reporting and auditing requirements</b>	8
(1)	The Minister may, by order published in the Gazette, declare that prudential standards, or reporting and auditing requirements, specified or described in the order are standards or requirements that apply to an authority responsible for the administration of a scheme fund and ICNSW in the exercise of any functions in relation to that fund described in the order.	9 10 11 12 13
(2)	Before making an order under this section, the Minister is to consult ICNSW on the proposed standards or requirements.	14 15
(3)	An order under this section takes effect on the day specified in the order.	16
(4)	A responsible authority, ICNSW and any person carrying out a function on behalf of the responsible authority must comply with any standard or requirement applied under this section to the exercise of a function in relation to a scheme fund.	17 18 19 20