



Minutes ACC Full Board Meeting
Wednesday 23 June 2021, 10 am to 4.00 pm
ACC Boardroom, Wellington

In Attendance

Board Members	<ul style="list-style-type: none">• Dame Paula Rebstock – Chair• Mr James Miller – Deputy Chair• Dr Tracey Batten – Member• Mr John Brabazon – Member• Dr Helen Nott – Member*• Ms Bella Takiari-Brame – Member• Mr Pat Bowler – Member• Hon Steve Maharey – Member
*By VC	
ACC Staff	<ul style="list-style-type: none">• Mr Scott Pickering – Chief Executive• Mr Mike Tully – Chief Operating Officer• Ms Sharon Champness – Chief Talent Officer• Mr John Healy – Chief Financial Officer• Ms Vanessa Oakley – Chief General Counsel (Secretary)• 9(2)(a) – Acting Manager, Corporate Secretariat• Mr Peter Fletcher – Chief Technology & Innovation Officer• Ms Emma Powell – Chief Customer Officer• Mr Herwig Raubal – Chief Risk and Actuarial Officer• Ms Gabrielle O'Connor – Head of Client Recovery• 9(2)(a) – Enterprise Advisor, Operations• 9(2)(a) – Head of Injury Prevention• 9(2)(a) – Manager, Targeted Investment• 9(2)(a) – Head of Strategy, Policy and Research• 9(2)(a) – Head of Levies

PROCEDURAL BUSINESS

The meeting commenced at 10.00 am with all Board members, 9(2)(a) and Ms Oakley in attendance.

1. Apologies

There were no apologies.

2. Register of Conflicts of Interest

Hon Maharey noted he had disclosed a family trust and that his step-son's wife worked at ACC which would both be included on the member register. Dame Rebstock noted that she is Chair Elect for the Asia Pacific Health Group. The role would begin after she left ACC.

The Board reviewed the register of member's conflicts of interest and confirmed there were no other matters required to be disclosed (including matters reported to, and decisions to be made by, the Board at this meeting).

3. Investment Committee Report

Mr Miller highlighted the following:

- The green fund was launched yesterday.



- The dynamic asset allocation plan was up and running.
- The Committee held its annual strategy day which included:
 - A presentation from each head of investment
 - A technology update and significant progress has been made on process improvements and reduced reliance on spreadsheets.
 - A range of presentations including on inflation and global trends.
- Performance is strong.
- The Committee reviewed and recommends approval of a change to the Ethical Investment Policy.

The Board, on recommendation of the Investment Committee:

- **Approved** the proposed change to section 7 of the Ethical Investment Policy.
- **Noted** that allocation of exposure deviations from the strategic asset allocations (SAA) are to be more customised to each scheme account.

The Board had a general discussion about investment staff and auditing of models.

9(2)(a) and Ms Oakley left the meeting at 10.35 am.

BOARD ONLY SESSION

The Chair informed the secretary that the Board:

- Agreed Board Committee membership which would be further reviewed with two new members starting
- Discussed the agenda for the day
- Discussed final pay for CEO, with the exception of the “at risk” component that was discussed today
- Discussed the revised structure of the CIO “at risk” pay.

4. Propero Report

This item was deferred until later in the day.

5. Chief Executive’s Report

Mr Pickering and Mr Tully joined the meeting at 11.45 am.

Mr Pickering advised the secretary that the following matters were discussed:

- Background context for the PHAS paper on the agenda.
- Board Strategy Day update.
- Brand work – overview of next steps and connection to Board Strategy Day conversation.
- Rehabilitation performance update.

OPERATIONAL REPORTING

Mr Miller left the meeting at 12.30 pm. Mr Fletcher, Ms Powell, Mr Raubal, Ms Champness, Mr Healy, Ms Oakley, 9(2)(a) and 9(2)(a) joined the meeting.

6. Performance Update

Mr Healy and 9(2)(a) spoke to the paper. The Board made a number of enquiries and discussed a range of matters including:

- The “return to independence for those not in the workforce” measure. Management advised that:

- This is a measure of the proportion of clients who are no longer receiving non-weekly compensation entitlements 12 months after registration. It is reported as a 12 month rolling average.
- The measure incorporates the status of new registrations over the span of the last 12 months so, the impact of last year's alert level restrictions on the measure have not been fully realised.
- During the lockdown months there was a temporary drop in rehabilitation service utilisation leading to a period of improvement in the results. However, since June 2020 when most services resumed and clients re-engaged with their rehabilitation, this measure has been adversely impacted.
- The performance of new claims which occurred during national lockdown last year are anticipated to drive declining performance over the next 3-5 months. Delays accessing health services during national lockdown (e.g. elective surgery) would have extended rehabilitation timeframes beyond the one-year threshold this measure is based on.
- Performance is expected to gradually decline into the first quarter of 2021/22, and from then on, a positive trajectory is anticipated to 2021/22 target levels.
- Whether there could be outsourcing or offshoring opportunities that could assist with better solutions and service standards for clients at better costs, noting the increase in claims costs and potential shortages of resources. Management noted that telehealth services are available and more needed to be explored in terms of bringing together the importance of therapeutics (including senses of safety and security), clear clinical advice and customer willingness to engage.
- Increased channels for Maori are being utilised but note yet translating to an uplift in claims.
- The Board expressed appreciation to Ms O'Connor's team.

ACTION: The Board requested that Management provide further information about policy settings and good practise in terms recovery compared to entry into the OCL when the next report is made on sensitive claims.

The Board noted:

- The claims cost performance; and
- The operational and financial performance.

7. Quarterly Enterprise Risk and Compliance Report

Mr Miller re-joined the meeting at 12.50 pm.

Mr Raubal introduced the paper and highlighted:

- The OCL; and
- Increased confidence and promising signs with ECP for benefits realisation, while risk remains present.

The Board enquired about:

- Strategic consideration of a situation where there was an over-performance of investments and how to balance that with levy considerations. Management advised this was unlikely given interest rates and caps on levies but that there was the potential to step in if such concerns ever arose.
- How Covid-19 might impact metrics in the future.
- The potential for deeper dives on mental health, Maori strategy and other matters in the future.

The Board noted the Quarterly Enterprise Risk and Compliance Report.

The Board stopped for lunch at 1.00 pm. The walkaround the Justice Centre was cancelled.

ACTION: Reschedule a walk around or equivalent for the Board.



The meeting resumed at 1.30 pm with all Board members except Dame Rebstock present. Mr Tully and Ms Oakley were also present.

4. Propero Report

The Board was supportive of the insights in the Propero report and discussion included:

- The desire to improve papers so they increase insight rather than information and, are shorter.
- That legal review and the Chief General Counsel support these aims.
- That templates prompt the inclusion of all relevant matters including financial input.
- That CEO reports focus on strategy and what is important and not where time is spent.
- That the performance and operational reports are simplified as they are currently repetitive.
- Opportunities for the Board to discuss further what good looks like, the approach to meetings and how value is added to Management, including working with a new CEO once appointed and on resetting the approach to engagement with key external stakeholders.

Dame Rebstock re-joined the meeting at 1.55 pm.

- The July strategy day and a potential further strategy session in September supported a journey over the next six months or so for the Board to form ahead.

The Board noted the Propero Report.

BOARD PAPERS

8. Social Unemployment Insurance Update

Ms Champness, Mr Healy, Ms Powell, Mr Raubal, ^{9(2)(a)} and Mr Fletcher joined the meeting at 2.00 pm.

Ms Champness introduced the paper and updated the Board on:

- ACC's recent discussions with officials on potential design settings.
- Risks to the ACC scheme and how to prepare if there is to be a new scheme.
- Indicative timings for consideration of, and consultation on, a potential new scheme.

Mr Pickering re-joined the meeting at 2.10 pm.

The Board's discussion included:

- What administration of a new scheme might involve and what might be similar or different to the current scheme and how that could impact the ability to influence outcomes.
- How incentives of a range of stakeholders may interplay and how success might be defined, that it varies in other countries and can be impacted by other policies eg: wage scarring, labour market policies and employment contracts.
- Whether a new scheme might be branded as ACC or separate.
- The engagement activity and process currently and, how ACC might be appropriately and actively involved and funded.
- That there is a lot of detail about how a potential new scheme that has not been outlined and discussed including in the areas of IT, levies and asset and liability matching.

Mr Pickering left the meeting at 2.40 pm.



ACTION: The Board requested that Management present a work programme to the Board to support Board participation on the design and execution of a potential new social unemployment insurance scheme.

The Board:

- **Noted** the update on the Government's proposed social unemployment scheme.
- **Delegated** the ability to discuss these matters with the Minister to Mr Miller and the Hon. Maharey.

9. Levy Narrative & Approach

9(2)(a) joined the meeting at 2.45 pm.

Mr Raubal introduced the paper and sought the Board's input to inform the approach to consultation. The Board discussed and provided feedback which included the following:

- Suggestions and the need to improve clarity and simple communication to the public.
- The importance of the ability to change levies and ideally avoid shocks while ongoing increases occur given increasing costs and past reductions.
- That a sensitivity analysis of the potential for future surpluses (eg: if interest rates rise) and how that might inform the appropriate narrative.
- The need to consider the future implications around motor vehicle related levies that can be foreseen to significantly reduce in contribution.
- That Management will present a base-case around how fund performance interplays with levies.
- Whether there is a focus group to assist with translation of the consultation material and communication.

The Board:

- **Agreed** to the approach to consultation.
- **Noted** the layered approach to the design of the consultation pack.
- **Discussed** the draft levy rates narrative (at annex 1).
- **Noted** the Minister has requested an 'educative' approach to consultation and that ACC was to guide levy payers through a simple and consistent story for each proposal.
- **Noted** that Management are engaging with MBIE on their request to explore an alternate approach to increasing the impact of a fatality in experience rating and would keep the Board updated through weekly reporting.
- **Noted** the consultation package and supporting materials are being finalised for approval in July 2021.

9(2)(a) and Mr Raubal left the meeting at 3.20 pm.

10. Young Driver Business Case

Ms O'Connor, 9(2)(a) and 9(2)(a) joined the meeting at 3.20 pm.

The Board had no questions and:

- **Noted** young drivers (aged 16-24) that participate in Drive are 40 percent less likely to have an accident resulting in an injury than young drivers that have not participated in Drive.
- **Noted** in the last three years the number of Drive users has increased from 40,000 to more than 80,000. 15% identify as Māori.
- **Noted** Drive's return on investment of:
 - \$2.91 for every \$1 invested (against target of \$2.48) for the current three-year investment period – ending 30 June 2021.

- \$3.02 for every \$1 invested is expected for the proposed three-year investment period – ending 30 June 2024.
- **Noted** that funding for the three-year investment for Drive will come from the ACC Injury Prevention budget.
- **Noted** that as a partner in Drive, Waka Kotahi expects to invest approximately \$7.71m alongside ACC investment during the three years from 1 July 2021.
- **Noted** that Board approval is required in accordance with ACC Corporate Delegations Schedule B, as the whole-of-life investment now exceeds \$30 million.
- **Approved** \$8.962m additional investment to continue delivery of the Drive Programme until 30 June 2024.

9(2)(a) and 9(2)(a) left the meeting at 3.22 pm.

11. Public Health Acute Services (PHAS) Annual Service Agreement 2021/2022

The Board took the paper as read and:

- **Noted** that the Minister of Health and Minister for ACC will be requested to approve and sign the 2021/22 Public Health Acute Services (PHAS) Agreement and joint Health Report (the briefing) by 1 July 2021.
- **Noted** that the ACC contribution for the 2021/22 PHAS Agreement is \$670.912 million, which is a 12.35% increase on last year's amount of \$597.140 million.
- **Noted** that the \$670.912 million is \$20.5 million more than is allowed for in the claims cost budget for 2021/22. This will result in a variance against the budget throughout the 2021/22 year, which Management will look for options to offset.
- **Noted** there is an agreed calculation methodology, which covers demographic and cost pressures, and changes in pricing for the services under the PHAS Agreement.
- **Noted** that the percentage increase has been moderated – it is lower than the actual increase in district health board costs, but moves to decrease the gap between cost and changes in pricing for the services covered under the Agreement.
- **Noted** that ACC is working with the Ministry of Health on improving the PHAS data that ACC can access, and ACC will work with the Transition Unit on any interactions with PHAS and Government health reforms.
- **Endorsed** the Public Health Acute Services Agreement 2021/22 and the joint Health Report, which are in a form that reflects the information in this paper, for forwarding to the Minister of Health and the Minister for ACC to approve.
- **Delegated** authority to the Chief Executive to sign the joint Health Report.

Ms O'Connor left the meeting at 3.23 pm.

12. Te Kahu Business Case

Mr Healy introduced the paper.

The Board enquired about the procurement process. Management confirmed that the market was tested for solutions and partners and that procurement had been undertaken in accordance with the Government Procurement rules. The Board questioned the further investment and benefits.

The Board:

- **Approved** a total budget of \$26.3 million for the delivery of Release 1 and 2 by March 2022, excluding contingency.
- **Noted** that total budget includes the Executive-approved budget to date of \$9.286 million which covers project activity to 30 June 2021. Funding to date has been for the Initiate Phase of the project which covers planning and design, and early commencement of Build activity.
- **Noted** an estimated contingency funding of \$4.5 million for Release 1 and 2. This will be governed

by the ACC Board and only made available to the Te Kahu project on specific submission.

- **Noted** the total funding investment to complete full delivery of the project is estimated between \$32 to \$37 million over the financial years 2020 – 2023. This includes Release 1, 2 & 3, and contingency.
- **Noted** the management forecast for Releases 1 & 2 of project is higher than budgeted in FY22 Enterprise Change Portfolio, (ECP) baseline budget, creating additional pressure in the ECP FY22 budget. Management will monitor progress and take action where necessary to manage within the overall ECP financial year budget, or if required raise with the ACC Board.
- **Noted** the management forecast for the project as included in ICIP Financial Forecast Update Board Paper November 2020 was estimated at \$20 million. Management is still confident that the total ICIP forecast will remain within \$619 million.
- **Noted** that the Chief Executive has endorsed the Te Kahu Implementation Business Case for submission to the ACC Board.

13. Strategic Platform Adoption (SPA) Business Case

Mr Fletcher introduced the paper.

The Board:

- **Approved** the drawdown of \$8.814 million (exclusive of contingency) FY21/22 and \$0.554 million for FY22/23 to deliver the migration and decommission phase of the data centre exit.
- **Approved** the contingency sum of \$2 million in FY21/22 should additional moves be required by dependent initiatives.
- **Approved** that the contingency sum to be governed by the Chief Executive, and only made available on specific submission to the Enterprise Change Authority.
- **Noted** the total funding investment to complete full delivery of the project is estimated at \$18.5 million (including contingency) over the financial years 2020 – 2023.
- **Noted** the contents of this paper.

14. D&O Insurance

Mr Healy introduced the paper. He advised that:

- The D&O insurance was appropriate having worked with legal advice, making some minor clarifications and that an additional cost of \$100,000 would be incurred.
- If the Board would like to consider other forms of insurance (eg: cyber), he could bring back other proposals.

The Board:

- **Noted** that D&O policy cover was sufficient.

ACTION: Management to present other insurance (such as cyber) options to the RAC for consideration.

TECHNOLOGY CONTRACT RENEWALS

15. Datacom

Mr Fletcher introduced the paper and responded to the Board's questions, including on financials.

The Board:

- **Approved** entry into a revised Master Services Agreement, ICT Services Supplementary Agreement, and ICT Project Services Supplementary Agreement with Datacom for up to four years in substantially similar terms as outlined in this paper.



- **Approved** that the execution of the contract documents be delegated to the Chief Technology and Innovation Officer.
- **Authorised** the financial commitment up to \$38.9 million over the next four years, bringing the whole of life cost of the agreement to \$127.6m

16. PwC

Mr Fletcher introduced the paper and responded to the Board's questions. This included discussion around the relationship with PwC, PwC's Maori Health practise, the amount of the spend and the potential re-prioritisation of budget.

The Board:

- **Authorised** the Financial Commitment of up to \$13.8m (a maximum of \$12m in time and materials, up to \$600,000 in expenses, and a maximum risk and reward component of \$1.8m) over the next financial year, bringing the whole of life cost of the MSA to \$101.1m;
- **Approved** the MSA extension and SOW for FY2021/22;
- **Noted** the \$12m represents the cap in time and material spend for PwC versus an existing PwC consultancy budget of \$7.2m. Budget will need to be identified and re-prioritised from other areas if spend is expected to be above \$7.2m; and
- **Delegated** signing of the MSA Extension and the SOW to the Chief Executive.

17. Microsoft

Mr Fletcher introduced the paper and responded to the Board's questions, including on Microsoft Azure and carbon footprint considerations.

The Board:

- **Approved** entry into the Microsoft Cloud, Software and Services Agreement (MCSSA) in substantially similar terms as outlined in this paper.
- **Approved** that the execution of the contract documents be delegated to the Chief Technology and Innovation Officer (CTIO).
- **Authorised** the financial commitment estimated to be \$31,831,666 over the Agreement term (3 years).

MONTHLY REPORTS

18. Health, Safety and Wellbeing Report

The Board took the paper as read and:

- **Noted** progress towards becoming a leader in health, safety and wellbeing.
- **Noted** there were no notifiable events in May 2021.
- **Noted** the health, safety and wellbeing indicators.

19. Litigation Report

The Board took the paper as read.

9(2)(a) joined the meeting at 3.50 pm.

Ms Oakley provided verbal advice on the implications of the Calver decision.

9(2)(h)

The Board noted the litigation report.

20. Policy Update

The Board had no comments on the paper.

Ms Powell informed the Board of a potential \$25 million lifetime cost per year. The Board requested that it be kept informed. The Board was also informed that the option of ACC being the delivery agent for the disability transformation and system review was being explored and likely to be discounted.

The Board:

- **Noted** that the Ministry of Business, Innovation and Employment (MBIE) is providing advice to the Minister for ACC on hearing loss settings in legislation 9(2)(f)(iv), and will recommend that the Minister agree to:
 - 9(2)(f)(iv)
 - Confirm the decision by the former Minister for ACC to change the hearing loss injury-related cover threshold from 6% to 5%.
- **Noted** that ACC and MBIE advised the former Minister for ACC to retain the hearing loss cover threshold at 6% and Management do not consider there are grounds to change this position.
- 9(2)(f)(iv)
- **Noted** that 9(2)(f)(iv) as well as lowering the cover threshold to 5%, is estimated to have cost impacts ranging from:
 - An impact on the Outstanding Claims Liability of \$2 million in 2020, rising to \$4 million in 2025 (lower bound), through to an impact of up to \$20 million 2020, rising to \$24 million in 2025 (upper bound).
 - A Work Account levy impact of less than 1 cent (lower bound), through to an impact of up to 1 cent for levies in 2022/23 to 2027/28 (upper bound).
- 9(2)(f)(iv)
- **Noted** that Management will bring a discussion paper to the Board in November 2021 on the implications for ACC of proposed machinery of government changes supporting transformed Disability Support Services, as this work is still being developed.



BOARD ADMINISTRATION

21. Minutes

The Board:

- **Approved** the minutes of the meeting held on 27 May 2021 with no amendments.

22. Matters Arising

The Board:

- **Noted** the matters arising.

23. Confirmation of Decisions Made Out of Cycle

The Board:

- **Confirmed** the one matter decided out of cycle during the period of 21 May 2021 to 17 June 2021 regarding the establishment of the Nominations Committee.
- **Noted** there were no papers held over from the previous meetings.

24. Annual Work Programme

The Board:

- **Noted** the annual work programme.

GENERAL BUSINESS

The Board provided sincere thanks and gratitude to Mr Pickering for his leadership of ACC, his significant contribution and, wished him every success for the future.

There was no other general business.

The meeting closed at 4 pm.

Chair

Date