

6 December 2017

Brent Sheather
Fyi-request-6837-91426e75@requests.fyi.org.nz

Dear Mr Sheather

Reference: 0050990

Official Information Act request

Thank you for your request of 14 November 2017, made via the FYI website, which asked for the following information under the Official Information Act 1982 (the Act):

I am considering writing a story on the investment performance of ACC and would like the following information:

- *Details of management fees and performance fees payable by ACC on its various investments with fund managers*
- *The pre-tax, post-fee performance of the major asset classes ie NZ bonds, global bonds, NZ shares, Australian shares and global shares, over 1 year, 3 years, 5 years and 10 years*
- *Total investment management fees payable by ACC in the 12 months ended June 2017 and the weighted average funds under management in that period so that I can work out the average fees paid in percentage terms.*

On 15 November 2017, you discussed your request with a member of ACC's Investment Office and, after some discussion, revised your request as follows:

- *Noting the difference in asset allocation. Why is ACC more invested in bonds? I am sure there is a good reason for this and the billion dollars we manage for retail investors is 40% invested in bonds but I would just like to make sure that readers know why ACC has a more conservative strategy than the Super Fund.*
- *Could I see performance by asset class for 1, 3, 5 and 10 years and the benchmark performance with the benchmark identified. Looking at the annual report the benchmark doesn't seem to be identified.*
- *The annual report highlights the fact that fees, as a percentage of total assets, are very low but this is a little disingenuous because most of the portfolio is internally managed. A more relevant figure would be investment fees as a percentage of externally managed funds and I would be hopeful that this figure would include transaction costs and performance fees where relevant.*
- *The Super Fund has told me its rationale for passive so it would be helpful if ACC could advise its rationale for active.*

On 16 November 2017, you agreed to the following approach regarding your requests to date:

- *You will review the 2017 ACC Annual Report to see if there is sufficient information in there to answer your first and fourth bullet points below. To be clear, ACC will not work on providing information on either of these points at this moment. As discussed, if you feel that the annual report*

does not sufficiently answer your question, then we would like to suggest that you have a discussion with our [Investment Office].

- *ACC will review the second and third bullet points below and respond within normal OIA guidelines.*
- *ACC will disregard the questions raised via the FYI website.*

This response has been prepared based on the approach agreed on 16 November 2017.

Our response

Please find information on the performance by asset class for 1, 3, 5 and 10 years and the benchmark performance, with the benchmark identified, at **Appendix 1**. Please note that performance is calculated pre-costs, post withholding tax.

The external management costs include all base and performance fees paid in the June 2017 year. The cost of external management in aggregate is 0.38%; Global Equities costs 0.41%; Global Bonds costs 0.26%; and Australian Equities 0.51%. Please note transactional costs are incurred within the portfolios, and therefore the fund's performance. This is consistent with the calculation methodology adopted for the same calculations within the annual report.

Questions or concerns

If you have any questions about the information provided, ACC will be happy to work with you to answer these. You can contact us at GES@acc.co.nz or in writing to *Government Services, PO Box 242, Wellington 6140*.

You have the right to complain to the Office of the Ombudsman about our decision to withhold some of the information. You can call them on 0800 802 602 between 9am and 5pm on weekdays, or write to *The Office of the Ombudsman, PO Box 10152, Wellington 6143*.

Yours sincerely

Government Engagement & Support

Appendix 1

Asset Class	Benchmark	1 Year		3 Year		5 Year		10 Year	
		Actual	Bench mark	Actual	Bench mark	Actual	Bench mark	Actual	Bench mark
NZ Long Bonds	35% S&P / NZX 5 Year Government Bond Index, 65% S&P / NZX Mid Long End Swap Index	0.72%	-1.31%	7.84%	7.06%	5.82%	4.61%	8.72%	7.77%
NZ Index Linked Bonds	S&P / NZX Index Linked Government Bond Index	-0.40%	-0.47%	5.96%	5.66%	4.11%	3.28%	6.38%	5.90%
Global Bonds	Bloomberg Barclays Global Aggregate Credit Total Return Index (unhedged)	1.71%	-0.55%	6.59%	5.39%	6.34%	5.55%	9.44%	7.35%
NZ Equities	70% ACC Custom NZ Large-Cap 50 Index Gross; 30% ACC Custom NZ Mid-Cap 100 Index Gross	13.20%	11.02%	16.23%	14.80%	19.01%	17.89%	7.72%	6.45%
Australian Equities	70% S&P / ASX 100 Bank Adjustment Factor Index Total Return; 30% S&P / ASX Small Cap Ordinaries Accumulation Index (unhedged)	9.96%	11.81%	8.79%	8.33%	10.54%	11.04%	5.40%	2.59%
Global Equities	MSCI All Country World Index with gross dividends reinvested (unhedged)	16.97%	16.16%	13.16%	11.55%	14.61%	13.37%	6.07%	4.67%