

New Board Appointed

The Board consists of seven members appointed to represent the interests of workers and employers in the scheme.

The new Board listed below has been appointed for a term of five years commencing 28 November 2002.

Presiding Officer

Margaret Sexton

Employer Representatives

Jim Whiting
Steven Hall
David Steel

Worker Representatives

Bentley Carslake
John Gresty
Nigel Lean

Deputy Members

Steven Minuzzo
Kevin Kelly
Martin O'Malley
Robert Geraghty
Trevor Trewartha

The Year in Review

- The levy rate was increased to 2% from 1 January 2002, resulting in levy income increasing by 50% to \$3.9 million.
- Portfolio Planning Solutions appointed as actuary in February 2002.
- Actuarial review of the Construction Industry Fund at 30th June 2002 identified an accrued liability of \$27.7 million against assets of \$24.15 million.
- Further increase in levy rate to 2.5% from 1st January 2003 recommended to Government.
- Investment return of -4.5%. \$value of investment portfolio reduced by \$1.7 million.
- 165 new employers and 2235 new workers were registered during the year despite flat industry.
- Annual scheme cost per worker reduced marginally to \$39.05.
- 1024 claims processed at a cost to the Fund of \$3.9 million.
- Working party established by the Board to examine benefit provisions of Act.
- E-commerce technologies continued to be a strategic imperative in the Board's operations.
- Expanded payment options provided for employers.
- New organisation structure approved in February 2002.
- New marketing strategy, disaster recovery plan and privacy policy implemented.

The Board's 2001/02 Annual Report can be downloaded from our website www.cbserv.com.au

Christmas Office Hours

Construction Benefit Services will close on Tuesday 24th December 2002.

We apologise for any inconvenience this may cause and would be pleased to assist with your enquiries when we reopen on Monday 6th January 2002.

Investment Strategy

Last month the Board advised the industry an increase in the levy rate to 2.5% had been recommended to the Government. (The increase was considered necessary to address the issue of an unfunded liability caused through poor investment returns and increase in average weekly earnings.) The Board was widely criticised for this action with poor investment performance the main subject of the industry's criticism.

This article provides employers with an overview of the Board's investment strategy which aims to maximise returns in the medium to longer term subject to an acceptable level of short-term risk.

It is the responsibility of the Board to ensure the scheme has sufficient funds to meet current liabilities (including worker payments) as and when they fall due. As worker payments are made in the future and the cost of living increases in the interim period, it is necessary to frame an investment strategy with assets that earn a real rate of return, that is a rate above inflation. The matching of asset growth with liability growth reduces risk and the financial exposure of employers.

An integral feature of the Board's strategy is the adoption of a growth-oriented focus with a portfolio mix of 70% growth assets to 30% income assets. (Refer table below.)

Sector	30 June 2002	Target Benchmark
Cash	3%	10%
Aust Fixed Assets	21%	15%
Int. Fixed Interest	10%	5%
Aust. Equities	36%	30%
Int. Equities	16%	30%
Direct Property	14%	5%
Indirect Property	-	5%

The Board has appointed specialist fund managers for equities and fixed interest investments. The performance of these managers against investment strategy is closely monitored.

The high exposure to growth assets produces wide fluctuations in short term results. The above portfolio can be expected to produce a negative return once in every eight years.

2001/2002 was a disappointing year for all investors whether it was a long service leave scheme, superannuation fund or other financial institutions. The Board's return on investments of -4.5% (\$1.7 million) compared with the median return of growth fund managers -4.1%. This was the Board's first negative return. Over the last ten years it has achieved an average return of 7.2%.

The state of the Construction Industry Fund at 30th June (deficit of \$3.5 million) exposes the Board to the current volatility of the investment markets. An increase in the levy rate to 2.5% is projected to return the Fund to a fully funded position in three years and a capacity to "ride out" periods of poor returns.

Investment earnings are important to the funding of the scheme. Investments have contributed 44% of the Board's income over the last ten years. On a fund the size of the Construction Industry Fund, an additional 1% return equates to income of \$250,000 in that year.

The Board does not propose to move from the current focus and strategy. It is well placed to benefit from an upturn in the market.