

FNPF Crediting Interest Rate

The end of the FNPF financial year is a time member's look forward to in anticipation, as it is when the FNPF announces the credit interest rate for the year.

Since 1968, when the Fund declared its first interest of 3% to its members, FNPF has now paid out a total of \$4.5 billion to its members - \$2.4 billion was paid out in the past 10 years alone, a testament to the FNPF reforms.

On 30 June, FNPF Acting CEO, Viliame Vodonaivalu announced that the FNPF Board had declared a credit interest rate of 5% for the financial year ending 30 June 2021. Within 24 hours, 389,986 members FNPF accounts increased by a total of \$297 million.

The declaration by Board can only be made after the Fund Actuary has certified that the crediting rate will not place undue stress on the Fund's solvency requirement. Sections 32 and 47 of the FNPF Act respectively and Regulations 41, which came into force in August 2014, govern the solvency requirement and the determining of the crediting rate.

Despite the subdued market conditions as impacted by the COVID-19 pandemic, the Fund's performance came out strong in financial year 2021 - the 5% just may be the light of hope members needed, in a period of gloom and dampened expectations.

While investment opportunities are limited, the Fund has continued to strategize and ensured that it is always maximizing investment returns.

The Fund also continued to receive steady returns from Government bonds during the year - a major contributor towards a positive performance. Other main drivers for investment performance were the banking sector investments in BSP and HFC, as well as gains from the sale of Energy Fiji Limited shares and fair value gain for Vodafone Fiji Limited.

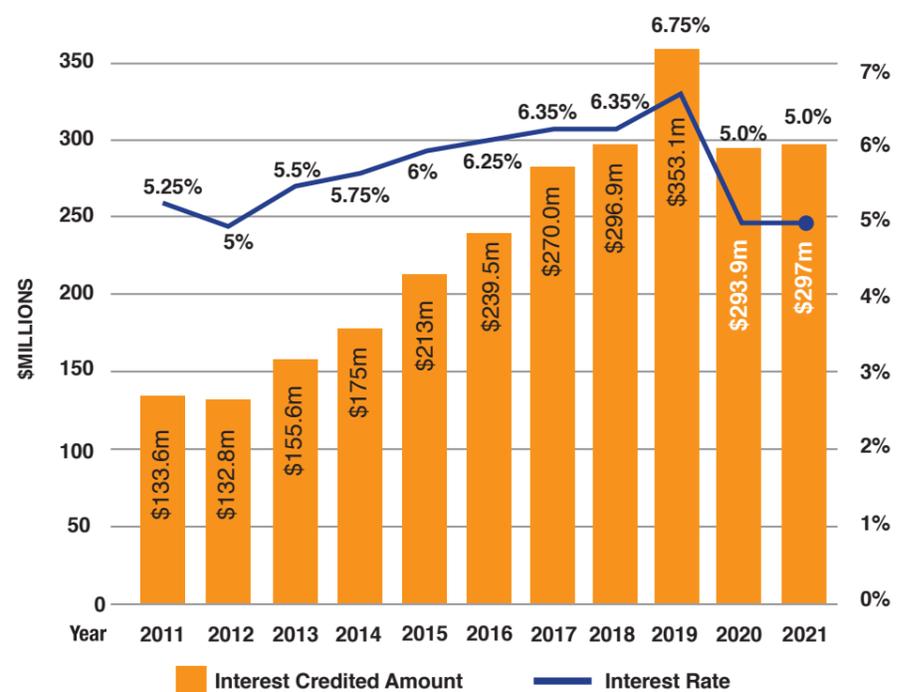
All eligible members - compulsory or voluntary, are paid the same rate of interest, as long as you have an active account with the average of your daily account balances throughout the year being positive at 30 June 2021.

The more balance you have, and less withdrawal taken, the more interest you will earn on your total balance every financial year. With compounding interest, this is the best way to grow your funds.

The longer your funds stay with FNPF the greater the likelihood of building up your savings for a meaningful retirement.

Over 45,000 members have received full Government top up through the COVID-19 Unemployment's benefits since it began in April 2020. Some of these members have received payout for almost 14 months.

Interest Credited FY11 - FY21



Members are encouraged to find alternative ways to source income. It is time to start saving and rebuilding your retirement balances, a step at a time.

This pandemic crisis has taught individuals to be resilient and self-sufficient. Members are now finding their feet and creating businesses

that match their talents.

To fully realize the effect of the compound interest mechanism, members need to consistently save for a reasonably long period. Any withdrawal will incur a negative impact on your ultimate retirement savings and will impact your capability of having a more secured future.

Example

Member has \$2,000 opening balance and his FNPF account has contribution and withdrawal activities transpiring within the financial year (from 01-07-20 to 30-06-2021) as shown in the first three columns of the table.

The fourth column derive 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 30-06-2021 in the transaction table)
- **M** is the total no of days in the financial year (this is 365 for financial year 2021).

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).

Figure 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 x \$2,000 | \$100 = 5% x (365/365) x \$2,000 |
| 30-07-20 | Compulsory Contribution | \$200.00 | \$183.56 = 335/365 x \$200 | \$9.18 = 5% x (335/365) x \$200 |
| 30-09-20 | Compulsory Contribution | \$200.00 | \$149.59 = 273/365 x \$200 | \$7.48 = 5% x (273/365) x \$200 |
| 30-11-20 | Compulsory Contribution | \$200.00 | \$116.16 = 212/365 x \$200 | \$5.81 = 5% x (212/365) x \$200 |
| 12-12-20 | Withdrawal | (\$300.00) | -\$164.38 = 200/365 x (-\$300) | -\$8.22 = 5% x (200/365) x (-\$300) This shows that the partial withdrawal of \$300 caused negative impact on the final interest amount |
| 31-01-21 | Compulsory Contribution | \$200.00 | \$82.19 = 150/365 x \$200 | \$4.11 = 5% x (150/365) x \$200 |
| 31-05-21 | Compulsory Contribution | \$200.00 | \$16.44 = 30/365 x \$200 | \$0.82 = 5% x (30/365) x \$200 |
| 30-06-21 | Interest | | DAB = \$2,000 + \$183.56 + ... + \$16.44 = \$2,383.56 | Interest = 5% x \$2,383.56 = 119.18 |

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.**

INTEREST FAQ's

1. How does the FNPF determine the interest rate?

The Board will consider the following factors before determining the rate:

- the performance of the FNPF's investments during the financial year
- the Fund's financial performance for the year and foreseeable future
- 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
- 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 2021 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.

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 pre-retirement 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 Figure 1 example above provides an alternative approach.

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

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