

# FACT SHEET



## New Pension Scheme

The new FNPf Act will become effective on **March 1, 2012** and FNPf will introduce a number of changes that will give all our members the opportunity to take control of their pension and build an even better retirement for themselves, their children and their children's children.

### The Key Changes

- The new FNPf Decree will become effective on 1 March, 2012, with a transitional decree to cover the period from the current Act to the new decree.
- A new age-based, actuarially sound pension rate will be implemented on 1 March, 2012 for all our members.
- Current pensioners will be given the option to receive a refund of the initial amount they had converted to pension and take it as a lump sum, or choose one of FNPf's new pension options - Life Pension or Term Annuity.
- If a Life Pension is chosen by one of FNPf's current pensioners, they will also have access to a top-up option that ensures that they are supported in retirement.

### How a refund works

David Sigavou converted \$5,000 for his pension at a rate of 25 per cent when he retired in 1985. Sigavou will be refunded \$5,000. His neighbor Rajend Lal converted \$15,000 at a rate of 15 per cent in 2006, FNPf will refund Lal \$15,000.

### The new FNPf options

Upon receiving their refund, current pensioners will be able to choose one, or a combination of, the following options:

OPTION	HOW IT WORKS	BENEFITS
<b>Lump Sum</b>	<ul style="list-style-type: none"> <li>• The pensioner receives his/her pensionable amount in one sum, from March 1, 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Able to choose how this money is used.</li> </ul>
<b>Life Pension</b>	<ul style="list-style-type: none"> <li>• Regular monthly payment until death</li> <li>• Two types:                             <ul style="list-style-type: none"> <li><b>(i). Sole Pension</b> – stops upon the death of the pensioner and/or</li> <li><b>(ii). Joint Pension</b> – payment continues after the death of the pensioner to the spouse of the pensioner at the start date (NOT a subsequent spouse).</li> </ul> </li> <li>• 5 year guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• All pension payments are tax free</li> <li>• Top-up applies</li> </ul>
<b>Term Annuity</b>	<ul style="list-style-type: none"> <li>• This is a regular monthly payment for a fixed term of 5, 10 or 15 years</li> <li>• Different rates for each term</li> <li>• Payments guaranteed for the end of the fixed term.</li> <li>• Nominee can apply to have remaining installments exchanged for a lump sum, at a rate set by FNPf after taking actuarial advice.</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• All payments are tax free</li> </ul>

### The new Life Pension rates

As you would see from these rates, the later one decides to take a Life pension, the higher the rates. Rates are outlined in the tables below:

Age	Single	Joint	Age	Single	Joint	Age	Single	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 up to age 100 are also available\**

#### How a Life Pension works

John Saike turns 55 and will retire on 23 March, 2012. His initial pension amount is \$30,000. Based on the above, John's pension rate will be 8.7%. Therefore, he will receive \$2,610 per year (\$217.50 per month). The Fund will guarantee this pension for the first five years, meaning that if John passes away in that period, the Fund will pay out the remaining installments to his nominee.

#### The Term Annuity rates

For a Term Annuity, the lesser time one decides to stay with the FNPF, the higher the rates.

Term	Rate
5 yrs	21%
10 yrs	11.5%
15 yrs	8.7%

#### How a Term Annuity works

John Saike turns 55 and will retire on 23 March, 2012. His initial pension amount is \$30,000 and he has chosen to convert this full amount to a 10 year Term Annuity.

Based on the above (which are likely to change), John's pension rate will be 11.5%. Therefore, he will receive \$3,450 per year for 10 years only (\$287.50 per month). The Fund will guarantee this pension for the duration of the Term, meaning that should John pass away 4 years into the 10 year term, the Fund will pay out the remaining installments to his nominee.

#### How will the top-up work?

The top-up will be applied to those who convert their full lump sum refund to a Life Pension. The categories are as follows:

- **CATEGORY 1:** Pensioners who receive a monthly pension of below \$100 will be brought up to receive \$100 a month under the new rates. Some of these pensioners currently receive as low as \$5 a month.
- **CATEGORY 2:** Pensioners whose income is between \$100 to \$300 per month will have their pension income protected and will continue to receive the same amount as they are currently.
- **CATEGORY 3:** Those who receive over \$300 per month will be offered the best of two options – that is to choose a new pension of \$300 per month or a top-up of 25 per cent of their refund capped at \$10,000 to be applied on the purchase of new life pension.

#### How will a Top-up work

##### 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. He now wishes to apply his full lump sum refund to purchase a new Life Pension.

**Step 1:** Sole Pension

**Step 2:** Age 60; 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.**

## 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 years old 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; Rate 9.4%

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

**Calculation 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).**

## CATEGORY 3

Pensioner C, who is 80 years old, 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; Rate 16.9%

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

**Calculation as follows:**

- 16.9% of \$19,200 = \$3,244.80 per annum
- Payable at **\$270.40 per month**

**There are two options for Top-up benefit**

**Option 1:**

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

**Option 2:**

- Top-up = 25% of PA (\$19,200) capped at \$10,000 = \$4,800
- Annual Pension = **\$4,200 per annum**  
Monthly Pension = **\$350 per month**

**Rates applied to the Top-up are actuarially-tested, but unlike the new pension rate does not include the 5 year guarantee (i.e. the Top-up portion of your monthly pension is not guaranteed).**

### **Pension Options to choose from**

- (i) Sole Life Pension
- (ii) Joint Life Pension
- (iii) Part Sole Life Pension, Part Joint Life Pension
- (iv) Part Lump Sum, Part Sole Life Pension
- (v) Part Lump Sum, Part Joint Life Pension
- (vi) Part Lump Sum, Part Sole Life Pension, Part Joint Life Pension
- (vii) Full Lump Sum
- (viii) Term Annuity for 5 years, 10 years or 15 years
- (ix) Part Lump Sum, Part Term Annuity
- (x) Part Life, Part Term Annuity
- (xi) Part Lump Sum, Part Life Pension, Part Term Annuity

Other combinations of Life Pension, Term Annuity and Lump Sum are also available.

### **Next Steps for our pensioners**

All pensioners around the country will need to see a FNPf Pension Counsellor before **March 1, 2012**, to verify their account, access their refund and make wise re-investment choices. These Counsellors will be available at any FNPf Agency or Branch

### **When you go to visit a Counsellor, please bring the following documents:**

- FNPf Pension Identification Card or FNPf Membership Card
- In the absence of an FNPf ID, a passport or driver's license
- Birth Certificate
- Marriage Certificate (female pensioners who changed their names after marriage)
- Death Certificate (only for pensioners who qualified for the scheme after the death of their spouse through a joint pension option.
- For your nominee, a Birth Certificate and 2 Passport size photos are also required.