

27 January 2020

Madeleine Knaggs

[fyi-request-11819-dda1e70a@requests.fyi.org.nz](mailto:fyi-request-11819-dda1e70a@requests.fyi.org.nz)

Tēnā koe Madeleine

**Your Official Information Act request, reference: GOV-002962**

Thank you for your email of 06 December 2019, asking for the following information under the Official Information Act 1982 (the Act):

1. *Any email correspondence between ACC staff or Board members regarding Te Ahumairangi Investment Management or the retention of Mr Bagnall's services post resignation.*
2. *Any Board or Committee papers that mention Te Ahumairangi Investment Management or the retention of Mr Bagnall's services post resignation.*
3. *A description of the procurement process followed to select Te Ahumairangi Investment Management as an Investment Manager.*
4. *Any documentation related to the procurement process described above*
5. *A description of any due diligence (including financial due diligence) performed by ACC to ensure the investment practices of Te Ahumairangi Investment Management are adequate to safeguard ACC's funds.*
6. *Any documentation related to the due diligence described above*
7. *The contract with Te Ahumairangi Investment Management*
8. *The value of funds to be managed by Te Ahumairangi Investment Management.*
9. *Any conflicts of interest declared by ACC staff or Board members regarding Te Ahumairangi Investment Management.*

**Background on the procurement of Te Ahumairangi Investment Management**

ACC complied with government procurement rules in appointing Te Ahumairangi Investment Management.

It is standard industry practice for external procurement of investment services to carefully research a manager's record, processes and capabilities, and assess them against all the alternatives. This has been the case for all of ACC's external manager appointments and is also the case for Te Ahumairangi Investment Management. There were two main differences in the case to appoint Te Ahumairangi Investment Management.

First, this was an existing specialist portfolio. It has operated for the past eight years producing excellent returns and comfortably exceeding its benchmark. There was a desire for continuity and to keep the portfolio operating as normal through the transition period. Mr Bagnall offers highly specialised services and has unique experience from his 26 years at ACC. These factors, along with being a world class investment manager with an exceptional track record, meant he offered a unique value proposition for ACC.

Second, because of the manager's connection to ACC, additional external advice was sought on the commercial terms from a suitably qualified investment consultant. This is illustrated in the documentation provided. This confirmed that the proposed fees were reasonable.

Te Ahumairangi Investment Management has not yet been formally contracted as an external manager. An extensive audit of the Te Ahumairangi Investment Management's systems and operational readiness will be undertaken before the contract is signed and Te Ahumairangi Investment Management commences providing management services. Such audits are always required by ACC for new mandates. However, in this instance the audit will be conducted by an independent third party rather than by ACC staff.

### **Documentation related to the procurement of Te Ahumairangi Investment Management**

We have interpreted your request for *any email correspondence between ACC staff or Board members regarding Te Ahumairangi Investment Management or the retention of Mr Bagnall's services post resignation*, to be for all correspondence related to the decision to use, and the procurement of, Te Ahumairangi Investment Management.

#### **1 Any email correspondence between ACC staff or Board members regarding Te Ahumairangi Investment Management or the retention of Mr Bagnall's services post resignation**

Your request for email correspondence is extremely broad. Our initial search of ACC's email system produced many hundreds of emails which are potentially within scope of your request. We expect the final number to be significantly fewer, but it will take some time to work through all the emails and prepare them for release.

In the interests of responding to your request in a timely manner we are, as a first step, providing you with the key decision paper titled *Board Investment Committee Paper: Appointment of Te Ahumairangi Investors* dated 31 October 2019 and accompanying appendices (**Document One**). We have also provided our response to the remainder of your request.

Once you have reviewed this document, please let us know if you still require us to compile the emails for question one. Otherwise, we will continue to process this information and will provide it to you as soon as possible.

### **Information withheld**

The Board Paper and Appendices 1, 2 and 4 are partially withheld, and Appendices 5 and 6 are withheld in full under the following section of the Act:

- Section 9(2)(ba)(i): the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

The information withheld relates to the commercial terms agreed between ACC and Te Ahumairangi Investment Management Limited. If that information was to be released, then it would be likely to prejudice the commercial position of both ACC and Te Ahumairangi Investment Management Limited.

For example, the withheld information includes details of the fee structure agreed between the parties and a comparison of that fee structure against ACC's other external managers and against market practice. If this information was available to ACC's other external managers, or to potential external managers, it could make ACC's negotiating position with those external managers very difficult as they would know what fee structures ACC has with existing providers.

The release of this information would also prejudice Te Ahumairangi Investment Management Limited as future clients of Te Ahumairangi Investment Management Limited would know the details of the terms agreed with ACC.

**The remainder of your request**

Our response to the remainder of your questions follows:

**2. *Any Board or Committee papers that mention Te Ahumairangi Investment Management or the retention of Mr Bagnall's services post resignation.***

The sole Board Investment Committee Paper in scope is **Document One**, as outlined above.

**3. *A description of the procurement process followed to select Te Ahumairangi Investment Management as an Investment Manager.***

The procurement process is described in **Document One**.

**4. *Any documentation related to the procurement process described above***

**Document One** is the key document related to the procurement process. Any relevant emails will be released to you in due course.

**5. *A description of any due diligence (including financial due diligence) performed by ACC to ensure the investment practices of Te Ahumairangi Investment Management are adequate to safeguard ACC's funds.***

As set out in **Document One** at paragraphs 4.19(d) and 7.1(2), an independent due diligence will be carried out prior to the formal engagement of Te Ahumairangi Investment Management Limited.

**6. *Any documentation related to the due diligence described above***

As the due diligence has not occurred there is no documentation at this time. For this reason, this part of your request is refused under section 18(e) of the Act, as the information requested does not exist.

**7. *The contract with Te Ahumairangi Investment Management***

We are withholding the contract in full under section 9(2)(ba)(i) of the Act as the making the information available would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

**8. *The value of funds to be managed by Te Ahumairangi Investment Management.***

The initial value of the portfolio to be managed by Te Ahumairangi Investment Management Limited will be approximately \$1.5 billion New Zealand Dollars.

**9. *Any conflicts of interest declared by ACC staff or Board members regarding Te Ahumairangi Investment Management.***

ACC recognised that as Mr Bagnall was an existing senior manager within the Investments function, all Investments Staff and Board Members had potential conflicts of interest relating to the appointment of Te Ahumairangi Investment Management Limited. For this reason, the probity steps outlined in part 7 of the Board Investment Committee Paper were undertaken.

Independently, when the Manager Externally Managed Funds became aware of ACC's discussions with Mr Bagnall he declared a conflict of interest as Mr Bagnall was his manager. As noted in paragraph 7.1(4) of the Board Investment Committee Paper, all ACC staff with reporting lines to Mr Bagnall (including the Manager Externally Managed Funds) were excluded from the process for recommending the appointment of Te Ahumairangi Investment Management Limited as an external manager.

**How to get in touch**

If you have any questions, you can email me at [GovernmentServices@acc.co.nz](mailto:GovernmentServices@acc.co.nz).

If you are not happy with this response, you have the right to make a complaint to the Ombudsman. Information about how to do this is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or by phoning 0800 802 602.

Nāku iti noa, nā



Sasha Wood

**Acting Manager Official Information Act Services**

Government Engagement & Support