

**Speech by the Chairman of the SINPF Board
Mr Peter James Boyers
29th June 2018, SINPF Boardroom**

**On the Occasion of Announcing the Crediting Rate of
Members Contributions**

Deputy Prime Minister and Minister of Finance and Treasury.

Hon. Manasseh Sogavare

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

South Pacific Oil Limited

Solomon Telekom Company Limited

Bank South Pacific Ltd

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 UNCDF team here for the youSave product

Members of the Fund

Employers, and

Invited Media

As required by the SINPF Act, today we the SINPF Board is required to credit our members contribution balances standing in your accounts as at 30 June 2017, 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.

At this juncture, I would like thank the Deputy Prime Minister and Minister of Finance, Hon Sogavare for your commitment to put to Parliament in July 2018 an amendment to require the Board to declare and apply members crediting rate after the annual accounts are audited. This may be the last time that the Board will declare the annual crediting rate on 30 June.

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 2018 and our expectations to 30 June 2018.

Our portfolio investments portfolio is expected to grow by more than 7% from \$ 3.15 billion to more than \$3.37 billion by the end of this financial year. This growth is driven by strong growth in the

fair value of our listed domestic equities; South Pacific Oil Limited (100%), Solomon Telekom Company Ltd (97.32%), Heritage Park Hotel Limited (20%), Soltuna Limited (40.5%); Port Moresby Stock Market listed Bank South Pacific (BSP) and Managed Fund Vanguard US Stock Index Fund. Our relatively new NPF Hibiscus Apartments continued to improve at 100% occupancy adding to this growth.

In terms of investment performance, the portfolio is expected to make a solid gross return of more than \$325.5 million for the financial year or a gross rate of return of just under 10% compared to 2018 gross return of \$120 million. This is a solid performance driven by our equities in the following investee companies from dividends, shareholder loan interest and capital growth.

- South Pacific Oil Limited
- Solomon Telekom Company Limited
- Soltuna Limited
- Heritage Park Hotel,
- PNG listed Bank South Pacific, and
- Managed Fund Vanguard US Stock Index Fund

The interest on the long dated \$150 million government bonds also contribute to this strong return.

The downsides to our performance include the vacancy at our flagship property, the Anthony Saru Building due to the commencement of our major refurbishment at the building, rental delinquency and delayed payment by government departments on their rental payments to the Fund, and weakness on our Australian based investments. We will continue to be firm in the collection of unpaid rentals with action to lock up the leased rooms if payments are not made on time or resort to legal action to recover the unpaid monies.

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 reach more than \$288.5 million, an increase of 3% on the previous year level of \$279.2 million.

Member withdrawals has grown strongly and is expected to reach more than \$268.4 million against the 2017 amount of \$206.3 million, an increase of 30%. This is the amount of money being pumped into the economy during the year.

Our current 136,013 membership with credit contribution balances with the Fund now totaled more than \$2.9 billion, a growth of 4% from the previous year level of \$2.79 billion. The interest announced today will expand further by that amount of interest.

With the support of the Pacific Islands Financial Inclusion Project (PFIP) and the United Nations Capital Fund (UNCF), the partnership rolled out the youSave project during the year. In September 2017, the youSave was recognized and was voted a recipient of the Reuben J Summerlin Innovation Award in Port Moresby, Papua New Guinea. Today the informal sector pilot project has 2,920 youSave savers saving more than \$1.7 million. Later, we will witness the launch of the project's scale up with the support of UNCF with a US\$500,000 grant support for the next 2 years.

Our direct investment costs has increased during the year as we commenced the refurbishment of our aging properties and engaging external assistance for some of our investment

investigations. Our operational expenditure was maintained at the same level as previous year.

The Board launched and implemented its Integrated Financial Management System (IFMS) supported by Pronto Software during the year. This is a major achievement for the Fund as we increased our ability to improve our timely financial reporting. The project has taken a span of over 3 years to complete.

On the investment front, the Minister of Finance has just approved our new investment in the new joint venture cable undersea cable company, Solomon Islands Submarine Cable Company Limited (SISCCL) with Investment Corporation of Solomon Islands (ICSI) for US\$14,565 million. I expect to sign a shareholders agreement with ICSI next week on our partnership in the new company. We have placed domestic new deposits with the Credit Corporation and the new licensed financial institution BRED Bank. We will be shortly be making a new property investment proposal to the Minister of Finance for the construction of a new 4 level commercial property in the Honiara CBD.

We are mindful of our concentration risk to our domestic equities and we are talking with relevant competent partners to support us in our de-risking strategy.

On the liability side, we had performed an actuary in December 2017, the first in a long while, on the special death benefit (SDB) and our membership liability. The review has been very useful and the report prepared by an external consultant, was reviewed and accepted by my Board. It 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 and liquidity management for paying future member liabilities.

Our current general reserves (GR) is \$392,393,639 and a supported by the Fund's revaluation surplus of \$69,951,343 for a total reserve of \$399,328,839. We expect that the general reserves and revaluation surplus is expected to increase due to the improved performance of the Fund.

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.

Finally, I would like to thank the Minister of Finance for his support to the Fund with its investment consideration and approvals and for making the minor amendments to the SINPF Act.

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 and for your attendance today.

God bless NPF

God bless Solomon Islands