

STATEMENT to the MEDIA

Mr Aisake Taito, Chief Executive Officer, FNPf

Media Conference, Thursday July 22, 2010

SALUTATIONS

Media Partners & Friends, Ladies and Gentlemen

Thank you for taking time to be here today. We are mindful of the critical role you play in ensuring that our members are fully informed of the latest developments at the Fund. Thus, we are grateful that you are here in large numbers.

INTRODUCTION - REFORMS

In the last few years the International Labour Organisations (ILO), World Bank (WB), International Monetary Fund (IMF), Mercer Australia and lately Singapore Cooperation Enterprise (SCE) have highlighted gaps in the Fund that borders on sustainability and non-compliance with social security conventions and best practices.

These studies together with recommendations from Reserve Bank of Fiji, external auditors, customer surveys and internal researches have formed the platform for the reform in the Fund policy, law and practices to ensure the gaps identified are bridged and Fund grow sustainably.

The Government is well aware of the need to reform the Fund and in his Budget address in November last year, the Prime Minister and Minister of Finance mandated the Fund to undertake structural and operational reforms to address the Fund's sustainability.

The major objective of this media conference is to provide you with an update on the progress of the reforms over the last six months.

Before that, I would just like to recap the major reforms being undertaken within the Fund.

1. Investment Rehabilitation
2. Pension Review
3. Review of the FNPf Act

4. Review of Member Benefits & Partial Withdrawals
5. Review of Contributions, Coverage & Collections
6. IT Strategic Review
7. Business Process Re-engineering.

These reforms are all being undertaken concurrently and as a package – in that these projects are inter-dependent. The success of one is critical to the success of others. The timelines for these reforms vary from 12 months to 36 months.

REVISED VISION & MISSION

In light of the mandated reform, and the FNPF Board's commitment to achieve our objectives, the FNPF has revised its corporate statements of intent to reflect our key strategic focus.

The new vision is "Securing your Future". This vision encompasses the strategic aim of the Fund and its core role in ensuring that our members are financially secure on retirement.

The new Mission reads "To deliver excellent services and sustainable returns to our stakeholders". Again, I reiterate the reforms currently being undertaken at the Fund are geared towards operational & structural efficiency that will ensure value-added service to our members and better returns.

INVESTMENT REHABILITATION

The strategic direction for investment rehabilitation is

- First, to correct the value of the investment in our books
- Second, to rehabilitate the non-performing assets, and
- Thirdly, to put the portfolio on a new growth path.

In this regard, you are all aware of the write-down that was made in the financial year ended June 2009. Most of us have now accepted that this exercise was not only necessary but was also prudent.

Let me now briefly update you with the progress on the key projects:

Natadola Hotel Development

The focus for Natadola is to create value by completing the residential development as well as working closely with the Hotel Manager to increase the profitability of the hotel. The progress is encouraging and is assisted by an upturn in our key overseas tourist markets.

Some key highlights include the opening of the Club Villas on 17th May; the completion of a survey under a revised master plan. We are now discussing with Native Land Trust Board (NLTB) on the new leasing arrangements and working on a scheme plan for the residential lots.

The hotel is becoming a popular destination for international, regional and local events.

The financial performance for the hotel has also improved, and we are working with the operators, Intercontinental Hotel Group (IHG), to continue to improve further.

Momi Hotel Development

We had already advised the media of our process to invite expression of interest for either the sale of or for a joint venture to complete the Momi Stage 1 Integrated Hotel Development.

We are working with various international channels to reach as many investors as possible. This expression closes on 27th August where we will be then in a position to determine our way forward.

Some strong interests have been registered and we are working closely with them.

Grand Pacific Hotel

With regard to GPH, we are in discussion with an investor and we will announce the details once finalised.

PENSION REVIEW

The FPNP provides one of the most generous pension schemes in the world.

The reform will address the sustainability by making the pension annuity actuarially sound.

The Fund has recently acquired the World Bank Pension Model known as the Pension Reform Option Simulation Toolkit (PROST) which will be used to simulate pension reform options.

In addition, we have begun negotiations with Mercer Australia to assist in this area.

Key stakeholders will be consulted.

REVIEW of the FPNP ACT

The FPNP Act was legislated in 1966. Over the years there has been ad-hoc amendments made to the Act.

The review encompasses best practice provisions keeping in mind the developments in the area of superannuation and any legislative frameworks to further strengthen the Fund.

The review is intended to modernize the Act, to make it relevant and enable the Fund to deliver its objectives.

Some of the specific areas that the Act will address include:

- Best corporate Governance practices
- Investment mandate
- Improve on Enforcement Capability to ensure members contributions are collected

Again, key stakeholders will be consulted.

REVIEW OF CONTRIBUTIONS, COLLECTIONS & COVERAGE

The Fund's objective is to ensure all contributions are collected and to explore ways in which we can improve and broaden our coverage of the informal sector.

BUSINESS PROCESS RE-ENGINEERING & IT STRATEGIC REVIEW

The Business Process Re-engineering (BPR) targets operational efficiency and better services to our members.

BPR is aimed at improving our processes to deliver excellent services and meet members' expectations.

The Fund is overhauling its IT system to allow members' accessibility to our services and improve internal efficiencies and reporting.

REVIEW OF MEMBER BENEFITS & PARTIAL WITHDRAWALS

In the last few months, the Board has had to take a thorough assessment of the benefits available to our members against its fiduciary responsibility as a retirement fund.

Changing Member Mindset

The Board understands the current economic challenges facing our members and their expectations over the years. However, we note with concern the extent of increased reliance by the members on the Fund to meet basic and social obligations.

The Fund reiterates it is a savings scheme for retirement, and not a bank.

From its assessment, the Board has concluded that the Fund needs to immediately review the benefits available to our members.

- To ensure members are financially secure during their retirement
- To ensure the Fund generates positive net contributions for investment purposes to sustain the growth of the Fund

The Board has therefore, taken a decisive action in re-focussing the FNPF to its core function – that of a retirement fund.

The FNPF believes in maintaining partial withdrawal grounds that will directly contribute to the retirement well-being of our members. These are in line with core benefits of similar retirement funds.

Effective from September 1st, 2010, the Fund will only allow Partial Withdrawals under the following grounds

1. Education
2. Housing &
3. Medical

We are currently reviewing the Funeral Assistance and Unemployment Assistance. A decision on this will be announced soon.

Improvements to Retained Benefits

To add-value, to the retained withdrawal grounds, the Fund has enhanced these benefits through the:

- Removal of ceiling of \$2000 for local education per student per semester
- Extension of cover for medical benefits to a member's brother(s) and sister(s); currently this is reserved for the member, spouse, children and his/her parents.
- Review of housing assistance to ensure that it is more inclusive of our less-affluent members; and to encourage property ownership.

The Fund has decided to reduce the processing fee for partial withdrawals by 50% , from \$20 to \$10. This is effective from September 1st, 2010.

The other new measures, which become effective from January 1, 2011 are:

- The introduction of \$2000 deduction from the Special Death Benefit to cover for members' funeral expenses.

Currently the onus is on relatives of members to withdraw their funds for funeral expenses.

- Allowance for those over 50 years, unemployed for over 3 years and with balances of \$2000 and below, to fully withdraw their funds.
- Allow options for members to repay amounts withdrawn under partial schemes. Of course, these repayments will allow members to have a higher balance on retirement.

Reasons for the Review

The reforms that FNPF has undertaken are critical for both the Fund and members.

It is critical for the Fund to carry out this reform to sustain itself in light of the changing global environment.

The review of Member Benefits and Partial Withdrawal policy has been undertaken to strengthen and add value to the retirement benefits of all FNPF members.

The revised policies will benefit members as it will boost their savings, allowing them to accumulate more for retirement.

The FNPF Board needs to ensure that members are financially secure after their work-life; as this is their responsibility as trustees of the Fund.

FINANCIAL PERFORMANCE

Earlier last month, the Fund credited 5% interest to our members' accounts totaling \$121.30 million.

The Fund intends continue to credit to members a good return on their savings.

The audit of our financial performance for the Financial Year ended June 2010 has started and we will report this to our members once completed.

Let me close, by assuring our members that these reforms are necessary to ensure the continued sustainability of the Fund in Securing your Future.