



PUBLIC TRUSTEE AND GUARDIAN

Policy

DOCUMENT PROPERTIES	
Name of Policy	PTG CASH INVESTMENT POLICY
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Endorsed by PTG Investment Board	13 September 2017
Authorised by	Andrew Taylor, Public Trustee and Guardian
Date for review	13 September 2020

Cash Common Fund

S.55 of the *Public Trustee and Guardian Act 1985* (the Act) requires the Public Trustee and Guardian for the ACT (PTG) to pool and invest money held on behalf of clients through one or more Common Funds. The Public Trustee and Guardian's Cash Common Fund was established in 1985 and pools, for investment, cash held by the Public Trustee and Guardian in the respect to the following -

- Estate matters
- Short term trusts (maturing within 12 months)
- Unclaimed money
- Management Order clients with only cash assets (eg. pension)
- Enduring Power of Attorney clients with only cash assets (eg. pension)
- Confiscated Criminal Asset funds (paid out within 12 months of receipt)
- Client funds received but yet to be invested in one of PTG's Risk Models (Conservative, Balanced, Growth).

The Cash Common Fund is a statutory fund under the Act and does not require registration or a constitution. PTG follows established principles for management of cash funds under trust law - *Trustee Companies Act 1947*, the *Managed Investments Act 1998* (Clth) and the *Income Tax Assessment Act 1997* (Clth).

Investments are in prime quality, highly liquid, short-term securities which have a maturity date of twelve months or less from date of acquisition and can include –

- government securities;
- deposits with an Australian financial institution; or
- bills or securities endorsed or accepted without qualification by an Australian financial institution.

Following a review of PTG's investment arrangements undertaken by PWC in 2017, funds will be placed in the short term money market from "at call" up to 365 days to allow for an improved return and to ensure the unit price is held at a steady one dollar. PTG's investment strategy is for rollovers with regular maturities. Investment pools range in size from \$500,000.00 to \$1,500,000.00. Investments may be held for a period of twelve months, however, these investments can be redeemed if required with a 30 day waiting period as per the Basel III reforms.

The portfolio is structured for full investment with a minimum of two security maturities per week to provide for any withdrawal requirements by PTG.

On recommendation of the Public Trustee and Guardian Investment Board, for risk management purposes, PTG diversifies cash investments through a range of Authorised Deposit Taking Institutions with no more than 40% of the total fund placed with any one institution and no more than 10% with Building Society/Credit Unions and no lower than a 'BBB' rating.

Long Term Rating	Short Term Rating	Maximum of Total Investments	Maximum Exposure to Single Entity
AAA Category	A1 ⁺	100%	40%
AA Category	A1	90%	40%
A Category	A2	60%	25%
BBB Category	A3	30%	10%
Building/Credit Unions (BBB rate or better)		15%	10%

**Ratings are determined by the Standard and Poor's ratings*

**Categories include the + - and standard rating*

Income distributions are governed by S.59 of the Act, trust law and the *Income Tax Assessment Act 1997*. Income is calculated and accrued on daily balances and distributed quarterly to clients accordingly.

In a report issued by the ACT Auditor-General in 2000, it was recommended that, in accordance with trust law, the Public Trustee and Guardian should not allow cash reserves to increase above what was considered reasonable, the Board's recommendation was between 0.08% and 0.25%. The Auditor-General recommended that reserves be decreased to what the Public Trustee and Guardian considered a working reserve balance, while distributing the maximum amount of funds to clients. The recommendation was adopted in 2001.

Guarantee and Reserve

S.61(1) of the Act requires PTG to establish and maintain a fund called the Common Fund 'Guarantee and Reserve Account' (G&R account). The fund does not form part of a common fund and is comprised of money remaining in a common fund after distribution of capital and income on advice of the Investment Board.

An independent review of the Public Trustee and Guardian's G&R Account was undertaken by Professional Financial Solutions in 2013. The review found that the balance held in the G&R Account (excluding the warehouse investment) had increased steadily to reach \$2.3M at 30 June 2013. The review also found that investment returns (excluding the warehouse) were consistently positive reflecting the conservative investment strategy adopted by PTG for this account.

The report concluded that -

- for the risk associated with a loss on realisation of Investments, an appropriate reserve was \$1M;
- for the risk associated with the cost of protecting the common fund there is no need for a reserve for this risk;
- for the risk associated with other Administrative Expenses of the Common Fund a reserve value of \$93,000; and
- for the risk associated with Legal Costs, a reserve value of \$47,000.

The total of these reserves is \$1.14M, estimated as a prudent reserve.

PTG will review the performance of its Cash Common Fund at the same time that the five-yearly review of PTG's Investment Strategy is conducted.

END OF POLICY