

# Key Features Statement



## TOP UP (EFFECTIVE 1 MARCH, 2012)



FNPF's primary role is to secure your future as a member by ensuring that you have a meaningful retirement fund accumulated from your hard-earned FNPF savings during your working life. The new FNPF law, effective **1 March, 2012**, strengthens our role and ensures that the Fund remains sustainable in the long-term through the introduction of actuarially-fair rates for its current and future pensioners.

### What is Top-Up

The top-up is the additional monetary benefit that the Fund will add to your monthly retirement income if you choose to invest **ALL of your pension refund to the new life pension product.**

### Why Top-Up

The difference between your current monthly pension and the new monthly pension could be quite significant. This is because the rates for the new life pension are designed to be sustainable, fair and equitable for current and future pensioners.

The top-up policy has been designed to offer some relief from the impact of the new rates.

The rules for the top-up will vary depending on the difference between your current monthly pension and your new monthly pension.

### Who is eligible for Top-Up

Only pensioners registered with the Fund before November 25, 2011 are eligible for the Top-Up.

### Key Requirements for Top-Up

Those eligible need:

- (i) to convert all their refund to the Life Pension under the new rates; and
- (ii) to make their retirement choice before 29 February, 2012; as such the Top-Up will not be granted to those eligible who have not made their choice by this date.

### How will it benefit pensioners

**Category 1: Your current monthly pension is below \$100 a month.** In this case, your top-up will increase your pension to \$100 per month.

#### Example:

If your current monthly pension is \$50 a month, then you convert all your refund (initial pension amount) to life pension. If you apply all of your refund to a single life pension, you will receive \$30 a month under the new rates. Your top up will be \$70 and this will give you a monthly income of \$100.

**Category 2: Your current monthly pension is between \$100 and \$300.** In this case your top-up will ensure your total pension is not less than your current monthly pension.

#### Example:

If your current monthly pension is \$230 a month, and your new monthly pension is \$140 a month, then if you convert all your refund to life pension you will be entitled to a top-up of \$90 a month, taking you back to \$230 a month.

**Category 3: Your current monthly pension is over \$300 a month, and your new monthly pension is under \$300 a month.** For this situation the calculation of your monthly top up is computed in two ways, with the calculation

that provides the higher monthly pension applying. Either, the top-up will take you to \$300 a month, or an amount equal to 25% of your lump sum refund capped at \$10,000 will be used to provide you with a top-up pension.

**Example:**

If your current monthly pension is \$350 a month and under the new rates you will receive \$172 a month. In this case we also need to know the size of your refund – say it is \$16,800 – and your age – say 70.

**Option 1:** The first top-up would give you an additional \$128 a month, taking you to a total of \$300 a month.

**Option 2:** We would also then calculate what the monthly pension would be if we were to convert an amount equal to 25% of your lump sum refund to a top-up pension. 25% of \$16,800 is \$4,200, which would give you \$45.85 a month, taking you to a total of \$217.85 (\$172 + \$45.85).

**Best Option:** In this instance, Option 1 is more valuable to you and the one you would be offered.

**Category 4: Your current monthly pension is over \$300 per month, and your new monthly pension is over \$300 per month.** Under this category, the top-up of \$300 per month is not applicable to you, and so your top-up depends on your initial pension amount by

**Example:**

If your refund is \$48,000, your current monthly pension is \$600 per month, your age is 60 and your new monthly pension is \$384 a month.

- 25% of \$48,000 is \$12,000, which is more than \$10,000;
- You would recall that maximum amount available for top-up is \$10,000, which will provide you a top-up pension of \$81 per month (\$10,000 X rate for 60 year old divided by 12 months); and
- This top-up of \$81 plus the \$384 will mean that your new pension will be \$465 a month.

**Top-Up for Joint Pension**

If you choose a joint life pension, the top-up will continue to be paid to your spouse in the event of your death.

**No-Guarantee for Top Up**

This means that in the event of your death (single pension) or the death of both you and your spouse (joint pension), the top-up will not be paid out to your nominee. Your nominee will only be entitled to your balance of your pension payment within the 5-year guarantee period.

**Retirement Income Fund**

Should you choose to apply for a new life pension with your refund, an amount to support your top-up will be transferred to the Retirement Income Fund (RIF), a separate fund within the FNPF established to provide life pensions and term annuities. The RIF is supported by the investment earnings on its assets, less expenses.

**Solvency Reserves**

A solvency reserve is held within the RIF to ensure that the Fund is able to meet pension payments. The ability of RIF to meet pension payments is monitored by the Reserve Bank of Fiji (RBF). RBF sets standards and obtains regular reports on the RIF from the FNPF. These reports include a Financial Condition Report signed off by the FNPF actuary.

**Benefits of Top Up**

- Costs you nothing;
- Tax-free under current tax rules; and
- For many, it means that your current pension income is maintained, or even increased.

**Top Up Payment**

- This is included in your monthly pension payments.

**Additional Information**

If this Key Features Statement has false or misleading statement about this product, then you can apply for a *Notice of Cancellation*.

- This notice has to be given within two months of you becoming aware of any false or misleading statement
- The FNPF reserves the right to contest the grounds on which you claim cancellation.
- If the product is cancelled, the FNPF will refund the purchase price within one month of cancellation.