

**“FNPf - a secure
future for all
members”**

Agenda



- Objective
- Why we need reform and what it means
- The detail
 - Your options and how the fund will work
 - The new products – examples
- Top-up benefits - examples
- What to do next
- Conclusion & Questions

Objective



Deliver a **fair & equitable** pension in retirement for all members:

- Not just for **today**
- Not just for **tomorrow**
- But well into the future for **all Fijians**

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Why we need Reform



- **Unsustainable** promises were previously made for pension rates
- The payments to Pensioners are far more than their original contributions - including interest and investment income earned on these contributions – the funds to pay current pensioners were not enough

Why we need Reform



- **FNPF is a business** and the basics of business is why we needed to change.
- The money that was coming in was **less** than what was going out – no matter what business you're in, this does not work.
- So, if you do nothing, the business will not survive.

Background



We have consulted with pensioners.

We have consulted with members.

We have consulted with legal experts & actuaries.

This is the best solution

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The Reforms mean:



- Current pensioners will receive a **refund** of their original pension amount to take as a lump sum.
- They can then choose one of FNPf's new pension options - **Life Pension or Term Annuity**.
- If a **Life Pension** is chosen, they will also have access to a **top-up** option that will support their retirement.

The Reforms mean:



- **Majority** of current pensioners are either **better off, OR**
- Will see **no change.**
- These pensioners **total 7,000+** of the current 11,000+ pensioners.....

The Reforms mean:



- For the other 4,000+ pensioners, we will **still refund** their original amount to take as a lump sum or invest in one of FNPF's two options – Life Pension or Term Annuity.
- They will also be offered a top-up option – they are not forgotten.

The Reforms mean:



- Greater **governance** for FNPF Board – Directors to meet the Fit & Proper expert test.
- **Code of Conduct** for FNPF.
- Annual **Forum for Members** (like an Annual General Meeting).
- **Annual Financial Condition Report** by Actuaries for RBF.
- The **Reserve Bank of Fiji, IMF & World Bank** agree with the need to Reform.

The Detail

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How the fund will work



- Pensions are provided from the **Retirement Income Fund (RIF)** – only pensioner contributions on retirement.
- We have a new requirement, called a 'solvency reserve', which means that we have an obligation to continue to meet our pension payments and commitment to current pensioners.
- This is monitored by the **Reserve Bank of Fiji**; the Reserve Bank sets standards and obtains regular reports on the RIF from the FNPf - including a Financial Condition Report signed off by the FNPf actuary.

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Your options with FNPFF



- Upon receiving your refund on March 1 2012, you have 3 options that can be taken individually, or in combination:

Retirement Product	Overview
1. New Life Pension	Regular monthly payment for life, at aged-based rates
2. Term Annuity	Regular monthly payment for the life of the term – 5, 10 or 15 years
3. Lump Sum	Take the full amount

New Life Pension



- This is a regular monthly payment to the pensioner, the person who purchases the product.
- Two types:
 - **Sole pension** - stops on the death of the pensioner; and
 - **Joint pension** - payment continues after the death of the pensioner to the spouse of the pensioner at the start date (NOT a subsequent spouse)
- **5year guarantee** – means that should a sole pensioner/or both joint pensioner die in the first 5 years of purchase, their nominee will receive balance of the 5 year payment
- **Top-up** pension available to current pensioners for this option

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Life Pension Rates



Age	Sole	Joint	Age	Sole	Joint	Age	Sole	Joint
55	8.7%	7.5%	60	9.6%	8.0%	65	10.8%	8.8%
56	8.9%	7.6%	61	9.8%	8.1%	66	11.1%	9.0%
57	9.0%	7.7%	62	10.0%	8.3%	67	11.4%	9.2%
58	9.2%	7.8%	63	10.3%	8.4%	68	11.7%	9.4%
59	9.4%	7.9%	64	10.5%	8.6%	69	12.1%	9.7%

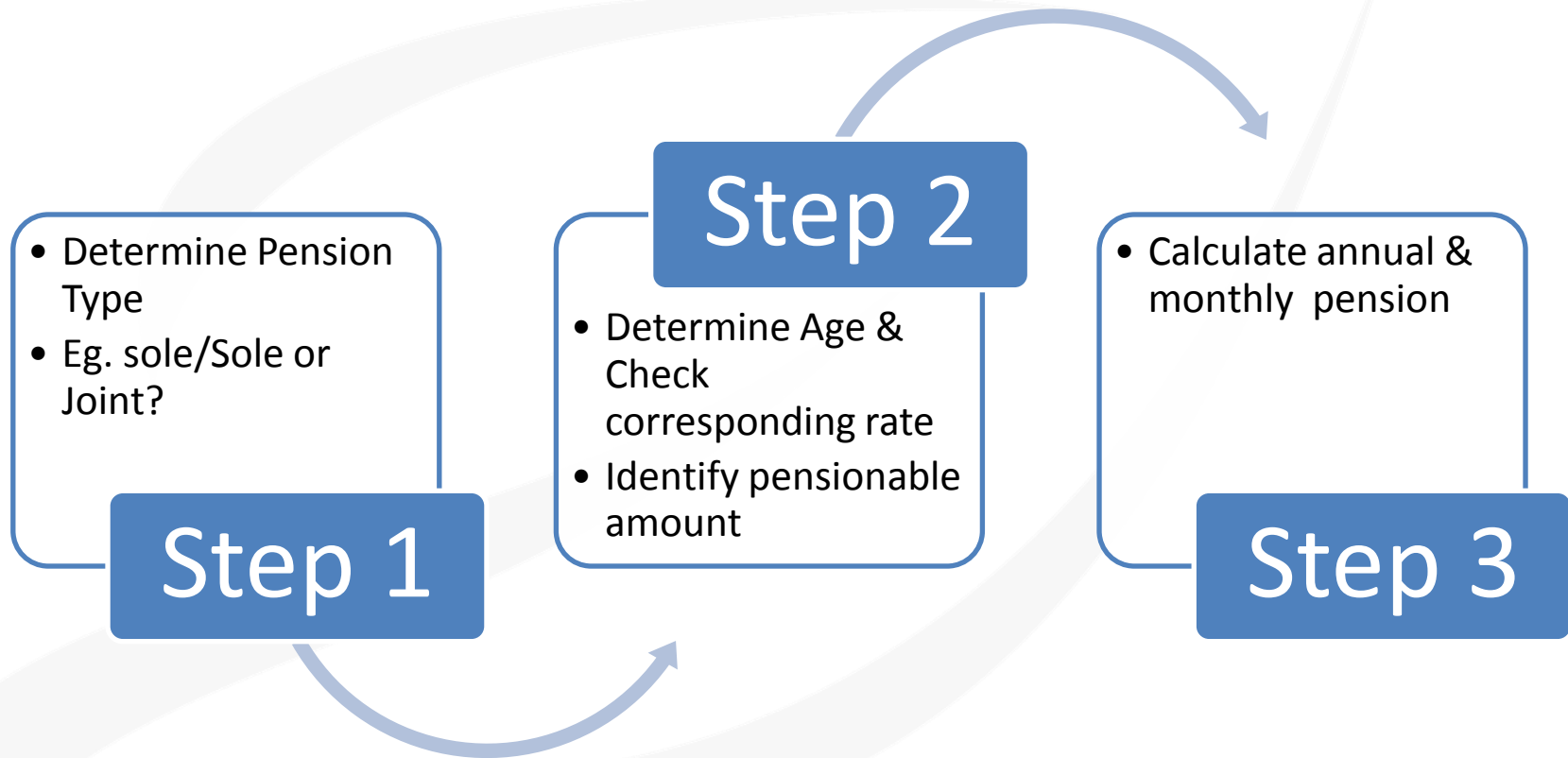
Rates for spousal joint where spouse is > 7yrs junior will be determined by actuary.

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Calculating Life Pensions



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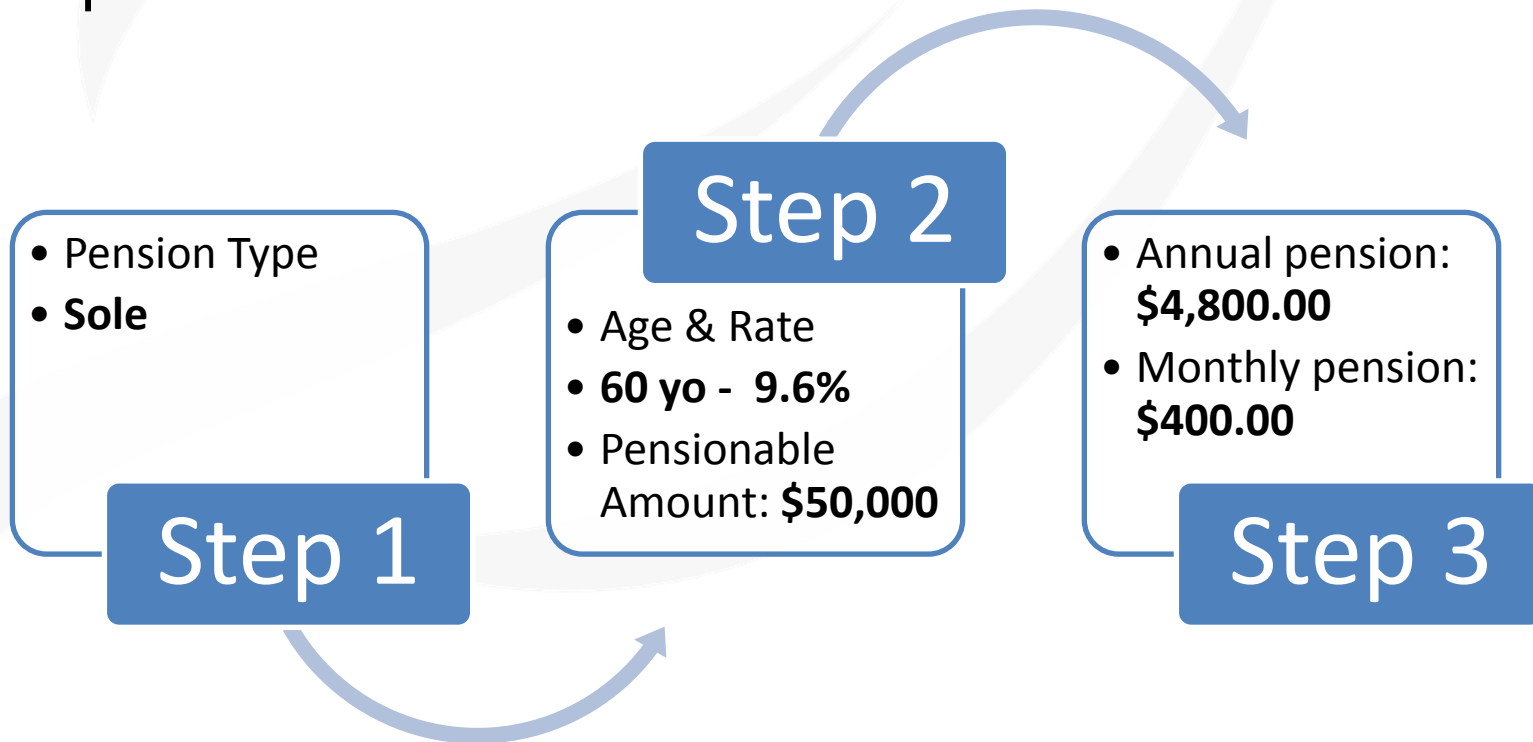
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Example: Life Pension



- Pensioner A, now 60 years old, is finally retiring from work. His FNPF earnings to date is \$70,000. Of this, he want to take \$20,000 as lump sum and the remaining to be pensioned for himself .



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Term Annuity



- Regular monthly payment to the pensioner for a fixed term; either 5, 10 or 15 years.
- On death of the term annuitant before the end of the fixed term, payments continue to the nominee until the end of the term.
- Different rates for the different terms.

Term Annuity (cont..)



- The nominee can apply to have the remaining installments exchanged for a lump sum.
- This will be at a rate set by the FNPF after taking actuarial advice.

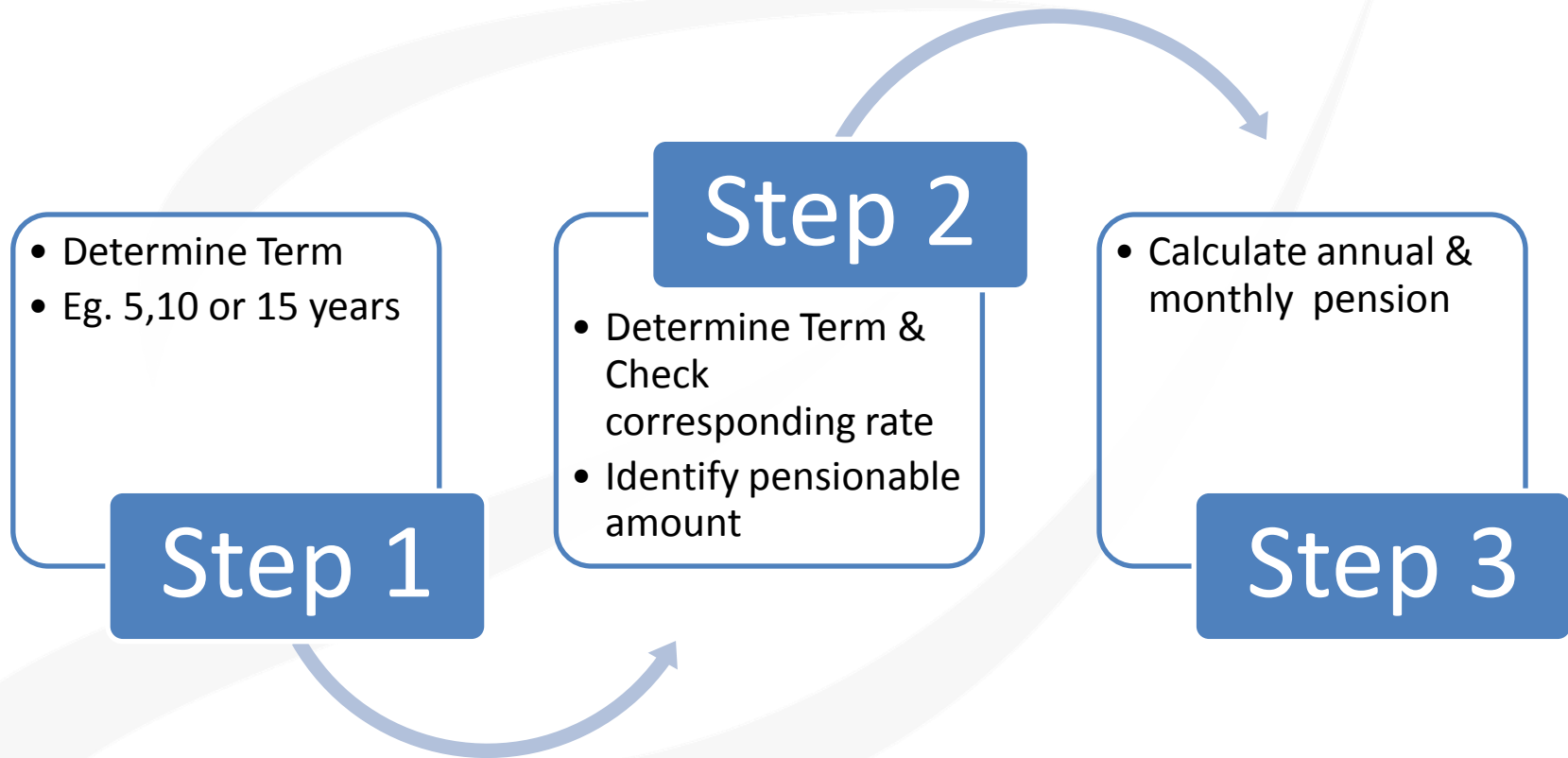
Term Annuity Rates



Term	5 Years	10 Years	15 Years
Rates	21%	12%	9%

- These rates would have been applied now, Nov 2011.
- Rates for March 2012 will be available in Feb 2012

Calculating Term Annuity



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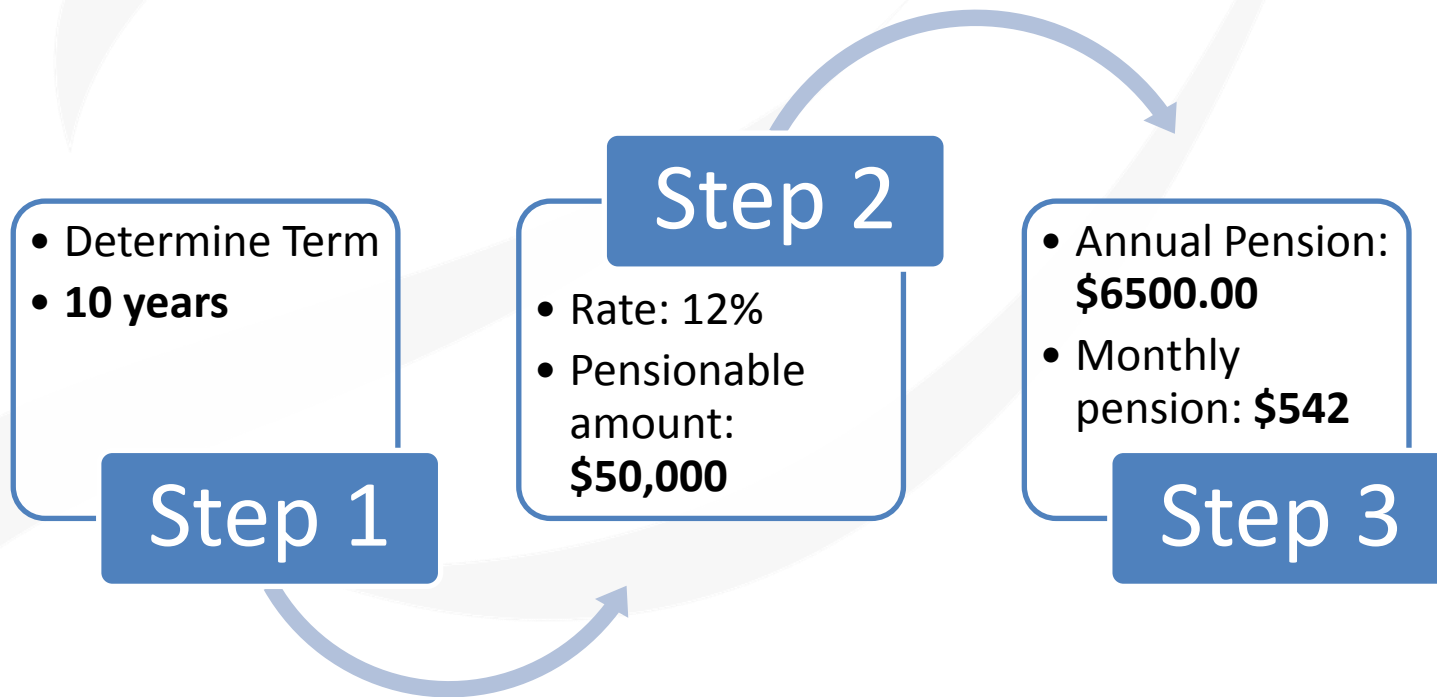
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Example: Term Annuity



- Pensioner B has decided to purchase a 10 year Term Annuity for his \$50,000 balance.



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TOP-UP BENEFITS

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Top-Up Benefit



- Objective
 - Protecting the marginalized
 - Maintaining support for pensioners on the low end and maintaining over time.
- **Applicable only for Life Pension**
- **Requires 100% conversion of refund sum.**

Top-Up Mechanism



Category	Current Monthly Pension	New Monthly Pension	Top-Up
1	Less than \$100	Less than \$100	Bring monthly pension up to \$100.00
2	Between \$100 and \$300	Less than current pension	Top up to maintain current monthly pension
3	More than \$300	Less than \$300	Best of: i) New pension of \$300 ii) Purchase pension with additional 25% of Pensionable Amount (capped at \$10,000)

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Example: Category 1:



- Pensioner A had \$6,000 in his FNPf account converted to pension when he retired in 2007 at the 16% conversion rate. He is currently 60 years old and receiving \$80.00 per month. They wish to apply the full amount of the refund to purchase a new Life Pension.

Step 1: Sole Pension

Step 2: Age 60 yo = Rate 9.6%

Step 3: Calculation is based on the new pension rate as at 1st March, 2012. Calculation is as follows:

- 9.6% of \$6,000 = \$576.00 per annum
- Payable at \$48.00 per month
- ***A top-up of \$52.00 will bring Pensioner A's new monthly pension income to \$100.***

Example: Category 2



- Pensioner B had \$21,000 in his FNPf account converted to Sole Pension when he retired in 2007 at the 16% conversion rate. He is currently 59 yo and receiving \$280 monthly pension. He wishes to apply the full amount of the refund to purchase a new Life Pension

Step 1: Sole Pension

Step 2: Age 59 yo ; Rate 9.4%

Step 3: Calculation is based on the new pension rate as at 1st March, 2012. Therefore the calculation for his pension is as follows:

- 9.4% of \$21,000 = \$1,974 per annum
- Payable at \$164.50 per month
- ***A top-up of \$115.50 will bring Pensioner B's monthly pension income to \$280 (his current monthly pension).***

Example: Category 3



- Pensioner C had \$19,200 in his FNPf account converted to pension when he retired in 1989 at the 25% conversion rate. He is currently receiving a \$400 monthly pension. He wishes to apply the full amount of the refund to purchase a new Life Pension.

Step 1: Sole Pension

Step 2: Age 80 yo ; Rate 16.9%

Step 3: Calculation is based on the new pension rate as at 1st March, 2012. Therefore the calculation for his pension is as follows:

- 16.9% of \$19,200 = \$3,244.8 per annum
- Payable at \$270.40 per month

There are 2 options for the top-up...

Example: Category 3



Option 1:

- A top-up of \$29.60 will bring Pensioner C's monthly pension income to **\$300 pm**

Option 2:

- Top -up = 25% of PA (\$19,200) capped at \$10,000 = \$4,800
- Annual Pension = \$4,200 per annum
- Monthly Pension = **\$350.00 pm**

Top-Up Benefit



- Applicable only for Life Pension.
- Requires 100% conversion of refund sum.
- Top-up is not guaranteed.
 - The fund will guarantee the sole pension purchased by the refund for five years. So, if a pensioner passes away before the end of five year guarantee, payments on the base amount will continue, but the top-up payment will cease immediately.

BENEFITS OF FNPF Products



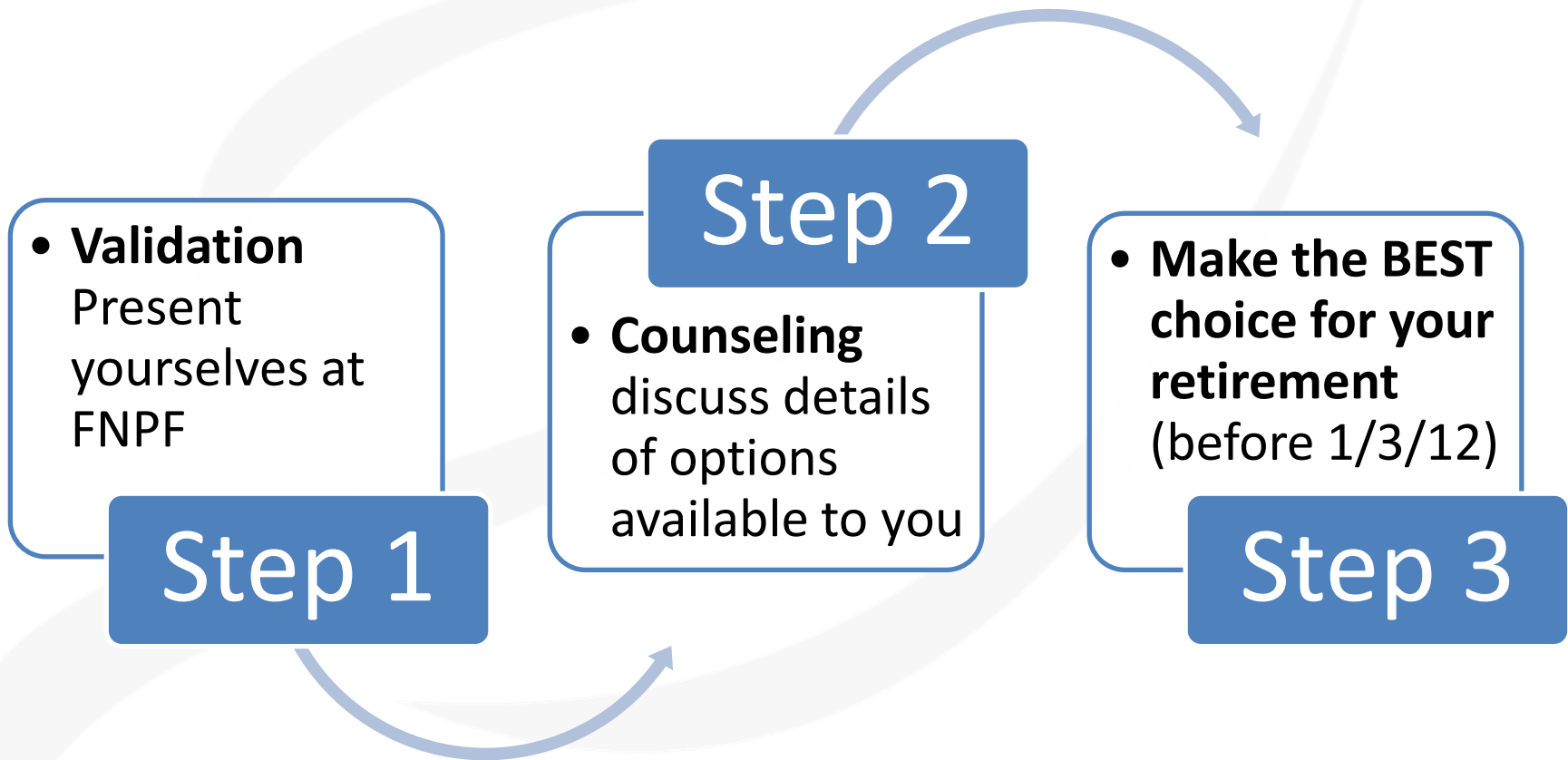
- Tax Free
- Better Rates compared to available returns in the market
- No separate Administrative Fees

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What you need to do



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VALIDATION & COUNSELING



Validation Requirements

- FNPf Pension ID or FNPf Member Card
- Passport or Driver's License
- Birth Certificate
- Marriage Certificate
- And Birth Cert and Photo of Nominee

Validation & Counseling

- FNPf branches/agencies and mobile teams

EMPOWERED PENSIONERS



- You are **empowered** with new pension choices:
 - Refund.
 - Re-join the Life Pension with top up (64% will not be affected OR better off) and still the best rates.
 - New Products (Term Annuity products).
- Our trained counselors will be waiting, from Monday, to meet **one-on-one** with you and to give you the **best advice and options.**

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