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## **STANDING COMMITTEE ON SOCIAL AFFAIRS**

**Review of the:**

**Fiji National Provident Fund 2021 Annual Report**

**Fiji National Provident Fund 2020 Annual Report**

**Fiji National Provident Fund 2019 Annual Report**



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
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## COMMITTEE MEMBERSHIP



### **Chairperson**

Hon. Viam Pillay MP

Government Member

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### **Deputy Chairperson**

Hon. George Vegnathan MP

Government Member

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### **Member**

Hon. Alipate Nagata MP

Government Member

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### **Member**

Hon. Salote Radrodoro MP

Opposition Member

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### **Member**

Hon. Dr Ratu Atonio Lalabalavu MP

Opposition Member

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## CHAIRPERSON'S FOREWORD

I am pleased to present the report of the Standing Committee on Social Affairs on the annual review of the Fiji National Provident Fund (FNPF) for 2019, 2020 and 2021.


This review was undertaken in accordance with Standing Order 109(2)(b) which mandates the committee to look into issues related to health, education, social services, labour, culture and media. The committee first met to deliberate in April of this year and formulated questions pertaining to the Annual Reports, which were sent to FNPF for its response. Upon receipt of all relevant information on the committee's queries, the committee compiled its findings and subsequently endorsed its report in May.

Some of the pertinent findings emanating from the scrutiny of FNPF's Annual Reports include:

- The Fund recorded a net income of \$543 million in 2021 compared to \$370 million in 2020. Strong performance in fixed income & treasury investments contributed \$331.3 million towards the net income. Other investment portfolio such as equities, commercial loans and properties added \$212.1 million as well.
- Due to such sturdy performance an interest rate of 5% was declared and \$302.8 million was distributed to 389,986 members.
- The Fund's net assets stood at \$8.2 billion with a growth rate of 3.5%. The investments portfolio generated an ROI (return on investment) of 6.5% overall.

At this juncture, I wish to thank the Chief Executive Officer of the Fiji National Provident Fund, Mr. Viliame Vodonaivalu, and his staff for their timely assistance in this review process. I also extend my gratitude to my Committee colleagues namely: Hon. George Vagnathan (Deputy Chairperson), Hon. Alipate Nagata, Hon. Salote Radrodoro and Hon. Dr Ratu Atonio Lalabalavu for their contributions during the committee's deliberations.

On behalf of the Standing Committee on Social Affairs, I commend this Report to Parliament and request all members of this august House to take note of the Report.

  
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**Hon. Viam Pillay**  
**Chairperson**



## **RECOMMENDATION:**

The Standing Committee on Social Affairs has conducted the annual review of the Fiji National Provident Fund for 2019, 2020 and 2021 and recommends that the House take note of its report.

### **1.0 INTRODUCTION**

The 2019, 2020 and 2021 Annual Reports of the Fiji National Provident Fund were tabled in Parliament and referred to the Standing Committee on Social Affairs for its scrutiny.

Standing Orders 109(2)(b) allows Standing Committee on Social Affairs to examine matters related to health, education, social services, labour, culture and media.

Furthermore, Standing Orders 110(1)(c) authorises the Standing Committee to “*scrutinise the government departments with responsibility within the committee's subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department's administration, legislation or proposed legislative program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*”

#### **1.1 Committee Procedure**

We first met in April to deliberate on and formulate questions pertaining to the 2019, 2020 & 2021 Annual Reports of FNPF which were sent to FNPF for its response.

Upon receipt of all relevant information on the committee's queries, we compiled our findings on the Annual Reports and subsequently endorsed it in the early part of this month.

We received written response from the Fiji National Provident Fund for this annual review. It is available on the Parliament website, at the following link:

<http://www.parliament.gov.fj/committees/standing-committee-on-social-affairs/>

## **2.0 ABOUT THE FIJI NATIONAL PROVIDENT FUND**

The Fiji National Provident Fund is Fiji's largest financial institution. Established over 50 years ago, it is Fiji's only superannuation fund committed to securing the future of Fijians.

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

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, HFC BANK, and fully owns the Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, Momi Bay Resort Pte Limited (Fiji Marriott Resort), Marriott Denarau Properties (Westin Fiji, Sheraton Fiji and Denarau Golf & Racquet Club) and the Grand Pacific Hotel.

## **3.0 COMMITTEE'S OBSERVATIONS**

- 3.1 We requested the Fund to provide data on loans issued by FNPF from 2015 up until the present time, the entities to which loans were given, and their financial performance. We also enquired on the amount recovered and outstanding loan balance for each of these entities and whether any entity had defaulted on loan repayments. However, this information was not disclosed to the committee by the Fund as we were informed that it was bound by the confidentiality clause of these loan agreements. The committee was assured though that all loans went through a vigorous due diligence process, which are then escalated/vetted, by a three-tiered committee system before being tabled to the Board for approval or otherwise.

We also queried the Fund on the criteria used to issue loans to entities. The Fund outlined the following measures it has put in place:

1. Prior to approving loans, FNPF undertakes a detailed due diligence process on the borrower, the project, financial strength of the borrower, financial viability of the proposed project, quality and value of the security or collateral that will be provided for the loan, debt/equity ratios, expected returns, ability to service the loan, risks etc. Financial covenants are put in place, along with reporting covenants, which allow the Fund to continuously monitor the performance. The lending needs to align to the Fund's investment Policy Statement.
2. To cover credit risk, Fund takes security, which is sufficient to cover the loan. Borrower is required to provide periodic valuation of the security and if the valuation is lower than the loan, then borrower is obliged to provide additional security.

3. The remedies available to the Fund is outlined in the loan agreement and policies, which include mortgagee sale, foreclosure, civil proceedings against shareholders, bankruptcy actions/ judgements debtor summons, winding up proceedings, sale of assets etc.
- 3.2 We note that the Fund recorded a net income of \$543 million in 2021 compared to \$370 million in 2020. Strong performance in fixed income & treasury investments contributed \$331.3 million towards the net income. Other investment portfolio such as equities, commercial loans and properties added \$212.1 million as well. Due to such sturdy performance, an interest rate of 5% was declared and \$302.8 million was distributed to 389,986 members.
- 3.3 The Fund's net assets stood at \$8.2 billion with a growth rate of 3.5%. The investments portfolio generated an ROI (return on investment) of 6.5% overall.

#### **4.0 COMMITTEE RECOMMENDATIONS**

1. That FNPF collaborate with strategic partners to further explore investment opportunities in the agriculture sector, Business Process Outsourcing, healthcare, retail, manufacturing, financial & insurance sector, infrastructure assets and the like, so as to further increase its income for the benefit of its members.
2. That the Fund continue to digitise its services and processes to enhance accessibility to members and adapt to new operating conditions as necessary.
3. That, as part of the Public Private Partnership agreement signed with the Government and Aspen Medical, FNPF ensure that works to validate the project cost for Lautoka hospital is swiftly completed and all necessary project works scheduled for the Ba and Lautoka hospitals are completed within stipulated deadlines.

## **5.0 CONCLUSION**

The committee has fulfilled its mandate to review the 2019, 2020 and 2021 Annual Reports of the Fiji National Provident Fund. As part of its review process, the committee received a written response from the FNPF.

In this review report, the committee has highlighted its findings of the Fund's financial and operational performance for the period from 2019 – 2021.




## COMMITTEE MEMBERS' SIGNATURE

We, the Members of the Standing Committee on Social Affairs, hereby agree with the contents of this report:



**Hon. Viam Pillay**

**(Chairperson)**



**Hon. George Vignathan**

**(Deputy Chairperson)**



**Hon. Salote Radrodru**

**(Member)**



**Hon. Alipate Nagata**

**(Member)**



**Hon. Dr. Ratu Atonio Lalabalavu**

**(Member)**

## APPENDIX

### Published written evidence

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Written evidence was received from the Fiji National Provident Fund and can be viewed on the Parliament website at the following link: <http://www.parliament.gov.fj/committees/standing-committee-on-social-affairs/>