

NSW Generations Funds

2021-22 Fact Sheet



Key Highlights – Debt Retirement Fund

As at 30 June
2022



\$14.7b

Returns
since inception



5.8%
p.a.

Dollar value
added since
inception



\$2.3b

Fund Purpose

The enabling legislation of the NSW Generations Fund (NGF), the *NSW Generations Funds Act 2018* (the Act) sets out how the NGF operates, its basic governance arrangements and purpose. The Act creates two¹ ring-fenced funds:

- **The Debt Retirement Fund (DRF)**, whose purpose is to provide funding for reducing the debt of the State in accordance with the principles of sound financial management set out in section 7 of the *Fiscal Responsibility Act (2012)*
- **The Community Services and Facilities Fund (CSFF)**, whose purpose is to provide funding for cost-effective facilities and services throughout New South Wales to improve the wellbeing of communities and the lives of people across the State.

¹ The NGF comprises both the Debt Retirement Fund and the Community Services and Facilities Fund. From this section of the report onwards, references to the 'NSW Generations Funds' or 'NGF' will mean the Debt Retirement and Community Services and Facilities Funds together. References to the 'DRF' will mean the Debt Retirement Fund only and references to the 'CSFF' will mean the Community Services and Facilities Fund only.

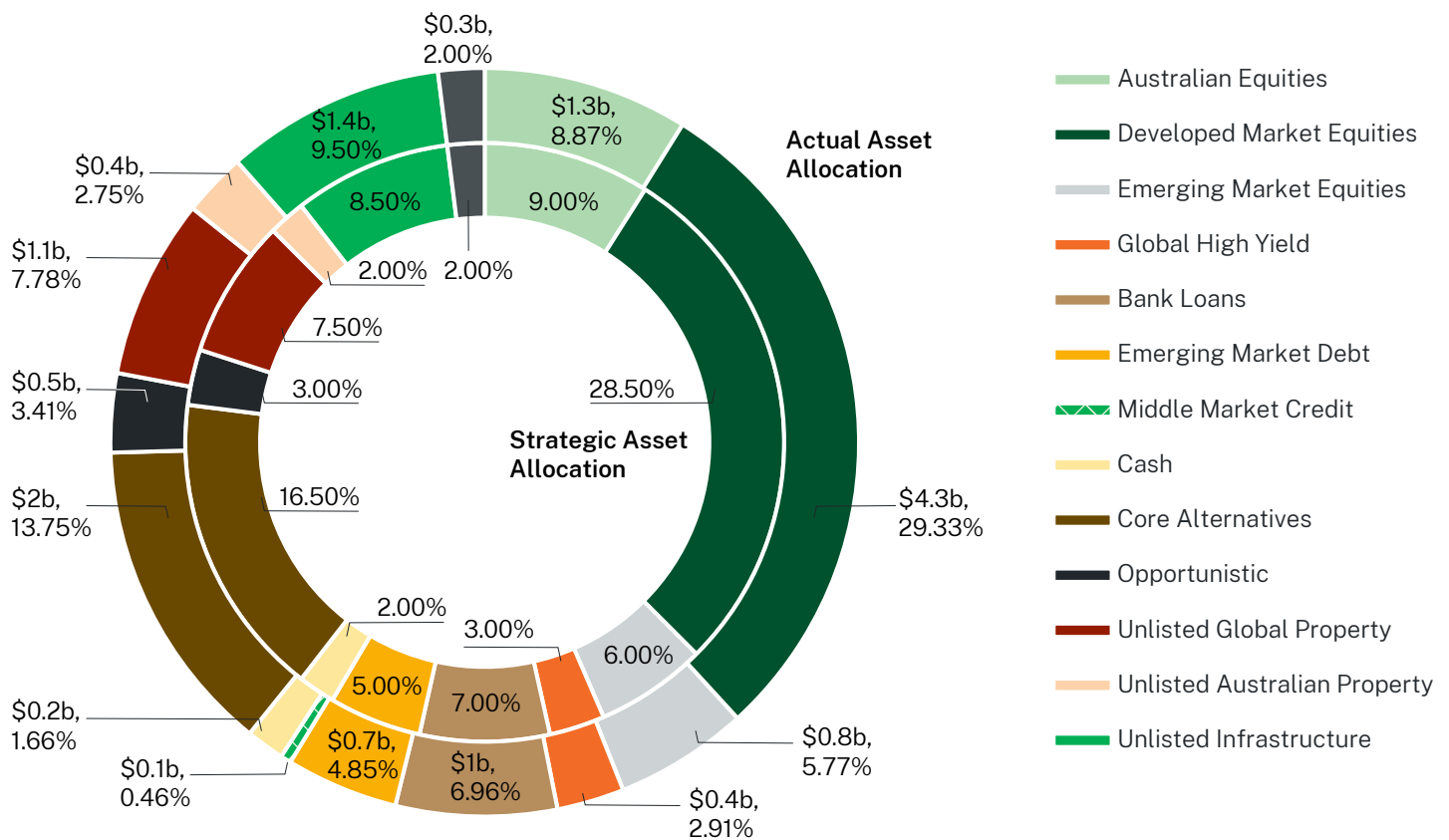
Debt Retirement Fund – Investment Allocation

The DRF is a long-horizon fund, designed to grow over time and ease the debt burden on future generations. The investment strategy and objectives underpinning the DRF have been formulated in line with this policy objective.

Risk within the portfolio is well-managed by diversifying investments across a broad range of assets beyond equities (e.g. property, infrastructure), helping smooth returns fluctuations over time. Currency and geographic diversification also support the management of portfolio risk.

During 2021-22, the DRF’s actual asset allocation was managed very closely to its strategic asset allocation:

Chart 1 – DRF asset allocation (30 June 2022) - \$14.7 billion



Debt Retirement Fund – Investment Performance

The DRF has an investment return objective of CPI + 4.5 per cent p.a. over rolling 10-year periods.

During 2021-22 the DRF returned -3.15 per cent, following returns of 15.62 per cent the previous year. The DRF grew strongly in the first half of 2021-22 but was impacted by financial market volatility in the second half as central banks globally tightened monetary policy to slow the pace of inflation.

Table 1 – Returns performance

	2021-22	Since Inception (%)
Net return (after fees)	-3.15	5.77
Benchmark	9.38	7.21
Net relative to Benchmark	-12.53	-1.44

Despite recent outcomes, the DRF continues to perform well over longer timeframes and remains well-positioned to achieve its long-term return objective. Since inception (late 2018), the DRF has returned about 5.8 per cent p.a. on average, generating about \$2.3 billion.

Flows into and out of the Debt Retirement Fund

Following the sale of the State's remaining share of WestConnex in late 2021, the net proceeds were deposited into the DRF as required by legislation. These net proceeds, together with about \$700 million of distributions received from Roads Retained Interest Pty Ltd, are to be used to retire about \$11 billion of State debt.

During 2021-22 about \$7.7 billion of State debt was retired, and the remaining \$3.3 billion is due to be retired in 2022-23.

In October 2021, the Government announced it would temporarily suspend certain contributions to the DRF pending a review due to the COVID-19 pandemic and economic recovery imperative. The temporary suspension was affirmed in the 2021-22 Half-Yearly Review. Consequently, no further cash was transferred to the DRF.

Community Services and Facilities Fund

The first initiative funded via the CSFF was My Community Project (MCP). During 2021-22, \$1.3 million was paid for community-based projects proposed, and voted on, by NSW citizens. This brings total payments under this initiative to \$23.6 million. Although it was announced in 2020 that MCP would not continue, payments were made during 2021-22 as some projects were delayed due to COVID-19.

Visit [Service NSW²](https://mycommunityproject.service.nsw.gov.au/projects) website for further details on projects funded through MCP.

Future Reporting

Future reporting on the NGF will continue to be provided through the audited annual financial reports for the DRF and CSFF prepared in accordance with section 7 of the Act. These annual financial reports are published in the NSW Treasury Annual Report, visit [NSW Treasury's Annual Reporting³](https://www.treasury.nsw.gov.au/information-public-entities/annual-reporting) page.

² <https://mycommunityproject.service.nsw.gov.au/projects>

³ <https://www.treasury.nsw.gov.au/information-public-entities/annual-reporting>