

**Speech by the Chairman of the SINPF Board
Mr Peter James Boyers
30th June 2017, SINPF Boardroom**

On the Occasion of Announcing the Crediting Rate of Members Contributions

Hon Snyder Rini, Minister of Finance and Treasury

General Managers /CEO's and CFO's of SINPF Subsidiaries

South Pacific Oil Limited

Solomon Telekom Company Limited

Solomon Housing Limited

Heritage Park Hotel Limited, and

Soltuna Limited

Fellow Directors and Trustees of NPF Board

Senior Management and Management of NPF

Members of the Fund

Employers, and

Invited Media

As required by the SINPF Act, today we the NPF Board is required to credit our members contribution balances standing in your accounts as at 30 June 2016, a crediting rate of no less than 2.5%. This is to be determined based on the performance of the Fund's investment portfolio and the management of the Fund.

This responsibility has always been challenging for this current and past Boards where the determination of the crediting rate awards are based on unaudited financial numbers ending 31 May 2017.

Using these unaudited financial numbers, I am pleased to report to you, Honorable Minister and members of the Fund the performance of our investments portfolio and the growth of your contributions for the period ending 31 May 2017 and our expectations to 30 June 2017.

Our portfolio investments portfolio is expected to grow by more than 5% from \$ 2.984 billion (\$2,984,174,912) to more than \$3.14 billion (\$3,140,383,000) by the end of this financial year. This growth is driven by our new investments in the recently floated long term government development bonds, additional domestic fixed term deposits, increase in value of our traded market shares in PNG based Bank South Pacific, increase in value of our equity exposures in

the US and European Stock Markets through Vanguard Index Funds, increase in the value of our unlisted shares in 100% owned South Pacific Oil Limited, Soltuna Ltd and Heritage Park Hotel; and increases in couple of our key investment property values including the NPF Hibiscus Apartments.

In terms of investment performance, the portfolio is expected to make a return of more than \$231 million (\$231,081,306) for the financial year or a rate of return of 7.5%. This is a reduction of \$11.95 million or by 5% over the previous year's gross return of more than \$242 million (\$242,637,354).

Contributing to this performance are dividends from local equities South Pacific Oil Limited, Heritage Park Hotel, and Solomon Telekom Company Ltd; dividends from offshore equities Bank South Pacific and UBS Australian Share Fund; interest from the new government long term development bonds; interest from subsidiaries Soltuna Limited, South Pacific Oil Limited, and Solomon Housing Ltd; and the foreclosure of the Tavanipupu Island Resort Loan.

Downsides to the performance are; a reduction in dividends from one of our key domestic investment Solomon Telekom, lower rentals due to the vacation of our 5 residential properties at Tasahe, Town Ground commercial property and increased rental and electricity recovery delinquencies.

On the liability side of the Fund's balance sheet, membership has continued to grow as new employees join the fund and existing employees remained longer with the Fund beyond the eligible age of 50 years over, making their choices to stay a bit longer to enjoy real returns (above inflation) on their retirement savings. However, we expect these eligible members to withdraw their savings anytime at their choosing therefore we have to ensure an adequate portion of our investments are placed in easily realizable investments.

During the year total incoming contributions is expected to worth more than \$226 million whilst member withdrawals is expected to reach more than \$213 million. This is the amount of money being pumped into the economy during the year, slightly higher than last year's level of just under \$204 million.

Our current 90,133 membership with credit contribution balances with the Fund now totaled more than \$2.56 billion (\$2,575,477,956) and with the new member interest announced today will expand further.

Our operational expenditure though was maintained at the same level as previous year, has to be increased to provide additional provisioning for our delinquent investment property tenants, and surcharges for late contributions. We expect to write these back as we recover them progressively over the next financial year.

Going forward we will continue to implement our 5 year rolling business plan (2016-2021). Some of the key activities of the plan includes the recent adoption of our new investment policy statement and strategic asset allocation framework and the implementation of our integrated financial system (IFMS) that will enable management and Board to produce timely financial and operational reports for decision making, risk management monitoring and to the regulator the Central Bank of Solomon Islands. The IFMS will be a game changer for the Fund in terms of connecting all the various departments for timely processing and reporting.

On the investment front, we will be making subject to the Minister of Finance approval, a sizable investment in the new undersea cable in a new entity Solomon Islands Submarine Cable Company Limited (SISCCL) in tandem with our de-risking strategy in two of our highly risk concentrated domestic equities. Depending on the funding structure of the company SISCCL, we will expect to receive good returns at least after 3 years when the cable is operational.

The Board will consider investments in new properties with secured tenancies and the refurbishment of strategic properties that urgently needs upgrading to maintain their competitive offerings and to keep our tenancy occupancy.

We will divest investment assets, that have not or performing as expected over a period of time, have no strategic value to other parts of our investment portfolio and or membership numbers.

On the liability side, we will perform an actuary in September 2017, the first in a long while, on the special death benefit (SDB) and our membership liability. These will be useful for the determination of an appropriate level for the annual SDB premium and the determination of our strategic asset allocation (SAA) within the next 5 years.

Let me talk about our current reserve levels. It is just below \$400 million (\$399,328,839) consisting of a general reserve of just over \$329 million (\$329,377,496) and a revaluation surplus of just under \$70 million (\$ 69,951,343). These represented 10% (general reserves only) and 13% (total reserves) of the total funds under our management.

Though in some jurisdictions where retirement funds are not required to have reserves or have at least a 4% reserving for total funds under management, for financial prudence the Board will continue to maintain adequate level of reserves (higher than other jurisdictions) to finance the guaranteed 2.5% annual crediting for at least 3 financial years and to absorb any future shocks to any parts of our investment portfolio.

To attempt provision for a major social or economic collapse such as the recent civil unrest can never be guaranteed to succeed as we had experienced. In the period 2000-2004, the funds general reserves had gone into negative.

Before closing, it will be remiss of me not to take this timely opportunity to thank the RAMSI, on behalf of NPF and its members. It was and is the intervention of RAMSI that has provided the suitable and conducive environment for which business and new investments proceeded with confidence; from restoration of the rule of law, business and investor confidence and government management of its public finances. During the period the Fund's major reforms has taken place; from governance to investments to risk management. During this 13 year period, the Fund has made substantial investments in our economy for our members' benefits, and as a result achieved the best returns for its members who were and are with the Fund in this period. THANK YOU RAMSI.

I now have the honor to invite the Minister of Finance to announce this year's crediting rate and his remarks.

Thank you for your attention

God bless NPF

God bless Solomon Islands