

AHPRA Investment Policy

Introduction

This document describes the key investment policies of AHPRA.

1. Policy Approach

The policy approach has taken into consideration a range of matters in developing investment policies including:

- the interests, risk profile and expectations of the National Boards funding the investments
- relevant regulations issued under the Health Practitioner Regulation National Law, as in force in each state and territory (the National Law)
- the financial profile and liquidity requirements of AHPRA's operations
- the resources and investment expertise available to AHPRA
- the ability of existing financial control processes, delegations and compliance processes to adequately govern the management of the investment portfolio
- the scope of the AHPRA's investment program and the skills and experience of those responsible for managing the investment portfolio
- the materiality of investment earnings to the achievement of AHPRA's goals, and
- the risk appetite for investments within AHPRA.

After taking into account the above factors, a simplified investment approach is deemed appropriate for the management of AHPRA's investment assets.

2. Policy Statement

2.1 Simplified investment approach

AHPRA has adopted a simplified investment approach which includes the following key characteristics:

- investment portfolios comprising highly rated bank deposits and commonwealth or state government guaranteed investments which are not marked to market
- assets are managed in accordance with AHPRA's existing financial control policies and processes
- delegations and authorised investments specified in AHPRA's financial policies fully restrict the investment of assets to the above-mentioned low risk investments
- the Agency Management Committee (AManC) reviews its investment approach and the external auditors verify compliance with AHPRA's financial policies and authorised investments on an annual basis
- each investment will be market tested for the best opportunity and for fixed term deposits it is expected this will involve at least four providers (given the requirements of the policy).

2.2 Governance and delegations

AHPRA receives and manages funds from health practitioners and from time to time other funding sources including government. AManC recognises that these funds should be invested with the same care, diligence and prudence as would be taken in the administration of public money.

The Finance Audit and Risk Management Committee (FARMC) is a committee of AManC and is responsible for investment oversight including setting investment criteria. FARMC recommends to AManC any changes to the Investment Policy as and when required, consistent with its terms of reference.

The CEO has delegated responsibility for the development and implementation of the investment policy and procedures to the Executive Director, Business Services.

The Manager, Financial Accounting will be responsible for the day-to-day operations of AHPRA's Investment Policy, through administration of the Investment Procedures.

AHPRA must manage all aspects of the investment program prudently and in a manner that complies with AHPRA's financial control guidelines.

2.3 AManC reporting

The Executive Director, Business Services will provide an investment report to AManC via FARMC on a quarterly basis setting out, at minimum, the value of the portfolio and schedule of investments.

All breaches of policy guidelines must be reported to AManC at the next scheduled meeting together with a description of any corrective action taken or planned.

2.4 Code of conduct and conflicts of interest

AManC members and any staff involved in the management of AHPRA's investments must disclose any conflicts of interest to the Executive Director Business Services. No staff member or AManC member is to accept any commission, personal financial or material non-financial benefit from an investment provider or distributor. A quarterly disclosure statement will be completed by all staff involved and will be reported to FARMC for assurance.

2.5 Stakeholder interests

AHPRA looks to manage investments consistent with the reasonable expectations (express and implied) of the following stakeholders:

- registered health practitioners
- the National Boards
- Ministerial Council
- state and territory government departments, and
- the public

2.6 Investment objectives

The investment objectives for AHPRA are to:

- Earn market-like returns on surplus short-term funds by putting the funds to work in low risk investments in such a way that sufficient liquidity is expected to be available for projected operating expenses on a rolling six-month period.
- Earn market-like returns or better on funds earmarked for the payment of medium to long-term outgoings by investing in a portfolio of low risk investments taking into consideration the timing of projected future cash flows and liquidity requirements.
- Ensure that AHPRA's investments are not 'locked' and that AHPRA is able to access the funds before the end of the term if required. Note that 31 days is required to break any deposit with an Australian Authorised Deposit-Taking Institution (ADI) as per the Basel III guidelines enforced in 2015.

2.7 Investment strategy

The investment strategy adopted by AHPRA is approved by the AManC.

2.8 Authorised investments

Approved AHPRA investments are limited to:

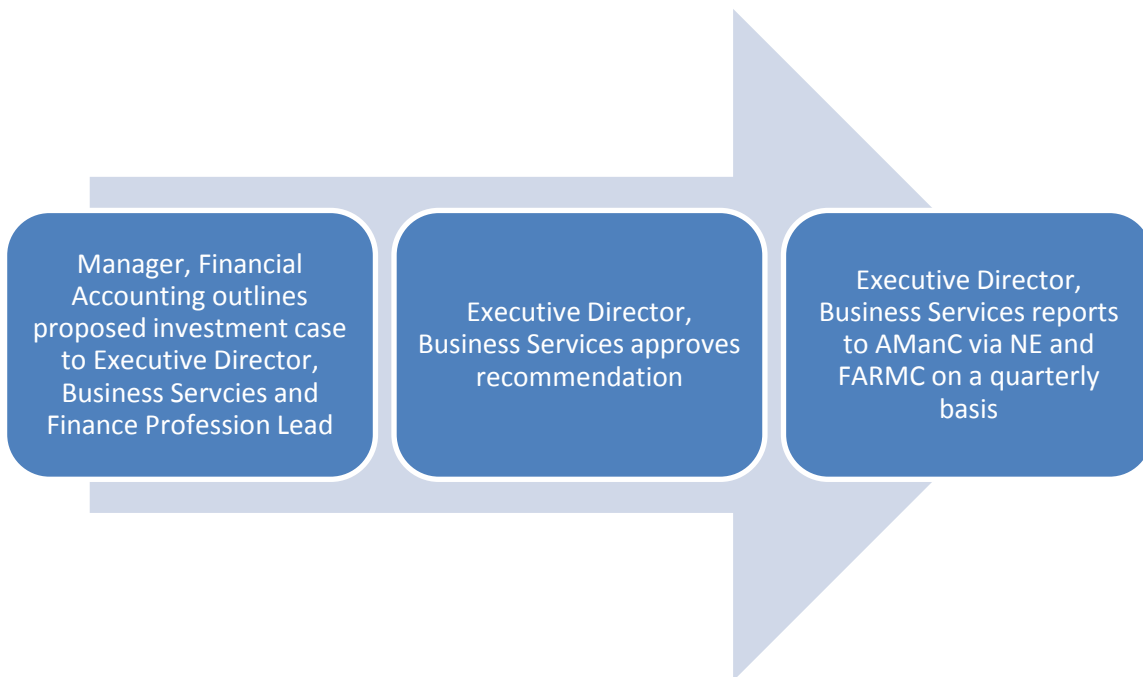
- Commonwealth or state government guaranteed investments which are not marked to market.
- Australian registered bank deposits, and
- deposits with state government pooling agencies (e.g. Treasury Corporation of Victoria) which are not marked to market.

AHPRA will have no exposure to investments where the reported principal at 30 June each year could change through required financial mark-to-market revaluations per the Australian Accounting Standards.

AHPRA will have no exposure to derivatives, hedge funds or structured investments.

Leverage of investment portfolios is prohibited in any form (for example, such as may arise as a result of the use of borrowed funds, leverage or investment in leveraged products or investment instruments).

Prior to any investment taking place, the following approvals are required:



2.9 Investment allocation

Refer Appendix 1.

2.10 Custody of assets

Legal title to all investment assets is recorded in a register maintained by AHPRA and audited on an annual basis.

Policy Owner	Executive Director Business Services
Policy Number	TBC
Date Approved	TBC
Date Commenced	TBC
Date Last Amended	N/A
Date for Review	June 2022
Policy Sponsor	Executive Director Business Services
Policy Contact	Finance Profession Lead
Amendment History	

AHPRA Investment Allocations - Appendix 1

Investment allocation

Strategic asset allocation

Asset type	Timeframe	% of total
short term working capital assets (<3 months)	at call cash (up to 30 days)	3 to 10 % of total
	short term (>30 days and <3months)	5 to 25 % of total
core funds (>3 months and <= 5years)		20 to 85 % of total

Approval limits for authorised investments

No transactions are to occur with a counterparty without an approved limit.

One counterparty can be allocated no more than 40% of investment funds.

All counterparties must be rated by Standard & Poor's or Moody's. The minimum long-term rating is AA- (S&P) or Aa2 (Moody's)

In addition to the rating, counterparties must have minimum net assets of \$500 million.

Unsecured credit limits

Maximum unsecured credit limit parameters for each counterparty:

S&P	Moody's	Maximum Exposure (\$m)
AAA	Aaa	250
AA+	Aa1	250
AA-	Aa2	200

Maximum exposure percentage for each investment grade rating:

S&P	Moody's	Maximum Exposure (%)
AAA	Aaa	100%
AA+	Aa1	100%
AA-	Aa2	100%

Maximum exposure percentage allowed for investment duration relating to the total investment portfolio (to be reviewed annually depending on cash forecasts):

Tenor (years)	Maximum exposure (%)
3+	15
3	25
2	50
To be derived from strategic asset allocation above/cash flow	To be derived from strategic asset allocation/cash flow

Negative watch

Where a counterparty is placed on negative watch/under review for possible downgrade, the rating is immediately assumed to be the next lower rating. Where there is a discrepancy between rating levels of the rating agencies, the lower rating is to apply.

Standard market indices

The table below contains a list of standard market indices commonly used in the investment industry to benchmark the performance of different types of professionally managed investment portfolios.

Asset class	Market index
Cash	UBS Warburg Bank Bill Index
Australian debt securities – all maturities	UBS Warburg Composite Bond Index (all maturities)
Australian debt securities – short duration	UBS Warburg Composite Bond Index (0-3 years)