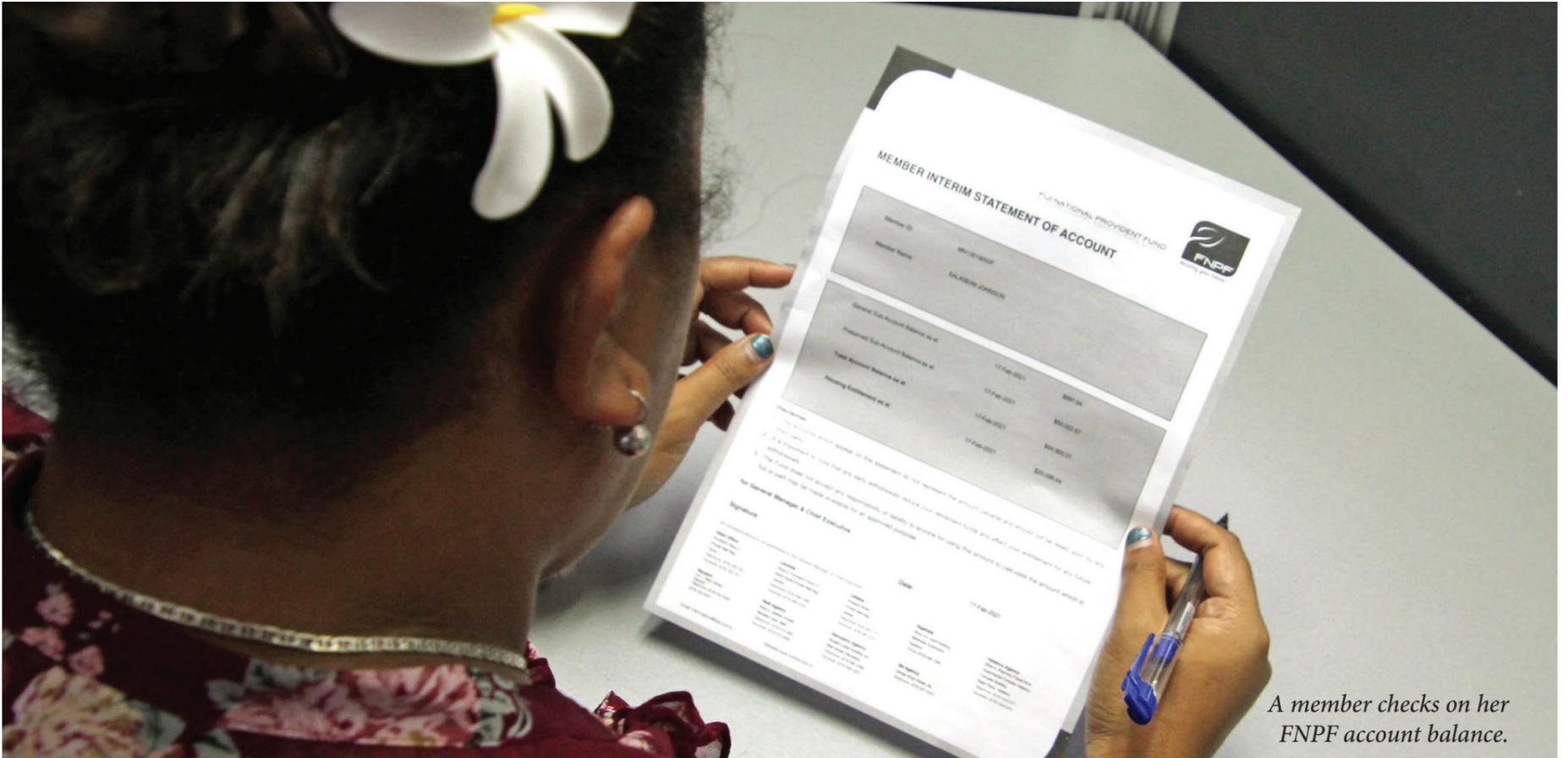


Zero balance accounts explained



A member checks on her FNPF account balance.

For years, the Fiji National Provident Fund has been grappling with zero balance accounts, which currently belongs to some 59,751 members.

These statistics are as recent as the 2020 financial year.

Interestingly, some of these accounts have existed since the Fund became operational in 1966 and the numbers have grown every year for the past five decades.

In 2002, the total count of zero balance accounts stood at 56,026. Almost 20 years later, this figure has increased by 6.3% to 59,751.

It's an issue that is constantly highlighted when FNPF's annual reports are released.

In this article, we will address key concerns and also shed light on the misconceptions regarding these accounts.

If a member has zero balance in his/her FNPF account – what does that mean?

These accounts refer to members who have zero TOTAL balance, in other words – these members have absolutely no money in their FNPF accounts.

How is it that these accounts have zero balance?

There are several factors why these accounts have zero balances, but the two main reasons are as follows:

- 76% of these accounts are due to inconsistent contributions, or transaction adjustments inclusive of Special Death Benefit deductions and interest reversals and,
- 24% of these accounts were members that registered and have made no payment at all (null accounts).
Refer to the image on the right

What is the Special Death Benefit?

This amount is deducted from all members accounts at the beginning of each financial year, and qualifies the member for a death cover should they die during the same financial year. Currently, \$35 is deducted which covers a member for \$8,500.

What is the age range for the members who have zero funds in their accounts?

- In terms of age cohorts:
39% are over 55 years and 61% are below.
- Of those above above 55 years old 9,455 or 40% have dormant accounts

(or no financial activity) over 10 years.

- For those aged below 55 years old 36,446 or 99% have dormant accounts over 10 years.

How many members with zero balance are compulsory and how many are voluntary members?

Compulsory members total 52,435, while 7,316 are voluntary members.

Does this also include members who have zero balance in their general account but they have funds in their preserved account?

No – zero account balance refers specifically to those accounts that have zero TOTAL balance. So that would mean that these members have \$0 in their general and preserved account.

Can I withdraw all my funds from FNPF since I am unemployed so that my account can be closed?

No – members can only fully withdraw under the existing full withdrawal grounds for migration, medical

incapacitation and retirement or death.

Why can't FNPF close off these accounts since it has \$0 balance?

The FNPF Act 2011, which is the legislation that governs the Fund's functions and operations – does not allow the Fund to close a member's account unless the member authorizes the Fund in writing or when he/she fully withdraws from the Fund.

Why does FNPF want to close zero balanced accounts?

Reporting accurate data is important to the Fund therefore in addressing the issue of zero accounts, this will enable FNPF to reflect true account its membership count in line with its definition of who a member is.

How is the FNPF addressing this issue of zero balances?

The FNPF is now considering policy interventions and also exploring options that will allow the Fund to:

those aged 55 years and have zero accounts; as there is a high probability that these members are no longer in employment or no longer alive;

- Terminate membership for those below 55 years, have zero balance and have that have not recorded any transaction over 10 years ;
- Deactivate accounts for those with no transactions for more than 5 years and have zero balance
- Cancel membership if no contribution is received after a lapse of 12 months from your membership start date.
- Review Minimum deposit amount for all those wishing to open a new FNPF account.

Will FNPF contact these members to advise them that their accounts will be closed?

Yes, the FNPF team will contact all these members before terminating or deactivating their accounts.

Factors that lead to a zero balance account

BEFORE REFORM



It's important to note that the creation of the sub-accounts (General and Preserved Accounts) will minimise these zero balance accounts as the reasons below can only be deducted from members' General Account.

Before the reform all members had one account and all adjustments and deductions were from the same account.

Total Balance

AFTER REFORM



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+



Total Balance

Preserved Account (PA)

General Account (GA)

Reasons for Zero Balance

- Inconsistent Contribution
- SDB - Special Death Benefit
- Transaction adjustment
- Interest Reversals