

# Board Investment and Asset Committee Charter



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## 1. Introduction

The Board Investment and Asset Committee (the Committee) is a committee of the Board of Insurance and Care NSW (icare).

This Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

The icare Board has established the Committee to:

- assist it in setting the investment strategy (see section 12 of the *State Insurance and Care Governance Act 2015*) (the Investment Strategy) and related investment policies; and
- provide oversight of the investments of the following icare scheme funds (the icare Funds):
  - Workers Compensation Insurance Fund established under section 154D of the *Workers Compensation Act 1987*;
  - Lifetime Care and Support Authority Fund established under section 48 of the *Motor Accidents (Lifetime Care and Support) Act 2006*;
  - Motor Accident Injuries Treatment and Care Benefits Fund, established by section 10.14 of the *Motor Accident Injuries Act 2017*;
  - Sporting Injuries Fund established under section 11 of the *Sporting Injuries Insurance Act 1978*; and
  - Workers' Compensation (Dust Diseases) Fund constituted under the *Workers' Compensation (Dust Diseases) Act 1942*.

The Committee will make recommendations to the Board and report on its activities.

## 2. Relationship with NSW Treasury

The responsibility for the oversight, management and performance of the following funds (collectively the SI Corp Scheme Funds) is governed by a Memorandum of Understanding (MoU) between icare and NSW Treasury:

- Treasury Managed Fund;
- Pre Managed Fund;
- Home Building Compensation Fund;
- Construction Risks Insurance Fund;
- Transport Accidents Compensation Fund;
- Residual Workers Compensation Liabilities of the Crown Fund;
- Government Workers Compensation Account;
- Bush Fire Fighters Compensation Fund; and
- Emergency and Rescue Workers Compensation Fund.

The MOU, entered into by NSW Treasury and icare in 2018, documents the responsibilities of NSW Treasury and icare in relation to the setting of investment objectives, investment strategies and related constraints and risk appetite for the SI Corp Scheme Funds.

NSW Treasury has formed a Treasury Asset and Liability Committee (ALCO) with one of its functions being to provide oversight of the management of the SI Corp Scheme Funds.

Any responsibilities delegated to icare by NSW Treasury in relation to the oversight of the SI Corp Scheme Funds will be agreed in writing between both parties.

### 3. Relationship with NSW Treasury Corporation

Section 16B of the *State Insurance and Care Governance Act 2015* enables the Treasurer to require a relevant authority responsible for administering a Scheme Fund to appoint a mandated investment manager in respect of the investment of the whole or any part of the Scheme Fund, with the consent of the Minister administering the provision of that Act.

The NSW Treasurer and Minister for Finance and Services signed an Order on 24 November 2016, requiring icare to appoint NSW Treasury Corporation (TCorp) as its mandated investment manager to provide investment management services to the icare Funds (including the SI Corp Scheme Funds).

A Master Financial Services Agreement has been executed between icare and NSW Treasury Corporation (TCorp) that details the investment management services procured by icare. TCorp implements the Investment Strategy determined by icare in relation to its Funds (including the SI Corp Scheme Funds, which are recommended by icare and determined by the Treasurer).

The mandated services comprise of:

- Investment Management Services;
- Advisory Services;
- Custody Services; and
- Any other services agreed between the parties.

The Order confers decision making responsibilities on TCorp such as the approval and termination of investment managers and master custodian.

### 4. Authority

All decisions in relation to the functions of icare are to be made by or under the authority of the Board.

The Board may authorise the Committee to make decisions on behalf of the Board in relation to certain matters. In this case, a decision made by the Committee is taken to be a decision made by the Board. The Board will review decisions made by the Committee and, at its discretion, may overturn, amend, or refer the decision back to the Committee for further consideration.

The Board authorises the Committee, within the scope of its responsibilities, to perform the activities identified in this Charter. To meet its obligations the Board authorises the Committee to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to their legal obligation to protect information);
- request the attendance of any employee at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by icare is subject to the prior approval of the Investment and Asset Committee Chair.

The Committee's authority covers both icare and the entities on whose behalf it acts or to which it provides services, including the Workers Compensation Nominal Insurer, NSW Self Insurance Corporation, the Lifetime Care and Support Authority, the Workers Compensation (Dust Diseases) Authority, the Sporting Injuries Compensation Authority, Building Insurers' Guarantee Corporation and Home Building Compensation Fund.

The Committee's authority is further limited by the operation of the MOU with NSW Treasury and the Order in respect of TCorp as detailed above.

## 5. Responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities, which may be revised or expanded in consultation with, or as requested by, the Board from time to time. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for oversight of the management of icare rests with the Board.

In fulfilling their responsibilities, all Committee members are bound to act honestly, fairly, and in accordance with the law, icare's values and icare's Code of Conduct and Ethics.

The Committee's responsibilities are set out below.

## 6. Investment Strategy

- Conduct a review of the governance architecture and any foundational documents of the Investment Strategy for icare funds as often as deemed necessary but no less than once every two years. The Investment Strategy may include, but is not limited to, the following documents:
  - Statement of Investment Beliefs;
  - Investment Risk Appetite Statement;
  - Investment Policy Statement; and
  - the overarching Investment Strategy for all icare funds.
- Endorse for recommendation to the Board the Investment Strategy, or any material changes to the Investment Strategy, where required, following a review.
- Approve minor changes to the Investment Strategy, where required, following a review.
- Endorse for recommendation to the Board investment policies, investment objectives and risk tolerances for each icare Fund (other than the SI Corp Scheme Funds), taking into account the Investment Strategy, icare's broader business objectives, operating environment as well as the financial markets and trends.
- Endorse for recommendation to the Board the following agreements and any material changes to those agreements:
  - Master Financial Services Agreement between icare and NSW Treasury Corporation (TCorp); and
  - MoU between icare and NSW Treasury.
- Approve the implementation mechanism for each asset class or portfolio construction approach if investing directly in a mandate with investment managers. It is noted that for the SI Corp Scheme Funds, the Board will, in turn, be required to endorse the Investment Strategy Review for recommendation to the Treasurer, who is responsible for approving the Investment Strategy Review.

## 7. Policies

- Approve all policies delegated to the Committee for approval under the Policy Governance Framework and otherwise review and recommend all other relevant policies to the Board which require Board approval.
- Approve investments in the TCorp IM Fund or other implementation mechanism and the underlying strategy that TCorp is intending to use within the icare scheme portfolio.

## 8. Oversight

- Approve the appropriate external investment performance benchmarks for asset classes or managers, where applicable.
- Ensure appropriate stress testing and scenario analysis of investment funds is undertaken.
- Monitor performance of investments including performance of individual asset classes against budget, performance of individual asset classes against appropriate external performance benchmarks, performance of investment holdings against investment objectives and performance of investment managers.
- Monitor and review the relationship with and performance of TCorp through the Master Financial Services Agreement.
- Monitor TCorp's compliance with its responsibilities as detailed under the Master Financial Services Agreement between the entities.
- Monitor the investment performance of the SI Corp Scheme Funds as detailed under the MoU between the entities and provide investment performance information to Treasury (and ALCO) when requested.
- Approve objectives and measures by which the performance of advisers will be evaluated, including the adequacy and timing of reporting.
- Approve the appointment of specialist advisors, such as the asset consultant and assist in the selection as required.
- Approve the fees applicable to any appointed specialist advisor, including the mandated investment manager.
- Monitor and review the relationship with and performance of specialist advisors.
- Ensure compliance with Board and Committee resolutions and external legislative requirements in relation to the investment portfolio.
- Approve any performance reporting of the icare Funds required to be submitted to the Minister, as required.

## 9. Responsibilities of Committee members

Members of the Committee are expected to:

- make themselves available as required to attend and participate in meetings;
- contribute the time needed to study and understand the papers provided;
- apply good analytical skills, objectivity and good judgement;
- abide by the relevant ethical codes that apply to employment within the General Government Sector, including the icare values and icare's Code of Conduct and Ethics; and
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## 10. Composition and Tenure

The Committee will consist of at least three, and no more than five members appointed by the Board. At least three members must be Non-Executive Directors of the Board. Additional members need not be members of the Board. The Board will appoint the Chair. The Chair is counted as one member of the Committee. The Chair must be a member of the Board.

Members will be appointed for an initial term of no less than three years (which may be terminated earlier by mutual agreement) and not exceeding five years, after which they will be eligible for

extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight years).

### **Induction**

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## **11. Disclosure of Interests and Management of Conflicts of Interest**

Disclosures of interest made to the Board will be taken as declared to the Committee.

To ensure the appropriate management of any actual, potential or perceived conflict of interest, the Committee and its members will comply with the policies and procedures outlined in the icare Board Charter (Section 13).

Where the Chief Executive Officer (CEO), senior management of icare or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

## **12. Meetings**

The Committee will meet at least four times per year, and more regularly if required. Members can attend in person, by telephone or by video conference. All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

The Committee may, if it thinks fit, transact any of its business by the circulation of papers among all the members of the Committee, and a resolution in writing (including email confirmation) approved in writing by a majority of those members is taken to be a decision of the Committee. Circular resolutions require a quorum of members and the resolutions will be included as a paper for noting in the next meeting.

The Chair is required to call a meeting if requested to do so by the Board, another Committee member or as recommended by the Chief Financial Officer.

If the Chair is absent from a meeting and no acting Chair has been appointed, the Committee members present may choose one of them to act as Chair for that meeting.

The Committee may request that other persons attend meetings or participate for certain agenda items. In this respect the Committee will have free and unfettered access to the senior management of icare, including but not limited to, the Investment Governance Lead, General Manager Investment Governance, Chief Investment Officer, CEO, Chief Investment Officer of TCorp, icare's asset consultant and any other parties (internal or external) required by the Committee to fulfil its role. Where Committee members seek direct access to any of these parties to discuss substantive matters, Committee members should advise the Chair and the CEO.

The Committee members can hold private sessions as it requires separately with the CEO and Chief Financial Officer without other management personnel being present.

A Governance Calendar, including the meeting dates and agenda items, will be agreed by the Committee and the icare Board 12 Months in advance. The Governance Calendar will cover all of the Committee's responsibilities as detailed in this Charter.

## **13. Quorum of Meetings**

A quorum will consist of a majority of Committee members and must include at least two Non-Executive Directors. All decisions of the Committee must be agreed by a minimum of two Non-

Executive Directors. Where agreement cannot be reached by the minimum of two Non-Executive Directors, the Chair may escalate the matter to the Board to make the decision.

The Chair or person presiding at a meeting of the Committee has a deliberative vote and, in the event of an equality of votes, has a second or casting vote.

## 14. Secretariat

The Head of Board Governance, or their delegate, will provide secretariat support to the Committee. The Head of Board Governance, or their delegate, will ensure the agenda for each meeting and supporting papers are circulated at least one week before the meeting and ensure the minutes of the meetings are prepared and maintained.

Draft minutes of each meeting will be prepared by the Head of Board Governance or their delegate, and provided to the Chair for review within two weeks of the meeting. A further draft incorporating any changes made by the Chair will be provided to the Committee for approval at the following meeting.

## 15. Access to Information, Records and Advice

Each member is entitled to have free and full access to all Committee records, (including but not limited to, minutes, papers, agendas, tabled documents, and presentations) created during their term(s) as a member.

Committee members can at all times request, and will be provided, direct access to the appointed asset consultant and investment advisers and access to resources and information the Committee considers relevant to its responsibilities. The Committee may seek independent professional advice, at icare's expense, if it is considered necessary for the proper performance of the Committee's responsibilities. The Chair of the Committee and the CEO will facilitate the procurement of any such advice.

## 16. Reporting

The Committee's minutes will be made available to the Board and the Committee will, through its Chair, regularly update and make recommendations to the Board on matters falling within the scope of its role and responsibilities. As part of this reporting, the Board will be made aware of matters before the Committee that may materially impact the financial condition or affairs of icare, including the entities it manages.

The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Board.

The Committee will assist the Board in providing regular updates to the Minister on the performance of each Fund, as required.

## 17. Dispute Resolution

Members of the Committee and icare's management should maintain an effective working relationship and seek to resolve differences by way of open discussion. However, in the event of a disagreement between the Committee and management, the Chair of the Committee may, as a last resort, refer the matter to Board.

## 18. Assessment Arrangements

The Committee, in consultation with the Chair of the Board, is to assess its performance annually, including the performance of the Committee Chair and each member. The assessment activities may include but is not limited to, surveys, one-to-one feedback sessions with the Chair and



Committee members, and discussions with appropriate input sought from icare management and any other relevant stakeholders. This may form part of the Board's evaluation assessment of the Board and all other Committees. The Committee is committed to supporting a culture of continuous improvement in its performance collectively and individually.

## **19. Charter Review**

This Charter is to be reviewed biennially to ensure that it remains consistent with the Board's and Committee's objectives and responsibilities. Any substantive changes to this Charter will be agreed by the Committee and recommended for approval to the icare Board.