

Investing in retirement savings

Retirement savings, while mandatory for compulsory members of the Fiji National Provident Fund, is an investment in a member's (and their family's) future.

It enables members to set aside a portion of their income for their retirement – after all, we need to be thinking of how we will be getting by in retirement, when our regular source of income from paid employment, ceases.

Many don't often think of retirement savings as a form of investment, when it actually is.

As the custodian of members' funds, FNPF, like any superannuation fund, is a long-term investor and continues to be the ideal partner in long-term investments promising stable returns with a well-diversified investment portfolio.

In 2020, FNPF recorded a net increase of \$320.4 million in profit, which was the basis of a declared 5% interest, with \$293.9 million being distributed to 388,071 members. The Fund's investment portfolio has had extensive growth increasing from \$3.5 billion in 2010 to \$7.9 billion in 2020. Coupled with tax free, competitive interest rates and compounding interest benefits, FNPF remains the best choice for your investment.

But you don't need to have thousands or millions of dollars to be part of this retirement savings scheme.

It's an investment that's also available for those workers not engaged in formal employment, through the Voluntary Membership scheme, which was introduced more than five decades ago.

Whether you are self-employed, a domestic worker, taxi driver, farmer or sports player etc. retirement is inevitable for all of us.

More recently, the voluntary membership scheme was extended to allow children as young as six years old to become minor voluntary members. The retirement savings through voluntary membership, offered them an opportunity to also save for their future.

It's about ensuring some form of financial independence in the future and with the rate of returns that the Fund has been paying to members on an annual basis, it is definitely an investment worth considering!

Similarly, the additional contribution product offered to compulsory members, allows them to invest more by adding an extra amount to their mandatory 5% contribution.

However, there were restrictions placed on these two products – to ensure compliance to regulatory requirements (for voluntary membership) and financial capabilities (for compulsory members).

For voluntary members, a limit of \$200,000 was placed on the amount they could deposit in a year.

The additional contribution offered to compulsory members also had a limit placed on it, restricting members to an extra 20% of their gross wages which they could invest in their retirement savings.

This week, the Fund removed these restrictions to allow members to invest more in their savings for their future in retirement.

What this means, is that compulsory and voluntary members have an opportunity to boost their retirement savings, despite the economic challenges due to the global health pandemic.

Read on to find out more about these changes.

VOLUNTARY CONTRIBUTION

\$10
Minimum
per deposit

NO LIMIT
per year
(previously \$200,000)

Voluntary Contribution

Why was a limit placed on what voluntary members could deposit in a year?

When the Fund introduced this product, it was targeted at those in the informal sector who were left out of the opportunity to save for retirement, simply because they were not engaged formally or were not paid regularly.

Over the years, individuals that have signed up for the scheme, have recognised the good returns their savings are earning and have taken to investing large sums of money with the Fund.

While on one hand it was good as they were building their retirement savings, on the other hand, it widened the gap

between members with high balances and those with low balances as the former were earning much more interest returns, compared to compulsory members with low balance.

Why is the Fund removing the \$200,000 contribution limit for voluntary members?

The Fund is aware that the current economic and investment climate is subdued and some of these members may be hesitant to commit themselves to other savings and investment opportunities.

The Fund continues to be a great investment platform providing members with excellent opportunities to grow their retirement savings.

Despite the onset of COVID-19 in 2020, the Fund continued to pay a good interest rate to members, boosting their savings despite the downturn in the economy. The removal of the limit will enable voluntary members to invest their extra funds in a scheme that will continue to give them good returns despite economic volatility.

Is there a limit per transaction or the amount that a voluntary member can pay at any one time?
There is no maximum that can be paid for one contribution however any deposit that is \$10,000 or above must be declared as per the requirements of the Financial Transaction Reporting Act.

How many voluntary members does the Fund currently have?

There are 22,208 voluntary members and of these, only 5,806 are active because they contributed at least once in 2020. The remaining 16,402 are inactive members.

What is the total balance for voluntary members?

These members' balance to date is \$120.6million. The total contributions paid in 2020, was \$4.8m.

How can I make payments?

You can do this by paying at our cashiers (FNPF offices), through internet banking, or Vodafone MPAISA.

ADDITIONAL CONTRIBUTION



The removal of the 30% cap means that members can pay more in additional contributions provided their employers ensure that they comply with the Employee Regulations Act which gives consideration to employees' financial commitments.

Additional contribution for compulsory members

Why was there a limit placed on additional contributions for compulsory members?

This product was introduced to enable members to add on to their mandatory contributions. While the current total mandatory contribution rate is 10% (5% each from employees and employers), the maximum amount that members could contribute was 30% of their wages. This meant that they could contribute an additional 20% to take their total contribution up to 30%.

This was done to ensure that members were not overly committing themselves through salary sacrifice.

However, with the current climate where members are exploring or resorting to other avenues of income, the Fund has received feedback from members on opportunities to increase or build their balances.

What does the removal of the 30% limit for total contributions mean for compulsory members?

Removing restrictions for additional contributions will allow members and/ or employers to pay more than 30% of the member's wages. While the mandated contribution rate is 10% (5% each from

members and their employers), members and/ or employers could only pay an additional 20%.

The removal of the 30% cap means that members can pay more in additional contributions provided their employers ensure that they comply with the Employee Regulations Act which gives consideration to employees' financial commitments.

How many members are currently paying additional contributions?

A total of 5,708 members are topping up their retirement savings, while 12,050 members' additional contributions are being paid by their employers. Altogether these members' savings have been boosted by \$12.7m (July 2020 – February 2021).

How can I apply?

There is a form that you will need to complete with your employer. You can apply to revoke or amend your request, 3 months from the date of approval.

Do I choose whether to contribute to my Preserved or General account?

Yes, and as part of your planning you have the opportunity of advising whether

you want to put all in Preserved, all in General or split accordingly.

Why should members commit more funds to their retirement savings?

Members are offered one of the best interest rates on savings and to top it off, their savings are tax-free. When members' funds are pooled together and invested, the returns it earns is quite substantial, especially with the power of compounding interest.

FNPF has grown members' funds by paying \$1.43 billion over the last five years in interest alone averaging 6.14% from 2016 to 2020.

While prevailing conditions have affected our investment in the tourism sector, we can assure members that we will continue to work in their best interest to grow their savings.

How can I receive more information?

To request for more information on the Voluntary Membership or Additional Contribution products, please email publicrelations@fnpf.com.fj or information@fnpf.com.fj.

(Source: Fiji National Provident Fund)