

# New FNPF Pension Scheme

## What it means to current Pensioners

The new Fiji National Provident Fund Decree will come into effect on **March 1, 2012**.

Under the new Decree, FNPF will introduce a number of changes to the pension scheme that will empower our current pensioners and give all our members the confidence that FNPF is sustainable into the future.

### The Key Changes

- The new FNPF Decree means that existing pension arrangements will cease on 1 March, 2012.
- A new age-based and sustainable pension rate will be implemented on 1 March, 2012 for all our members. This means that the later you retire, the higher your pension rate.
- Current pensioners will be given a refund of the original amount they had converted to pension to take as a lump sum, or they can choose one of FNPF's new pension options – such as a Life Pension or Term Annuity

### How a refund works

Pensioner A converted \$5,000 for his pension at a rate of 25 per cent when he retired in 1985. He will be refunded \$5,000. His neighbour, Pensioner B, converted \$15,000 at a rate of 15 per cent in 2006, FNPF will refund him \$15,000.

### The new FNPF options

Current pensioners will be given the refund and will be able to choose one, or a combination of, the following options:

OPTION	HOW IT WORKS
<b>Lump Sum</b>	The pensioner receives his/her original pensionable amount in one lump sum, from March 1, 2012
<b>Life Pension</b>	<ul style="list-style-type: none"> <li>• This is a regular monthly payment to the pensioner, the person who purchases the product.</li> <li>• Two types: <ul style="list-style-type: none"> <li><b>i. Sole pension</b> - stops on 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>• <b>5year guarantee</b> – means that if a sole pensioner (or both the pensioner and the spouse, in the case of a joint pension) should die in the first five years of purchase, the pension will continue to the nominee to the end of the five years</li> <li>• <b>Top-up</b> benefit available to current pensioners for this option provided all the refund applied to the pension</li> </ul>
<b>Term Annuity</b>	<ul style="list-style-type: none"> <li>• Regular monthly payment to the pensioner for a fixed term; either 5, 10 or 15 years.</li> <li>• Different rates for the different terms.</li> <li>• On death of the term annuitant before the end of the fixed term, payments continue to the nominee until the end of the term.</li> <li>• The nominee can apply to have the remaining installments exchanged for a lump sum, at a rate set by the FNPF after taking actuarial advice.</li> </ul>

### 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%

\* These rates are available up to age 100

### Example of new Life Pension

Pensioner A, now 60 years old, is finally retiring from work. His FNPF earnings to date are \$70,000. Of this, he wants to take \$20,000 as lump sum and the remaining to be pensioned for himself (\$50,000).

STEP 1	STEP 2	STEP 3
<ul style="list-style-type: none"> <li>• Pension Type</li> <li>• <b>Sole</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Age 60</b></li> <li>• Rate - <b>9.6%</b></li> <li>• Pensionable Amount: <b>\$50,000</b></li> </ul>	<ul style="list-style-type: none"> <li>• Annual pension: <b>\$4,800</b></li> <li>• Monthly pension: <b>\$400</b></li> </ul>

### Term Annuity rates

As the rates for a Term Annuity are based on the financial markets, anticipated rates only are published below. Although FNPF does not expect significant changes to these rates, actual rates for March 2012 will be available in February 2012.

Term	Rate
5 years	21.0%
10 years	12.0%
15 years	9.0%

### Example of Term Annuity

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

STEP 1	STEP 2	STEP 3
<ul style="list-style-type: none"> <li>• Determine Term</li> <li>• <b>10 years</b></li> </ul>	<ul style="list-style-type: none"> <li>• Rate: <b>12%</b></li> <li>• Pensionable amount: <b>\$50,000</b></li> </ul>	<ul style="list-style-type: none"> <li>• Annual Pension: <b>\$6000</b></li> <li>• Monthly pension: <b>\$500</b></li> </ul>

### What pensioners need to do?

Bring in any of the following to one of our branches where the Pension Counsellors will be located:

- Pension ID Card or FNPF Member Card
- Passport or a Driver's License
- Marriage or Birth Certificate
- Death Certificate (only if you have qualified for pension upon the death of your spouse)
- Birth Certificate and 2 Passport Photo of your nominee



# New FNPf Pension Scheme

## What is the Top-up benefit?

- The top-up benefit has been designed to cushion the impact of the changes for our most marginalized. In fact, the majority of our current Pensioners will be better off, or experience no change because of the Top-up.
- The receive the Top-up, current Pensioners must use 100% of their lump sum refund to purchase a Life Pension.

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

### 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. 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.**

### 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 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).**

### EXAMPLE: 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).*

### 10 Pension Options

- (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

### Benefits of FNPf Pension

- Tax free
- No separate administrative fee
- Best rates compared to market rate

**For more information call:**

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