

Your funds are safe

1 Are members' funds safe?

Yes, members' funds are definitely safe.

2 What assurance can the Fund give in regards to the safety of members' funds?

The FNPF has a very basic function. It collects contributions from members, invests these contributions to earn income, and then pays these (contributions plus interests paid by the Fund) when members retire either as a pension or in lump sum.

The total funds in all our members' accounts as at June 30, 2009 were \$2.69 billion. This is the money FNPF owes to our members derived from their contributions and interests accumulated in their accounts over the years.

The Fund's total net assets as at the same period, after the write-down, is \$3.31 billion. These include all the investments made by the Fund over the years. So the net surplus, which is total assets minus members' total balances, is \$620 million. Therefore, we can assure you that there is enough money in our investments to cover what we owe the members.

Also the recent Actuarial Valuation by Mercer, which takes into account FNPF's future pension liabilities, based on the 2009 accounts that includes the write-down, confirms net surplus present value of \$168.7 million.

3 If all members withdrew at the same time will the Fund have money to pay out to all of them?

As previously discussed, FNPF's total assets (which includes reserves and on-going investment income and FNPF contributions from new and existing members) adequately covers these. The FNPF Act does not allow all members to withdraw their money at once. The Fund's full obligation to members begin when they reach the age of 55, that is when they are eligible to withdraw their money.

4 Explain the difference between write-down and write-off?

It is important to note that what the Board has approved is the write-down. This write down is because of the need to adjust the value of the assets to reflect its fair market value. Market value is based on the prevailing market conditions which changes according to circumstances.

A write-down means that the assets are still in our books, we are just correcting its book value. If the value improves in the future, we can write back those increases into the value of our investment.

On the other hand, a write-off is when the losses are actually realized after selling the asset at its lower value.

5 What does the \$327 million comprise of?

Total write down and provisions comprise the following:

- Natadola – \$301 million in both lending and equity investments including our investments in Natadola Land Holdings Limited
- Momi Bay - \$18 million
- The balance is for other investments in Malt House Brewery, Fiji Hardwood, GPH, Savusavu Marina Bay and Suva Tropik Health.

It is important to note that the Board has taken a very conservative approach in approving the write-down.

6 Is this write-down normal?

Value for all investments changes over time depending on the changes in market conditions. You would have been aware of the effects of the global financial crisis where some significant write-offs were made to financial institutions including superannuation funds. In Australia, some super funds lost as much as 16% of their value in 2009. Some regional super funds lost 20% of their value.

7 What does the write-down mean to the real value of Natadola?

The Fund spent a significant amount of money on the Natadola Integrated Project including the golf course. At present, the members have one of the most prestigious hotels in Fiji. However, to account for the valuation, a write-down for these investments and lending was required to correct the book value of Natadola.

8 So the loss is in "books" only and not in actual cash transaction?

Yes, the loss would be a monetary loss only if the asset was sold for the valuation amount. The loss is a reflection of the value at valuation date.

9 Will the write-down affect interest paid to members?

No. This is only an adjustment to the value of the investment. Members' interest is calculated from actual income that the FNPF earns from all its investments. In 2009, the Fund actually received an income of \$225.6 million from its investments, of which \$113 million was credited to members' accounts. So, the write-down did not affect the interest declared to members.

10 What actions will FNPF take?

As has been outlined in previous media announcements recently, the FNPF is currently pursuing reform initiatives to address these issues including:

Natadola: pursuing the development and the sale of the residential lots. We are also working closely with InterContinental Hotel Group (IHG) management group to improve the profitability of the hotel. We are also exploring long-term leasing arrangements for Yatul Beach Resort.

Momi: the Fund is exploring opportunities to sell or jointly complete Momi with appropriate partners.

Strengthening of Investment team: The Fund is reviewing its investment assessment criteria and due diligence process.

Corporate Governance: We are working closely with the Reserve Bank to ensure that policy frameworks are in place for best practices and to minimise risks.

Government update: The Fund continually to regularly update Government on the progress of the reforms being undertaken.

11 Who will be held accountable for the losses and write-downs?

The Fund will engage an independent forensic investigation into Natadola. This will be undertaken by Deloitte Australia.

The recommendations will be forwarded to the FNPF Board for their decision.

12 How does the Fund propose to recover these funds?

Under the current reforms, the Fund has identified specific actions that will be pursued to ensure that these funds are recovered over time.

13 How soon can the Fund recover these funds?

This will not happen overnight. We hope to recover this over time. The life of the asset is in excess of 30 years, and is a long-term investment. The recovery of funds will occur as further development are completed.

14 Would the Fund consider the option of selling Natadola to recover members' monies used in developing it?

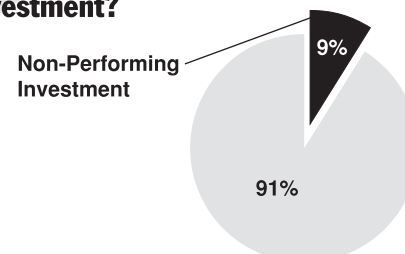
No, the time is not right to sell it off. It is in FNPF and members' interest that we put in place action items that have been identified to ensure that we recover monies and of course, get a fair return on our investment.

15 Who were the two international valuers that valued Natadola and what was the basis of their valuation?

The two valuers were Bayleys; and Jones Lang LaSalle Hotels.

The valuation is based on a "going concern" valuation which recognizes current performance and future projections. The basis is also calculated with regard to "Fair Value" – the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction. The valuation also takes into account similar types of property sales that have occurred relating to the current market conditions.

16 What is the total percentage of non-performing investment against total investment?



17 Who will supervise the recovery of these funds and will members be informed about the status of the recovery?

The FNPF Board and Management will supervise recovery and members will be fully informed of progress towards recovery.

18 When will the FNPF 2009 accounts be made available to members?

The Fund will release this at the end of this month. The report will be tabled to Cabinet on May 25. In the meantime, Government continues to be briefed on the status of the Fund's accounts.