

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**ADDITIONAL BUDGET ESTIMATES 2011-2012**

**Finance and Deregulation Portfolio**

**Department/Agency:** Future Fund Management Agency

**Outcome/Program:** Outcome 1

**Topic:** Blackstone Alternative Asset Management/ Lazard Asset Management Pacific Co

**Senator:** Cormann

**Question reference number:** F62

**Type of question:** Hansard F&PA Committee, page 53, 14 February 2012

**Date set by the committee for the return of answer:** Friday, 30 March 2012

**Number of pages:** 2

**Question:**

**Senator CORMANN:** The Future Fund has released a series of documents under FOI, and I note that the Future Fund invested \$2.168 billion through Blackstone Alternative Asset Management in 2010 and 2011, and that in October 2011, Paul Costello, who used to be of the Future Fund, joined Blackstone. Did Mr Costello have any role in allocating those funds to Blackstone?

**Mr Neal:** No, I do not believe so. I am just trying to remember the exact timing.

**Senator Wong:** We will take on notice the precise sequence of events.

**Senator CORMANN:** You are taking that on notice?

**Senator Wong:** I think it is fair. You are making an inference.

**Senator CORMANN:** No, I am just asking a question.

**Senator Wong:** The inference behind the question is fairly serious so we will treat the question seriously, which means we would need to look at when those decisions were made and what the involvement was, if any, at that time and make any other inquiries. We will do that.

**Senator CORMANN:** According to the same document the Future Fund also allocated \$2.174 billion to Lazard Asset Management Pacific Co. in September 2010.

**Senator Wong:** Which document are you referring to? The FOI document?

**Senator CORMANN:** That is right.

The former finance minister Tanner announced he was joining Lazard in September 2010.

Can you provide us with a similar sequence of events in the process of decision making—just to give us assurance there?

**Senator Wong:** We will do that, but I am going to respond to that inference. You and I both know that ministers are removed from investment decisions of the fund.

**Answer:**

Mr Costello was General Manager of the Future Fund Management Agency in the period between August 2010 and November 2010 when the Board of Guardians decided to appoint Blackstone and provided initial funding.

Under the *Future Fund Act 2006* the Board of Guardians is responsible for investment decisions. The Agency's sectoral investment teams develop investment recommendations for the Board focusing on the degree of alignment to the Board's strategy and extensive due diligence of the specific opportunity. The process is overseen by the Chief Investment Officer (CIO) and includes reviews and approvals through the investment team. To progress to the Board for consideration, recommendations must be supported by both the CIO and the General Manager. The Board makes the final decision on the recommendation based on its independent consideration of the opportunity. This was the process adopted in the selection of Blackstone.

Lazard Asset Management Pacific Co (Lazard) was initially appointed as an investment manager by the Board in March 2008 and received funding at various times since then.

In line with the governance arrangements established by the *Future Fund Act 2006*, the former Minister for Finance and Deregulation, the Hon Lindsay Tanner, was not involved in any way with the Board's decision to appoint Lazard.