

Conflicts of interest – SuperEasy KiwiSaver Superannuation Scheme

9 March 2018

This document describes the nature of the conflicts of interest that currently exist, or are likely to arise in the future, for the SuperEasy KiwiSaver Superannuation Scheme (**Scheme**), and the steps that have been (or will be) taken to manage these conflicts.

A conflict of interest means a financial or any other interest, a relationship, or any other association of Local Government Superannuation Trustee Limited (**LGST**) (the trustee of the Scheme), of Civic Financial Services Limited (**Civic**) (the Administration Manager of the Scheme), or of a relevant person that would, or could reasonably be expected to, materially influence the investment decisions of LGST or Civic (or both) in respect of the Scheme.

A 'relevant person' means –

- a director of LGST; or
- a senior manager of LGST; or
- an employee of LGST who has a significant impact on the investment decisions that are made in respect of the Scheme; or
- an associated person of LGST (or a director or senior manager of that associated person).

Details of conflicts of interest that currently exist, or are likely to arise in the future, are as follows:

Nature of conflict	Funds affected	When and how this would or could reasonably be expected to materially influence investment decisions in respect of the Scheme
LGST is not independent of Civic, because LGST is a subsidiary of Civic.	All funds	Decisions made by LGST may be influenced by considerations of how Civic will react as LGST's holding company.
LGST and Civic are parties to an Administration Agreement dated 24 February 2017 (Agreement) under which LGST has appointed Civic to administer the Scheme and implement LGST's investment decisions.	All funds	Civic pays the underlying fund managers from the fee it receives from LGST under the Agreement, meaning Civic (and not the Scheme) benefits from any reduced fee it is able to negotiate with the underlying fund managers and third parties. However, Civic is required to invest in underlying funds and in proportions set by LGST.
All remuneration costs of the LGST directors (including the independent trustee) are set by Civic's Board of Directors and are paid by Civic.	All funds	Directors' decisions may be influenced by Civic's wishes.

Nature of conflict	Funds affected	When and how this would or could reasonably be expected to materially influence investment decisions in respect of the Scheme
Directors and employees of LGST and Civic may from time to time be members of the Scheme	All funds	Decisions made by affected directors and employees may be influenced by their personal interest in the Scheme.

The steps that have been taken, or will be taken, to manage the conflicts of interest are as follows:

- LGST's lack of independence is managed through the presence of a licensed independent trustee (**LIT**) on its Board of Directors, who is appointed by the other directors of LGST and is independent from Civic. The LIT is subject to reporting obligations and a heightened duty of care. In addition, Civic only has power to appoint one of six directors to LGST's Board of Directors, and effectively holds shares in LGST on behalf of the Scheme.
- Civic does not exercise any inappropriate influence over the administration of the Scheme because its powers and discretions under the Agreement are supervised by LGST. Civic is also subject to review and reporting obligations.
- Any conflict in relation to directors' remuneration is managed because the level of remuneration of the LGST directors is informed by an independent external consultant. The directors' remuneration is usually reviewed three-yearly to coincide with the results of a review of director's fees carried out by the consultant. In addition, the Board of Directors allocates remuneration to individual directors from the pool paid by Civic, meaning there is no direct link between individual decision making and remuneration.