

# APPENDICES

## **Appendix One**

**Written Response by the Fiji National Provident Fund**



# **PRESENTATION TO THE STANDING COMMITTEE FOR **SOCIAL AFFAIRS****

**West Wing, Parliament of Fiji  
13 March 2019**

## ***Outline***



**Overview &  
Major Activities**



**Financial  
Performance**



**Future  
Plans**



**Discussions**



## Overview & Major Activities



**For over 5 decades  
FNPf has been  
securing the future  
of its members**

We have been and will be  
there for our members  
during:

- their working life and
- in retirement



## ***Strategic Focus FY2018 - FY2020***

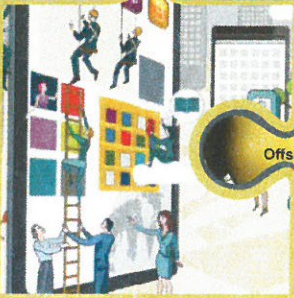
**Strengthen  
our Role in  
Social  
Security**



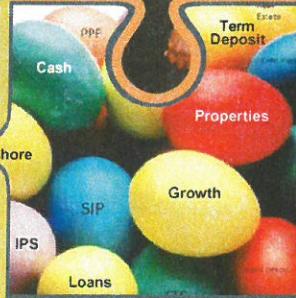
**Strengthen our  
Corporate  
Culture**



**Digital  
Transformation**



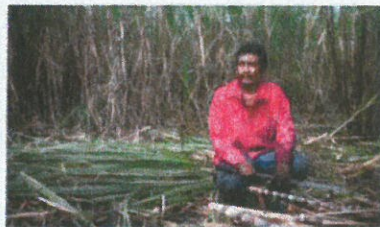
**Investment  
Diversification  
and  
Optimisation**



**Strengthen  
our Role  
in Social  
Security**



**To play a broader role in the social wellbeing of  
our members in pre and post retirement.**



MOU signed with FSC and the SGC to provide 12,000 growers the opportunity to sign up for the voluntary scheme;

MOU signed with REALB to ensure compliance by real estate companies towards their employee contributions that also covers commissions paid.





## Strengthen our Role in Social Security



Minor Voluntary product was launched on 4th February

- Minors (6-18yo):  
**121 registered to date**

- Children can start saving even before they work
- Consistency of payment is key

FNPF will next target domestic workers, taxi drivers and the informal sector.

**NO TAX &  
NO FEES**



## Strengthen our Role in Social Security



### Public Private Partnership

Contract signed with Government and Health Care Fiji Private Ltd (Aspen Medical 20%, FNPF 80%).

Aspen Medical has been selected to develop, finance and operate Lautoka Hospital, and the new Ba Sub-divisional hospital.



### Village Housing Grant

Awaiting signing of Agreement between the Ministry and FNPF

Policy has been approved and system development to be completed soon



## Strengthen our Role in Social Security

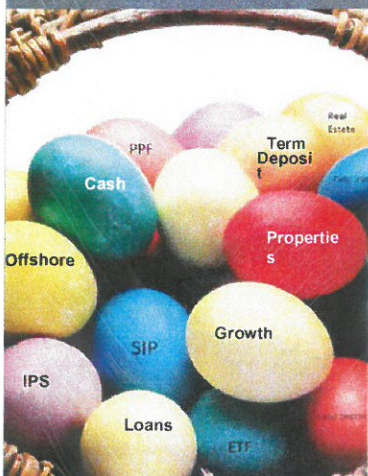


## Employer Compliance

- A total of **499 Employers** used the **penalty waiver** period from September to December 2018 to clear **\$3.25 million** in contribution debt. Total debt outstanding \$9.05m
- FNPF is strengthening its compliance function to ensure we also capture **unregistered Employers**
- Penalties are now in place



## Investment Diversification and Optimisation



**To diversify and optimise our investment portfolio focusing on increasing offshore investments and growth assets in the telecommunications, financial, infrastructure, tourism, property development, housing and medical sectors.**

### Progress:

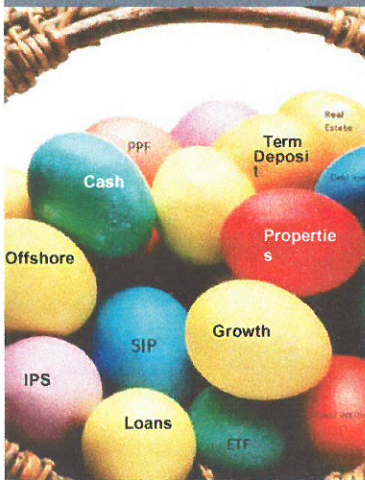
Changes to the Investment Policy statement, focusing on a more Growth-centric allocation

### Growth-Centric Asset Allocation

	Fixed Income	Growth
Previously	70%	30%
Next 5 years	55%	45%
Next 10 years	40%	60%



## Investment Diversification and Optimisation



### Marriott Denarau properties

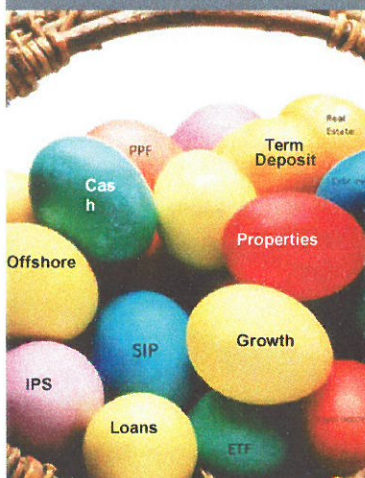
- Purchase of Marriott Denarau increasing tourism portfolio by \$277M.
- Preparation of ADB conference currently underway
- Hotels to undergo renovation from June 2019

### FNPF Place Upgrade

Works will begin in the first quarter of 2019, tender process in progress. New features include state of the art Food Court.



## Investment Diversification and Optimisation



### Nadi Retail

PBS contract was terminated due to a breach in the terms of contract.

Finalising Project Scope for completion. Project to be completed end of 2019



### Natadola Estate

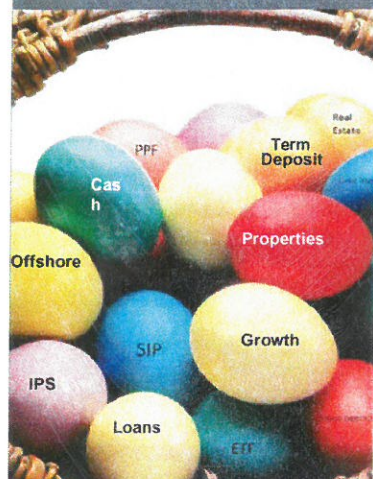
Model home completed and has been handed over to FNPF.

**10 lots sold**



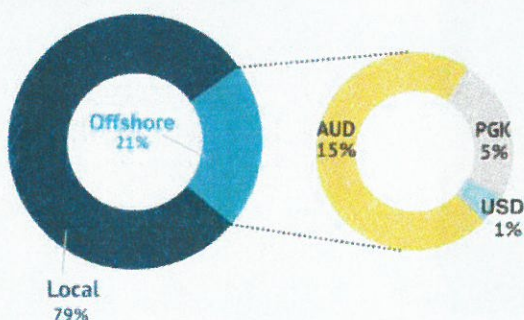


## Investment Diversification and Optimisation



Purchase **\$60M** of shares bringing total shareholding to 2.7%

- Increase in equity offshore portfolio from 17% to 21%



- Increase in the property portfolio by 41%

## Digital transformation



21,145

## Enhanced Mobile App

- **view and download** your annual statement & your interim statement (your balance as per statement request date)
- allows you to track your FNPF account
  - \* check out how much you earned over the year(s)
  - \* how much you've earned in interest
  - \* whether your FNPF contributions have been paid into your account

myFNPF App is about  
**Ease & Comfort**

You can access your FNPF account from your phone, anytime, anywhere!



## Digital transformation



### Launched

**SMS alert** to update members of status of withdrawal payment



- Enhanced Bill payment system
- M-PAiSA as new modes of payments for employers and voluntary members

## Digital transformation



### Launched



Offers members with **real-time updates** from the registration of their complaints, escalation and resolution.

Staff intranet 'Engage' where staff can connect, communicate and collaborate.





## Digital transformation

## E – Channels Uptake



Members continue to rely on FNPf's digital products when conducting daily FNPf business

- myFund \*567#  
- 15,455
- Member portal  
- 28,411
- Employer portal  
- 9,366
- Member CS Kiosk  
- 7,033

## Membership at a Glance

**429,936**

Total member numbers

Active\* compulsory members 236,058



38%



62%

Active\* voluntary members 4,864



48%



52%

Share of Wealth by Gender

Count

40%

60%

Share of Wealth

33%

67%

*Derived from members with positive balances*

Ratio female to male members



1

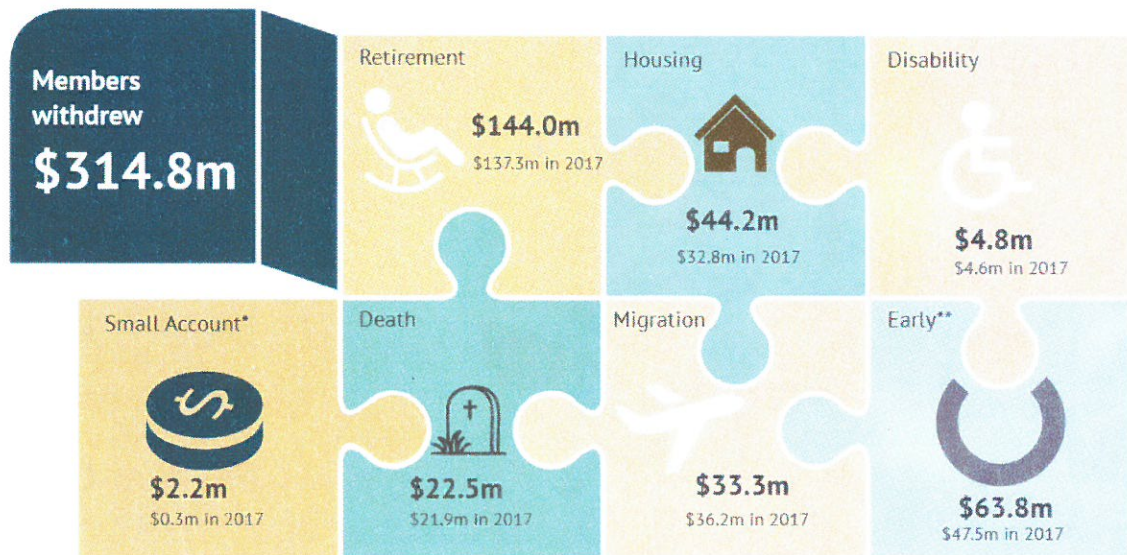
179,405



1.4

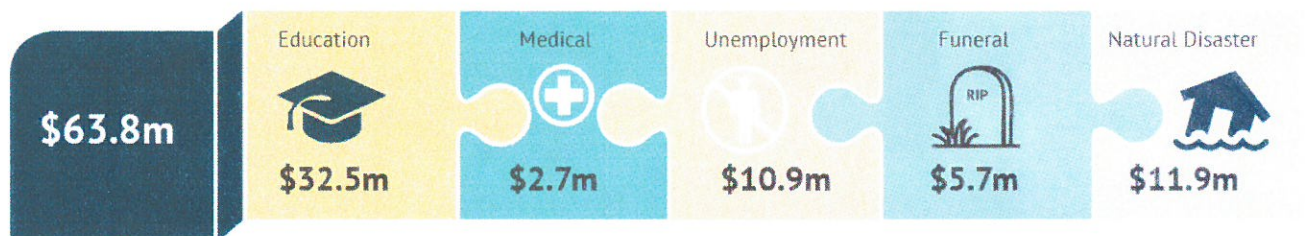
250,531

## Operational Activities



## Operational Activities

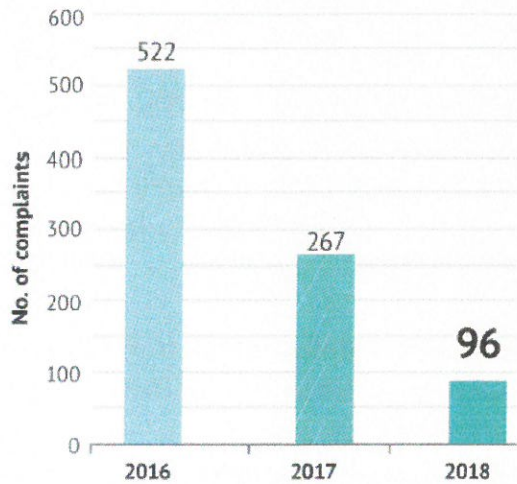
### Early Withdrawals



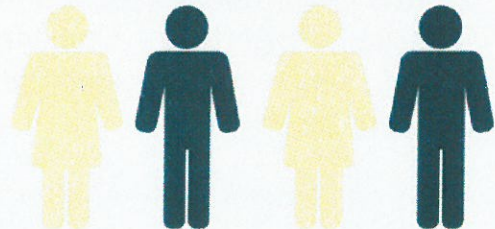


## Operational Activities

Complaints Trend (FY2016-FY2018)



Total Customers Served



Customers Served in 2018 was **552,546**  
compared with 511,966 in 2017



## Financial Performance

## IFRS 9

- Voluntary adoption of International Financial Reporting Standards (IFRS) 9, which becomes *applicable from June 2019*.
- IFRS 9 requires FNPF to **recognise certain financial assets** in the statement of financial position **at fair value** rather than cost less impairment as previously recorded.
- Revaluing investment in subsidiaries which led to a **\$66.8 million gain in 2018** and \$165.4 million was applied to 2016 and 2017. In addition, **the value of investment properties also increased by \$82.9 million** to reflect its fair value.

### Fair Market Value of



FNPF Investment in Vodafone

**\$160m**

Fair Market Value (June 2018)

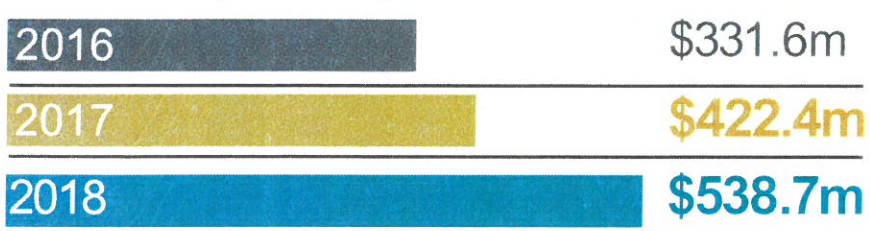
**\$210m**

- This can fluctuate based on financial performance and cash flow projections

## Financial Performance



### Net Profit (\$million)



## Financial Performance

### Investment Income



Grew to **\$564.3m**  
from \$461.8m (restated\*) in 2017

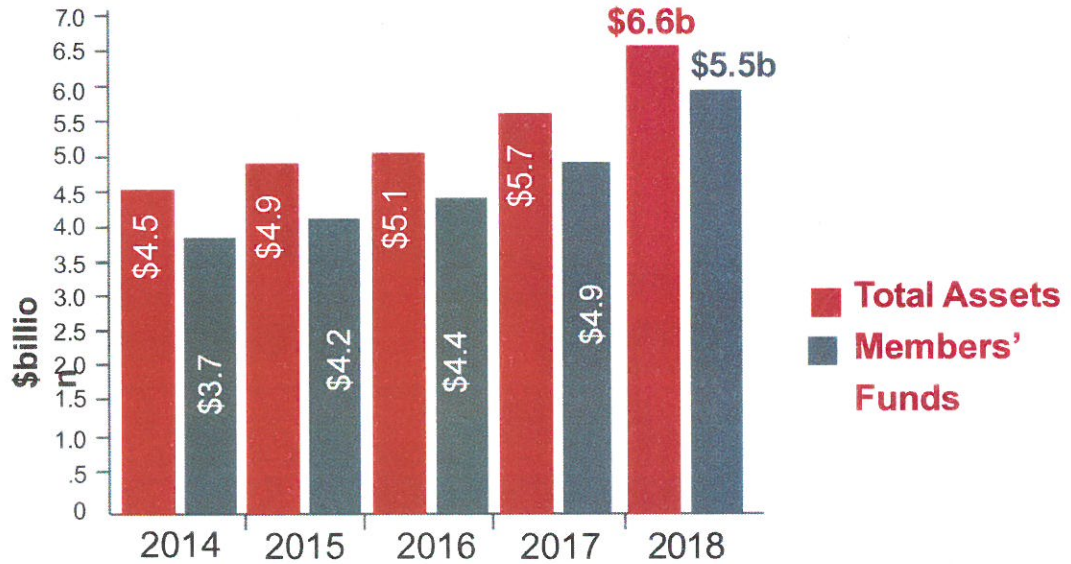
### Return on Investment

**9.6%**



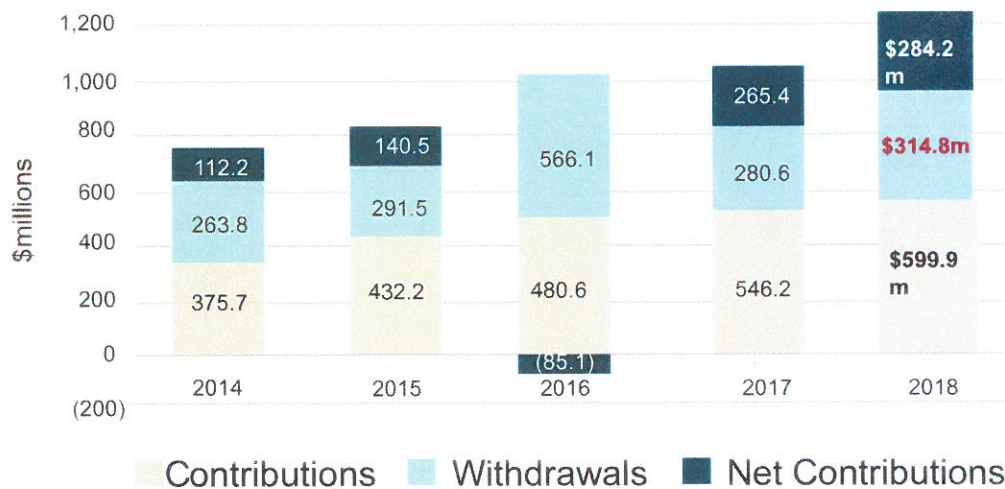
## Financial Performance

### Total Assets vs Members' Funds



## Financial Performance

### Net Contributions (Contributions less Withdrawals)





# Financial Performance

## Interest Rate



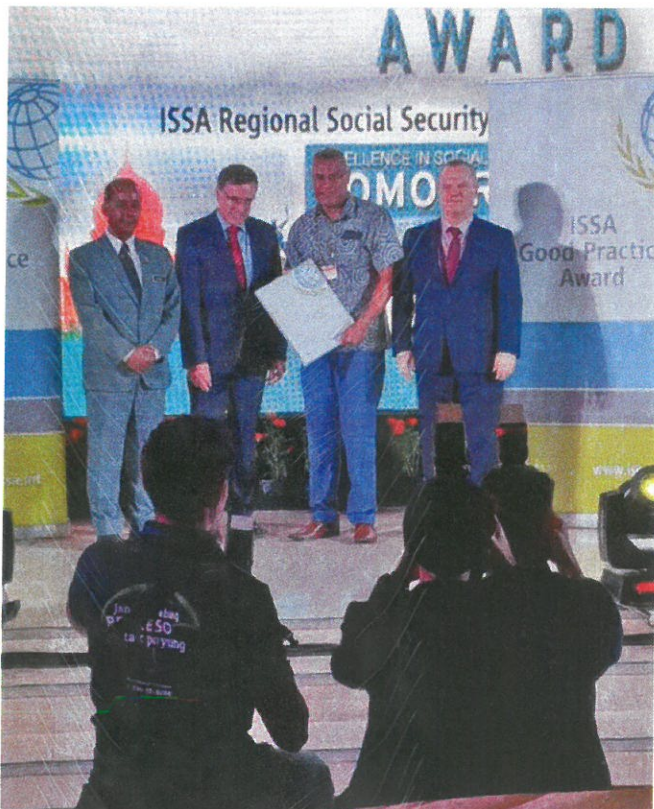
## Interest Paid

	\$ Millions
2014	181.2
2015	214.0
2016	239.5
2017	270.0
2018	297.2

## Interest Credited

**\$1.0b**

credited to members accounts in the last four years.



**Two awards were presented to FNPf as part of the ISSA Good Practice Awards Asia and the Pacific Competition 2018**

### The awards are:

- Certificate of Merit Awards for Practices in managing natural disasters: delivery of service in times of need;
- Certificate of Merit Awards for Employer Online Portal





## Future Plans

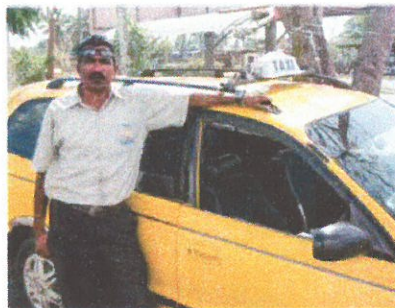
### Strengthen our Role in Social Security



#### Extend coverage

Informal sector through Voluntary product:

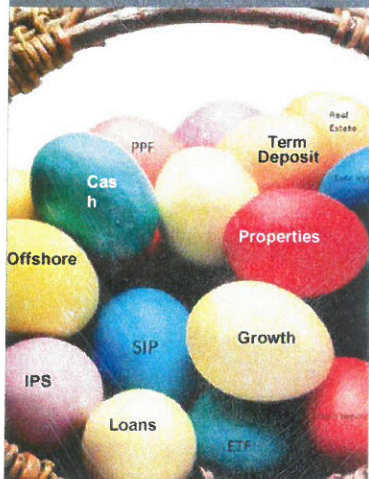
- Taxi drivers
- Domestic workers
- Minors (6-18yo)



- Explore opportunities for Public Private Partnership for **low cost housing**
- Review of FNPF Act
- New Pension product
- Consultation on Review of Special Death Benefit (SDB)



## Investment Diversification and Optimisation



- Create value in tourism value chain
- Continue implementation of the growth and diversification strategy
- Opening of Nadi Retail Centre

## Digital transformation

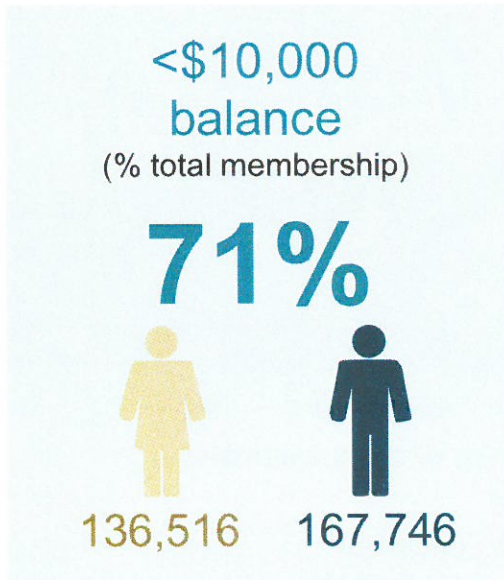


- **More services** through mobile Apps and portals
- These to include:
  - applications for partial withdrawals
  - payment of voluntary contributions
  - registration of voluntary members

- Extend self-service capability through member and employer kiosks
- Digitise debt management capacity
- Enhance data analytic capabilities



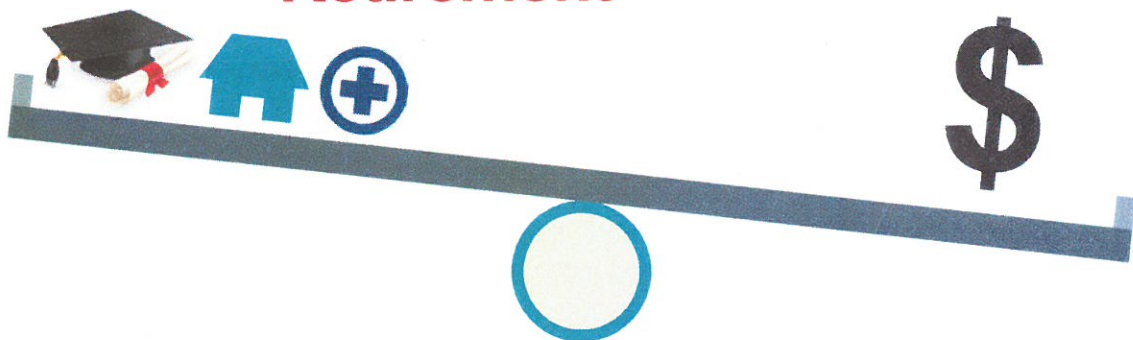
## Our Concern



### Low Member Balances

57,000 are over 50yo and will exercise their retirement option in the next 5 years

## Saving for Retirement



**Challenge** - strike a balance between assisting members achieve a better quality life and to save for retirement



## Enabling Legislation

- Address the issue of low member balances
- Extending coverage to informal sector
- Developing products to effectively meet members Pre and Post retirement needs
- To acquire a modern and less prescriptive legislation to take FNPF into the future

Full consultation process will take place prior.

## Conclusion

1. The Fund is now in a sound & sustainable platform for the future;
2. Recent financial performance signify stability;
3. Must address the strategic issues of adequacy of savings and extending coverage to the informal sectors.



## Discussions

## **RESPONSE TO ISSUES RAISED BY THE SOCIAL AFFAIRS STANDING COMMITTEE OF PARLIAMENT ON THE FNPF 2018 ANNUAL REPORT**

FNPF's comments on the issues raised by the Social Affairs Standing Committee are as follows:

### **1. Brief the Committee on the functions of the Fiji National Provident Fund.**

The Fiji National Provident Fund is a defined contribution fund that provides superannuation services to its members. The operations of the Fund is guided by the FNPF Act 2011, with section 6 prescribing its functions and responsibility to:

- collect and manage contributions,
- hold, invest and manage the funds,
- research, develop and offer financial products and services,
- conducting education and awareness programs, including publication of materials to promote savings for retirement, and
- providing the Government of Fiji advice on matters affecting retirement savings.

FNPF is a major investor in Fiji and one of the country's largest property owners. The Fund also owns majority shares in Amalgamated Telecom Holdings Limited, Vodafone Fiji Limited, Home Finance Company Limited, and fully owns Natadola Bay Resort Limited, Holiday Inn Suva, Momi Bay Resort Pte Limited, Grand Pacific Hotel and Sheraton and Denarau Villas.

### **2. What are the key challenges FNPF faces whilst trying to achieve its strategic objective and how is it planning to overcome these challenges?**

- i) The Fund continues to manage the ongoing challenge of low member balances. As of 30 June 2018, a total of 71% of our members had balances below \$10,000. Of this, 57,000 are over 50 years old and will be retiring in the next 5 years. Issues such as irregular work patterns, relatively low income, non – compliance from employers and general reliance on FNPF to finance other expenses are reasons for these low balances. The challenge for the Fund is to strike a balance between assisting members achieve a better quality life and in savings for retirement.

The Fund continues to instill a savings culture amongst our members. As of 30 June 2018, the Fund has conducted retirement planning and awareness sessions at 154 workplaces, which was attended by 5,850 members. As a result a total of 816 members signed up for additional contribution, bringing the total members signed up for the additional contribution product to 4,385.

As part of the National Financial Inclusion Taskforce, the Fund co – hosted the first ever Retirement Expo in Suva and Lautoka. This was a collaboration of 22 stakeholders joining forces to raise awareness on retirement planning. These efforts will continue again this year with sessions expected to be held in Nadi, Sigatoka and Taveuni.

- ii) We recognize the changes in the Fijian Labour market demographics and the rise in informal employment. Both skilled and unskilled workers in this sector are not usually covered by formal work arrangements or by a retirement scheme.



As such efforts are being made to extend coverage to the different occupational groups in this sector. We are also taking steps to collaborate and partner with government ministries and other private organizations to put together suitable products, and to simplify our services that would appeal to these segments.

- iii) Amidst rapid contribution growth, a small Fiji market, restrictions on off – shore investment opportunities, and a small and inactive capital market, investment diversification and optimization, remains a key issue and strategy for the Fund as we strive to deliver better returns for our members. The sheer size of FNPF in a small economy such as Fiji also presents challenges.

The diversification strategy focuses on enhancing our current portfolio and also acquiring additional investments to fill in gaps. Key to this is getting the portfolio mix right in two key areas:

- a) Increase offshore investments.
- b) Increase exposure to growth assets.

The Fund continues to work closely with the Reserve Bank of Fiji in terms of increasing the offshore investment portfolio and will focus growth strategies in telecommunications, financial, infrastructure, tourism, housing, and medical sectors and growth through development in terms of commercial and housing projects and in capitalizing on the tourism value chain and in other synergies.

**3. How does the Fund ensure that both male and female employees are treated equally in recruitment, training, hiring and promotion?**

The Fund is an equal opportunity provider with recruitment, retention, training and promotion policies that are based on merit. Women currently constitute 49.32% of our total workforce of 440. In total, women make up 44% of the leadership role in the Fund with 50% of Management roles being filled in by females in the last 2 years. Succession planning is a key part of ensuring that the Fund continues to be an equal opportunity provider, with 55% of our successors for leadership roles being women. The Fund supports training and development by sponsoring approved leave for Masters Programs and specialized training at renowned universities.

**4. Does FNPF align itself to any of the Sustainable Development Goals? If so, can you further enlighten the Committee on this?**

The Fund is committed and aligned to the SDG's. Apart from goals that prompt gender equality, which we have spoken of in 3 above, the Fund has part of its social security agenda particularly aligned to SDG Goal 1 – Poverty and target 1.3 which requires implementation of nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

A core component of the Fund's Strategic Plan for FY2018 – FY2020 focuses on the Fund's responsibility and core purpose in strengthening its role in social security. The Fund is focusing on two key issues: the adequacy of member savings and extending coverage to the informal sector. Work is progressing on all facets and we continue to create awareness on the low member balances and need for increased savings and financial literacy.

## **5. Update the Committee on FNPF's future plans and initiatives.**

Guided by our core purpose of helping members save for a meaningful retirement, the Fund launched and began implementation of its three year Strategic Plan. The focus is to steer the Fund for future success by rebuilding from the inside. The Strategic Plan focuses on:

- i) Strengthening our role in social security
- ii) Digital transformation
- iii) Investment diversification and optimization
- iv) Strengthening our corporate culture.

Each strategic objective has its own action plans and timelines which the Fund continues to work towards. The goal is to ensure that we are able to maintain interest credited to our members at above 6% per annum, members and pensioners can access our services anytime, anywhere and at minimal costs, 30% of our members have \$30,000 and above balance when reaching the retirement age; launching of new pre and post retirement products, a more collaborative working relationship with Government and influencing national policy on pre and post retirement matters and achieving satisfactory customer and employee engagement.

## **6. As part of strengthening its role in the social security:**

### **a) How can FNPF assist members in providing low cost housing through their investment scheme for example, Housing Authority and Public Rental Board?**

The Fund in line with the Government of Fiji's National Development Plan to increase the provision of affordable and safe housing to all, especially low income earners, has as part of its Social Security strategic initiatives, plans to explore opportunities to provide low cost housing for members. The Fund has provided feedback to the Ministry of Economy on the Private Public Partnership Project for affordable housing as well. It is anticipated that the Fund will play a key role in this project. At all times, FNPF will have to strike the right balance between its role in social security and ensuring sustainable investment returns to members.

### **b) What progress has the Fund made in terms of extending its coverage to workers in the skilled and unskilled sector?**

A voluntary scheme is already in place targeted at Fijians who are not employed in the formal arrangement, this includes the self-employed, farmers, domestic workers, students etc. The Fund was able to successfully onboard 12,000 farmers through FSC and will continue to pursue this to ensure that members contribute consistently into



their accounts. The Fund also signed a MOU with REALB <sup>1</sup> to ensure compliance of real estate companies. The minor voluntary product was also launched and continued awareness and onboarding of children is in progress. The key is to encourage savings at an early age.

The best way the Fund is finding in extending its coverage to the informal sector is through different sectors or field. The flow of income and structure of different fields in the informal sector varies and a one size fit all solution is not an effective method to entice take up rate. The Fund has plans to initiate targeted awareness and onboard of taxi drivers and domestic workers as well.

The current FNPf legislation restricts how the Fund can increase coverage in the informal sector. The design in contribution and benefits offered to members under voluntary arrangement would have to be totally different from that of mandatory (formal) members. The needs of those in the informal sector differs and can be unpredictable. The Fund is in the process of reviewing its legislation so it can address this.

**c) How had the Fund collaborated and partnered with government ministries and other private organizations in creating suitable products and in simplifying its services to appeal to those in informal employment?**

The Fund are in discussions with different ministries and organisations to develop a solution on how best we can get those in the informal sector for social protection coverage through joining FNPf. The review of the law will allow the Fund to design a better arrangement for those in the informal sector that will best suit their needs and their sector.

For the current voluntary scheme, this year the Fund has revised the registration process to make it more easier and improved accessibility as well through online services. The Fund is further working on developing new payment modes with mobile providers, banks and through the internet so members from anywhere and at any time are able to communicate and transact FNPf services to and from. This should complement more the drive for the different sectors that the fund is now pursuing in discussions with different ministries and organisations.

**7. The Chairman in his report on page 9 states the following: “The Board’s priorities for the next financial year include exploring further opportunities for public private partnership with government and international institutions on medial hospitals and low cost housing, capitalizing on the tourism value chains and other synergies, extending coverage to the informal sector through our voluntary scheme and continued work on enhancing our digital channels to provide a wider range of services to our members that is more meaningful, simple an easier to access.”**

**a) Please inform the Committee on the progress made in the achievement of the strategic priorities and the future initiatives of the Fund to implement the rest of its Strategic Plans.**

**i) Housing – please refer to response in (6a).**

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<sup>1</sup> REALB – Real Estate Agents Licensing Board

- ii) **Tourism value Chains** – FNPF now runs a number of hotel properties in the country managed by different operators. To improve its services and efficiency, it is working on developing synergies by consolidating some contracts and services across the hotels that will not only reduce cost but also provide excellent services and operation.
- iii) **Extending coverage to the informal sector** – please refer to responses (6b) and (6c).

**b) In particular inform the Committee on the progress on negotiations on PPP opportunities for the public hospitals with Government?**

The engagement of Aspen Medical was finalized last year; through an international tender process by the Govt. of Fiji with the IFC as the advisors. Aspen Medical is the private hospital operator appointed to manage the operations of the hospitals. The two public hospitals Government has passed to FNPF and Aspen are Lautoka and Ba. The investment is 80% owned by FNPF and 20% by Aspen. Through an agreed pricing structure and services level, the Government will continue to fund the medical services of the general public for these two hospitals therefore services are still provided free to the public.

The expectations from this private management of the hospitals is the improvement of medical services, availability of quality healthcare and knowledge, and provision of certain tertiary healthcare that are currently not available locally.

**8. The questions below relate to page 13 of the Annual Report**

**a) The Committee notes that around 64,000 members have zero balances. Please clarify as to who these members are and what plans are in place to address this issue?**

The exact number is 63,814 and this is reported in a table on page 3 of the Annual report.

Members hold zero balances in their account for one of the following reasons:

1. Registered as a student and have migrated or employed overseas
2. Registered without contributing but is part the informal sector
3. Briefly contributed through formal employment and then joined the informal sector. Account have insignificant amount and were 'zerorised' through Special Death Benefit (SDB) deductions. The insignificant amount was not enough to earn interest to offset the SDB deductions
4. Residing as a villager
5. Deceased

The table below breaks down these members with zero balances in categories, their counts and what the Fund will do to address it.

Category	Count	Action
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<b>Above the age of 55</b>	21,356	<p>These accounts will be closed off as they are above the retirement age. Current FNPF law restricts voluntary membership entry at the age of 54.</p> <p>9,052 of these members account have been dormant with no transactions for 10 years or more</p>
<b>Age 20 years &amp; below</b>	979	<p>These members are more likely to be students who have joined the Fund on a voluntary basis but have yet to make a contribution. They will continue to be members and are most likely to start contributing when they begin employment</p>
<b>Voluntary: 20-54 years of age</b>	7,271	<p>These are voluntary members who falls under one of the following reasons for their account being zero.</p> <ol style="list-style-type: none"> <li>1. Registered as a student and have migrated or employed overseas</li> <li>2. Part of the informal sector</li> <li>3. Residing as a villager</li> <li>4. Deceased</li> </ol> <p>3,455 of these members account have been dormant for 10 years or more.</p>
<b>Mandatory: 20-54 years of age</b>	34,208	<p>These are members who briefly contributed as an employee in the formal sector but ceased employment and their account have insignificant amount and were 'zerorised' through SDB deductions. The insignificant amount was not enough to earn interest to offset the SDB deductions. These members can be either in one of the following reasons for their account to be inactive:</p> <ol style="list-style-type: none"> <li>1. Migrated or employed overseas</li> <li>2. Joined the informal sector</li> <li>3. Residing as a villager</li> <li>4. Deceased</li> </ol> <p>4,687 of these members account have been dormant for 10 years or more.</p>

**b) How is the Fund working with Government in terms of looking after these 64,000 members who have zero balances?**

There were voluntary drives made in the past both to students and those in the informal sectors without any contribution made or consistently received. While the take-up rate definitely increased numbers, the consistency of contributions was an issue. The Fund drive in registering voluntary members takes a different approach now where a lot of emphasis are placed on the value of voluntary membership. Advice made to new

registered members and awareness carried out emphasized on consistency of contributions so members can build a meaningful retirement savings.

The target for the Fund for these members will be to look into those that are below the age of 55.

- Work are in progress on linking systems with BDM so deceased members are captured in the system and member's account under this category are closed off.
- The social security strategy that the Fund have in place will also on board these members to actively contribute to their accounts
- The Fund is also carrying out awareness to the Fiji diaspora residing overseas particularly in the UK and USA and many have registered or reactivate their accounts. A few rugby players have also managed to sign up and contribute. These overseas members are more likely to return to our shores for retirement.

**c) How does the Fund strike a balance between assisting members achieve a better quality of life and in saving for retirement?**

FNPF would like to see itself as an anchor for members throughout their life, more importantly during their working life and in their retirement. While low member balance is an issue that most of our members face, FNPF would like to ensure members are able to improve or sustain the quality of their life. The provision of pre-retirement withdrawal grounds are both an investment to an individual through housing, and education, and also a social safety net for many to afford and meet unforeseen or unplanned life circumstances through medical, unemployment and funeral. These unforeseen events support Government to an extent so members are not driven to poverty or dependent on social welfare. Many Fijians are able to attain education qualifications and a roof over their head over the years through their FNPF. For most, FNPF is their only form of savings and assistance that can lift them or their generations out of a cycle of poverty and difficulty.

While FNPF notes these key concerns, it does not lose sight of its core role of accumulating savings for retirement. With the establishment of the split of accounts (70/30) whereby 70 percent of all contributions received from each member are kept in the Preserved account, specifically meant for retirement, and 30% directed towards the General account for members to access for their pre-retirement needs under one of the only five approved early withdrawal grounds. Up to 21% of the Preserved account can also be accessed for housing purposes if the General account is insufficient.

The Fund have also introduced additional contributions for members wishing to contribute more than the mandatory legislated 8%. A member can now contribute an additional 12% to build up their balance.

The Fund is also in the process of exploring ways it can boost member balances particularly those in the low income brackets by reviewing the contribution rate or allow for voluntary contributions for mandatory members, etc. There is still a lot of research and consultation to be undertaken for this. Note that this will be a part of our law amendment project currently underway.



**9. With respect to the Pensioner Satisfaction Survey mentioned in page 14 of the Annual Report, what plans does FPNF have in place to review the pension formula and to improve its services to pensioners?**

Pension Formula – The core of the pension formula is a conversion factor of annuity. S61 (4) of the FPNF Act requires that “the Board must review the conversion factors for basic annuities at least once a year, and may review them more frequently, to ensure that they are sustainable and will not imperil the solvency of the Retirement Income Fund or the FPNF”

The Fund Actuary issues a funding and solvency certificate for the RIF every financial year, it contains an actual review on the conversion factors for the life annuities. The Fund Actuary also discusses the sustainability of the conversion factors in the annual Financial Conditional Report.

Pension services – We served a total of 29,532 customers for pension related services in FY2018. The Pension Satisfaction index of 4.16 out of 5 is a reflection of the value of services that is delivered to the pensioners. We have continued to improve our services to pensioners, making the pension renewable process 6 monthly instead for every 4 months, in response to feedback received from pensioners. The pension services team provides door to door services for those pensioners that are unable to come in person to the FPNF officers. The Fund is also planning to hold a Pensioner Day in Suva in March, which will provide free medical services to all pensioners. Pensioner also have access to their payment details and updates via the pensioner portal and mobile app. Plans are also in place to automate the renewal certificate process via the member & pensioner portal.

We are also in discussion with the ministry of Social welfare on improving services to those in the islands using the Ministry’s agents for payments of pension income particularly in areas without a Post Fiji office. The ministry has a good system in place on it but we will have to assess the risks around it before committing to it.

**10. The questions below relate to Page 30 of the Annual Report**

**a) Is non – payment of FPNF contributions by employees still a problem and how does FPNF plan to address this issue?**

Noncompliance or defaulting employers have tremendously reduced when the FPNF Employer online portal was launched in 2016. Employers now submit payment schedules for their employees through the portal which has all but extinguished issues of the past regarding incorrect or unmatched member information no longer exists. This along with expansion of payment modes across all major financial institutions has led to increased compliance from our Employers.

The Fund in its law amendment proposal project is proposing for the establishment of a special FPNF court, which will be responsible for hearings related to FPNF cases, This will address the volume and look to expediting the resolution of said cases.

Other measures now in place to strengthen compliance are, Departure Prohibition Orders (DPO) for defaulting directors from leaving the country, and issuing of compliance letters for all bidders to Government tenders and FNPF subsidiaries. The issuance of compliance letters have been extended to certain sectors, such as tourism, defense (targeting security firms), where the renewal of licenses for an operator requires the firm to be FNPF compliant. The Fund is also pursuing the same with the Ministry of Local Government for renewal of business licenses in towns and cities.

The Digital Fiji and registration process improvement with Government will include set up of one stop shop for registration of new Employers to ensure compliance to the various legislative requirements for the vested stakeholders in the national database.

- b) The committee notes that a total of \$5.4 million unidentified contributions was collected but not distributed to members account due to insufficient information provided by employers. Outline the measures undertaken by FNPF to minimize the large number of unidentified contributions.**

The Fund have set up a project team to address this and reduce the unidentified contribution value. Since the launching of the Employer online portal, the creation of such issues moving forward has been eliminated. The portal submission of contributions ensures that all member detail with the Employer and the Fund matches and contributions are posted straight into member account once Employers have successfully uploaded contributions online.

The standing amount reported refers to past contribution whereby payments were made and there were inconsistency in member records with the Fund and the Employer. The system of collecting, receipting, posting were manual and not on real time. The project team working on this is targeting to complete the exercise by June 2019.

- c) What happens to the money kept in the Unclaimed Deposits Account?**

The Fund over the past couple years have been advertising over the radio and television for members to claim their accounts sitting in the Unclaimed Deposit Account (UDA). The complete list of members were listed and published in the newspapers and on FNPF website so members can come forward and claimed their money.

It is required for the Fund to carry out all due diligence and exhaust all avenues in identifying and locating these members or their Employers to pay either to them or return money to the Employer.

The Fund will also be pushing advertisements and awareness through other mediums such as text blasts and social media for members or their relatives to check information on the FNPF website or visit an FNPF office.



Once all avenues have been exhausted, these funds will be moved to the General Reserve after 5 years. The Fund have never transfer funds to the General Reserve from the UDA.

**11. What monitoring and evaluation mechanisms are in place to track assistance given to those during times of natural disaster?**

All withdrawals approved and processed to members are recorded in the Fund's member administration system, ProMIS. Any pre – retirement withdrawal by a member is processed from the General Account, which is 30% of the member's total balance. For nature disaster, the maximum a member can withdraw is only \$1,000 and only if they have been affected by the natural disaster to assist with some form of immediate relief. The Fund liaises very closely with the Natural Disaster Management Office and the Commissioners Office to establish the affected areas and, have controls in place to ensure that only affected members are assisted. The Fund does not carry out any monitoring to establish the use of the funds dispersed under the natural disaster assistance, as the assistance provided is minimal and any monitoring will not be cost effective. Furthermore, proper controls are in place prior to payment of assistance which ensures that only affected members are assisted. The Fund has also been awarded the Certificate of Merit Awards for Practices in managing natural disasters: delivery of service in times of need by the International Social Security Association in 2018.

**12. What procedures are in place for FNPF to follow up and collect unpaid employer and employee contributions?**

Section 40 of the FNPF Act prescribes the powers of the Fund to follow up and collect unpaid contributions from employers on behalf of the employee. The Fund uses its member administration system to follow up and collect unpaid contributions. The Fund has a team of 20 inspectors that are responsible for allocated employers throughout Fiji. These inspectors continually and consistently keep tabs on the accounts of each employer to ensure that contributions for employees for each month are paid. Where it is found that employers are not complying with the FNPF Act, contribution debt is recorded in the Funds records and necessary debt recovery processes are initiated, which is guided by the Fund's Debt Policy.

The balance of unpaid contributions stood at \$8.5million at year end (\$6.2:FY17). The increase is attributed to the increase in compliance checks with enforcement for the payment of employees' rightful contributions. Previously, some employers had underpaid their employee contributions.

All unrecovered cases subsequent to debt recovery processes are referred to the Fund's Legal Department, and cases under the criminal jurisdiction with Magistrates Courts around Fiji are registered. For the year ended 30 June 2018, the Fund was able to recover \$1.7million in outstanding contributions from Employers. The Fund currently has 100 cases pending against Employers.

**13. How does FNPF align its vision and mission to its pre – retirement policies and programmes such as housing, medical and education assistance, which shifts the responsibilities of Government to FNPF?**

As stated in (1) above, the operations of the Fund are guided by the FNPF Act and its roles and responsibilities are prescribed under section 6. One of the core roles of the Fund are to develop and offer products and services that are in line with the FNPF Act. These include pre – retirement products and services like housing, medical and education assistance, which contribute and assist in members having a meaningful retirement. As stewards of member's fund our duty of care goes beyond collecting, investing and growing their savings for retirement. It is about positively impacting our society by providing quality and relevant products and services. It is about creating an enabling environment for the members to grow. We believe that we are well placed to make a difference in the lives of all Fijians given our purpose, size, and reach in the local economy. As such we have adopted a holistic approach to ensure the financial and social wellbeing of our members during their working life and also in retirement.

**14. Can we be provided further information on the bad debts which have been written off?**

The Fund does not have any bad debt write offs. Any bad debt write offs are at a consolidated level.

**15. Page 42 of the Annual Report - events subsequent to the balance date:**

**a) Has the acquisition of the remaining 75% share of GPH from National Superannuation Fund and CGA Property Limited from PNG been completed?**

The transaction was completed in November 2018 and the Fund now owns 100% of the GPH.

**b) Update us on the status of the transactions between ATH and Amper SA and Elandia International Inc. and whether the transactions has been completed?**

ATH completed full payment for the sale shares on 22 February 2019. In agreement with the seller, control to ATH was ceded on 1 January 2019.

**16. With respect to page 84 of the Annual Report, can the Fund inform us on the impairment provisions of the loans and how it is planning to tackle it?**

Majority of the loans and advances by the Fund are to subsidiaries. The details of this can be found in note 35(b) of the FY2018 Annual Report. Of the reported \$115,964,000 provision for impairment, \$114,024,000 (98%) is the impairment against the loan provided to NBRL by FNPF against the loan carrying value of \$293,624,000. Loan 1 & Loan 2 of \$100,000,000 have regular repayments subsequent to the loan restructure effective 1 August 2011. Loan 3 of \$202,835,111 is a parked debt which is been serviced from all surpluses from Natadola Residential Development. Currently 10 lots of the 44 lots developed have been sold. It is anticipated that further sales of developed lots will assist to further service the debt. All cash surpluses that are not required by



NBRL for expenses other than in the normal course of business is also applied to the outstanding balance. The loan to NBRL is secured by appropriate securities and a comprehensive insurance cover exists over the property with improvements and FNPF's interest is noted on the same. The Fund also has an equitable mortgage over the bank accounts of NBRL which assigns income arising out of the Hotel & Golf Operations and Residential subdivision to be effected when arrears are outstanding.

## **Appendix Two**

### **Appendix Two – Verbatim Report**



**STANDING COMMITTEE ON**  
**SOCIAL AFFAIRS**

*[Verbatim Report of Meeting]*

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**WEDNESDAY, 13TH MARCH, 2019**

**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON SOCIAL AFFAIRS HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 13<sup>TH</sup> MARCH, 2019, AT 1.28 P.M.**

**Interviewee/Submittees:**      **Fiji National Provident Fund (FNPF)**

**In Attendance:**

- |                           |   |
|---------------------------|---|
| 1. Mr. Jaoji Koroï        | Chief Executive Officer                 |
| 2. Mr. Alipate Waqairawai | General Manager, Service                |
| 3. Mr. Pravinesh Singh    | Chief Financial Officer                 |
| 4. Ms. Preety Pritika     | Manager, Strategic and Special Projects |

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MR. CHAIRMAN.- Honourable Members, welcome back and good afternoon to you all.

Also on behalf of the Standing Committee on Social Affairs, I would like to welcome the Chief Executive Officer, Mr. Jaoji Koroï from the Fiji National Provident Fund; also the General Manager, Services, Mr. Alipate; together with the Manager, Finance, Mr. Tevita Lomalagi, is he here? The name has been given, who is replacing him?

FNPF REP.- Chief Financial Officer, Mr. Pravinesh Singh.

MR. CHAIRMAN.- So Chief Financial Officer, Mr. Pravinesh Singh, he is here; and also Madam, Ms. Preety Pritika, the Manager, Strategic Planning for Fiji National Provident Fund.

Welcome, Sirs, welcome, Madam, to today's presentation. For your information, after receiving the Annual Report from Parliament, we, as the Committee, have gone through the Annual Report page by page, and then we had formulated some questions. We have also been assisted and guided by the Library Services of the Parliament of Fiji, so we had a thorough examination and scrutiny of this Report. That is why many questions have come and I must thank you for responding with the answers.

I will allow you to do your presentation together. Also, I will request you to go through the questions and the answers and after that I will give some time to our Honourable Members if they have any supplementary questions to that. I know we had presentations before and FNPF is doing really well, we are very proud of you. Thank you very much for your time, I now give the opportunity to you to present to the Committee. Thank you, Sir.

MR. J. KOROI.- Thank you for the opportunity to be here. On behalf of the Board and the colleagues that are here this afternoon, as mentioned, Honourable Chairman, we have already provided the clarifications, we have a small presentation but we will try and scheme through the presentation because we will allow some time for question and answers later on.

Honourable Chairman and Members, the FNPF has been around for the last 52 years and the expectation is for the Fund to continue to be there into the future. A 20-year old starting work today expects the FNPF to be there 35 years from now. In fact, we have just introduced some six year olds so they expect FNPF to be there 49 years from today, unless we are 10-year old, most of us will not be around at that time. So, the expectation from the members is quite huge in terms of the longevity of FNPF. That places a lot of onerous obligations on the Fund to make sure that we plan into the future and we take decisions that are based on the longevity of FNPF to meet its obligations to its members in the future. So, Honourable Chair and Honourable Members, the presentation this afternoon, we will talk about the four key areas of our strategic focus basically:



- strengthening our role in social security;
- strengthening our corporate culture which is more an internal focus;
- Go digital; and
- Investment Diversification and Optimisation.

Summary: Last year, to play a role in social wellbeing of our members, pre and post retirement, we have signed an Memorandum of Understanding (MOU) with Fiji Sugar Corporation (FSC) and the Sugarcane Growers Council (SGC) to provide 12,000 growers the opportunity to sign up on the voluntary scheme.

We have also signed an MOU with Real Estate Agents Licensing Board (REALB) to ensure compliance by real estate companies towards their employees contribution that also covers commissions paid. This was a significant achievement. During the amnesty period last year we have got all the real estate agents to actually pay the contributions that were due to those agents.

Strengthening our Role in Social Security: We have also launched the programme to involve minor voluntary products on the 4<sup>th</sup> of February last month and so far we have introduced 121 registered to date. This is basically to allow more younger children to continue their savings early. We will discuss later one of the challenges that we see is the the low balances of members.

FNPF will also target basically domestic workers, taxi drivers and the informal sector to extend the coverage to this sector. I understand that this is an area that was raised in the question.

Public Private Partnership: In terms of the Public Private Partnership, the contract was signed with Government and Health Care Fiji Private Limited, with Aspen, 20 percent; and FNPF, 80 percent.

Aspen Medical has been selected to develop finance and operate Lautoka Hospital and the new Ba Divisional Hospital.

Honourable Chair, we see this as the transformative investment. It opens up other areas of opportunities like retirement, villages, medical tourism, so this is an opportunity that provides better services for our members and also the public locally in Fiji.

Village Housing Grant: We are awaiting the signing of an agreement between the Ministry of Housing and the FNPF. The policy has been approved and the system development will be completed soon.

#### Employer Compliances:

During the amnesty period, a total of 499 employers used the waiver period from September to December to clear about \$3.29 million in contribution. Our debt is just still around \$9 million at this stage.

FNPF is strengthening its compliance function to ensure that unregistered employers come on board. There is also heavy penalties which are now in place. Compliance, Honourable Chair and Members is always the area that we try to focus on.

About two years ago, we introduced the member and the employer portal, which basically automate this process where employers are obligated to fill in their contributions online and upload payment online. This used to be a manual process in the past and create a lot of issues that we are still dealing with now. So, once this is automated, Mr. Chairman, it allows us for better compliance on other employers that are not in the network.

In terms of Investment, Diversification, this is an area that continues to be a focus for us, basically, to diversity and optimise our investment portfolio, focusing on increasing offshore investments and growth in assets, in telecommunications, financial, infrastructure, tourism, property development, housing and medical sector.

The target for us, Honourable Members, is to make sure that we change our portfolio allocation from the current 70 percent to 30 percent to around 40 percent to 60 percent in the medium term. We have also acquired the two hotels in Denarau, the purchase of Marriott Denarau increasing the tourism portfolio by \$277 million.

Currently, there are some upgrades for the ADB Conference currently underway and the hotels to undergo renovations from June 2019. The FNPF Place is also due for renovations, particularly in the new food court area.

For Nadi, there is a project that we now have to take over. We have terminated PBS contract due to the breach in the terms of the contract and we are trying to finalise this project towards the end of this year.

Natadola, as part of the real estate sale, we have completed the model home and have been handed over to FNPF and we have sold 10 residential lots in Natadola.

During the year, Honourable Members, we also increased our equity investments offshore with the purchase of \$60 million worth of shares in BSP, bringing the total shareholding to 2.7 percent. BSP is a listed entity in Papua New Guinea, it is the biggest bank in the Pacific and this gives the members the opportunity to benefit from that growing economy. We also increased our property portfolio by 41 percent.

In terms of Go Digital, this is an area that we are trying to emphasise where members can interact more effectively with FNPF, without coming to the Fund so there are a lot of platforms that are available for members where they can view and download their annual statements and interim statements and allow them to track their FNPF accounts. This is quite effective, Mr. Chairman, because it gives the opportunity for members to actually check whether their contributions have come through, you cannot assume that it has been paid by the employer. This is an opportunity that you can actually check whether your contributions are actually coming through on a monthly basis.

At the moment, 21,145 members are using this platform and we are hoping to get more and more members registered and use this platform into the future. We have also launched an SMS Alert where members are advised of the status of their withdrawals and also bill payments and *m-paisa* as new modes of payments for employers in the voluntary sector.

Digital Transformation: Also during the year, Honourable Members, we automate the Complaints Management System. This is was the pain point for us in the past. We have now collated all the complaints in to a system and we actually tracked the complaints turnaround time and the resolutions of these complaints are offered on time. Internally, we have also engaged our internal staff intranet where staff can collaborate/connect more effectively.

The take up on the digital transformation, the "myFNPF" is where you dial \*567# - 15,455 and those that are on the member portal - 28,411 and those that are registered using employer portal - 9,366 and the kiosks - 7,033.

Membership at a Glance: Very quickly, at the end of June 2018, there were 429,936 members of which compulsory members were 236,058. "Compulsory" is defined by those that actively contribute during the year



of which 38 percent were women and 62 percent were males. Voluntary, \$4,864 members active during the year, and 52 percent were males and 48 percent were females.

In terms of share of wealth, this is an interesting data. Although females account for 40 percent of the count, their share of wealth is only 33 percent. Males, on the other hand, in terms of count are 60 percent but their share of wealth is 67 percent. Ratio of female to male is 1:1.4.

Operational Activities: Honourable Members, during the year, we paid out \$314.8 million through various means to our members; Retirement was \$144 million; Housing was \$44.2 million; those that were paid for disability, \$4.8 million; Small account, \$2.2 million (These were members who have balances below \$5,000 and are over the age of 50). Those members paid out in terms of death was \$22.5 million; migration was \$33.3 million and early retirement withdrawals was \$63.8 million.

The breakdown of the early retirement withdrawals are on to the next page of which Education was \$32.5 million; Medical, \$2.7 million; Unemployment, \$10.9 million; Funeral, \$5.7 million; and National Disaster, this was in relation to *TC Josie* and *TC Keni*. The Fund paid out to its members \$11.9 million.

So, Honourable Members, there is a lot of liquidity that is injected by the Fund into the system through various pre-retirement and retirement withdrawals. Some statistics on operational activities, the complaints trend seen over the years, Honourable Members, have come down significantly from 522 in 2016 to 96 in 2018, it is still not the best. We are still getting complaints but most of the complaints are now relating to unpaid contributions which is a pain point for us now.

In terms of services, we are receiving a lot more commendations on the services than complaints. In terms of total customers served during the year, 552, 546 services were done during the year, of which 96 complaints were received, so from that perspective it can be viewed as a small percentage.

Financial performance during the year, we earlier adopted the International Financial Reporting Standard (IFRS 9). This was a major decision in terms of affecting our accounts. This IFRS 9 becomes compulsory during this year but we have decided to earlier adopt last year so it affected our results last year. The main thrust of this, Honourable Members, is we are required to value all our subsidiaries at evaluation. In the past, we were quite conservative. We were valuing it at a cost and checking for impairment on a regular basis, so if we feel that the fair market value or the cost was impaired, we take impairment provisions into account. You will remember that in 2009, we impaired our investments in Natadola, basically on that basis. But now we are required to book all those investments in fair market value, which means that if it goes up, we also need to reflect those into our accounts. An example would be our investment in Vodafone. We acquired 49 percent investment in 2014. It cost the Fund \$160 million. The valuation, last June was \$210 million so we have booked the \$50 million difference into our accounts. This, Honourable Members, means that it can also go down. Valuation, depending on the cash flow and how the businesses are working, will also go down if those valuation changes.

The net impact in terms of the financial performance, you will see there was a significant increase in our net profit during the year to \$538.5 million from a restated 2017 value of \$422.4 million.

The exercise in terms of the IFRS requirements require us to re-state the accounts for the last three years. So we had to re-state all those accounts and showed a \$27.5 million increase in our net profit. In terms of investment income, it grew to \$564.3 million where some of these were the result of the capital gains that were booked into the accounts. The return on investment was 9.6 percent.

Financial Assets: Our assets and liabilities as at June, 2018, the total assets of the funds stood at \$6.6 billion. This is valuing all the assets that belong to the members' investments in all the investments classes applying the valuations audited by the auditors and actually tested by the actuaries comes to \$6.6 billion. The liability which is all the member balances at \$5.5 billion. So there is a surplus of \$1.1 billion in reserves.

Honourable Members, this is a significant position change from where we were prior to the reform in 2011 where if you book the liabilities to the pensioners, at that time, there was a deficit insolvent long term position for FNPF.

Financials: This is the contributions and withdrawals in 2018. The net contribution - this is the difference between what was contributed by members and what they took out in terms of payment, total contributions was about \$600 million and the withdrawals was \$314.8 million, as I have explained the detail earlier. So the net contributions was \$284.2 million, so it is a positive accumulation of members through contributions.

In terms of interest paid during the year, 2018 was 6.35 percent and in terms of amount was \$297.2 million. The total interest credited over the last four years is \$1 billion by the Fund to the members, so there is a lot more accumulation in members' balances through interest than net contributions.

You will see on the earlier Table, Honourable Members, that in 2016, it was a negative net contribution where members actually took more from FNPF. This is in relation to *Tropical Cyclone Winston* withdrawal.

During the year we also recognised with two awards by the International Social Security Association (ISSA) for Good Practices Awards in the Pacific, Certificate of Merit in managing natural disaster, Delivery of Services in Times of Need and Certificate of Merit Awards for Employer Online Portal.

In terms of future plan, Honourable Members, we will continue with our strategic areas, focusing on areas of social security, extending coverage to the informal sector is the key area for us. As you know, a lot more people who are now employed in the informal sector, like taxi drivers and domestic workers, how can we capture or include these members to some form of social security?

Also exploring opportunities for public (PPP) through low cost housing, the review of the FNPF Act is also something that we are looking at. The new pension products and the consultation on review of the Special Death Benefits (SDB).

Investments: We will continue to focus on creating value in tourism chain, continue implementation of growth and diversification strategy and we are targeting to open Nadi Retail Centre towards the end of this year.

On digital, we will continue to focus on this area, Honourable Members, as we want more and more members to interact with us without coming to FNPF. Our main concern is again the low balances.

Currently, 71 percent of our members have balances lower than \$10,000. This is a concern to us and more importantly, 57,000 members who are over 50 years, and we will re-exercise their retirement option in the next five years who are in that group, so it is a huge obligation that these members will not be able to retire with adequate funds for their retirement.

Savings for retirement: It is always a challenge between what we can give members now and what they need to save for the future, so this is an ongoing exercise that we advise members on the other opportunities like increasing their contributions to make sure that they are able to retire with adequate balances.



Enabling legislation: To allow us to address the issue of low member balances, extending coverage to the informal sector, develop products to effectively meet members pre and post retirement and to acquire modern and less prescriptive legislation to take FNPF into the future. Of course, this is preliminary, the full consultation will go through if it comes on board.

Honourable Members, in conclusion the Fund is now in a sound and sustainable platform for the future. The challenge for us is how can we work more effectively with each member to have the positive impact to their account. Recent financial performance signifies stability and we must address the strategic issues of adequacy of savings and extending coverage to the informal sector.

Thank you very much Honourable Members, we are happy to take further questions.

MR. CHAIRMAN.- Thank you very much, Mr. Jaoji Koroï the Chief Executive Officer for the Fiji National Provident Fund.

I will also request you if one of your member can take us through the responses you have provided, the questions that were sent, the responses and then we will ask our Honourable Members to ask some supplementary questions. You have got that responses? Ms. Catimaibau, can you give them the copy of that response.

MR. J. KOROI.- Mr. Chairman, again we will try and go through it quickly.

**Question No. 1: Brief the Committee on the functions of the Fiji National Provident Fund.**

Section 6 of the FNPF Act prescribes the functions and our responsibility and these are itemised as follows:

- To collect and manage contributions;
- To Hold, invest and manage the funds;
- To Research, develop and offer financial products and services;
- Conducting education and awareness programs, including publications, materials to promote savings for retirement; and
- Provide advice to the Government of Fiji on matters affecting retirement savings.

Of course, FNPF, as you know, is the major investor in the country with property owners and we also holds shares in significant businesses in Fiji. So the key functions are mandated through our legislation.

**Question No. 2: What are the key challenges FNPF faces whilst trying to achieve its strategic objectives?**

Honourable Members, we have discussed some of these. The challenge for us is low member balances and also extending the coverage to the informal sector. I think those are the key challenges that FNPF face at the moment.

Investment is also part of the challenge in Item No. 3. We are trying to increase offshore investments but again this needs to go through the Reserve Bank of Fiji and also to increase our exposure to the growth assets. The \$6.6 billion is a significant asset, Honourable Members, and I think for a pool of investment in Fiji, those investments that really meets the appetite of FNPF is quite limited.

**Question No. 3: How does the Fund ensure that both male and female employees are treated equally in recruitment, training, hiring and promotion?**

Honourable Members, this is quite active policy for the Fund. The Fund is an equal opportunity provider. Currently, women constitute about 49.32 percent of our workforce. In total, women make up 44 percent of leadership role in the Fund, with 50 percent of Management role has been filled in by females in the last 2 years.

Succession planning is a key part of ensuring that the Fund continues to be an equal opportunity provider with 55 percent of successes for leadership roles where women are identified. The Fund actively trains our leadership team and we are sponsoring approval leaves for Masters Programme, specialising in renown universities in Australia.

At the moment, four of our colleagues are studying aboard for Masters, two have come back and I think out of the four that is out, three of them are women. So it is based on merit and something we mentioned that it is an equal opportunity employer.

In terms of alignment to SDG Goals, Honourable Members, the FNPF is a Social Security Institution. You noted where we have touched almost every areas of life, FNPF has an impact on such as in death, education, in housing, in natural disasters and in retirement, so we impact all areas of our life, but more specifically on the SDG Goals, we see that poverty particularly targets 1.3 is an area that we clearly relates to Fund.

A core component of the Funds Strategic Plan focuses on the Funds responsibility in strengthening its role in social security.

**Question 5: On the Future Plans.**

We have touched this again, so it is just continuing our focus on the four key areas. The current Strategic Plans end in 2020, we are expecting a major review in the next year where maybe detailed actions will be part of the Strategic Plan.

Honourable Members, we have come through a reform period, we build a stable Fund, we have now looked into the future and try to address the issues that are imminent for us to address. As I mentioned, Honourable Members, the members expect us to be here much longer. Their expectation outlives us, so how do we plan for that expectation?

**Question 6: As Part of Strengthening its Role in Social Security.**

Again, Honourable Members, we have discussed this. We worked closely with Government in all areas of their strategic initiatives, but let me emphasis although it is part and parcel of addressing social security and social needs, it must meet the investment mandate that are required of us.

**Question (b): What progress has the Fund made in terms of extending its coverage to workers in the unskilled sector?**

This is a challenge, not only a challenge for Fiji, it is a worldwide challenge. How can we create a system where informal workers are part or covered under some Social Scheme? We see this in areas that we

can focus on, particularly it is just streamlining the process, registration process, the payments process and how the digital can play a more important role here.

Some countries have actually legislated it to bring in people, but not through a formal percentage of wage, because informal sector, they do not really work on defined wage, so there are just minimum amount of contributions that are mandated.

**Question (c): How had the Fund collaborated and partnered with Government Ministries?**

Social security cannot be addressed internally by FNPF, we have to work with stakeholders like Government in terms of offering a more sustainable and comprehensive or inclusive package on social security.

**Question 7: Please, inform the Honourable Committee on the Progress made in the achievement of the Strategic Priorities.**

I hope, Honourable Members, I have covered this in the earlier presentation.

Tourism Value Chain: FNPF now runs a number of hotel properties in the country managed by different operators.

To improve service and efficiencies, looking at developing synergies by consolidating some contractor and services across hotels, that will not only reduce cost, but also provide excellent services and operations. Through members, we have acquired GPH, so GPH and Holiday Inn, for example, are close by, so obviously there is a lot of synergies that we can look at, if we operate under a single management, so these are some of the initiatives that the team is looking at.

In terms of extending coverage, I have mentioned this various times.

**b) In particular inform the Committee on the progress on negotiations on PPP opportunities for the public hospitals with Government?**

As I have mentioned, the concession agreement has been signed. There is a process that we have to go through with Government before the formal handover is made to the joint venture partners - FNPF and Aspen Medical.

**Question No. 8 (Relates to Page 13 of the Annual Report): a) The Committee notes that around 64,000 members have zero balances. Please, clarify as to who these members are and what plans are in place to address this issue?**

Honourable Members, the exact number is 63,840. Members hold zero balances for some of these reasons:

1. Registered as a student and have migrated or employed overseas
2. Registered without contributing but is part the informal sector
3. Briefly contributed through formal employment and then joined the informal sector. Account have insignificant amount and were 'zerorised' through Special Death Benefit (SDB) deductions. The insignificant amount was not enough to earn interest to offset the SDB deductions
4. Residing as a villager
5. Deceased



We cannot close off these accounts because they may come back onto the system but at the moment, breakdown is also there. It is quite a significant portion, those above the age of 55 is 21,356; age 20s - 979 so there is combination of both voluntary and compulsory members, but how can we do something, Honourable Members, particularly those that are below the age, they can come back and contribute; but those above the age of 55, there is nothing much that we can do, Honourable Members.

**b) How is the Fund working with Government in terms of looking after these 64,000 members who have zero balances?**

We have also worked with the Ministry of Social Welfare forming a Committee to try and see how we can package more inclusive packages to cater for those that are on the very low wage. Still a working Committee Honourable Members, hopefully at some point we can make some recommendations that is quite inclusive.

**c) How does the Fund strike a balance between assisting members achieve a better quality of life and in saving for retirement?**

It is a very hard choice, as you know if you take money out now, you are taking out money from your future savings so we do a lot of counselling. There is also a special unit which has been formed on advisory for members. They have done a lot of work in terms of workplace advisories just emphasising the need to also increase their compulsory contribution that can go up to 30 percent. I think that is a very effective way of actually savings. As we all know that compulsory savings is the only effective way to save in most of our societies and we are encouraging members to take up that opportunity to contribute more than they are prescribed.

**Question 9: With respect to the Pensioner Satisfaction Survey mentioned in page 14 of the Annual Report, what plans does FNPF have in place to review the pension formula and to improve its services to pensioners?**

MS. P. PRITIKA.- Honourable Members, firstly, for the pension formula, the annuity rates that the conversion factors that FNPF levies for its pension is directed by Section 61 of our Act.

It requires that the board must review the conversion factors for basic annuities at least once a year. This is done by our actuary team who looks at the funding and the solvency certificate so any plans to look at revising the formula will be guided by the opinion and the consultation with the actuary team.

In terms of improving our services to our pensioners, we served a total of about 29, 532 customers for pension-related service in FY2018. We received the satisfaction index of 4.16 out of 5 and this is the reflection of the value of that services that have been delivered to the pensioners. We continue to improve our services to pensioners making the pension a renewal process six-monthly instead of four-monthly.

This, Honourable Members, was in response to feedback that we have regularly received from our pensioners and it is also something that was commonly provided to us during our member forums each year.

The pension team also carries out door-to-door services to those pensioners that are unable to come in personally to the FNPF Office. The Fund is also planning on holding a Pensioner Day by the end of March in which we will provide free medical services to all pensioners. Pensioners also have access to their payment

details and updates via the pensioner portal and mobile app. We have plans in place to automate the renewal certificate process to the member and pensioners portal as well.

And as CEO has alluded to, we are also in discussion with the Department of Social Welfare on improving services as well to our pensioners.

**Question 10: (Relates to Page 30 of the Annual Report): a) Is non – payment of FNPF contributions by employees still a problem and how does FNPF plan to address this issue?**

Mr. Chairman, it is still an issue that the Fund continues to face but as CEO mentioned in his presentation, the introduction of the employer portal has assisted the Fund greatly but we also have increased our compliance in terms of vigorously following up on employers and trying to see if there are leakages. So, this has resulted in increased capture of non-payment as well but it is something that we continue to work on and we have the teams that are specially dedicated to work on addressing these issues.

**b) The Committee notes that a total of \$5.4 million unidentified contribution was collected but not distributed to members account due to insufficient information provided by employers. Outline the measures undertaken by FNPF to minimize the large number of unidentified contributions.**

The Fund, Honourable Members, has set up a project team to address this and reduce the unidentified contribution value. The important fact to note here, Honourable Members, is again emphasising our employer portal. Any undistributed contribution that remains currently is from the old transactions and the old value that we have. The employer portal greatly assists and the creation of unidentified contribution going forward is almost nil or it is minimized. So the project team that has been set up is working on trying to reduce this identified contribution balance.

**c) What happens to the money kept in the Unclaimed Deposit Account?**

The Fund over the past couple of years has been advertising over the radio and television and communication modes for members to claim their accounts sitting in the Unclaimed Deposit Account (UDA) which is the unclaimed account. The complete lists were listed and publicised in newspapers and on the FNPF website.

The Act requires that the Fund carries out due diligence to contact these members and exhaust all avenues so the Fund currently is and has been working but it is a slow process because we required the members to come and contact us in order for us to be able to clear these accounts.

But again, Honourable Members, the Fund has a team that works on this particular account.

**11. What monitoring and evaluation mechanisms are in place to track assistance given to those during times of natural disaster?**

Honourable Members, any natural disaster payments is guided by and upon declaration of the natural disaster by the Government of Fiji. We are directed by and we fully comply and work closely with the National Disaster Management Office and the Commissioner's Office to determine which areas are affected and it is only these members that we assist. The assistance that we pay is only \$1,000 and this is paid only if the member has eligibility in their general account which is 30 percent of their total savings.

In terms of whether we carry out monitoring and evaluation, Honourable Members, we do not go and carryout any post review of the \$1,000 because as you understand, it is a \$1,000 and it is to assist them with just immediate needs while there are being efforts put in place by Government and other stakeholders to provide them further assistance. So, the funds, Honourable Members, as the CEO also alluded to, this particular practice and the response from the FNPF has received the Certificate of Merit Award by ISSA in 2018 as well.

**Question 12: What procedures are in place for FNPF to follow up and collect unpaid employer and employee contributions?**

FNPF is guided by Section 40 of the FNPF Act which prescribes the powers that the Fund has to follow up on unpaid contribution. The Fund has an established team of around twenty inspectors in our Contribution Collection Team which are dedicated to ensuring that they follow-up on unpaid contributions. They have allocated employers that they look after and we have a Funds Debt Management Policy that we also adhere to. As I mentioned earlier on, the Fund has a balance of unpaid contribution of \$8.5 million and you may notice that this has increased from the FY17 but as I have stated it is because of the fact that the Fund has stepped up on its compliance and it is now capturing a lot more delinquent employers that were not paying contributions.

So, we have a debt policy and we have our recovery methodologies in place, the teams work on this and failure to get positive results from employers results in the cases being referred to our legal team. In FY18 the Fund was able to recover around \$1.7 million in outstanding contributions through this legal proceedings and the Fund currently has around one hundred cases pending against employers with the Magistrates Court as well.

**Question 13: Relates to FNPF's alignment to its vision and mission, its pre-retirement policies programmes and the shift in the responsibilities of the Government to FNPF.**

Honourable Members, we mentioned in Question 1 the responsibilities and the powers of the FNPF which is guided by Section 6 of the FNPF Act and it prescribes our roles and our responsibilities. One of the core roles of the Fund is to develop and offer our products and services that are in line with the FNPF Act. This includes services like housing, medical, education assistance which contribute and assist in the members having a meaningful retirement. As stewards of the members Fund, our duty of care goes beyond just the collecting, investing and growing their savings for retirement, it is also about looking after their welfare during their working lives so that they can have a meaningful retirement as well.

We believe that we are well placed to make a difference in the lives of all Fijians given our purpose, size and reach in the local economy and as such we have adopted a holistic approach to ensure the financial and social wellbeing of our members during their working life and also in retirement.

**Question 14 is related to Bad Debts which have been written off in the Annual Report.**

Honourable Members, I would just like to point out that the bad debts that have been written off are not relating to the Fund's account. If you will see that they are at the consolidated level and that relates to our subsidiaries and as the Honourable Members will understand it is an operational business so, provisions for bad debts and write off of bad debt in the commercial businesses is something that is part of normal businesses as well. So, the bad debts are not written off at the Fund level, it is at the consolidated level.

**Question 15 is related to the status update on the FNPF takeover of the remaining 75 percent shares of GPH.**



Honourable Members, this transaction was completed in November 2018 and the Fund now owns 100 percent of GPH. Part B was to provide an update status between the transaction of ATH and MPSA. ATH completed the full payment for the sale of shares on 22nd of February and an agreement in which the total control was ceded to ATH was signed off on 1st January, 2019.

**Question 16: With respect to page 84 of the Annual Report, can the Fund inform us on the impairment provisions of the loans and how it is planning to tackle it?**

Honourable Members, majority of the loans and advances by the Fund are to its subsidiaries. The details of this can be found in note 35 (b) of the Fund's 2018 Annual Report. We have reported around a \$115.9 million in provisions of impairment, 98 percent of these impairment relates to NBRL which is our Natadola Bay Resort Limited. There are three loans that the Fund currently has with the NBRL. Two of these loans are being serviced as per the servicing agreement. The chunk of the loan relates to a debt and the Fund is making concerted efforts to develop the residential lots. It is expected that these debts are going to be serviced from that.

As we reported in the presentation, we have been successful in selling 10 lots out of the 44 and the Fund has recently, I think by the end of this month, we will have the model home ready. There are plans also to put that out on the market and it is anticipated that, that will increase the sale of the lots and address the servicing of this particular debt as well. That, Honourable Members, is the answer to the last question.

MR. CHAIRMAN.- Thank you. On behalf of the Standing Committee, once again, I thank you, CEO and the team from FNPF.

Honourable Members, that was the presentation and the response in regards to the questions that were sent. CEO, I am really happy in regards to the information you have provided as far as the complaints trend is concerned. We heard that before it was from 522 and it has gone down to 96 and we hope to see the number going down in future so that we can improve on the complaints trend. But, thank you very much.

Honourable Members, supplementary questions. Honourable Simione Rasova, any questions. Honourable Salote Radrodro, Madam.

HON. S.V. RADRODRO.- Yes, thank you, Chair and I thank the CEO and his team for the very enlightening presentation in regards to FNPF.

Yes, I believe we share the concerns on those high number of members with below \$10,000 savings and as we note that FNPF is our only, our only superannuation in the country with the view or with target to assist us in our retirement. But then we also note, something that I would call the responsibilities of the Government in regards to housing, education and health which is now taken over by FNPF. It does, it does take off a big chunk of members' shares and we know that from experience that there are a lot of us that have retired, belong to this category. Also because of the social welfare criteria, as long as you have contributed to FNPF then you are not entitled to social welfare benefits. So, we have this big chunk of retirees that could be caught in the web of poverty in old age because they have worked and because a big portion of their FNPF had been used up in regards to education of their children, in regards to housing and in regards to medical. So my question is, is there a way in which FNPF could work with the Government to ensure that we do have medical insurance that is separate from superannuation and also some kind of housing scheme whereby members could contribute to? I mean, I recognise the system that is in place whereby you have a 70:30 percent. Rather than having that if you could separate so that whatever we save in the superannuation is for retirement. And as we know from international experiences, countries even America where there are retirees who have sort of gone

into more or less poverty level of life because of being caught up in the web of not having enough savings in their superannuation.

Also linking onto that, we note the investment is mostly in the hotel industry portfolio. I believe members priority is in their housing need. And since this is members money that is being used, invested in the hotel industry portfolio, in what way can the Fund look at assisting members in regards to housing, because that is a high demand and a big need from members so that they do not have to use up their superannuation? Thank you.

MR. CHAIRMAN.- Thank you, Honourable Member. Yes, CEO.

MR. J. KOROI.- Honourable Members, I think the concerns highlighted by Honourable Radrodro is a genuine concern that we also tried to resolve. The result of what we are having now is the product of past years' policy. The 70/30 split only came into effect in 2012. So it will take may be another 15 years to 20 years to actually see that impact flowing into the members account. In fact we are doing some calculations. We believe that in 10 years' time the profile will look much different because of that policy. Is that sufficient or what else can we do before we reach that time? Those are the questions that we are actually posing and discussing with the Department of Social Welfare to address some of the concerns that we have in this group of retirees who may not have anything sufficient for them to look after.

So the impact of the 70/30, Honourable Chairman and Honourable Members, is going to come through in the next 10 years to 15 years. We will see a different profile. So what do we do within this period? What else can we do? These are the policy decisions and discussions that the team are actively doing with the Board.

We note the concern on tourism and housing, yes, the investment in tourism is quite significant in our portfolio. It is also because basically from the economic sectors, these are the only sectors that seems to be growing significantly. Through the Public Private Partnership (PPP) we are actively looking at areas of affordable housing. We are talking to the Housing Authority of Fiji in terms *Matavolivoli* in Nadi. There is also discussions on *Davuilevu* as part of the PPP for Government. So these are some of the areas that we are looking at to have a broader societal impact in terms of our investments. But again this must be conducted to meet the mandate that we have in terms of the sustainability of those investments.

In terms of medical insurance, I think Honourable Radrodro is referring to the design. Some organisations have specific allocations for these types of facilities like the Central Provident Fund (CPF) from Singapore, specifically allocates funds for this, whether its housing or insurance. The medical insurance is something that we are thinking of. I think the investment in the PPP in Lautoka will be a transformative investment for us. We will see how that goes and may be review some of the other options that have been discussed.

MR. CHAIRMAN.- Thank you, CEO. Also you have clarification on the answers you have provided. You have also mentioned that you are working closely with the Department of Social Welfare on improving services to those in the islands using the Department's assistance programme for payment of pension where they do not have a Post Office. So how far the discussion is and what is the plan to work on that? It has been mentioned in your answer that is on Page 9, the last paragraph.

MS. P. PRITIKA.- Honourable Members, this is something that we have just currently started discussing with the Ministry. We have just had one meeting it is part of our initiative to set up a National Social Security Committee or association and it is still currently at discussion and consultation stages. Once the

Ministry puts through a paper to the line Ministry, to the Minister and to Cabinet then we will be able to progress on this as well.

MR. CHAIRMAN.- Thank you very much for initiating and thinking of that because that will assist our people in the rural areas. Honourable Alipate Nagata, anything?

HON. A.T. NAGATA.- Thank you, Mr. Chairman and thank you, Mr. Joji Koroi. I am interested on the Village Housing Scheme. Who is eligible for this grant and when can we apply?

MR. CHAIRMAN.- I believe, Honourable Member, they are still having discussions with the relevant Ministry but if you can provide some information on that.

MR. A. WAQAIRAWAI.- Thank you Mr. Chairman, Honourable Members and Honourable Alipate Nagata for that question.

Currently we are finalising the agreement, we have been having discussions with the Ministry of Housing, once that is signed then it will officially start. But those that qualify for this housing are actually members of the FNPF that are actually entitled to access the Village Housing Scheme. Actually, any one that is entitled to access the Village Housing Scheme under the FNPF the current policies and guidelines has access to this scheme also, whereby the Government will come in and contribute a portion of the amount towards purchasing of either the land or the building.

Under this grant we are responsible for the Village Housing Scheme aspect of it. In terms of the urban areas the approve lenders or the banks are responsible for that. So once we sign the agreement which is now in its final stage of vetting then that will proceed.

MR. CHAIRMAN.- So only the FNPF members who are eligible to this?

MR. A. WAQAIRAWAI.- That is right.

MR. CHAIRMAN.- Honourable Simone Rasova, anything?

HON. S.R. RASOVA.- Thank you, Mr. Chairman. In regards to the current one, I hope it is still current, the members if anything of death, he is entitled to an insurance of \$8,000. If that is current, all right, for members that have taken out their money and who were former members for the last 40 years, I hope that you people can still do that even though they have taken their money but can they be still beneficiary of that \$8,000?

MR. CHAIRMAN.- You mean to say the death benefit?

HON. S.R. RASOVA.- Yes.

MR. CHAIRMAN.- Even though the members take out their money?

HON. S.R. RASOVA.- Yes.

MR. CHAIRMAN.- Yes, Mr. CEO, can you elaborate on that.

MR. A. WAQAIRAWAI.- Thank you Honourable Simone Rasova, the special death benefit premium as it currently works, ceases when you are 54. So, in order for members to qualify for that there is a premium



that is deducted from members. Currently the rate is \$35 per year. So if a member dies within a year then he or she gets paid \$8,500. So, FNPF adds another \$8,500 to his balance, once he finishes at 54 that is it, it also stops at 54.

MR. CHAIRMAN.- That is all right. We want to live a bit longer, leave it at 54. Are there any other supplementary question? Mr. CEO, you want to add something.

MR. J. KOROI.- Just to add on to the explanation. The scheme as set up a long time ago, is not really per se an insurance scheme. It helps to protect the savings of members because sometimes members who just join, when they pass on, there is no balance so this is really to assist members who have come in during the year. At the moment it is deducted off members balances, every year we deduct \$35 and there is a payout of \$8,500, if the members passes on during the year, so it is an Annual Scheme.

At the moment we have around 1,100 members that pass on during the year, which is covered from the contributions paid by all the members, but also to mention, Honourable Members, this Scheme is under review. We think that there is a lot areas that we can improve on, but it requires the Act to be changed for us to do this effectively. Thank you.

MR. CHAIRMAN.- So, CEO, all the members who are registered with FNPF there is an automatic deduction of \$35 and they are all paid the death benefit well before they die like 54 years and down, is that so?

MR. J. KOROI.- Yes, at the end of June, after we pass the interest credited to members, the second transaction is the deduction of \$35 from their 30 percent general account, their deduction is implemented. But, if you do not enough balance then it is done on a pro-rata basis.

MR. CHAIRMAN.- Thank you, CEO, yes, Madam.

HON. S.V. RADRODRO.- Thank you, Honourable Chairman, just a question, you know, taking into account the 64,000 plus members that do not have any balance and those that have 71 percent below \$10,000 savings.

In regards to the investment portfolio, what kind of benefits do individual members get from all these investments, so that at least whatever they get from that investment goes to their account, and in that way you may not have zero balances for those 64 plus members. And also we will sort of accumulate to those earning below \$10,000, so it could at least push up their balances in their accounts.

Because otherwise, I mean, with all that huge amount that has been invested on all these Portfolios, I am really looking very hard to see what kind of benefits individual members get. So how can we improve on that or if you can just answer, how do individual members benefit from all those investment portfolios in regards to increasing their shares in their account or their savings in their accounts?

MR. CHAIRMAN.- Maybe what are the criterias or maybe it is according to the amount or the contribution or if there is anything? CEO, yes.

MR. J. KOROI.- Thank you very much, Honourable Chairman. The interest paid to members or accrued to members depends on their balance at the end of the year. If you have a zero balance obviously we will not accrue any interest to your account.

I note their concern and so it depends on your balance. If you have a \$100,000 balance the interest would be around 6.35, so it is \$6,350.

MR. CHAIRMAN.- That is percentage upon your balance?

MR. J. KOROI.- Yes.

MR. CHAIRMAN.- Obviously if you have zero balance, you cannot be giving 6.35, because that will not be fair to the other members who have their contributions.

MR. J. KOROI.- Yes, but, we take the point. It is based on the design that is currently there. Other Superannuation Funds look at the equity component, some have separate interest rates for those at the lowest balances, so these are some of things that are currently being discussed also with the Fund, but requires our comprehensive review of the Scheme.

MR. CHAIRMAN.- But, one more clarification CEO, in regards to that 64,000 members, you have listed out those members, some of those that have passed on, some are students, some have migrated overseas and still the 64,000 appears in your report.

What is plan is in place to inform them or take out the names of people who have passed on, and also some people who are away overseas or they joined FNPF and now they are not responding or contributing. Have you in some way formally contacted them or written to them that you are a registered member with FNPF and your contribution is not coming to us so that somewhat in future Annual Reports we can reduce this number?

MR. J. KOROI.- Thank you ,Mr. Chairman. Obviously, this is a major concern for us, it is a product of various years. A massive exercise we are currently doing at FNPF now is the data cleansing, we are sitting with the 50 years of data and there is a project that currently cleanse the data and contacting all those that are in this space. Some are even dual accounts so this process of data cleansing is an active process currently. The one that are below 55 are the ones that we cannot close them out, we note your suggestion to contact them and hopefully over time we can reduce this number.

MR. CHAIRMAN.- Regarding the 71 percent, the \$10,000 and below, I believe it also depends on the contribution so maybe these workers are not getting that much wages or their income is less and their contribution then are 8 percent and 10 percent is less, that is why the amount is below \$10,000?

MR. J. KOROI.- Honourable Members, the low balance in our analysis is a result of basically four key areas.

1. The low wages 90 percent of our members earned below \$30,000 and I think the average based on the contribution is around \$16,000 a year. So we are working with majority of our members who have quite low wages.
2. Irregular employment – members sometimes break their employment so that is a contributing factor.
3. Heavy withdrawals over the years even the grounds that were allowed before, as you know we have now cut down the ground to the five core ones. Before there were over 23 grounds of withdrawals. So these changes will take time for the balances to build up.
4. Compliance, we need to step on compliance too.

MR. CHAIRMAN.- Mr. CEO, I believe before the actual reform started, the main one is the withdrawal. What were the reasons for the withdrawal at that time?

MR. A. WAQAIRAWAI.- Thank you for that question, Mr. Chairman. The two major causes for the current situation in terms of the low-member balance was as CEO had alluded to, there were 23 grounds of withdrawals. So when we did the reforms we have cut that in terms of reducing that grounds from 23 to just the five core that we have.

The other one was the 70/30 that he was alluding to, previously members could come and withdraw two-thirds of their money (66 percent) and only one third was preserved for their retirement. So when we did the reforms in 2012, the first two things we did was to shut that tap, reduce the withdrawal grounds from 23 to 5 and change the preservation policy, you can now only withdrawal 30 percent and 70 percent is preserved for your retirement. So what he is alluding to in fact the members that are going to be joining the workforce now they will end up with very large balances because of the 70/30 that is now mandated by law. Because a larger proportion of their sum they will not be able to take out, they are only allowed under very strict conditions in terms of first time housing and land applications.

MR. CHAIRMAN.- Thank you, Mr. CEO, I understand that is the main reason; the criteria of withdrawal then and the criteria of withdrawal now. We can see a difference of savings in future and I must thank you, Mr. CEO, for bringing this and the way you have been doing things. We understand, please, do not take us wrong we are trying to ask as many questions as possible. We know FNPF is really working hard and that is the reason we went page by page on the report and formulated the questions, now supplementary questions are coming and we just want to know ourselves as much as possible how things are being done. When we hear about \$64,000 then with the criteria people have died, some have gone overseas, zero contribution, that appears in each report, 71 percent and below \$10,000 and below those are the reasons, contributing factors why it is \$10,000 and below. So you are already doing your part, the plan is there to improve this in future so that the members joining in get a better return in future. Honourable Simone Rasova.

HON. S.R. RASOVA.- Thank you, Honourable Chair. Now most of the people over here are still 50 years old but I take it at the 54 years cut off of the insurance still bothers me. I mean the two CEOs and the supporting staff are probably 50 years old so by four years' time they should benefit from the insurance. People like me that are over 54, provided that I am just going back, because of the Elections last year, we took out our FNPF in the Elections and then to be back here as a Member of Parliament, we went back to reinstate ourselves with FNPF.

So, I take it I will not be a beneficiary to any of the products going back into FNPF. I take it that you have a Strategic Manager there, you have a CEO, if any way that probably the Act or the policy of FNPF can provide for those people that have been 40 years being a member of FNPF because everyone is going to die, at least can there be a provision whereby you take some of their money in any case to keep that provision to go beyond 70 years or something like that.

MR. CHAIRMAN.- So, you mean to say when a person retires at the age of 55, and 54 years is the timeframe of that benefit, the \$35 they are deducting, by 55 years old you take out your money so there should be something in place with FNPF to take some more money from you and whenever you die they need to pay you this. I believe that is the question that he is putting to you.

MR. A. WAQAIRAWAI.- Thank you for that question, Honourable Rasova. I think the CEO has mentioned about the review. We are contemplating a review of the Special Death Benefit Scheme.

One of the aspects of the review was actually looking at a funeral also with the benefit cover which our Actuarial team is currently exploring. That is a big review that is coming up and the issues being addressed by Honourable Rasova is one of the things that we are looking at. But otherwise for the Honourable Members of



Parliament, may I respectfully suggest something to really boost up your savings. You could additionally increase your contribution to the maximum of 30 percent. So, at the moment FNPF for you, Members of Parliament, it is 10 percent plus eight percent which is 18 percent. To maximise your savings within the next five year term, I would respectfully suggest that you increase your contributions by an additional 12 percent because that will boost up your FNPF and via the compound interest that will actually grow your balances much quicker and accumulate much more for your savings.

There has been a lot uptake and the CEO was alluding to the members of the education advocacy team that we have. We go out to workplaces to do this thing and the uptake that we have seen from workplaces. Just this week, we were at EFL, last week we were at the Academy so there has been an uptake with this team that goes out and people now understand that the best way to save is via increasing the additional contributions which will really make an impacts in terms of what they receive when they reach 55.

MR. CHAIRMAN.- Thank you, I have got your point. It is not only the Members of Parliament but people may be earning a bit higher, instead of giving eight percent, they can increase their percentage contribution to FNPF and looking at how FNPF is performing now the returns, come at that age they can get more money and even the investment team for FNPF will have more money to invest and get money back.

Back to Honourable Simone Rasova's question, I believe there is a review and you are going to discuss on that and look into how this can be taken in or people even after retirement, some money is left out there as he has said for the death benefit. But what happens to a person or a member who have started with FNPF as a member and his \$35 is deducted, come 54 years, he is still alive, 55 years he takes out that money, what happens to that \$35 per year?

MR. J. KOROI.- Thank you, Honourable Chair. It is quite a valid question and we have been asked this question a lot of time. If you are contributing for 30 years, you would have contributed around \$1,000.

MR. CHAIRMAN.- Yes.

MR. J. KOROI.- But as I have mentioned, this is a Scheme which is run separately. It is a Fund under the current changes. It is a separate Fund and Actuary is required to make solvency statements around that fund. In a year we collect around \$11 million from all the deductions and then based on death, roughly we pay out about \$9 million to \$10 million a year. So, as we mentioned earlier this scheme is currently under review because there are a lot of challenges on it like the one that you have raised.

The second one, Mr. Chairman, is a member who is at a low age may have less risk of dying although they are paying the same premium and the benefit is the same. So, those are some of the design issues that we are currently looking at.

As I mentioned earlier, the intention is really to protect members' savings while they have savings. It has been there for a while and it is time for a review, unless we change the Act which we cannot do much on it as it is currently designed. Thank you.

MR. CHAIRMAN.- Mr. Koroi, there has been suggestions for the contribution increment as far as those who are earning more, should this be informed to the employers to be deducted from there?

MR. J. KOROI.- Mr. Chairman, we work with the employer to make their contributions directly from their payments, so it is coming through the employee deductions in addition to their compulsory contribution, they increase that portion. So, the system of payment is much more efficient.

There is a lot of awareness that has been created and also the uptake we feel that it is increasing. Again, I think there is a lot of work and that we need to work together with the employees or our members to actually increase their savings.

MR. CHAIRMAN.- Mr. Koroï, in regards to the volunteer scheme, the members who are on voluntary scheme. Do they continue with the minimum amount or are there some members who are putting in more money for their savings?

MR. J. KOROI.- It used to be, in fact some people have actually contributed big sums of money, we have limited, it is now to \$250,000 a year. Before some people in the business community were putting in more because there was no limit before. We have now put a limit so \$250,000 is what you can contribute in a year.

HON. S.V. RADRODRO.- Thank you, Mr. Chairman, just a quick question on the 71 percent members the below \$10,000 savings, in regards to the total savings with the Funds, that 71 percent would contribute to how much or what percentage of the total funds in the FNPF?

MR. CHAIRMAN.- Thank you, Honourable Member, that is on dollar value.

MR. P. SINGH.- Just a clarification? Do you want to know how much they are contributing or what is the number that the 71 percent equates to?

MR. CHAIRMAN.- Yes, what is the amount in regards to dollar value for that 71 percent, if possible?

HON. S.V. RADRODRO.- Yes, if possible, if you do not have the dollar value, at least what percent they contribute in regards to the total savings?

MR. CHAIRMAN.- The total number of FNPF members, that is 100 percent, what she is trying to say that it is totally 100 percent member, this 71 percent members, stands at what dollar value?

HON. S.V. RADRODRO.- ... the 71 percent in regards to the total members but the amount maybe significant in regards to the total Fund?

MR. P. SINGH.- The amount is significantly low, yes, just to give your some background in the numbers, that 71 percent equates to around 300,000 members but if you look at last year's contribution that was about \$599.9 million. So, they have balances below \$10,000. It will be significantly low.

MR. CHAIRMAN.- So, over the years we can see some changes because of the changes in criteria, non-withdrawal, et cetera.

MR. P. SINGH.- Because of the preservation Mr. Chairman, the impact would at least take 10 years minimum so that that 70 percent can contribute to a meaningful retirement.

MR. CHAIRMAN.- Thank you.

MR. A. WAQAIRAWAI.- Just probably to give some sort of statistics, in 2016, the same figures were about 75 percent, were below \$10,000. As at 30th of June, 2017, it went down to 73 and as at last financial year, it is 71 percent. So you will see more graduating into the higher balances as we go with this awareness. Every year that should improve.

MR. CHAIRMAN.- Thank you. Honourable Members, I believe I will request the CEO to say a few words before we actually close our session.

MR. J. KOROI.- Thank you, Honourable Chair and Honourable Members. Again, thank you for the opportunity for the Fund to be represented before this esteemed Committee.

FNPF as you know, plays a very important role in the society. It is a social anchor for the country. You have noted that the reforms that we have done in 2012 has built up a very strong and sustainable Fund into the future.

There are some eminent challenges, particularly around the low-member balances and extending the coverage to the informal sectors that we want to ensure that we address it in the next review process.

As I mentioned earlier, the expectation for the members might outlive all of us here. So there is an onerous obligation for us to make sure that the Fund continues to serve the members into the future. As part of the exercise that we have done in terms of our public awareness and the forums that we have had, we have seen a lot of improvements in members' engagement. We have asked a lot more intellectual questions in terms of how much they can get out of the process rather than how quick they can take their money out from the system.

Members are now looking into the future and planning for their retirement, retirement like that is a reality of the situation so what we face during retirement is a product of planning much earlier. It is not that you retire at 55 because by then it is too late so, Honourable Members, thank you for the opportunity and hopefully these discussions today have enlightened some of those issues. Thank you.

MR. CHAIRMAN.- Yes, thank you, CEO. On behalf of the Standing Committee on Social Affairs, I would like to say that it was a very enlightening presentation and very informative. Thank you very much. You know our role as Honourable Members and part of this Committee is to scrutinise the report that is given to us by the Parliament of Fiji, and I believe, together with the Honourable Members, we have really gone through every paragraph and every page. That is why all these questions have come and thank you very much for coming in and providing the answers and clarifications. We really know what all is around FNPF and how you are moving. I believe you are in the right direction and I must thank you for the work and the effort. I thank you for the time and thank you very much for the presentation. *Vinaka!* Thank you.

The Committee adjourned at 2.53 p.m.