

Crediting interest process

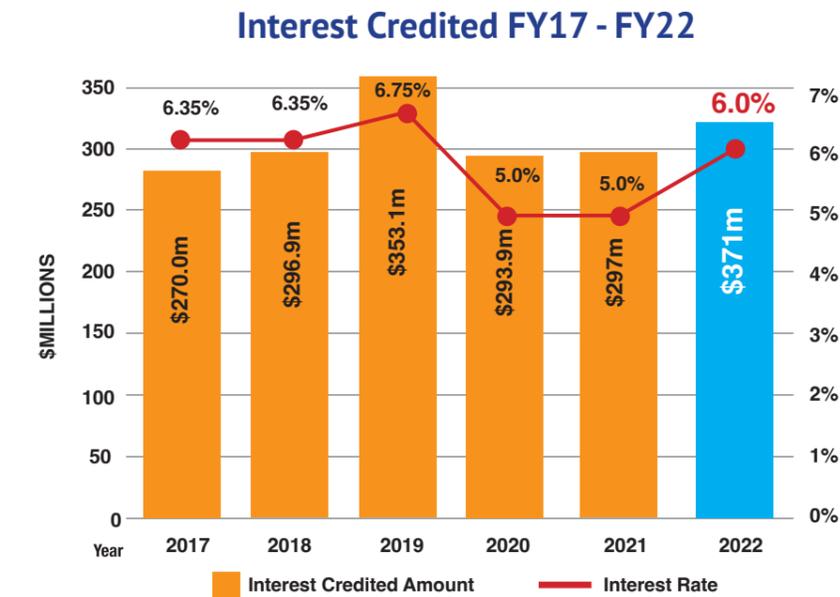
For many of our members, the end of the fiscal year is eagerly anticipated, as it is when the Fiji National Provident Fund Board announces the interest based on the year's financial performance.

Despite the erratic external changes throughout the world, the Fund has advanced with our growth objectives, reiterating our solid financial position, to provide interest to our members. Fund Chief Executive Officer, Viliame Vodonaivalu announced on 24 June 2022 that the FNPF Board had approved a crediting interest rate of 6% for its members for the fiscal year ending June 30, 2022.

The Fund Actuary validated the rate confirming that it will not put undue stress on the FNPF's solvency criteria - a validation that is a mandatory requirement in the FNPF Act.

As a result of this interest payment, a total of \$371 million was credited into the FNPF accounts of 392,175 members on 30 June.

The growth in interest this year (last year was 5%) is related to the higher returns achieved from investments that have been strategically managed by the FNPF. A predominate component of the Fund's investment return is the Government Bond income and equity investments return. The



interest is also attributed to infrastructure investments and the recovery of the Tourism industry since borders opened in December 2021.

Having a diversified investment portfolio has been a strength for the Fund minimizing the overall risks and decreasing the impact of market volatility as experienced during the pandemic.

The 6% interest rate serves as a reassuring

signal to our members that the Fund and its future are secure and confirms that the FNPF continues to be the best option for long-term investments.

“The Fund has now distributed over \$1.6 billion in interest payments to members for the past five years.”

CEO - Viliame Vodonaivalu.

This is a reflection of the Fund's investment choices, which have allowed the portfolio to grow to its current size.

FNPF will continue to explore more investment possibilities to maximize member funds' growth and get them ready for a more financially secure retirement.

The interest amount which each member receives depends solely on their average daily balance over the year and not calculated on the closing balance.

The more balance you have, and less withdrawal taken, the more interest you will earn on your total balance. With compounding interest, this is the best way to grow your funds. Members need to consistently save for a reasonably long time, to fully realize the effect of the compound interest mechanism.

Any withdrawal will incur a negative impact on your retirement savings and will affect your capability of having a secure future.

The Fund's financial performance for the current fiscal year (1 July 2021 – 30 June 2022) will be fully detailed in our Annual Report 2022, which will be published later this year.

Example

John has \$2,000 opening balance and his FNPF account has contribution and withdrawal activities transpiring within the financial year (from 01-07-21 to 30-06-2022) as shown in the first three columns of the Table 1.

The fourth column derives the member's daily average balance (DAB) using this formula: $\$A \times N/M$ where:

- \$A is either the Opening balance amount or the Transaction Amount.
- N is the no of days measured from the Transaction Effective Date till the date interest is credited (which is 30-06-2022 in the transaction table)
- M is the total no of days in the financial year (this is 365 for financial year 2022).

Note: Summing up the amounts calculated using this formula on the opening balance and the transactions gives the same amount as that derived using the daily average balance calculation. The product of this sum and the rate declared for the financial year gives the amount of interest that is credited to the member's account (fifth column).

Table 1: How to calculate your interest

Transaction Effective Date	Transaction Type	Amount	Amounts affecting DAB	Effect on the final interest
	Opening Balance	\$2,000.00	\$2,000 = $365/365 \times \$2,000$	\$120 = $6\% \times (365/365) \times \$2,000$
30-07-21	Compulsory Contribution	\$200.00	\$183.56 = $335/365 \times \$200$	\$11.01 = $6\% \times (335/365) \times \200
30-09-21	Compulsory Contribution	\$200.00	\$149.59 = $273/365 \times \$200$	\$8.98 = $6\% \times (273/365) \times \200
30-11-21	Compulsory Contribution	\$200.00	\$116.16 = $212/365 \times \$200$	\$6.97 = $6\% \times (212/365) \times \200
12-12-21	Withdrawal	(\$300.00)	-\$164.38 = $200/365 \times (-\$300)$	-9.86 = $6\% \times (200/365) \times (-\$300)$ This shows that the partial withdrawal of \$300 caused negative impact on the final interest amount
31-01-22	Compulsory Contribution	\$200.00	\$82.19 = $150/365 \times \$200$	\$4.93 = $6\% \times (150/365) \times \200
31-05-22	Compulsory Contribution	\$200.00	\$16.44 = $30/365 \times \$200$	\$0.99 = $6\% \times (30/365) \times \200
30-06-22	Interest		DAB = $\$2,000 + \$183.56 + \dots + \$16.44 = \$2,383.56$	Interest = $6\% \times \$2,383.56 = \143.01

The scenario may change according to the members' account activity during the year, e.g. if an adjustment is being transacted. It is best that members contact FNPF for further clarification and guidance

Common Questions

1. How does the FNPF determine the interest rate?

The Board will consider the following factors before determining the rate: (i) the performance of the FNPF's investments during the financial year (ii) the Fund's financial performance for the year and foreseeable future (iii) that the crediting rate is equitable - that it is likely to be fair to both current members and future members and current and future investment returns (iv) the crediting rate will not place undue stress on the FNPF's solvency requirements.

2. Who qualifies for interest payment?

Any member, compulsory or voluntary, whose account status is open or pending at 30 June 2022 and whose Daily Average Balance for the financial year is positive.

3. How do I calculate how much interest I will earn?

The amount of interest credited to your FNPF account, is calculated by applying the declared crediting rate to the Daily Average Balance. The interest is not

calculated by applying the declared crediting rate to your closing balance.

4. How does a partial withdrawal taken during the financial year affect the interest credited to my account?

As long as your account is active and has a positive daily average balance as at 30 June, your account will be credited with interest at the end of the financial year.

However, if you make an early or partial withdrawal during the year, it will have a negative impact on the amount of interest that you would get in your FNPF account, and it will potentially have negative impact on your overall retirement savings, especially if you do not plan to replenish the partially withdrawn amount.

5. What happens if I had fully withdrawn my funds in the middle of the financial year?

If you fully withdrew your funds in the middle of the financial year or at any other point during the year, your account would earn interest up to the final day before your full withdrawal. The interim interest that is applied would be the last declared interest

rate, or lower once announced by the Board.

6. What if I am unemployed during the financial year?

The calculation method of interest is the same whether or not you are unemployed for a period of time.

7. I am a voluntary member, will my account also earn interest?

Yes. All member accounts earn interest whether you are a compulsory or a voluntary member - it must be in either open or pending status whose Daily Average Balance for the financial year is positive.

8. What is the Fund going to do about contributions that are missing from my account for the financial year?

We strive to ensure that all contributions are paid and credited to your account on time. If a delay in posting was caused by the Fund, we will post the missing contributions and adjust interest accordingly. It is in every member's interest to continually check their account and ensure that their contributions are updated. This can easily be done by through the myFNPF app, so we encourage our members to download the app through Google Play Store or Apple App Store.

9. How do I calculate my daily average balance?

First, we calculate the average of the account's daily balances. To do this we look at the account balance on each day during the financial year and calculate the average. The account balance will change during the financial year if contributions are made into the account or if early withdrawals are taken out of the account.

Contributions increase the account balance and withdrawals decrease the account balance. When we know the account balance on each single day during the financial year, we calculate the average. We call this the Daily Average Balance.

The calculation in Table 1 above provides an alternative approach.

Please do contact us so we can walk you through the calculations and help you understand it better.

10. How can I contact the Fund for further assistance?

You can contact the Fund by emailing information@fnpf.com.fj, call 3307811/5857 or live chat with us on our website www.myfnpf.com.fj.

Source: Fiji National Provident Fund