



STANDING COMMITTEE ON SOCIAL AFFAIRS

**REVIEW REPORT ON THE FIJI NATIONAL PROVIDENT FUND 2017 ANNUAL
REPORT**



**PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRMAN'S FOREWORD

I am pleased to present the Committee report on the assessment made to the Fiji National Provident Fund (FNPF) 2017 Annual Report.

The FNPF has evolved over the years into one of our nation's important institutions and this is not only crucial in securing the future of our ordinary Fijians but as a central pillar of our economy and the prosperity on which every members of the Fund depends on during the time of need.

FNPF is the leading player in our financial system, has given our nation a crucial asset base and is a critical partner to Government as we set out to steadily transform Fiji from a developing country into a modern nation-state.

The assessment made to the FNPF 2017 Annual Report was done in accordance with Section 109 (2)(b) of the Standing Orders of Parliament. The Chief Executive Officer (CEO), Mr. Jaoji Koroï did a presentation on their 2017 annual performance.

The Committee noted that FNPF had undertaken the reforms to address the following issues:

- to ensure the long-term sustainability of the fund;
- scheme design was not the best practice;
- improve governance and transparency;
- there was no meaningful retirement income; and
- poor services delivery.

The financial and operational results of FNPF demonstrated the commitment of its people to implement key strategies to ensure that it continues to protect the long term interests of its members. The Committee commends the overall performance of the Fund in 2017, however it is still prudent to address a few issues, as recommended by the Committee, to maintain the long-term sustainability of the fund.

I thank the Deputy Chairperson, Hon. Veena Bhatnagar, Members, Hon. Salote Radrodoro, Hon. Ruveni Nadalo, Hon. Anare T. Vadei and alternate Member, Hon. Alivereti Nabulivou contribution towards the scrutiny and the formulation of this bipartisan Report.

With these words, on behalf of the Standing Committee on Social Affairs I commend this Report to Parliament.



Hon. Viam Pillay

Chairperson of the Social Affairs Standing Committee

RECOMMENDATIONS

The Standing Committee on Social Affairs has conducted a review of the Fiji National Provident Fund (FNPF) 2017 Annual Report and has few recommendations to be brought to the attention of the House:

Recommendation 1

FNPF to review the FNPF Act to allow those Members who have withdrawn twice to rejoin again;

FNPF Response:

The FNPF Act currently allows members who have fully withdrawn on retirement grounds to rejoin only once as a compulsory contributor. This is to accommodate members who may continue to work or find another employment after retirement. However, it should also be noted that payment of contribution is not compulsory after the age of 55 years. Recommendation is noted and any change will require consultation with stakeholders.

Recommendation 2

The appointment of Board members to include a representative of the workers;

FNPF Response:

The FNPF strongly advise against this recommendation. Directors who are appointed to serve in the Board are not there for a particular group but are required to act in the best interest of the Fund and its members. This is the international best practice for governance and no properly governed institution practice what has been recommended anymore.

As part of the Fund's reform programme and to increase effectiveness in the governance of the Fund, board appointment was changed to a merit based composition. As such, the Criteria for the appointment of the Board is outlined in the Fiji National Provident Fund Act 2011. Section 7 (3) of the FNPF Act states that the Board is appointed by the Minister.

In order to ensure proper conduct of the Board, the Board appointed must pass the Fit and Proper test undertaken independently by the Reserve Bank of Fiji as the Fund's Regulator. The Fit & Proper assessment criteria includes Good Character, Competency and Capability and Financial Soundness. The RBF provides this assessment directly to the Minister for his consideration in the appointment process. It is to be noted that in view of ensuring independence in the Board appointment process and to get competent directors on the Board, the appointment of directors is done by Government as per FNPF Regulations 2014 Section (4).

Section 7 (3) (c) ensures appropriate mix of skills and expertise required amongst the Board members and these include:

- Investment management;
- Corporate governance;
- Accounting and auditing;
- Finance and banking;
- Risk management;
- Law;
- Actuary or Auditor; and
- Information technology or a similar engineering discipline.

The skills mix ensures that the directors as a whole perform the duties as directors of the Fund in the best interests of all the members. Furthermore, it is also to be noted that the Fund has grown over the years from a superannuation focus to a social security institution with the intention of continuously growing the funds through prudent investment and higher rate of returns for its members during employment and after retirement. This drives the need to have Board members with competency in different fields of expertise rather than representative based.

Recommendation 3

FNPF to consider strategies to address the low balance issue of the majority of the members of FNPF;

FNPF Response:

One of the first steps undertaken during the reforms was to reduce the grounds of pre- retirement withdrawals from 23 to just 5; that is housing, education, medical, unemployment and funeral.

The second one was to change our preservation policy. Previously a member could withdraw up to 2/3rds or 66% of his/her funds for any of 23 grounds of withdrawals and only 1/3rd was preserved for retirement. Now members are only allowed to withdraw 30/% of their funds under the five approved grounds and 70% is preserved for their retirement.

The Fund from the 1st of July 2017 has set up a Member Education & Advocacy Team to provide financial literacy focusing on retirement awareness and planning seminars to workplaces and communities. So far the Team has conducted 101 seminars with a recorded attendance of over 4030 members. We are also collaborating with the Ministry of Education where form 4 secondary school commerce students do a project on FNPF in order to inculcate to the next generation that they must plan and save for their retirement and the best time to prepare is when they are young.

Further options can be explored in the future including increasing the contribution rates and extending the retirement age.

Recommendation 4

Proper and effective collaboration between employers and the FNPF to address the issue of unidentified members and contributions.

FNPF Response:

This recommendation is noted and is part of the Fund's operating goals. The Fund introduced the Employers Portal in November 2014 to automate the contribution collection process. Employers use this e-platform to submit their monthly contribution schedules. By using this platform, members are validated upfront and there is no unidentified contributions received.

- Employers need to have their employees registered immediately as members with the Fund and have correct member details in order to submit contributions successfully on-line;
- Once the Employer submits the documents successfully on-line, an invoice is generated and the Employer uses this invoice to make its monthly contribution payments at any FNPF office or through the commercial banks.

As per the FNPF Act 2011, an Employer can be prosecuted for not keeping proper records.

Continuous Employer and member awareness on the importance of becoming a member as soon as employed and having correct and updated information is undertaken by the Fund.

Recommendation 5

- FNPF to strengthen its partnership with relevant stakeholders to ensure the effective enforcement of the Act and compliance by employers.

FNPF Response:

The FNPF encourages membership with a mission to strive to understand its customers so that they are able to offer quality services and ensure sustainable returns for a meaningful retirement.

The Fund makes every effort to ensure that legal basis of resolving the matters is used as the last resort. Employers tend to lag on their responsibilities resulting in the non-payment of employee contributions and the Fund is compelled to deal with the issue as follows:

The Fund has systems, processes and procedures in place to identify non-compliant employers:

- Compliance inspections are conducted for these non-compliant employers where inspectors check and verify employer's wages records;
- A vigorous debt recovery process i.e Departure Prohibition Order (DPO), Garnishee Order & Prosecution;
- Penalties charged on non-compliant Employers so that they do not reoffend; and
- FNPF Compliance Letter is needed for government, statutory bodies & company tenders.

The Fund also requests Employers to clear outstanding debts, suspense and accruals before the Fund issues the compliance letters. The Fund also carries out meeting with the Employers and awareness across the country to enhance its partnership.

INTRODUCTION

The Fiji National Provident Fund is a defined contribution fund that provides superannuation services to its members. The operation of the Fund is guided by the FNPF Act 2011. As such, FNPF is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji. The Fund also provides pre-retirement benefits such as housing, medical and education assistance.

The Fund has undergone major reforms in the last six years to ensure the long term sustainability of the Fund. After the reforms, the Fund has successfully achieved numerous milestones including:

- Review of the old legislation – FNPF Act 2011 (first overhaul after 45 years);
- Better preservations (70%) and reduction in withdrawal grounds;
- Improved Governance – Board appointment, provisions for prudential oversight by RBF, Fund Actuary;
- Sustainable Pension Scheme – separate fund, age-based and actuarially certified;
- New IT system – major overhaul from a legacy system (since 1980s);
- Investment Rehabilitations projects – GPH, FIL, Momi, Natadola, MyFNPF Center, Nadi Retail etc.; and
- The Organization Restructure – from 480 to 430, aligned to the new direction.

In 2017, the Fund's net surplus stood at \$359.5 million, an increase of 8.4% as in comparison to 2016 (\$331.6m). The increase in net surplus is a direct result of the 3.5% increase in investment income to \$341.5 million. Contributions collected totaled \$546.2 million compared with \$480.6 million in 2016, an increase of 13.6%. The investment portfolio increased from \$5.0 billion in 2016 to close at \$5.7 billion in 2017. In the last five years the Fund's has credited over \$1billion as interest to its members.

FINDINGS

The Committee after its scrutiny for the FNPF 2017 Annual Report in consultation with FNPF Management and identified the following findings:

1. Membership of the Board

The Committee noted that the appointment of Board members in any institution including FNPF is so critical in the governance of the institution. It was also noted that the criteria for the appointment of the Board are spelled out in the Fiji National Provident Fund Act 2011 in which the Board appointment requirement has moved away from representation and currently on merit based appointment.

However, the Committee think otherwise and feels that the Act should accommodate a representative of workers in the FNPF Board as Members should have a say on how their funds are invested and also on the returns on investment.

2. Rejoin of old Members who have withdrawn twice

The Committee found that FNPF Act 2011 does not allow those Members who have withdrawn twice to rejoin again. It was noted that the Act currently allow members only once to rejoin again as a member after they have fully withdrawn under one of the approved full withdrawal grounds and it was also stated that the Fund was entirely setup for retirement purposes.

In this regard, the Committee believes that FNPF members who have been re-employed into the workforce after retired and also withdrawn twice are the disadvantages.

3. Strategies to address Low Member Balances

The Committee noted that about 73 percent of the FNPF members which was below \$10,000 and may have a lot of factors contributed to this which caused the low balances. Whilst, the Committee commended what was done by FNPF to reduce the pre-retirement withdrawals from 23 to just 5 key indicators, which includes housing, education, medical, unemployment and funeral, and the preservation policy and the setup of a Member Education & Advocacy team.

However, the Committee believes that there are other strategies the Fund could research on to adopt to strengthen its policies and legislation to address the issue of low balances in future.

4. Unidentified Members & Contributions and Collaboration with Employers

The Committee noted in page 29 of the Annual Report that \$7.7 million are the unidentified contributions and as confirmed by FNPF that it has now continued to work with employers in trying to clear these unidentified contributions and correctly distributed to members accounts.

However, the Committee feels that there is still room for improvement for FNPF to collaborate with Employers to address and reduce the number of issues that was reported by FNPF, on the management of complaints received as well as the unidentified contributions and other related issues.

5. Strengthen of partnership with relevant Stakeholders

The Committee have noted that FNPF has introduced its Employers Portal to be used as e-platform for employers to submit their monthly contribution schedules and also the systems, process and procedures to deal with non-payment of employee contribution.

However, the Committee believe that FNPF still needs to strengthen its partnership with all relevant stakeholders such as municipal councils, registrar of business office, Fiji Revenue and Customs Services, Ministry of Employment, Productivity and Industrial, Relations, Bureau of Statistics and relevant authorities in the effective enforcement of the FNPF Act and compliance by employers.

GENDER ANALYSIS

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) where a committee conducts an activity listed in clause (1), the Committee shall ensure full consideration will be given to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

The Committee noted in the FNPF's presentation that the Fund's always ensures that recruitment and selection process complies with the Employment Relations Act and as such FNPF's internal "Recruitment and Selection Policy" aims to ensure that the Fund selects the most suitable candidate for the job on the basis of merit and abilities, and no candidate was unfairly treated on any grounds such as race, culture, ethnic or social origin, color, place of origin, sex, gender, sexual orientation, gender identity, and expression, birth, primary language, economic or social or health status, HIV/AIDS status, disability, age, religion, conscience, marital status or pregnancy". Appointment is competency based and right job fit.

The statistics for 2017 is stated below by gender (total number 480 – as stated in Annual Report).

TIER	MALE	%	FEMALE	%	TOTAL
Non-management	215	44.79%	238	49.58%	453
Management	14	2.92%	6	1.25%	20
Executive	7	1.46%	0	0.00%	7
TOTAL	236	49.17 %	244	50.83%	480

The Committee commend FNPF's current position in playing a crucial role towards men and women in Fiji who are members of the Fund.

CONCLUSION

To conclude, the Committee is pleased with the overall performance of the FNPF. As reflected in the Annual Report, the reforms have been successful and it has achieved what was set out for which basically do the building blocks for the institutions into the future. So the Fund is now in a sound and sustainable platform for the future and this signifies stability in its current financial performance.

Finally, the Committee is satisfied that all have been said and proposed in this report by the Members of the Standing Committee have supported and to drive the FNPF to fulfil its vision and that is the “securing of our future”.

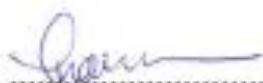
SIGNATURES OF MEMBERS OF THE SOCIAL AFFAIRS STANDING COMMITTEE



Hon. Viam Pillay
(Chairperson)



Hon. Veena Bhatnagar
(Deputy Chairperson)



Hon. Salote Radrodoro
(Member)



Hon. Anare T. Vadel
(Member)



Hon. Ruveni Nadalo
(Member)



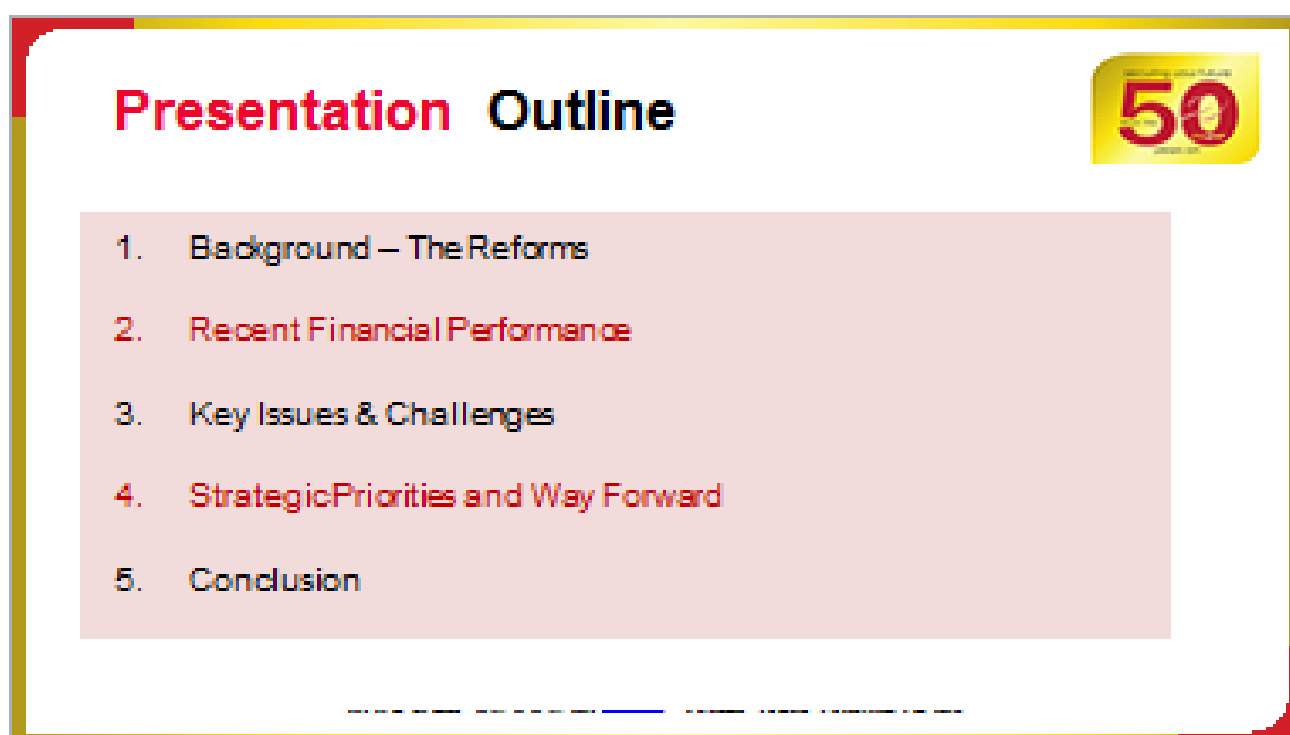
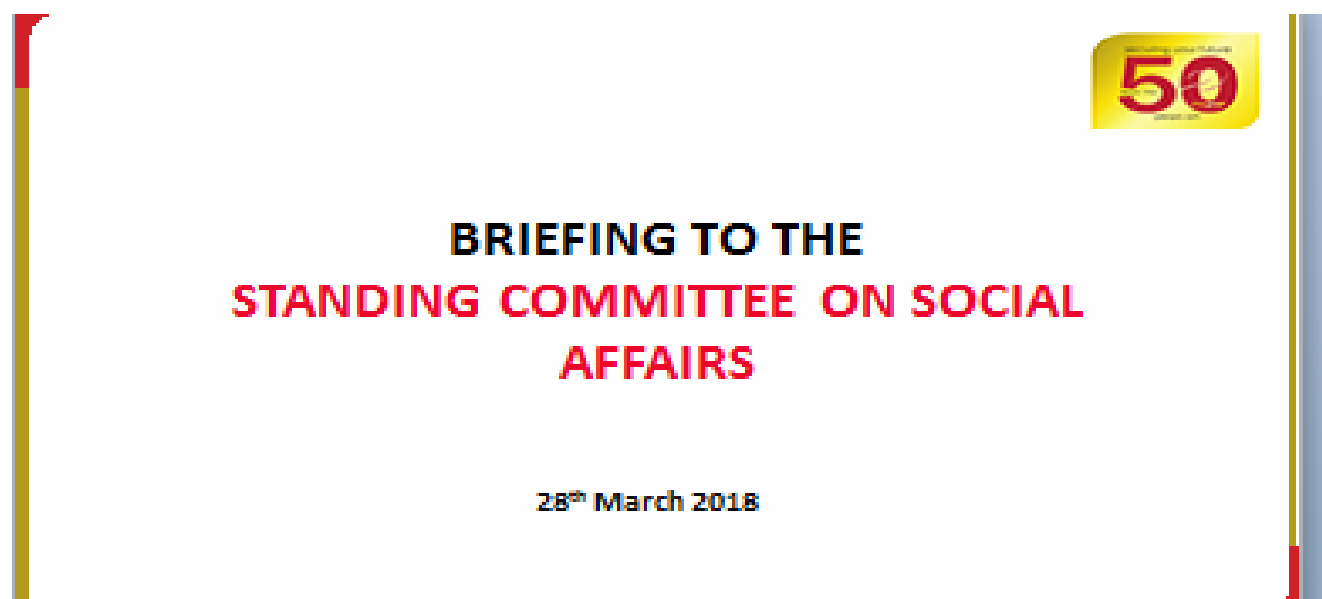
Hon. Alifereti Nabulivou
(Alternative Member)

APPENDICES

APPENDIX 1: LIST OF ACRONYMS

Acronyms	Meaning
BARC	Board Audit and Risk Management Committee
BHR	Board Human Resources Committee
BIC	Board Investment Committee
BIT	Board Information Technology Committee
SO	Standing Orders
FNPF	Fiji National Provident Fund
RIF	Retirement Income Fund
FRA	Fiji Roads Authority
GPH	Grand Pacific Hotel
MHCC	Morris Hedstrom City Center
ProMIS	Management Information System
FY	Financial Year
SDB	Special Death Benefit

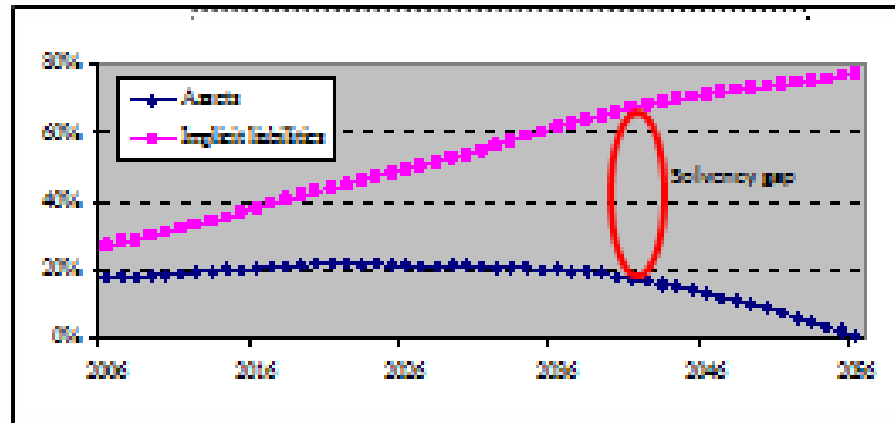
APPENDIX 2: POWERPOINT PRESENTATION BY THE FIJI NATIONAL PROVIDENT FUND



Need for Reforms



1. ADDRESS LONG-TERM SUSTAINABILITY



www.npf.gov.in
National Pension Fund (NPF)



Need for Reforms



2. SCHEME DESIGN – NOT BEST PRACTICE



- Contribution & Pension Business – Same Balance Sheet
- Current Members subsidizes Pensioners
- Liabilities for pension were only disclosed as notes in the Accounts
- Liabilities for both business not supported by appropriate assets – Solvency requirements



www.npf.gov.in
National Pension Fund (NPF)



Need for Reforms



3. IMPROVE GOVERNANCE & TRANSPARENCY

- Various Investigations – staff loans and investments
- Audited accounts were late and qualified for 2008
- 2009 – Impairment of ~\$327m of Fund's Investment portfolio.
- Lack of Disclosure & Reporting to Members
- No specific legislation for Supervisors
- No specific role for Actuary



www.npf.com.sg
(Phone: 43788888) (Fax: 43788888)



Need for Reforms



4. NO MEANINGFUL RETIREMENT INCOME

- Low Member Balance during Retirement
- Less savings for members through their working life
- Failed to secure meaningful retirement

5. POOR SERVICES DELIVERY

- Legacy System & "Internally-focused" processes
- Numerous complaints
- Monopoly Attitude – need for efficient service delivery



www.npf.com.sg
(Phone: 43788888) (Fax: 43788888)



6 years of Reforms – Achievements



1. New Modern Legislation – FNPF Act 2011 (first overhaul after 45 years)
2. Better preservations (70%) and reduction in withdrawal grounds
3. Improved Governance – Board appointment, provisions for prudential oversight by RBF, Fund Actuary
4. Sustainable Pension Scheme – separate fund, age-based and actuarially certified
5. New IT system – major overhaul from a legacy system (since 1980s)
6. Investment Rehabilitations – GPH, FIL, Momi, Natadola, MyFNPF Center, Nadi Retail etc.
7. Organization Restructure – from 480 to 430, align to new direction

FUND IS NOW MORE THAN SOLVENT



	2010	2011	2012	2013	2014	2016	2018	2017
Assets (\$ 000)	3538	3788	3884	4177	4334	4907	5120	5712
FNPF liability (\$ 000)	2872	3019	3188	3379	3680	3995	4127	4840
MR liability (\$ 000)	595	629	221	230	234	233	231	231
SDSP liability (\$ 000)	18	18	19	20	23	25	29	33
Total liability (\$ 000)	3485	3666	3418	3629	3917	4253	4387	4904
Free before solvency (\$ 000)	40	108	466	548	617	634	733	908
Member solvency (\$ 000)	287	302	317	338	388	400	413	484
MR solvency (\$ 000)	90	94	27	33	38	45	58	68
Net position (\$ 000)	-337	-350	-124	-177	-215	-209	-282	-278
As % of assets	-10%	-9%	3%	4%	5%	4%	5%	5%

Investment Rehabilitation – GPH

50

BEFORE

AFTER



www.gph.gov.pw
Phone: +671 333 7622 | email: info@gph.gov.pw



Rehabilitation – Momi Bay

50

BEFORE

AFTER



Rehabilitation – Momi Bay

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BEFORE



AFTER



Rehabilitation – Greig Street

50

BEFORE



AFTER



Customer Services



BEFORE



AFTER



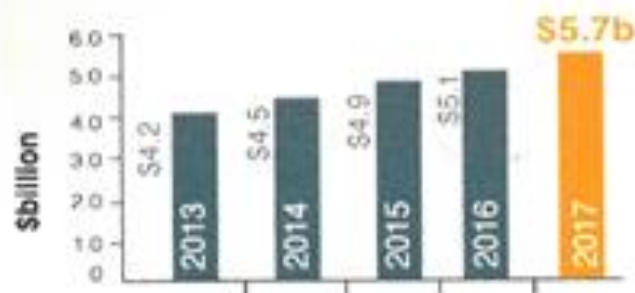
Recent Financial Performance



Key Performance Indicators



Total Assets



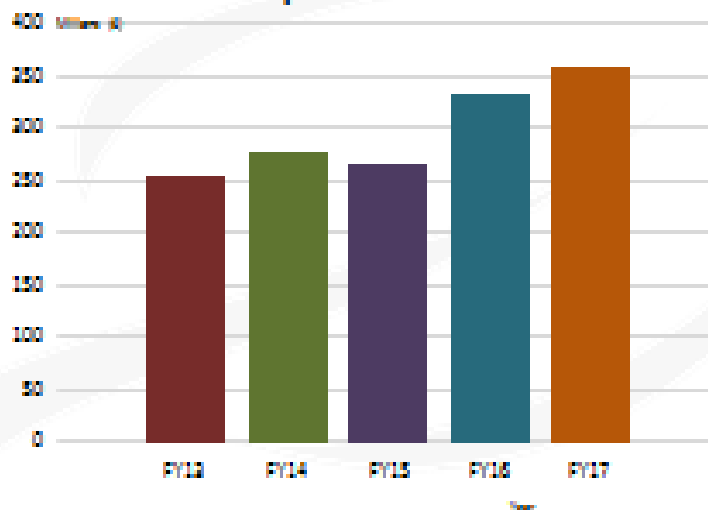
- Total assets have shown a steady growth over the years.
- For FY17, total assets stood at \$5.7b.

Key Performance Indicators



FUND FOR NATIONAL EMPLOYMENT PLANS

Net Surplus FY 2013 - 2017



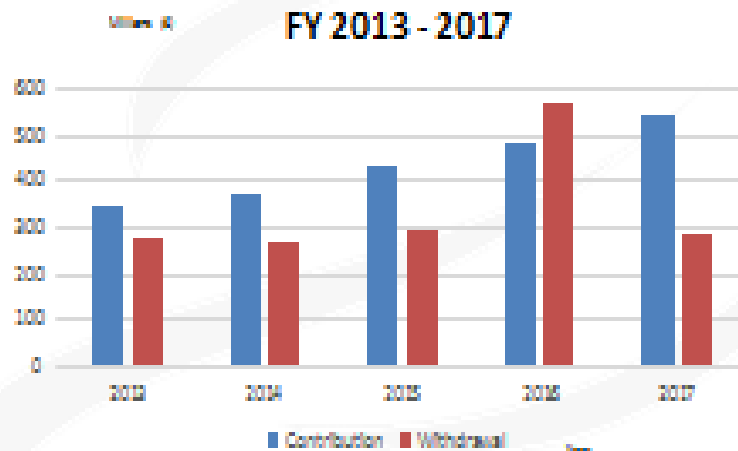
Fund recorded a net surplus of \$359.5m in FY 17. An increase of \$27.9m from the previous financial year.

Key Performance Indicators

FNU NATIONAL PROVIDENT FUNDS



Contributions and Withdrawals FY 2013 - 2017

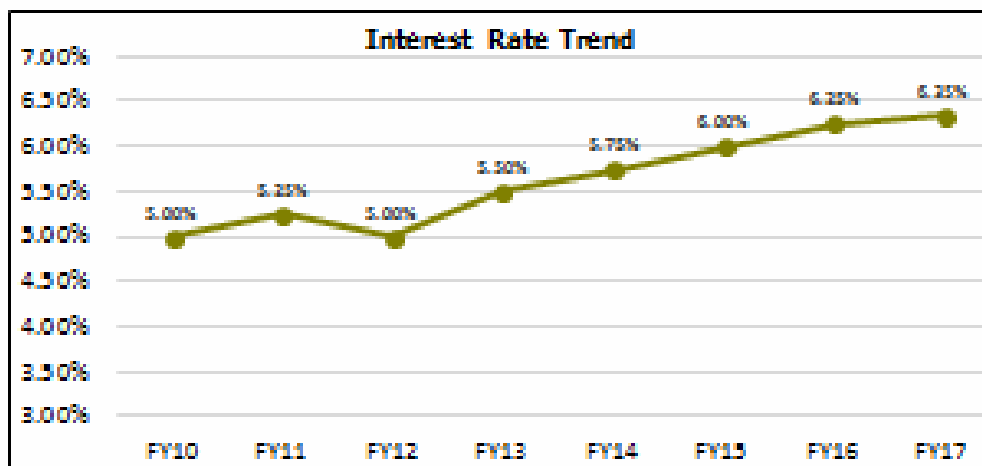


- Record contributions in FY17 of \$546.2m. This was largely due to the majority of employers now utilizing the FNUF Online Employers Portal.
- Withdrawals in FY17 normalized following the unprecedented withdrawals in FY 16 due to TC Winston.

Key Performance Indicators



Interest Rate Trend

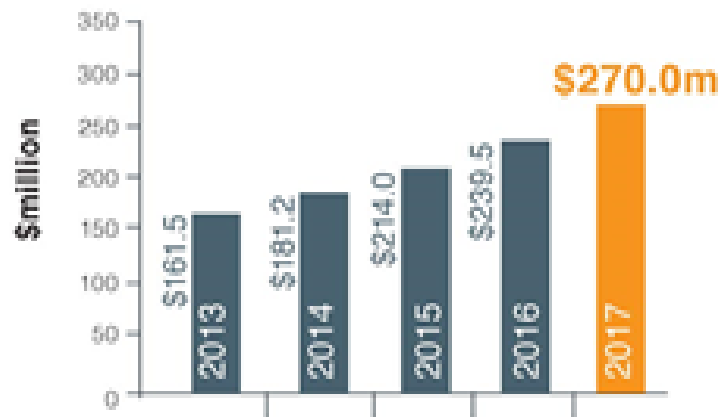


Key Performance Indicators

FNU NATIONAL PROVIDENT FUND



Interest credited to members

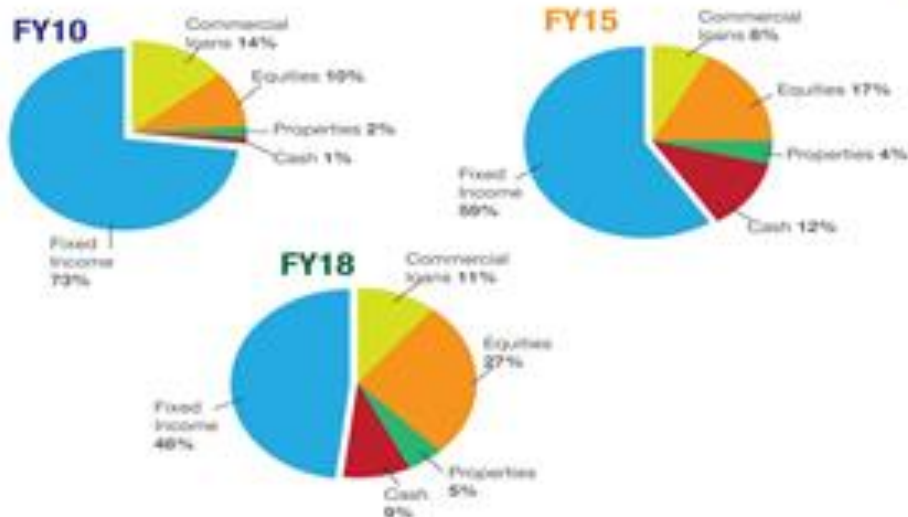


- 2017 interest rate declared - **8.35%**
- Total amount credited to members - **\$270m.**

Interest rate trends:

- 8.35% in 2017
- 6.25% in 2016
- 6% in 2015
- 5.75% in 2014
- 5.5% in 2013

Portfolio Mix





Shaping the Future – SP 2018-2020

*Transformation is a Journey,
the focus is our people*

Key Issues for the Fund



- Low Member Balances
 - Changing Societal Needs
 - Generational changes, extending coverage and being relevant
 - Major Disruptions
 - Technology, Geo-political, Environment (Adverse Weather), Cyber
 - Low-yield environment
 - Our size and investment universe
 - Limitation to Diversification opportunities
-

What does success look like?



Looking ahead to 2020, how will we know we have succeeded in implementing this Strategic Plan?

- Maintain interest credited to our member at above 6% per annum;
- Certain percentage of members have \$30,000 when reaching retirement age
- Members and pensioners can access our services anytime, anywhere and at minimal cost;
- An enabling legislation that allows for progressive extension of coverage to the informal sector and the provision of social security products such as medical insurance;
- Improve Customer Service Index;
- A more collaborative working relationship with Government on retirement matters;
- Improve Employee Engagement Index

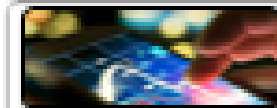
Strategic Priorities



SP 1: Strengthen our Role in Social Security



SP 2: Transform our Corporate Culture



SP 3: Digital Transformation



SP 4: Investment Diversification and Optimization

Values - ETHIC

FINANCIAL PRUDENCE FUND



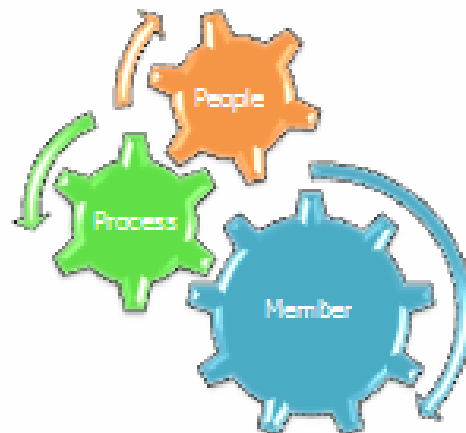
Our values make us unique. It defines the character of the Fund. These values are broken down into behaviors (do's and don'ts) in order to enable staff to live these values and support the culture of stewardship.



Culture of Stewardship Statement



"We care deeply about our members. We will always act in their best interest and have a duty to collect, invest and manage member funds to ensure that they have a sustainable future. We will build effective leaders to inspire and motivate our people to deliver results".



Conclusion

Conclusion

1. Reforms have been successful;
2. The Fund is now in a sound & sustainable platform for the future;
3. Recent financial performance signify stability;
4. We have a Plan for the next 3 years; and
5. Most of the risks are operational with an active plan to mitigate them.

APPENDIX 3: WRITTEN RESPONSES TO COMMITTEE'S QUESTIONS

FNPF 2017 Annual Report

Questions from the Standing Committee on Social Affairs:

1. **FNPF encourages membership with a mission to strive to understand its customers so that they are able to offer quality services and ensure sustainable returns for a meaningful retirement. Employers tend to lag on their responsibilities resulting in the non-payment of employee contributions, increase in the number of unidentified members because of incomplete member information and so forth. So, how does FNPF tackle these issues?**

- **Increase in the Number of Unidentified Members**

- The Fund has introduced the Employers Portal in November 2014. Employers use this e-platform to submit their monthly contribution schedules. By using this platform, there is no unidentified contributions received.
 - Employers need to have their employees registered immediately as members with the Fund and have correct member details in order to submit contributions successfully on-line.
 - Once the employer submits successfully on-line, an invoice is generated and employer uses this invoice to make their monthly contribution payments at any FNPF office or through the commercial banks
- As per the FNPF Act 2011, an employer can be prosecuted for not keeping proper records.
- Continuous employer and member awareness on the importance becoming a member as soon as you are employed and having correct and updated information.

- **Non-Payment of Employee Contributions**

- The Fund has systems, processes and procedures in place to identify non-compliant employers:
 - Compliance inspections are conducted for these non-compliant employers where inspectors check and verify employer's wages records.
 - A vigorous debt recovery process i.e DPO, GO & Prosecution
 - Penalties charged on non-compliant employers so that they do not reoffend
 - FNPF Compliance Letter is needed for government, statutory bodies & company tenders. We ask employers to clear outstanding debts, suspense and accruals before we issue the compliance letters.

2. **What are some of the penalties imposed by FNPF for employers who failed to comply or engage in fraudulent activities?**

- **Penalties Imposed**

Section	Offence	Penalty	Elements
34	Failure to register as an employer	\$10,000.00	<ul style="list-style-type: none"> - Employer - Employee - Employer not registered - Failed to give return as required under Reg (7) (1)
35	Failure to register an employee	\$5,000.00	<ul style="list-style-type: none"> - Employer - Employee - Fail to give return as required under Reg (7)(2)
37(1)(a)	Failure to pay mandated contributions	\$5,000.00	<ul style="list-style-type: none"> - Employer - Employee - Last day of each following month - Failed to pay contributions
37(1)(b)	Failure to submit remittance statement	\$5,000.00	<ul style="list-style-type: none"> - Employer - Employee - Last day of the each following month - Failed to give remittance statement as required under Reg 18
38	Failure to pay additional contributions as authorized by member	\$10,000.00	<ul style="list-style-type: none"> - Employer - Employee - Written direction - Upon confirmation by CEO(Reg 19(3)) - Failed to deduct or pay contributions
39(2)	Failure to make payments after deducting 8% of the wages	\$25,000.00 or 3 years imprisonment or both	<ul style="list-style-type: none"> - Employer - Employee - Deductions made - Not paid to the Fund
97 (2)	Interfering or impeding an inspector from performing the functions under Part 10, Enforcement	5,000.00 or imprisonment for a year or both	<ul style="list-style-type: none"> - - inspector - - a person - - interfering or impeding an inspector from performing functions under this decree
99(4)	Persons fails to answer the questions posed by an inspector	5,000.00	<ul style="list-style-type: none"> - - inspector - - a person - - person fails to answer the question posed by an inspector
99(5)	Person fails or refuses to comply with requirements under section 99, Powers to Monitor Compliance	5,000.00	<ul style="list-style-type: none"> - - inspector - - a person - - person fails or refuses to comply with requirements under s99

100(4)	Person fails or refuses to comply with requirements under section 100, Investigating Powers	5,000.00	<ul style="list-style-type: none"> - - inspector - - a person - - person fails or refuses to comply with requirements under s100
105	Contravening a DPO	5,000.00	<ul style="list-style-type: none"> - A person - Commits an offence - There is a DPO against a person - Knowledge of DPO - Person departs to another country
111(4)	Failure to comply with 3 rd party notice	5,000.00	<ul style="list-style-type: none"> - 3rd party - Notice given - 3rd party failed to comply with notice
113(1)	False or misleading declaration to Board	5,000.00	<ul style="list-style-type: none"> - Person - Makes a statement - Statement is false or misleading
113(3)	Omitting matter from statement made to an inspector	5,000.00	<ul style="list-style-type: none"> - Person - Makes a statement to an inspector - Omits matter or thing - Statement becomes misleading because of that omission
114(1)	Keeping incorrect records	2,000.00	<ul style="list-style-type: none"> - Person - Required by law to keep records - Person keeps records which are not correct
114(4)	Recklessly and intending to deceive Board by keeping incorrect records	10,000.00	<ul style="list-style-type: none"> - Person - Required by law to keep records - Person keeps records which are not correct - Knowledge/intention as in (d)
115	A person engages or allows records falsified for concealing ID and information for another person	10,000.00	<ul style="list-style-type: none"> - A person - Engages in conduct - Falsification or concealing the identity - Address or location of a place (residence or business) - The person or another person - Does or omits to do any act - Doing or omission which makes it easier to falsify or conceal the identity - The address or location of a place of residence or business - Person or another person - With intention as in 115(4)(d)(ii) or

			(iii) - Note: likely error 115. To read 114
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3. How is FNPF considering the notion for gender composition in its workplace? What were the statistics of employment in 2017?

- The Fund always ensures that recruitment and selection process complies with the Employment Relations Act and as such our internal *“Recruitment and Selection Policy aims to ensure that the Fund selects the most suitable candidate for the job on the basis of their relevant merit and abilities and no candidate is unfairly treated on any grounds including race, culture, ethnic or social origin, colour, place of origin, sex, gender, sexual orientation, gender identity, and expression, birth, primary language, economic or social or health status, HIV/AIDS status, disability, age, religion, conscience, marital status or pregnancy”*.
- Appointment is competency based and right job fit.

The statistics for 2017 is stated below by gender (total number 480 – as stated in Annual Report)

TIER	MALE	%	FEMALE	%	TOTAL
Non-management	215	44.79%	238	49.58%	453
Management	14	2.92%	6	1.25%	20
Executive	7	1.46%	0	0.00%	7
TOTAL	236	49.17%	244	50.83%	480

Please find attached listing by gender as per current stats, 28/03/2018 for your information.

4. Considering the complaints received and resolved in 2017, why is it taking time for some issues to resolve as per statistics provided, there were 70 complaints resolved later in the months? What are some of the stringent actions undertaken by FNPF in ensuring these issues do not lag and frustrate customers?

Complaints Management is performed in accordance to the Complaints Management Policy approved by the Board. It is aligned to the complaints Management policy issued by the Reserve Bank of Fiji as the Fund's Regulator.

The policy outlines procedures for handling complaints including the turn-around time. It also states the tolerance limits on complaints and the escalation levels to higher levels of authority for attention and consideration.

The overall intention of the policy is to ensure that all complaints received are acknowledged and resolved in a fair and transparent manner.

To address the question on why is it taking some time for some issues to resolve, the response is as follows:

- The Fund has in place specific turn-around times for complaint cases. For member services related complaints the cases are aimed to be resolved within 5 working days. There may be instances of incomplete information, member account updates, reconciliation and readjustments required which in some instances prolong the process.
- For Employer related complaints there is a standard turn-around time of 21 days to attend to the complaint and provide a response to the member. The TAT is exhausted in cases where recovery from Employers takes a longer time and involves legal measures to recover the funds for members.

The time taken is long due to:

- Non-cooperation from Employers;
- Absconding employers;
- Absence of records; and.
- Non-submission of pay details and period of employment by the complainant.

The Fund has to deal with a number of complexities to address some of these complaints. These are not straightforward member complaints but are highly attributed to other factors that surround the operations of the business.

Looking at the statistics, the total number of complaints that remain unresolved by the end of the FY were 8 which related to investigation and recovery cases. Table 1 summarizes the figures for illustration purposes.

Table 1

FY 17 Complaints Statistics Summary

Complaints in FY17				
	Complaints Received within the month	Complaints Resolved within the month	Complaints Resolved in Later months	Complaints pending closure as at June 2017
2016				
July	32	21	11	0
August	27	12	15	0
September	31	25	6	0
October	26	23	3	0
November	16	12	4	0
December	18	11	6	1
2017				
January	23	19	2	2
February	25	18	4	3
March	23	20	2	1
April	12	12	0	0
May	22	12	9	1
June	12	12	0	0
Total	267	197¹	62	8²

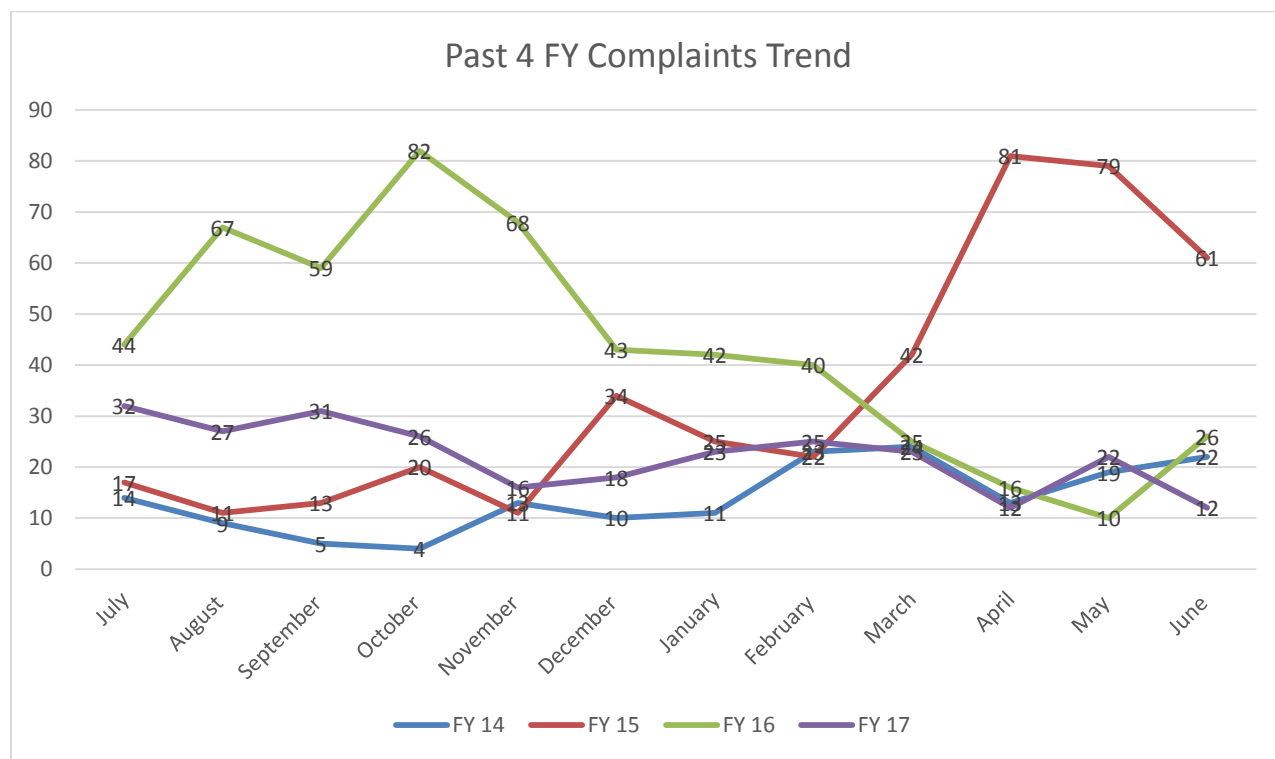
¹ The total number of Complaints resolved depicts the complaints received and actioned within the month. Cases that are open is carried forward and resolved in the following month.

² Complaints that are outstanding are being referred for further review, inspection and investigation.

Overall the complaints trend is decreasing over the number of years and this is illustrated in Figure 1:

Figure 1

Past 4 Financial Year Complaints Trend



Some actions in managing complaints include:

- The Fund has in place a Complaints Management Officer who is managing all complaints.
- Complaints are monitored daily and resolved in conjunction with the relevant Business Units.
- The Fund has brought about improvements in its service delivery operations and has adequate staff to deal with the processing of the applications.
- Introduction of lean work processes and attention to root causes of complaints.
- Closer monitoring of Employer related complaints;
- Establishment of appetite and tolerance of complaints which are monitored at Management and Executive Level through monthly complaints

- Quarterly reports are to the Reserve Bank of Fiji.

The Fund is currently working on a new Complaints Management System to integrate the complaints process and create better handling and efficiency in recording and resolution of the complaints on a real time basis.

The Fund is mindful of the need to provide a fair platform for review of decisions and a Code of Fair Practice is in place as required under Section 74 the FNPF Act. This requires the Fund to deal with members fairly and transparently.

Furthermore, the Fund has also a Review of Decisions Scheme as per Section 18 of the FNPF Act to ensure that member grievances are dealt with independently.

5. **The Committee commends the number of projects that were completed in 2017, however, one area of concern was the successfully completion of the My FNPF Centre located in Greig Street, the issue here is that, during times of heavy downpour, the area seems to be flooded affecting the nearing shops within the complex, weren't there proper EIA evaluation and assessment for consideration of this issues? What actions have been undertaken or considered?**

The drainage issue at Greig street is a longstanding issue that have been raised with Suva City Council on numerous occasions in the past prior to the transfer of road infrastructure to FRA. The My FNPF Center is one of the investment rehabilitated under the FNPF Reform program due to the non-OHS compliance of the building but to also address our tenant flooding issues as water used to sip into the tenancy spaces in the old building. When the building was re-developed, FNPF lifted the property to around 1.5 meters above mean sea level at the centre of the property to prevent spillover of the water into the building. During spate of heavy downpour, the water now builds up on the side as it cannot spillover into the new building. The FRA had indicated in a recent press release and we quote that "FRA did not build the road higher because this would entrap the storm water runoff behind the road resulting in increased flooding and damage to properties" unquote. FRA General Manager Network Operations Mr Goes also confirmed in the press release that "The improvement work that FRA completed on Greig street included extra drainage outlets stabilizing the road pavement applying a high quality asphalt surface of the road and increased car parking spaces along with solar powered lights along a safe fenced seawall" unquote.

We noted that the drainage issue is not only restricted to My FNPF Center but also the adjacent Harifam Center and MHCC Renwick Road side.

We suggest that FNPF continue to work with FRA on exploring long term solution on the drainage issue.

6. What are some of the challenges faced in 2017 and the counter measures undertaken to reduce these challenges as way forward for FNPF?

This will be discussed a part of the presentations.

7. What is the progress of the review made by the Australian Government Actuary on the Retirement Income Fund (RIF)?

The Report concludes that there are surplus in the Retirement Income Fund which the Fund can consider distribution. At this stage, the Fund Actuary is considering a formulae for distribution as well as the necessary legal provisions.

8. What other new retirement products that are offered by FNPF, this is apart from the Special Death Benefits (SDB)?

Apart from SDB, we also have the life pension and term annuity. There is also a plan to introduce a new product – Drawdown Account.

9. On the Membership of the Board, what are the criteria for appointment of Board Members? Why is there are no workers representative in the Board?

The Criteria for the appointment of the Board is spelled out in the Fiji National Provident Fund Act 2011.

Section 7 (3) of the FNPF Act states that the Board is appointed by the Minister and in FNPF case the line authority is the Minister for Economy

The Board appointed must pass the Fit and Proper test conducted independently by the Reserve Bank of Fiji. The Fit & Proper assessment criteria includes Good Character, Competency and Capability and Financial Soundness. The RBF provides this assessment directly to the Minister for Economy for his consideration in the appointment process.

Section 7 (3) (c) outlines the appropriate mix of skills and expertise required amongst the Board members. These include:

- Investment management;
- Corporate governance;
- Accounting and auditing;
- Finance and banking;
- Risk management;
- Law;
- Actuary or Auditor; and
- Information technology or a similar engineering discipline.

This is to ensure that the directors as a whole are perform the duties as directors of the Fund in the best interests of the Fund and ensure sustainability and good governance.

Essentially, the Board appointment requirement has moved away from representation based to a merit based appointment.

10. Is there any plans by FNPF for Members who have withdrawn twice can rejoin?

The FNPF Act currently allow members only one opportunity to rejoin again as a member after they have fully withdrawn under one of the approved full withdrawal grounds.

Any change will require wide consultation because the Fund was set up entirely for retirement.

11. How can FNPF overcome the challenge for low Members balances as highlighted in page 13 of the Annual Report?

One of the first steps undertaken during the reforms was to reduce the grounds of pre- retirement withdrawals from 23 to just 5 ie housing, education, medical, unemployment and funeral.

The second one was to change our preservation policy. Previously a member could withdraw up to 2/3rds or 66% of his/her funds for any of 23 grounds of withdrawals and only 1/3rd was preserved for retirement. Now members are only allowed to withdraw 30% of their funds under the five approved grounds and 70% is preserved for their retirement.

The Fund from the 1st of July 2017 has set up a Member Education & Advocacy Team to provide financial literacy focusing on retirement awareness and planning seminars to workplaces and communities. So far the Team has conducted 101 seminars with a recorded attendance of over 4030 members. We are also collaborating with the Ministry of Education where form 4 secondary school commerce students do a project on FNPF in order to inculcate to the next generation that they must plan and save for their retirement and the best time to prepare is when they are young.

12. The Board Member as the Permanent Secretary for Economy being paid the allowance or retained by the Ministry?

The fees and allowances paid to the Directors are in accordance to structure set by the Ministry of Public Enterprises. According to Section 12 of the FNPF Act, a Board member is paid remuneration and allowances determined by the Board with the approval of the Minister.

The Fund pays the Fees and allowances for the PS Economy to the Ministry of Economy.

In fact 2 of the Board directors do not take any fees and allowances at all.

13. On page 29, what happens to the \$7.7million unidentified contributions?

- **Unidentified Contributions - \$7.7 million**

- FNPF continues to work with employers to clear these unidentified contributions, and correctly distributed to members' accounts.

- For FNPF Compliance Letter to be issued, employers need to have their unidentified contributions resolved or advertised.
- A project team headed by Team Leader Distribution is currently clearing the suspense account.

APPENDIX 4: VERBATIM REPORT ON THE SUBMISSION BY FNPF

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON SOCIAL AFFAIRS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 28TH MARCH, 2018 AT 1.20 P.M.

Submittee: Fiji National Provident Fund

In Attendance

- | | | |
|----------------------------|---|-------------------------|
| 1). Mr. Jaoji Koroi | - | Chief Executive Officer |
| 2). Mr. Alipate Waqairawai | - | GMMS |
| 3). Mr. Uday Singh | - | GMGR |
| 4). Mr. Pravinesh Singh | - | CFO |
| 5). Ms. Siteri Saro | - | Manager Legal |
-

MR. CHAIRMAN.- Thank you, Honourable Members. Welcome once again. On behalf of the Standing Committee, I would like to welcome Mr. Jaoji Koroi, the new Chief Executive Officer - congratulations on your appointment, Sir. He is here with his team to present to the Committee regarding the 2017 Annual Report so without further ado, I will allow him to present to the Committee.

Fiji National Provident Fund (FNPF) has responded to the questions that were sent. But Sir, after your presentation if you can again talk a bit on the questions that were raised and then after the presentation, I will allow our Honourable Members to ask some supplementary questions or seek clarifications. Thank you very much and welcome. The time is yours, Sir.

MR. J. KOROI.- Thank you very much, Honourable Chairman and Honourable Members of the Standing Committee. It is an honour to be in front of you this morning to present the FNPF Financial Reports 2017. The financial year 2017 ends in June so these results are basically a bit late in terms of, it is already nine months into the operations for the Fund.

Briefly just to introduce the team who are here, we have the General Manager Risk and Governance, Mr. Uday Singh, Mr. Pravinesh Singh is the Chief Financial Officer (CFO) and Siteri, she is the Manager Legal. So with that introduction, Mr. Chairman, we will proceed to the presentation.

The outline of the presentation this morning, basically we will talk about the reform journey that the Fund has been involved in. This gives us the context of where we are now. We will touch briefly on the financial performance for the last five years. What are the key issues and challenges for us? What are the strategic priorities and some of my conclusions?

In the long term the need for the reform, this is really talking about the last six years. The last six years for the Fund has been about the reforms and one of the key focus areas was to address the long term sustainability of the Fund. As you know this is not a new area. It was there all along in terms of the solvency for the Fund into the future. Solvency means the ability of the Fund to meet

the promise to its members when they fall due. Not only now but long into the future. So, how do we ensure that this is maintained not only for the current members but for those will retire 20 years or 30 years from now?

This is a graph that was prepared by the World Bank in 2004. Basically extrapolating the assets and liabilities for the Fund. As you will know from the graph, Mr. Chairman that the solvency gap continues to grow into the future. If no changes were made, by 2056, we would have sold off all our assets and just meeting the liabilities from the money that comes in. Those were precarious situations that we do not want the Fund or Fiji go in the future.

The need for the reforms. The scheme design and obviously FNPF has been in existence for 50 years and it is a long time to rely on the same design. Some of the issues; contribution and pension business were managed from the same balance sheet. Current members subsidised pensioners and liabilities for pensioners were only disclosed as notes in the accounts and liabilities for both businesses were not supported by appropriate assets and solvency requirements.

Improving governance and transparency. There was basically a strong need to improve this. Various investigations as you know were conducted by the Fund particularly on the staff loans and other investments. The audited accounts were late and qualified in 2007-2008. So these are symptoms of improper governance that were there with the Fund.

In 2009, we also impaired about 9 percent of the investment portfolio; \$327 million of the Fund's investment was impaired. The lack of disclosure and reporting to members and no specific legislation for supervisors and no specific role for actuary. All these were in the loan scheme which were addressed as part of the reforms in the new legislation.

No meaningful retirement income. This continues to be a challenge for us. As you know the Fund's vision is securing members' future. What do you actually mean by that? We mean that when a member retires, there is sufficient balance to look after themselves. That is basically the vision for FNPF. We are still far from there and members that are retiring now or are reaching the retiring age, the outcome of what they have is a product of not only a year but past years of policies and how they interact with the Fund.

Number five - . Poor Services Delivery. This was basically because of a legacy system that we have and internally focussed process. There were numerous complaints and the monopoly attitude which we have continued to address.

Some achievements in the last six years. We now have a new modern legislation which was enacted by the FNPF Act 2011. It is the first overhaul after 45 years. Better preservations in terms of 70 percent and reduction in withdrawal grounds. Members now have two accounts. One is 70 percent which is basically preserved for retirement. That is a major change. Previously members can access up to two-thirds of their balances on 23 grounds of withdrawals. So basically there were expectations by the members that they can draw on their funds any time. This has now changed. Basically there are four or five key areas of withdrawals. Pre-retirement and 70 percent is locked for retirement.

Improved governance. Board appointment, provisions for prudential oversight by the Reserve Bank of Fiji. These are all new requirements in the new legislation.

The Fund must have a Fund actuary which signs off on the solvencies and all other products that we bring to the market. We now have a sustainable pension scheme; a separate fund, age-based and actuarially certified. We have to also change our new Information Technology (IT) system which is a major overhaul from a legacy system which allows us to interact more with our members. Investment rehabilitations, we have done a few - Grand Pacific Hotel (GPH), FNPF Investment Limited (FIL) and so on.

We have also conducted our organisation's restructure in June 2017 where we actually brought our numbers from 480 to 430 and also aligned the structure to the new direction of the Fund.

This table just briefly shows the solvency position for the Fund prior to the reform. You will see in 2010 and 2011, the net position which is the second last row, you will see it is negative \$337 million and negative \$290 million. That means if you apply the solvency requirements to the assets of the Fund based on the liability, they were not sufficient funds to meet the promise to our members. You will see over the years, we have built this up to about \$276 million over and above the solvency requirements. So we now have assets that are not only meeting the liabilities, also meeting the solvency requirements of 10 percent and still have a surplus of assets which are there. So I think the table clearly demonstrates the positions from the first graph that we have reversed the financial long term sustainability of FNPF.

Some of the reforms. This is just some of the investments that we have done. We have looked at, this is GPH prior and after the reform. Then we have Momi in 2017; Momi and after. We have also had Greig Street. I know there is a question on this and we will touch those questions later and also our customer services which is before and after some of the projects that were conducted in 2017.

Recent Financial Performance

The first graph is our total assets which has grown from \$4.2 billion in 2013 to \$5.7 billion in 2017. We are the biggest Fund in the Pacific, even much bigger than what PNG Funds are now. So in the last five years we have grown by about \$1.5 billion in terms of assets to the members.

Net Surplus

You will see that in 2017 there was \$359.5 million net profit that was recorded by the Fund, an increase of \$27.9 million from the previous year. This was mainly because of better results from our investment portfolio which led to increase income for the Fund.

Contributions and Withdrawals

This graph shows the amount of contributions and withdrawals in the last five years. You will see that we have continued to receive positive net contributions except for 2016 when the Fund paid out \$276 million to members during *Tropical Cyclone Winston*. Last year it was a record year in contributions basically reflecting the employer portal that we introduced which basically automate the process of contribution collections.

Interest Rates

This is the interest that we had declared to our members. Last year was 6.35 percent from 5 percent in the financial year 2010. Interest created to members in terms of amount, in the last five years we have created that \$1 billion in interest to our members. You will note, I mentioned that the total assets have grown by \$1.5 billion. Out of this \$1.5 billion, \$1 billion have contributed from the interests that we declared to our members and \$0.5 billion is the net contributions over the last five years.

This is a portfolio mix. What we have done is tried to aggressively diversify our investment portfolio which is reflected here. In 2010 about 73 percent of our portfolio were fixed income investments. This is basically Government bonds and statutory body bonds. This have come down to 43 percent as financial year 2018, so it shows the investment diversification projects that are now undertaken by the Fund.

The future - the strategic plan period for us is 2018 to 2020. The focus is really transformation. Transformation is a journey and the focus is our people, meaning there are lot of, it is not the end in itself, there will be gains and losses but hopefully we can be there in terms of focusing our efforts on our people.

Key Issues for the Fund

This was also raised as one of the questions. The key issues for the Fund is low member balances, which is number one priority for us. But this will not be addressed overnight. It requires an effort because as you know 50 years of existence of the Fund, so one of the key changes was the changes in the Preservation Policy but this effect will take time, 10 to 15 years before we actually see the impact of these changes coming through.

Changing Societal Needs

Generation change. As the economy grows, a lot more people are involved in the informal sectors. Some of these employees are quite hard to capture because the way they receive their wages are not really in the formal sectors. They may not receive it in wages they may get it in other forms. So the challenge for us is how we ensure that we extend our coverage to these sectors.

Major Disruptions

We know technology is a major disruptor, geo political issues, environment, adverse weather, *Tropical Cyclone Winston* was an example, and cyber-attack. These are issues that we have to plan for moving into the future.

Low Yield Environment

Low interest rate is common not only in Fiji but around the world. So how do we meet or get the returns that we need to meet the expectations of our members. Our size and investment universe is the domestically local and the limitations to our diversification opportunities. So these are the key challenges for us in terms of setting how we go in the next three years. We have also defined what success looks like in 2020:

- We need to maintain interest credited to our members above 6 percent, which is something that we have target for. A certain percentage of our members must have \$30,000 or more when they retire, it is still a low balance but I think we are trying to encourage people to have a better retirement planning before they retire. It is still way below what we want but it is a start in terms of where we want to drive member balances at retirement;
- Members and pensioners can access our services any time anywhere and at minimal cost. This is our digital plan enabling legislation that allows for progressive extension, coverage and also how we can increase our product offering to our members to meet our social security objectives;
- Improving customer service index and a more collaborative working relationship with Government on retirement matters. This is very important. As you know the current Government has invested quite significantly on social security, the social protection programmes of Government is quite significant. So how can we work together to make sure that we can offer a comprehensive programme for those that not only in the Government but also in our sector and;
- Improving our employee engagement index.

These are the four strategic priorities for us:

1. Strengthening our role in social security - this is really why we exist. We exist for our members, not only on retirement but also pre-retirement. So it is really on us, redefining our role because most of the time we look at FNPF in terms of the assets but we have a very huge socio economic impact for the country. So really we are redefining our role and how can we do this role better;
2. Transforming our corporate culture - how do we do things. This is something internally. We have defined corporate culture in stewardship terms and we have also defined in terms of 'Do's and Don'ts' of behaviours that we need to do with our members;
3. Digital transformation - this is ensuring that we engage more effectively with our members through digital platforms; and
4. Investment diversification and optimisation - this continues to extend our boundaries on investments where we can meet the expectations of our members.

This is just touching on our culture. These are the values of the Fund; the five core values of the Fund which is defined in acronym ETHIC which stands for Excellence, Team Work, Humility, Integrity and Courage. So this is just redefining us and also the values which underpins our core culture of stewardship. This is a new area for us because it goes throughout culture transformation, redefining how we do things and coming up with a stewardship culture that we are there for our members, we care deeply for them and ensure that we create an environment internally to drive leadership amongst our employees.

In conclusion, you will see Honourable Chair and Members that the reforms have been successful, it is achieved what it was set out for which basically do the building blocks for the institutions into the future. So the Fund is now in a sound and sustainable platform for the future and the recent financial performance signifies stability, we have a plan for the next three years and most of the risks are operational with an active plan to mitigate them. On those comments, Honourable Chair, it is a pleasure to present to you the Annual Report for Financial Year 2017.

MR. CHAIRMAN.- Thank you CEO for the presentation. Actually before I allow our Honourable Members if you can just elaborate in regards to the questions that were sent so that we can open up discussions after that.

MR. J. KOROI.- Thank you, Mr. Chairman. I will share the question around. The first question talks about the number of complaints particularly from the employers last year.

MR. P. SINGH.- Thank you CEO. Honourable Chair, Question No. 1 focuses on increase in the number of unidentified members. As CEO has alluded earlier, with effect from November, 2014 the Fund has introduced an employer portal. What is an employer portal? This is the platform through which employers are able to electronically submit their contributions. In the past, prior to November, 2014, employers would have to fill a manual form, a “CS form” we called it, and all the employee details used to be on the form, whether the details were correct or incorrect, whether the employee names carry a FNPF number or not, the employer used to just submit that form and make a payment to FNPF. Many a times, those details were incorrect.

What is different with the electronic platform which is the portal? It does not allow any incorrect member details to come through, so an employer is required by a statute to ensure that he or she registers the employee and any submission of contribution details for a particular employee is supposed to come through the e-portal; the employer portal.

Yes, we have got unidentified contributions which is one of the last questions which sits at around \$7 million. This has happened in the past but we do not allow any more to come through because obviously if you are paying contributions for a member, you need to submit his joint ID, a FRCA ID or membership number. Without that, the portal will not accept contribution. In my case, if FNPF submits contributions for Pravinesh, it will carry my TIN number and if it is an incorrect TIN number, the e-platform will not accept. This is how we intend to mitigate all future unidentified contributions.

There is a team headed by our Team Leader Distribution who is tasked with the responsibility of clearing the old unidentified contributions. It is a challenge, for example, construction companies when they make roads. They tend to hire villagers and in most cases, these villagers they do not have any FNPF number. Once our inspection team goes out and audits these particular companies, they find out that so and so villagers were employed during this casual period for which the company has in some cases, deducted but they do not have any IDs of those villagers. So we have actually received the contributions from this particular company but we are not able to distribute this to a particular villager because we do not have details.

In cases where the companies come forward and say, “we want compliance letters for any tenders or Government tenders or private tenders”, we say, “okay, first you need to clear this unidentified contribution.” This is one way we get the companies to comply. They will put out an advertisement, in some cases it will be difficult, in some cases it will not be possible because the villager might have passed on, there are no details and in some cases like for example in Wakaya Island where they do the roof thatching, they bring in boys from Naitasiri. On a casual basis they get 20 employees every month to come and do the roof. In many cases, they do not have details, so how will we find them.

These are some of the scenarios where we have got unidentified contributions. We try our best but the employer portal will stop this. We are also creating awareness with our employers and we are also going out to the employees saying that, “before you start work, the employer needs to make sure that the employee has got FNPF or Joint ID card.” These are some of the measures that FNPF has actually employed to ensure that that balance does not grow bigger.

MR. J. KOROI.- Question No. 2 on the penalties imposed.

MR. CHAIRMAN.- We will get the supplementary questions later after this.

MR. P. SINGH.- Thank you, Sir. The penalties that FNPF has got under the Act to ensure compliance from the employer as well as the employee. For example, an employer by statute is required to register himself as an employer and the responsibility also lies with the employer to register the employee; if it is a mandated employee. There are penalties in place and obviously for not complying with this. We have noted down the penalties and also we are prosecuting employers who have failed to pay the required mandated contributions.

By law, the employer is required to deduct 8 percent from the employees and contribute an additional 10 percent which is the mandatory rate. The onus under the Act sits with the employer. In some cases we found out that the employee will say, “please do not deduct this month, I have got some commitments and you can start next month.” So there are penalties for that, the employer need to deduct from day one.

Under the old 12 Day Rule where you need to work a 12 day minimum in a month then under the law you are required to pay FNPF. Now it starts from the very first minute you are employed as a worker, so you have to deduct. The responsibility, the statutory obligation lies with the employer. In that particular scenario, if we do find out that the employer has failed to deduct, we will get the 18 percent deducted and we have taken employers to court for this. There are other measures in place like we have put the employers on Departure Provision Order (DPO) and in cases where we found out that the employer has still, in case where there are not frequent travellers, we have gone out and found out third parties to whom they engage in businesses with. We have garnished them, we are getting funds from them as well. Those are still re-active approaches. Now what we are trying to do, we have discussed with CEO this week, we are going to review our operations so this is more on an engagement basis. We work with the employers, we work with the employees so there is compliance from the beginning. As opposed to we going and catching out these employers. We have got a debt policy in place. We have got these measures but we are going to review the operations in April.

The other penalties noted there, if you have got any particular specific questions, I will be happy to answer on the particular penalty.

MR. J. KOROI.- Mr. Chairman, on Question No. 3 , the gender, the composition of our workplace. We have defined there the policy which is non-discriminatory in terms of who we employ and I am pleased to say that at the end of 2017, we were basically employing more females than males.

Question No. 4, Honourable Chairman, I will pass on to Uday Singh to take us briefly through the question.

MR. U. SINGH.- Thank you, Honourable Members. This is on the complaints. My colleagues spoke about the employer related complaints. These complaint numbers were related more to member services in terms of the services we provide for partial withdrawals and so forth. We have a Complaints Management Policy that is approved by the Board and this policy is actually in line with the policy that is being devised by the Reserve Bank of Fiji.

Members will note that RBF is our regulator. They look after all our governance, risk and compliance matters on an ongoing basis. We report the statistics on complaints to the Reserve Bank of Fiji on a quarterly basis, and our reporting monitoring of complaints is done on a daily basis where we go through the Complaints Management Officer in which we have a dedicated officer. I as the GM look after it on a daily basis; what is the number of complaints from the ground.

We are very mindful of the time that we need to turn around the complaints and our policy is 5 days. Sometimes this actually goes a little bit longer as you would have noted from the Annual Reports. Some complaints were dealt with and not in the month that they were received but in later months; but they were dealt with in other words.

Because of the fact that some information are not there on the proper complaints, some complaints go through proper internal investigation process through our Internal Audit Department. Some actually require investigation by outside authorities such as Police or the FICAC. That sometimes is beyond our control, but nevertheless we do our best to liaise with them to make sure that these complaints which are a little bit complex that we are dealing with. I would just like to assure the Members that we have made a lot of progress in the past few years and complaints numbers have come down significantly in the years that we have seen. We are now introducing a new complaints management system which will be more real time based, integrated and also all the players that are involved at relevant business units will be able to see actually what the complaints are and then they need to deal with it.

Actually, it is also legislated in the FNPF Act about how the FNPF should respond to its member services and this is through the Code of Fair Practice under Section 74 of the FNPF Act which we need to make sure that all rejections and complaints matters are dealt with fairly.

Furthermore, the legislation also protects the complainants and members through a Review of Decisions Scheme that is out there. When we manage complaints and the member is still not satisfied, they can lodged an appeal and this Committee is going to be an independent one, , members from outside as well in the committee who will actually review it. So, there is a lot of room for complainants and the recourse that members can have actually relating their services. So, that is where we stand Honourable Members on any complaints and if there are any further things, we are happy to take it.

MR. J. KOROI.- On Question No. 5, this is with regards to the road adjacent to Greg Street Development. I think Mr. Chairman, in summary we have developed our building roughly about 1.5 metres above the mid sea level which is about a metre above the road. The flood does not actually flood the property, it floods the road. The comment that they made that it would be improper for them to raise the road much higher. It is a reflection of the, most of the water comes in from Nabukalou Creek which comes in through the system. Sometimes during high tide it comes overboard. So, as far as the development, the development does not get flooded because we have

raised our building above the road. It is really the roads that are flooded. But we will continue to work with the Roads Department to try and find a long term solution to this, but it will entail raising the road level.

Question No. 6 - Some of the challenges faced in financial year 2017 and the counter measures. Again I have touched on this in the presentation which is basically the low member balances and so on.

Question No. 7 - What is the progress?

The Australian Government actuary on the retirement income fund. This was a Parliamentary Question in the last Parliament session. As reported by the Minister, the report concludes that there are surpluses in the retirement income fund which the Fund can consider distribution. At this stage, the Fund actuary is considering a formula for distribution as well as the legal provisions to allow us to do so.

Question No. 8 - What other new retirement products that are offered by the Fund apart from SDB?

We also have a life pension and term annuity products for our pensioners. Their take up rate is still very low but it is mainly because members retire with low balances. The priority for us is to get members to retire on some decent amount. Only then they can have better choices in exercising products that can look after them at retirement. We are also introducing a draw down account which basically allows those that are retiring to continue to benefit from the interest and also draw down. One of the problems of the current annuity products is that it does not give the flexibility for the pensioners to draw on a bigger sum when the need arises like for medical. So, this product will cater for that need. But it still needs amendment to the Act and signing off.

Question No. 9 – On the Membership of the Board.

MR. U. SINGH.- Thank you CEO. Members will note that the Board of any institution including FNPF is so critical in the governance of the institution. You would note that in the past we had the tripartite arrangement of the Board appointment which was two employers, two from Government and two employees was in existence. There were issues of governance and management of the fund, and I think under the reform programme this got addressed and the issue was how can the Board effectively manage the institution. So, I think the model that suited the best was to make sure that the Board is appointed on competency, skill based method. So, under Section 7(3) of the FNPF Act, the Board is appointed by the Minister and in this case the line authority of the Minister is the Minister for Economy.

The FNPF merely for independent purposes does not play a role in their appointment of the Board of the FNPF under the new Act. In terms of the quality of directors, I think it is an important issue. Because merely oversight boards do not work very well in managing an institution which deals with complex operations. We need to have people who are well versed, who have skills on actuary, governance and risk.

So, under the new FNPF Act, Section 7(3)(c), it actually protects that and this is done through that the members amongst the seven directors that are there on the Board have skills in

investment, corporate governance accounting and auditing, finance and banking, risk management, law actuary, IT and similar engineering background. So, at least when we do skills matrix and the competency matrix when the Board needs to be appointed, we look at the combination of all these skills that need to combine the Board directorship. So, that is an important change and as such the Board is appointed based on skills and expertise. An independent assessment is done by the Reserve Bank of Fiji which is called the Fit and Proper Test of the directors. That report of the Fit and Proper Test is directly provided to the Minister on the genuineness of the directors. The Fit and Proper Test normally includes issues like good character, competency, capability and financial soundness so they have to prove that. That is for the Minister to consider in the appointment process. So, basically we need to see a model of the Board that works effectively for the organisation and is appointed based on skills and expertise.

MR.CHAIRMAN.- Thank you, CEO.

MR. J. KOROL.- Questions No. 10 and 11, I will ask Alipate to quickly run through those two questions.

MR. A. WAQAIRAWAI.- Thank you, Mr. Chair and Honourable Members.

Question 10 – Is there any plans for FNPF to withdraw twice can re-join.

The FNPF currently allows members only one opportunity to re-join as a member after they have fully withdrawn under one of the approved fully withdrawn grounds. That is according to Section 36(4) of the FNPF Act. Any changes to that will require wide consultation because the Fund was set up entirely for retirement.

Question No. 11 – How can FNPF overcome the challenge of low member balances.

One of the challenges that CEO has stated was the low member balances. So, one of the first steps undertaken during the reform was to reduce the grounds of withdrawals. In fact that was the first measure taken to reduce the grounds of withdrawals from 23 to the 5 core grounds that we have now:

- i) Housing;
- ii) Education;
- iii) Medical;
- iv) Unemployment; and
- v) Funeral.

The second one was to change the preservation policy. Previously a member could come and withdraw two-thirds of his money prior to retirement, prior to reaching 55 years old and only one-third was preserved for retirement. The second thing we did was change the preservation policy. You have two accounts now; 30 percent is preserved for retirement and that is what you can access for the five grounds of withdrawals and 70 percent is preserved for retirement. The fund is also addressing this by setting up a member education advocacy team. We set this up on the 1st July and so far as of yesterday we had two sessions with FDB. We have conducted about 101 workplace sessions and the recorded attendance for that has been 4,030 members. The focus is really on preparation for retirement, retirement awareness and planning.

We also have collaboration with Ministry of Education that all Form 4 Commerce students do a project on FNPF. This is an endeavour to prepare the next generation of Fijians to inculcate in them that they need to prepare for retirement. In fact, we are thinking, we are having discussions with them to even to go down to primary school students. By the way, just to add also, in the FNPF Act it allows now for children as young as 6 years to have an account and that is also part of this. But we will make the public announcement shortly when the mechanisms are ready to do that, this is also an effort on our part to inculcate members from a very young age to save for their future. Thank you.

MR. J. KOROI.- Mr. Chairman, Question No. 12 specifically about Board Member's fees.

MR. U. SINGH.- Thank you, CEO. According to the Higher Salaries Promulgation Act and also in accordance to Section 12 of the FNPF Act 2011, a Board Member is paid remuneration in allowance as determined by the Board with the approval of the line Minister.

What normally is done is that the fees and allowance paid to the Directors are in accordance to the structure set by the Ministry of Public Enterprises. So they do certain level of benchmarking in terms of what overall the Directors fees and allowance should be. Specifically as a question has asked members, in the case of the Permanent Secretary for Economy, the fees is paid to the Ministry. So that is clear that she does not receive this individually but it goes to the Ministry of Economy and this is no different than what other civil servants are required to do and the practice of the civil servants is the same requirement. I would just like to add, in fact two of our Board Directors as you would have noted in the Annual Report do not take any fees and allowance at all. In terms of the amount paid I can also disclose that the Chairman if he would have accepted the fees, he would have been paid \$12,000 per annum and the other Directors \$8,000 per annum but in fact the Chairman does not take any fees and another Director does not take any fees at all.

For the sitting allowances for the Sub-Committee meetings, the Directors are paid only \$150 per sitting and that sitting sometimes depending on the complexity of the issue lasts for about two hours or three hours so that is how our fees are measured. Thank you very much.

MR. J. KOROI.- Mr. Chairman, the last question, this is on unidentified contribution as explained earlier. We are stopping unidentified contribution hitting our systems so this is all referring to the old undistributed contributions that were there. This amount has come down to about \$4.3 million as explained earlier and the team is now working on this. About \$1.7 million is the funds that we have received but without any proper CS and the other one about \$1.3 million relates to partial payments, which means we have received the contribution but we cannot post these contributions because some details are not there. Those are the answers, Mr. Chair.

MR. CHAIRMAN.- Thank you once again CEO for all the information you have provided under the relevant questions that was sent to your office and the clarification and answers you have provided. Actually, while deliberating at the Committee stage the \$7.7 million for us is and was a real concern. But as you have just said it has gone down to \$4 million meaning that people are identifying and working to see how best you can give it back. What about the funds that will be there and you are not able to identify? Who are the actual members? Where should this money be going?

MR. J. KOROI.- Mr. Chair, this is a major improvement from where we were in the past. In some years we ended the year with \$40 million or \$50 million of fund distributed to suspense

account because it was manual, because we were receiving contributions, getting the CS forms but not validated. So now under the new system there is no new error coming into our system because it is validated upfront with the employer and only hits our account once it is validated. The team has got a timeline to resolve all these by the end of this financial year, even we will have to do some adjustments, if we are not able to do, some policies will need to be passed to ensure that we clean this out as quickly as possible.

MR. CHAIRMAN.- Thank you, CEO. Honourable Members, any questions?

HON. A.T. VADEL.- Thank you, Mr. Chairman. First of all I thank the CEO and the team for their presentation this afternoon. My supplementary question on that same question is on the employer portal that has been established in November, 2014. What is the control for those rural dwellers or rural employers who do not have that electronic accessibility and what is the challenge in that area because most of these remote islands cannot be accessed by electronic means.

MR. P. SINGH.- - Thank you for the question. Yes, that is a challenge for us. As we speak, about 50 percent of our employers have actually registered on the portal and about close to 90 percent of the contributions, for example, even last year about \$450 million would have come through the portal; that is a challenge. Our Inspection Team do go out there and the ones that have got more than 20 employees, they have actually registered on portal. So even these companies when they come for compliance letters, like I had mentioned before, they need to register on the portal. It is not like, no, we do not have access throughout Fiji, but these employers who have access, we make them get on to the portal but otherwise we are still accepting the manual submission but we validate and ensure that all the records are proper before we post.

MR. CHAIRMAN.- Thank you. Yes, Honourable Salote Radrodro?

HON. S.V. RADRODRO.- Thank you, Mr. Chairman and thank you CEO and the team for your presentation. My question, I would just like to take us to Question No. 9 on the appointment of Board Members. I heard the CEO saying that the FNPF exists for the members and the gentleman here explained the selection of the Board Members in not including representatives from the workers.

If the Fund is indeed for the workers, how can the management team influence or make a change in the selection of the Board Members? Because it is very important to have the representatives of the workers in there. If the Fund is for the workers then the workers must have a say because the Boards drives the FNPF, then the workers must have a say in the activities of the Board whether it is investment. There must be a representative there and as the gentleman said that it is merit based, that is alright. There must be meritorious workers representative around. I mean in saying that, we as workers are offended by that, you are insinuating that there are no meritorious workers around to be representative of the members. I find the explanation not convincing and that is why I am posing the question. How can the CEO and his senior management team, working for FNPF, working for the workers influence a change to be able to make the change that workers are represented on the Board? Thank you, Mr. Chair.

MR. CHAIRMAN.- Yes, CEO.

MR. J. KOROI.- I will attempt the question , Mr. Chairman. I think the change in the Act was pre-post on the fact that members' interest are the same whether you are in the union or not in the union the needs of the members are the same. It is paramount for those that come to the Board to look at the core interest of the members which is really a valid or a decent amount at retirement. So, that is the ultimate objective of any member and the Fund, when a member joins and member retires at 55 years, there are adequate balances; that is a paramount focus for the Fund. The FNPF is not really a complex business, the only area that requires a lot of governance is the investment and that is why the qualification of Directors are pre-described in the Act. But again to the question, we assume all members to be the same and the Act now requires us to interact with our members much more than before. In fact the new requirement now is for us to conduct annual forums for our members, that was not there before, and in that forum we hear directly from the members, not through a mouthpiece. So we hear first-hand what the members expect of us and we continue to change this, adjust our policies based on what we hear from the members right on the ground. So, I hope I have attempted to answer some of the questions.

MR. CHAIRMAN.- Thank you, CEO. Madam Veena Bhatnagar.

HON. V.K. BHATNAGAR.- Thank you Mr. Chairman.

MR. A. WAQAIRAWAI.- Mr. Chairman, can I just add further to Honourable Salote Radrodro's question. I think in terms of Board directorships, everyone is free to apply for board directors because it is advertised and if people are genuinely interested in serving, then they can apply for that position. I think the Ministry of Commerce or Public Enterprises does that so everyone is free to apply for board membership, but then as mentioned previously, that you are running, you are managing a \$5.7 billion organisation, this is the largest financial organisation in Fiji. In fact it is the financial, social and economic anchor of this nation. If something fails at the FNPF, the financial catastrophe and disaster is too large to fail, we cannot afford it to fail. So, it is very important that people there know to run the largest financial institution in the country and everyone is free, if they think they have got the skills and they want to come and contribute, Honourable Salote Radrodro, you are free to apply because the Public Enterprise puts out advertisements for people who are willing to serve on those boards. Thank you.

HON. S.V. RADRODRO.- Mr. Chairman, can I just respond to that explanation because I find the previous arrangement more mandatory whereby there is a requirement that there are representatives from the workers. So, it is mandatory in that way, in having removed that, and I agree yes, anyone can apply, but it is not mandatory for any representative, as long as you have, there used to be two members or a member representing the workers that makes it mandatory and the Fund will look for the right person to come and fill that position. As long as that is removed, then it takes away that opportunity or the privileges for workers to be representative on the Board.

MR. CHAIRMAN.- I believe we are all clear on that and how it is open to everyone. We also take note of what Madam is trying to explain but from your side, you have explained really well. So, I believe we are quite clear on that.

HON. V.K. BHATNAGAR.- Thank you Mr. Chairman, first of all thank you CEO and your team for the very enlightening presentation and I would also like to congratulate you on your achievement so far plus I also welcome the thought of engaging or rather getting contributions from children as young as six years. I think that is very welcoming because most parents nowadays are

very much investing in their children's future. So, this would be a very good opportunity for them to do so and looking at the graph of interest credited to members, CEO. It has been seen that there has been a consistent increase in the interest credited to members from 2013 - 5.5 percent, 2014 - 5.75 percent, 2015 - 6 percent, 2016 - 6.25 percent, 2017 - 6.35 percent so what about 2018 are there any plans to increase the interest?

MR. J. KOROI.- Thank you Honourable Member, it is a challenge to maintain the rate, as you know in our strategic plan we have set above 6 percent as our target for the next 3 years and that is what we will measure the success of our strategic plan. We will continue to declare an interest above 6 percent. So, it will depend on how much we make during the year but I think I can comment that we are tracking ahead of our budget in the current financial year and hopefully a good result can be achieved.

HON. V.K. BHATNAGAR.- Thank you. I was looking at your answer on the gender composition at your workplace and I can see that you have been engaging people on merit basis. Thank you so much but still we would like to see more women especially in the Executive positions where you have got 7 males and 0 women.

MR. J. KOROI.- Mr. Chairman, that was as at June 2017, as part of the reforms we have got our first executive female member. She is currently attending a course in Harvard and will be joining us back next week. So, we look for merit and we see the value in the contributions from our gender equality.

HON. V.K. BHATNAGAR.- Thank you, but my real question to you CEO, is there any data collated as per gender contribution?

MR. J. KOROI.- Yes Mr. Chairman, the total membership on gender basis, basically female members account for about 41.5 percent in terms of numbers. This is the number of members out of the 417,000 members, 41 percent are females. However, the total balance is only 33 percent of the total contribution so in total balances. The males in terms of numbers, they are about 58 percent and they own 67 percent of the assets of the Fund. So, there is a disparity which is a reflection of workers in the gender and all those issues. As I said, it is a long term issue hopefully as more and more female workers join, maybe you have got higher salaries et cetera then it will balance out this

HON. V.K. BHATNAGAR.- Another question leading up to that is, how are you going to change the mind-sets of these people who actually are on the minimum wage rate and do not earn much? If you talk to them about getting their FNPF contribution deducted, they are reluctant to do that because they want to take that whole sum amount home, they do not want to lose any cent out of that but they forget that if they contribute 8 percent and the employer contributes the 10 percent, that money is going to accumulate into a bigger sum. Are you facing that challenge to get the mind-sets changed of the people about contributing especially people in the lower income bracket?

MR. A. WAQAIRAWAI.- Thank you Honourable Member, that is a very good question. In fact, we tend to think that people down the lower income brackets do not want to save but as I mentioned, we have been to about 101 workplace sessions, this is ranging from garment workers and you will be surprised, they have jumped on board this additional contributions. They are actually paying above the 8 percent and 10 percent. So, when you go out and engage with them and we have

got a very powerful retirement calculator tool, they have the opportunity to look at their balances, plug in their balances and forecast their balances as they retire. So, some of them are paying additional \$5, \$10 in the long run and these retirement calculator is a game changer for Fiji now. It is changing the mind-sets of people from one of thinking about FNPF, about withdrawing to one of saving.

We have alluded to the six year old accounts also. So, the people out there, the garment workers, the low wage earners, the Water Authority workers, et cetera, they want to save as long as we engage with them and show them exactly what FNPF savings brings about in terms of the compound interest factor and the longer the term, the longer they can serve. It is really changing the mindset of people. This is why we have set up this advocacy team. We are actually going out to sort of engage with workplace. As I mentioned, we have engaged about over 4,000 people in this workshop and it is continuing.

MR. CHAIRMAN.- Thank you very much for the explanation. CEO, just looking at the report yesterday. If I am correct, about 73 percent of the members, their amount is below \$10,000.

Maybe there are a lot of factors to that like when they started work, where they were working and how much each contributed but you have also raised your concern as to what amount is there for these members and the time that is left for them to retire. So, what are the plans coming from FNPF? Your concern is that the members should retire with some good amount. Is there any plan to work on that to see how we can address this?

MR. J. KOROI.- Thank you, Honourable Chair. I mentioned that some of the changes that we have done will take effect over a period of time. Ideally and one of the strategies to work closely with Government on this in terms of what else can we do to ensure that these people, particularly those that are coming to retirement can be better protected.

In fact we have set up this Committee with Permanent Secretaries to drill down on the numbers and actually come up with better policy advice that we can work together on this front.

Member balances, as explained, the result is a few areas, one is, regular withdrawals but we have closed that gap. We have also preserved 70 percent for retirement.

The other one is low wages. Basically low wages can be also a contributor for low contributions. In fact in our workings, for those that are at the minimum wage, there is no reason, if they continue to work for 25 to 30 years and they continue to pay contributions, they should be able to at least have a balance of about \$50,000.

It will take time because the statistics in front of us are the effect of policies over past years. So we are now looking into the future on how we can better engage to make sure that those who retire maybe 10-15 years from now, should have a good balance.

This 73 percent has come down from what it was, I think 75 or 76 percent some years ago. So hopefully it will take incremental growth. But there may be other policy advisers that can dramatically change this. Thank you.

MR. CHAIRMAN.- Thank you CEO for the explanation. Honourable Ruveni Nadalo.

HON. R.N. NADALO.- Thank you, CEO. Just on the new product. On your report on Page 8, “The Fund will explore opportunities to provide medical insurance and affordable housing schemes for our members. In doing so, FNPF will also align on investment strategies to address that support social security needs for all Fijians.” Would you like to elaborate more on that, Mr. CEO?

MR. CHAIRMAN.- Thank you, Honourable Nadalo.

MR. J. KOROI.- Thank you. Through you Chair, this is one of our strategic goals which is really improving our role in social security. It is a challenge for us. There is a proposal on medical scheme for our members. We have taken it to various forums. We understand what Government’s expectation is.

One of the key fundamentals for this was to make sure that the medical facilities are readily available here. Otherwise it is going to be a costly exercise for us. That is why we are also pursuing it from that angle, in terms of investment in the private medical facilities to complement our interest in this area.

Affordable housing is always an element for us because most of those who are without houses are our members. So how can we work collaboratively to make sure that we meet the return expectations as part of investments but also achieve this objective? I think the Singapore model is something that we are following where the Singapore Provident Fund is very active in front by working closely with members to make sure that the home ownership increases but also continue to meet the returned expectations on the investment.

MR. CHAIRMAN.- Thank you, CEO. Yes. Honourable, Madam Veena Bhatnagar.

HON. V.K. BHATNAGAR.- Thank you, Chair. This is an important question, CEO. The Special Death Benefit (SDB), actually I can see here that the Fund will not pay out the \$2,000 if the Memorandum of Administration (MOA) has not been completed and filed. That means an existing member needs to fill this MOA form and assign whoever he needs to nominate to give this special benefit. So basically if he does not do it, they do not get the benefit.

MR. J. KOROI.- No. It goes to court and the court decides. So if they do not fill a nomination form, what happens is if a member passes on then that notice of death comes to us. Then if there no nomination form, we cannot distribute. According to whatever his balance, we will add another \$8,500 as SDB cover. If there is no nomination of where this money goes, this money goes to court and the court will decide.

HON. V.K. BHATNAGAR.- What about the \$2,000 to facilitate the funeral?

MR. A. WAQAIRAWAI.- That too will not come out unless there is someone being assigned that role to look after your funeral.

HON. V.K. BHATNAGAR.- Is there ample awareness on the ground that they need to do it otherwise they do not get it, even that \$2,000 to facilitate the funeral itself?

MR. A. WAQAIRAWAI.- Every time we have appeared on the radio and on the television, this is one of the things that we emphasise. Proper filling in of nomination forms so that who you intend to give your money, gets the money and also the MOA which you are referring to. The Memorandum of Administration is filled by members to nominate who you have nominated to look after your funeral or to carry out your funeral for you. Out of the \$8,500 that is paid out from SDB, \$2,000 of that will go to cater for your funeral and you would have filled in a form while you are still alive, whom you want to look after your funeral. It could be anyone. You need to have that form filled in. If that is not filled in properly, then that cannot be distributed to any relative that comes to claim that.

HON. V.K. BHATNAGAR.- Just a clarification because some of our old members, I mean when you fill, you nominate persons after your death who will be benefitting. But then there is this MOA, there is another form which now needs to be filled. Most of the time, the old members who have forgotten would think that it is done and they have nominated someone so that nomination which they have already done, still they cannot qualify to get this \$2,000 as well?

MR. A. WAQAIRAWAI.- You can change your nomination at any point in time that you want. If you were single and then you filled in your nomination form, after that you are married that nomination is null and void. So you need to fill that in, again.

HON. V. K. BHATNAGAR.- (Inaudible)

MR. A. WAQAIRAWAI.- No. You need to fill it in and nominate the person because otherwise as the CEO had alluded to, that will go to the High Court and the High Court will determine who will then have that money according to, of course being the wife.

MR. CHAIRMAN.- Thank you very much for the explanation.

HON. S.V. RADRODRO.- Just a quick last question from me. FNPF has got, I think market around has got the highest interest rate. I also like your initiative on these savings right from young age. To complement that, for members who have retired and again being employed, is there an opportunity whereby they can leave their money with FNPF until a later time when they finally retire then they decide what to do with their funds, whether they go on pension or

MR. J. KOROI.- Thank you. Honourable Chair, through you. The member does not have to take that option at 55. If you want to keep your money, you can keep it there until you finally decide. You do not have to exercise that option straightaway, you can keep the funds there until you really need it, when you are out of employment then you can make your choice then. And I think the draw down account is something that you can actually, to address particularly those who want to leave their money because it continues to earn the interest and also gives you the flexibility on drawing over a period of time.

MR. CHAIRMAN.- Thank you CEO. Any further questions Honourable Members?

HON. A. T. VADEL.- Thank you, Mr. Chairman. I thank the team for their presentation and my question is, the exhaustive number of people in the customer counters these days. How do you manage those queues because I am worried it can create frustration, it can create panic and also heart attack.

MR. CHAIRMAN.- You talking about customer service?

HON. A. T. VADEI.- Yes.

MR. CHAIRMAN.- Yes CEO, can you elaborate?

MR. A. WAQAIRAWAI.- Thank you Honourable Vadei. I think for us we know exactly what our periods are, we manage according to the peak periods when it is education, its peak periods, that is when our counters are full and we have a Q-matic system that manages that for us. For example, for funerals and things like that, that is given an express sort of thing; you come in the morning, you will get it in the afternoon. So from our perspective, the way we manage our queue system is well laid out in terms of foreseeing what are our peak periods and then making sure the relevant staff are there and that is also why we are driving members to also go onto the digital platforms. As we go around to our members, you do not need to come to the FNPF to ask simple things like balances and statements and things like that. From the comfort of your offices and from your mobile phones, you can access those sort of simple things. So we are trying to drive them away from actually physically coming to the office to also using these digital platforms to have their simple basic queries that FNPF can answer.

MR. J. KOROI.- Through you, Mr. Chairman. Customer service is something that we continue to build up to improve. We now have a system that we can interact more effectively with our members. In fact the process in the past used to be manual but it is now IT driven. So as soon as all your requirements are met, it is fed into the system and anyone sitting anywhere can approve that application. So it is something that we will continue to aspire to improve the services. IT is a platform that we want to engage more with but I take note of the comment and we will continue to aspire to improve our services.

MR. CHAIRMAN.- Thank you CEO.

HON. V.K. BHATNAGAR.- Thank you, Mr. Chairman. Actually Mr. CEO, what would be your customer ratio to the actual number of people in employment? Are you working with other relevant authorities to engage this, your customer ratio as to the actual number of people in employment in Fiji?

MR. J. KOROI.- Through you Mr. Chairman, that is a very good question. We continue to reconcile our numbers with the relevant authorities, not only with FRCA which we have an MOU with, we reconcile the number of employees, employers, sometimes there is a big difference in terms of what is with them and what is with us. We also try to reconcile in terms of the contributions that we are receiving and reflect back into the national GDP from income expenditure approach on the GDP.

Unfortunately, it is our numbers that the Reserve Bank of Fiji use as the guide for wages and salary in the economy. We would like to, maybe reconcile back with the expenditure side but it is something that we continue to achieve to do. I think we work closely with the Ministry of Employment and Bureau of Statistics, they are also out there in the field in terms of registering employers.

We all have MOUs with these institutions and try to ensure that the capture rate is quite wide. But having said that, as the economy grows, the informal sector also grows. People who are working in the informal sector, how we actually extend the coverage for them because the Fund is really for the formal sector. It is designed for the formal sector and is designed for wages and salaries. Informal sector gets compensated in a different way, so how do we extend the coverage to ensure that it can capture that too.

MR. CHAIRMAN.- Thank you very much CEO for your time. Indeed we are very happy with the presentation you have done and about your performance and we have had a very enlightening session with you with all the information you have provided to us. I believe that apart from the awareness that is ongoing, we feel that a bit more work can be done in that area so that our people are fully aware as to what all needs to be done as far as nominations and other things are concerned. Thank you very much to you and your team for the time and we are very happy about your performance and should we need any other information, our Secretariat will liaise with you before we actually report back to Parliament. On behalf of the Standing Committee on Social Affairs, I thank you very much and before you leave you can join us for tea.

The Committee adjourned at 2.36 p.m.

APPENDIX 5: RESEARCH ANNUAL REPORT SUMMARY



Annual Report Summary-Fiji National Provident Fund (FNPf) 2017 Standing Committee on Social Affairs

Vision-"Securing your Future"

Mission-"To understand our customers, offer quality services and ensure sustainable returns for a meaningful retirement"

	2017	MPs Comments
Principal Activity	The Fiji National Provident Fund is a defined benefit fund that provides superannuation services to its members. FNPf is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings, the Fund also provides pre-retirement benefits such as housing, medical and education assistance.	
Act in place	<ul style="list-style-type: none"> Trustee Act FNPf Act 2011 FNPf Transition Act 2011. 	
Organization structure	<p>The organization is controlled by the Board and then the CEO.</p> <p>The Board Structure</p> <ul style="list-style-type: none"> Chairman; Deputy Chairmen; and Three Directors 	
Projects	<ul style="list-style-type: none"> culminating in the successful completion and opening of the 250-room Fiji Marriott Resort in April the implementation of the Fund's organization restructure in June 2017. Interest declared was 6.35%, which resulted in the distribution of \$270 million to member accounts. completion of the new My FNPf Centre on Greig Street, Suva shift to the new Member Services Centre in Suva opening of the Valelevu Agency on-going roll out of the Employer Portal; launching of new e-channels Member withdrawals stabilised to \$280.7 million, a decrease of 3.5% excluding the Tropical Cyclone Winston assistance of \$275.0 million. 	



	<ul style="list-style-type: none"> The Fund's new Member Services Centre, which was opened in January 2017, provides members with end-to-end service in a spacious and comfortable environment. Nadi Retail Centre- The re-development would see a new Nadi Retail complex offering 2 levels of retail and 1 level of office spaces. FNPF and RBF sign MOU to strengthen the collaborative relationship and capacities of the two parties. FNPF and the Department of Social Welfare – MOU signing allowing information sharing FNPF wins Annual Report Category A at the South Pacific Stock Exchange Annual Report Competition for 2016 New Digital Platforms for members; myFNPF app; revamped my Fund SMS "3678"; member kiosks and revamped website 	
Investments	<p>The investment portfolio grew from \$5.0 billion in 2016 to close at \$5.7 billion in 2017. Liquidity grew from \$496 million in 2016 to \$736 million at the end of June 2017. Some key highlights for the year include the:</p> <ul style="list-style-type: none"> ATH Impairment Reversal – FNPF fully reversed the impairment amounting to \$33 million pertaining to investments in Amalgamated Telecom Holding Limited (ATH). The reversal was possible due to the improved performance of ATH over the years. Nadi Hotel Redevelopment – the construction work on the site has progressed well and the expected completion date is the end of 2018. The development will offer retail and office spaces. Completion of Greig Street Redevelopment –The new building My FNPF Centre houses Retail and Food & Beverage tenants of leading brands. Investments Offshore – During the year both the Hastings Infrastructure Fund (TIF) and the IPC Emerging Asia Fund (EAF) commenced drawdown of committed capital by the Fund. At 30 June 2017, TIF and EAF have drawn down A\$28.8 million and US\$9.1 million respectively. This investment contributed to the growth of the Offshore Equities portfolio. <p>Rehabilitation The Fund's rehabilitation programme made significant progress over the reporting period with escalated activities across underperforming asset classes that resulted in the following:</p> <ul style="list-style-type: none"> Momi Bay Resort Redevelopment – the Fiji Marriott Resort at Momi Bay was officially. Savusavu Harbourside Recovery – The Fund undertook the foreclosure process and sold the property through mortgagee sale. The Fund recovered its full capital investment including interest which enables 	

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	<p>the Fund to reverse the impairment provision of \$1.78 million booked in previous years.</p> <ul style="list-style-type: none">Natadola Bay Residential Development – The development has been completed with settlement of lots now progressing. Strategies to strengthen the current product offering are being pursued inclusive of the designing of a model house to be constructed on the site. Sales of the land estates are expected to compliment the Resort & Golf course earnings with proceeds to contribute towards reducing the Natadola Bay Resort Limited (NBRL) debt.Natadola Bay Championship Golf Course Upgrade – during the year NBRL commenced the upgrade of the Golf Course in conjunction with Vijay Singh. <p>Income</p> <p>The Fund's total investment income for the financial year was \$341.3 million compared with \$329.9 million in 2016, an increase of \$11.6 million. The income for 2016 included a sum of \$13.8 million extraordinary income resulting from booking of changes in fair market value of investment properties. Against a normalized 2016 income of \$316.1 million, the increase is \$25.4 million.</p> <p>Net performance of the investment portfolio was \$386.7 million compared with \$350.8 million the previous year.</p> <p>Vodafone pays record dividend of \$40 million to its major shareholders FNPF and ATH</p>		
Financial Position (Company's)		Fund (\$000)	Consolidated (\$000)
	Total Revenue	343,432	805,099
	Total Expense	(16,063)	439,921
	Profit before tax	329,493	379,638
	Net profit taken to reserves	89,446	67,235
	Total Assets	5,733,737	6,626,194
	Total Liabilities	21,907	1,032,852
	Total net assets	836,442	628,831
	Cash and cash equivalents at end of the financial year	550,396	752,870
Auditor's (KPMG)	Opinion	Auditor has audited the accompanying financial statements of Fiji National Provident Fund (the "Fund")	

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	<p>and the consolidated financial statements of the Fund and its subsidiaries (the "Group"), which comprise the statements of financial position of the Fund and the Group, and statement of financial position by Fund as at 30 June 2017, and the income statements, the income statement by Fund, the statements of changes in member benefits, the statements of changes in reserves and the statements of cash flows for the year then ended, and Notes 1 to 40 comprising a summary of significant accounting policies and other explanatory information.</p> <p>In auditor's opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and the Group as at 30 June 2017, and of their financial performance, changes in member benefits, changes in reserves and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).</p>	
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26 March 2018

Disclaimer

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