# STRENGTHENING PUBLIC PENSIONS AND HEALTH COVERAGE IN THE PACIFIC

Proceedings of the 2016 ADB-FNPF-PPI Forum on Public Pension Systems in Asia, Focus: Pacific Region

2–3 November 2016

**ASIAN DEVELOPMENT BANK**

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ASIAN DEVELOPMENT BANK

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# EXECUTIVE SUMMARY

On 2-3 November 2016, the Asia Development Bank (ADB), in partnership with the Fiji National Provident Fund (FNPF), and the Pacific Pension & Investment Institute (PPI), convened a 2-day forum titled "Strengthening Pension Systems and Health Coverage in the Pacific" in Suva, Fiji.

The keynote address was delivered by Hon. Aiyaz Sayed-Khaiyum, Attorney General and Minister for Economy, Public Enterprises, Public Service, and Communications. Welcome remarks were given by Jaoji Koroi, Chief Operating Officer, FNPF and Robert Jauncey, Regional Director, Pacific Subregional Office, ADB, Fiji. An overview of the pension development and challenges in Asia and the Pacific was provided by Ganeshan Wignaraja, Advisor, Economic Research and Regional Cooperation Department, ADB.

Prime Minister of Fiji Voreqe Bainimarama gave congratulatory remarks to FNPF at a cocktail reception. Ajith Kotagoda, Chairman of FNPF, also spoke at the reception.

A total of 91 representatives from pension and provident funds as well as regulators from the Cook Islands, Fiji, Kiribati, the Marshall Islands, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu, and Vanuatu participated in the forum. Also in attendance were representatives from ADB, PPI, PSDI, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and other relevant government and academic institutions.

ADB and FNPF are both celebrating their 50th anniversaries. During that half century span, the Pacific developing member countries have made notable progress in their collective development. This includes increases in life expectancy and school enrollment rates, and sustained periods of economic growth. ADB has provided more than $ 4 billion in financing to the 14 Pacific developing member countriesto assist in that development. Still, significant challenges remain.

Growth in Asia has slowed generally; in the Pacific, growth has slowed from 7% in 2015 to a forecast of 2.5%-3.5% over the next couple of years. For pension funds, slower economic growth means lower interest rates and lower returns on their investments. To offset the lower returns, many funds are pursuing riskier investments, some in hedge funds, which carry their own set of complications.

The economic disparity among Pacific developing member countries creates individual challenges around attracting foreign investment, adopting new technologies, and ensuring that technological advancements do not create larger inequalities between those who are connected and those who are not.

While the relatively youthful populations of Pacific developing member countries offer the potential of a demographic dividend, the benefits are not being fully realized. Participation in the workforce is relatively low and the percentage of an elderly population requiring support for living and health-care costs is increasing. Current estimates place 20% of the elderly population in the Pacific below the poverty line. Furthermore, small populations in island countries limit the number of those who can contribute into a specific systems.

There is a lack of comprehensive and coordinated social protection policies and programs in Pacific developing member countries. Moreover, the diversity of funds makes it clear that there is not one model or set of standards that will work everywhere.

Support for the retired, elderly, and the impoverished has traditionally come from informal, family, or kinship-based systems. The formal systems that are in place typically take the form of contribution-based national provident fund schemes which are hampered by low participation and contribution rates, limited investment mandates, and inefficient operations.

The inefficiencies are exacerbated by vague and inconsistent eligibility standards across the spectrum of income support schemes. The resulting higher transaction costs impose barriers on the levels of support available for vulnerable populations.

The gender gap poses issues as well. Women live on average 19 years past retirement and 5 years longer than their husbands, who are the traditional wage-earners.

At 20%, the coverage of Pacific developing member countries pensions lags far behind those of developed countries in Asia, which average around 90%. Many of those not covered are in the informal sector, and thus those who are usually most in need of income and support. Additionally, governments in the Pacific developing member countries spend about 1% of GDP on pension systems versus roughly 8% in developed Asia. The relatively low retirement ages needs to be addressed. This will be politically unpopular and will require a strong commitment from governments and regulators. It was recommended that pension funds in the Pacific employ the services of an actuary.

Nonetheless, pension and provident funds in the Pacific developing member countries have quickly gained the classification of "too big to fail," as they are among the largest financial institutions, if not the largest, in their country. For this reason, the mandate of regulators must be broad, strong, and clearly defined. Governance is key to maintaining transparency, trust, and solvency.

Pacific developing member countries governments need to do a better job of providing a financial education to their citizens that emphasizes the importance of long-term savings. As one example, the Japanese educational system provides a financial literacy curriculum starting in the early years of school. The Papua New Guinea Defence Force Retirement Benefit Fund noted the challenges of managing its beneficiaries' expectations of quality of life after retirement. Often retirees have a difficult time adjusting to the lower income of their defined benefit scheme. One suggested solution was to focus on educating mothers, who have the ability to influence their spouses, parents, and children.
Many Pacific systems provide a lump-sum payment option upon retirement that is often spent far too early. These payments are not necessarily spent frivolously. They provide support for other family members as part of long-standing cultural obligations, or are used to repay outstanding debt. But this type of withdrawal does have a major impact on the income available the longer a person is retired.
The government of the Cook Islands has already passed legislation to eliminate lump-sum withdrawals.

The role for pension institutions in health insurance coverage was discussed. While there are strong arguments for pension systems to also provide health insurance, commenters urged caution and pointed out the need for a strong health-care infrastructure (hospitals, medicines and medical supply chain, and trained personnel) to be in place before providing that service.

A common theme that emerged from the discussions was the lack of quality data regarding the pension systems. There were many examples provided of funds, regulators, and multinational organizations relying on incomplete and obsolete data to build projections, inform policy decisions, and identify coverage and accountability issues.

There was also an expressed desire for greater collaboration and a continuation of regional meetings, but also the need to move beyond discussion and into the development of action plans.

The discussions made it clear that the diversity of the national circumstances means that there is not a one-size-fits-all solution for Pacific developing member countries retirement schemes. The majority of funds provide a wide range of services beyond a pension. Broadly speaking, these systems could benefit from raising their retirement ages to a minimum of 60 years and by limiting the number of options for early withdrawal. This may come as unpleasant news to many beneficiaries. Like many reforms, this will take effective financial education, a strong political will, and a commitment to long-term sustainability.

# SUMMARY OF SESSIONS

## SESSION 1: OLD AGE POVERTY, SOCIAL PROTECTION SYSTEMS, AND PENSION FINANCE

Parmod Achary, *Lecturer, School of Management, University of the South Pacific*
Sri Wening Handayani, *Principal Social Development Specialist, Sustainable Development and Climate Change Department, ADB*
Peter Dirou, *Senior Financial Sector Expert, ADB's PSDI*
Robert Jauncey, *Regional Director, Pacific Subregional Office, ADB*

Rising poverty and inequality in Pacific economies has led to an emphasis on social protection systems covering health insurance, pensions, the informal sector, and other targeted measures. The pensions systems that are in place typically take the form of contribution-based national provident fund schemes that are hampered by low participation and contribution rates, limited investment mandates, and inefficient operations. Ongoing debates exist about participation and contribution rates, investment mandates, and the efficiency of operations in existing pension fund schemes. There is also a debate about variable eligibility standards across the spectrum of income support schemes. Some say that resulting higher transaction costs impose barriers on the levels of support to vulnerable populations.

While there is no formal definition of social protection in the Pacific, social protections systems are traditionally composed of three programs: (1) social insurance to respond to common risks such as illness, old age and unemployment; (2) social assistance which provides unrequited transfers for child welfare, elderly assistance, and health and disability assistance; and (3) active labor market programs that help people secure employment. The fundamental goals of these systems are to smooth consumption when workers are no longer productive and to reduce poverty. There are a number of government departments and semi-private organizations providing services and oversight, which contributes to the lack of comprehensive and coordinated social protection policies and programs.

The responsibility for caring for the elderly, infirm, or unemployed has been borne for generations by families and communities through the cultural tradition known in different dialects as *wantok, matai, koros,* or *mataqalis*. However, the traditional role of families is weakening due to migration and other social factors, a fact that governments have been slow to address. In response, civil society organizations are picking up the slack. Exceptions to this are the Cook Islands and Fiji, both of which have broad social protection schemes in place, but even those are not integrated into an overall policy framework.

To address these issues, Pacific developing member countries governments should develop comprehensive and coordinated social policies that improve the standard of living for the most disadvantaged and vulnerable. The resulting programs have to be efficient and cost-effective to ensure fairness and sustainability.

Provident funds are a critical part of social protection. They have become hybrid credit-investment institutions that are outsized in relation to other financial institutions, and overly tasked with providing more social services while simultaneously propping up their domestic economies. The low contribution rates, liberal withdrawal policies, and lump-sum payouts undermine the accumulation of savings for retirement. Abuse of these policies—such as housing allowances spent on non-essential luxury goods—offset the short term economic gains by creating long-term funding shortages that are unable to cover post-retirement life expectancy. Further, most funds, such as the FNPF, are restricted from investing offshore as a way of strengthening their domestic markets. This low-risk, low-return approach further contributes to funding shortages.

Thus, the balance sheets of these institutions present a murky picture, especially for countries that have their own currencies, such as Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu. There are currently two stock exchanges in the Pacific which contain a total of roughly only 40 listings, limiting the ability of these exchanges to develop viable business model. The bond markets are even less developed, as evidenced by an absence of corporate bonds. Because of the lack of domestic investment opportunities and restrictions on foreign investment, the capital pools of these funds are often held in bank deposits. Coupled with Pacific developing member countries banks' reluctance to lend to local businesses, these factors contribute to excess liquidity in banking systems.

There are three fundamental questions that governments must grapple with when evaluating their social protection systems:

1. Should retirement funds be a vehicle for bond market or equity market development?
2. Should retirement funds be a substitute for credit institutions?
3. Should retirement funds be seen as a counterpart to an state-owned ententerpise divestment strategy?

Even with the presence of a strong political will, it will take many years to transition a provident fund to a sole purpose retirement fund with a diversified investment portfolio that is designed to contribute higher returns at tolerable levels of risk. The transition will require funds to gradually include unlisted equities or assets whose returns match their long-term liabilities.

When asked how to make provident funds more inclusive of informal workers, panelists responded that the responsibility for providing a decent quality of life should not fall exclusively on the provident fund, but on the government as a whole. Provident funds should not be the sole safety net that catches all that society leaves behind. Rather, their focus should be on providing retirement income to workers who contribute.

## SESSION 2: GOVERNANCE, LAW, AND REGULATIONS

This session explored the differences between bank regulation and retirement fund regulation, while reviewing the regulatory implications of provident funds providing financial services, such as loans to members, in addition to retirement products. The objective is to raise awareness of the issues that concern regulators and those which are constraining the development of retirement funds. Different country examples were discussed from the perspective of both regulators and fund managers. This session also underscored the importance of good corporate governance and illustrated how the development of robust internal policies and regulatory standards are mutually reinforcing.

## Session 2A: Country Case Studies

**Ian Tarutia**, Chief Executive Officer, NASFUND Papua New Guinea
**Saia Havaili**, Chief Executive Officer, Tonga Retirement Fund Board
**Peter Dirou**, Senior Financial Sector Expert, ADB's PSDI

Papua New Guinea's National Superannuation Fund, (NASFUND), the successor entity of the National Provident Fund, is an accumulation fund that was first approved and licensed by the Central Bank under the Superannuation General Provisions Act of 2000. The Act was sweeping in its policies, and had the intent of improving the structure and governance of the fund. Most notably, the Act shifted oversight from the Department of the Treasury to the Central Bank and removed the federal government from the selection of the fund's leadership. Board members are now selected based on merit and expertise, and no longer appointed by the government. The Act is also quite restrictive, requiring key functions such as administration and investment management to be outsourced to licensed service providers.

NASFUND's 540,000 members are mainly workers from private sector companies, government-owned corporations, and statutory authorities. The fund's primary purpose is to provide its members or their beneficiaries with financial protection at retirement, loss of employment, death, or disability to work, or when the normal flow of income is suddenly cut-off. The fund is required to administer these benefits according to an approved formula.

The new legislation eliminated several hardship allowances such as accessing funds for health care and education expenses. However, members can still withdraw monies for housing. To side-step the hardship restrictions, NASFUND created a new, separate savings and loan vehicle. Currently, the savings and loan vehicle has 80,000 members and is growing at 6% annually. Members are prohibited from borrowing against their superannuation savings. Over the long term, NASFUND seeks to turn the savings and loan into a full service bank.

As NASFUND's regulator, the Central Bank has taken the unusual step of pushing for financial literacy and inclusion, especially with the informal sector in rural areas. The fund lacks its own data and thus relies upon the two mobile phone companies to understand the economic activity of the informal sector. With this support, NASFUND is also working in coordination with the banking sector and the insurance sector to increase its coverage, with a goal of enrolling 2,000,000 citizens.

There are ongoing discussions between the government, the regulator, and the administrators around how large a role NASFUND should play in the overall social protection scheme. There is a strong opinion that the fund should focus solely on investing and managing assets for its members and not try to fill the gaps in other social protection systems. However, NASFUND has learned through member feedback forums that there is a demand for the fund to develop affordable housing. They have initiated a project, but have found that keeping development costs down is challenging.

NASFUND invests in a broad range of asset classes with the baseline goal of achieving a minimum of consumer price index (CPI) +2% over a rolling 5-year period. The fund periodically conducts a review of its investments, and seeks to raise returns to a net of 8%. The portfolio is currently 80% domestic and 20% offshore, but a reallocation is being evaluated that will raise offshore investments to 35%.

While the reforms in 2000 have been viewed as very effective and positive, new legislation and regulation is being considered that will carry the fund forward through the next decade.

The Tonga Retirement Fund Board Scheme was established in 1998 by an act of Parliament. The scheme is based on the Australian accumulation model in which the employee and employer pay a fixed percentage into an individual account for the employee. The fundamental purpose of the new scheme is to promote savings for retirement and to provide benefits. However, the fund does have a hardship clause designed by the board which allows access to funding in the form of a loan in the event that a member is unemployed for more than 6 months. In 2011, the Board initiated a loan program driven out of the desire to increase revenue and provide additional member services.

The fund is designated as a nonfinancial institution and is therefore not regulated. The board is free to act as it pleases due to its unique composition, although there are heavy internal pressures to act in a prudent manner and follow best practices. The board includes the current and two former prime ministers, the deputy prime minister, the minister of finance, and three representatives elected by the beneficiaries.

When the fund was established in 1998, the fund's assets were required by law to be in bank deposits, which at the time were earning up to 17% interest. After the global financial crisis, with interest rates down to approximately 2%, the fund diversified leaving 57% in deposits, 20% in the aforementioned loan products, 5% into a property, 5% into government debt, and 10% in government transfer value and accrued interest. With minimum guidelines on its investment allocations, the fund is free to reallocate with cost, sustainability and returns at a minimum of CPI +3% as considerations. The fund is considering investing into overseas markets, but realized that it would first need to build internal capacity.

During the Q&A that followed, the moderator requested that Faumuina Esther Lameko Poutoa, CEO, Samoa National Provident Fund offer a perspective from her fund. Poutoa cited the familiar issue of lump-sum withdrawals by her retirees at age 55. She advocated for more effective financial literacy programs that focus on mothers, who are best positioned to influence household decisions. Further, she noted that the fund's returns have decreased from 8% two years ago to 7% in 2016. The issue, as she described it, is that 97% of the fund's investments are domestic and GDP growth has hovered around 2%. What keeps the fund in balance is its lending program, which accounts for 60% of the total portfolio.

Samoa's governance practices were discussed. The fund has a separate body that selects directors to sit on the board and a well-defined process. However, the selected members may have political affiliations and only about half have the necessary financial background or skills to effectively contribute to managing the fund.

## Session 2B: Regulating Provident Funds and Retirement Funds

**Warren Staley**, Manager Supervision Team, Australian Prudential Regulation Authority
**Raynold Moveni**, Chief Manager, Financial Markets Supervision Department, Central Bank of Solomon Islands
**Vilimaina Dakai**, Chief Manager Financial Institutions, Reserve Bank of Fiji
**Peter Dirou**, Senior Financial Sector Expert, ADB's PSDI

Warren Staley provided an overview of Australia's model for regulating its superannuation system. The regulatory framework consists of three core regulators with a clear superannuation focus:

- the Australian Taxation Office (ATO), which administers the tax system and regulates small, self-managed superannuation funds;
- the Australian Securities and Investments Commission (ASIC), which regulates market conduct, corporations, and provides consumer protection; and
- the Australian Prudential Regulation Authority (APRA), which is the prudential regulator of financial institutions including superannuation funds, banks, private health insurers, life insurance providers, and general insurance and reinsurance companies

APRA's role is to promote financial system sustainability and safety balanced with efficiency, competition, contestability, and competitive neutrality. Each of APRA's regulated institutions is subject to a suite of prudential standards and guidance that can be both cross-industry and industry specific. APRA regulates through its three core functions: supervision, resolution, and policy.

There are fundamental, overarching requirements that guide the superannuation framework.

Superannuation funds must have a sole purpose: the provision of retirement and/or death benefits (disability benefits are also permitted). The definition of sole purpose is set out in legislation, but there is a debate regarding whether the sole purpose test needs to be more clearly defined.

Superannuation funds are generally required to be established as trusts. The trustees are bound by covenants within the Superannuation Industry Supervision Act which include:

- act in the best interests of beneficiaries
- act honestly
- exercise care, skill and diligence
- formulate and give effect to an investment strategy that is adequately diversified
- where there is a conflict between the duties and interests of the trustee to any other person, to give priority to the interests of the beneficiaries
- benefits must be preserved until retirement age

APRA has had regulatory responsibilities for the superannuation industry for many years. However, with the passage in 2013 of the Stronger Super Reforms, it was empowered to issue prudential standards for the superannuation industry, bringing them in line with the other APRA regulated industries. These standards were both behavioral/cross-industry and superannuation-specific.

**Superannuation Prudential Standards Applied by the Australian Prudential Regulation Authority**

| Behavioral | Superannuation Specific |
|---|---|
| • Governance (SPS 510) | • Investment Governance (SPS 530) |
| • Fit and Proper (SPS 520) | • Defined Benefit Matters (SPS 160) |
| • Conflicts of Interest (SPS 521) | • Insurance Super (SPS 250) |
| • Risk Management (SPS 220) | • Operational Risk Financial Requirement (SPS 114) |
| • Outsourcing (SPS 231) | |
| • Business Continuity Management (SPS 232) | |
| • Audit and related matters (SPS 310) | |

The regulator monitors specific industry trends in order to proactively address issues. One particularly troublesome issue is that among the 300 superannuation funds that are regulated by APRA, 50% of them are in a net outflow position—more money going out than coming in—calling into question the viability of those funds. Also high on their watch list is operational risk, which includes cyber security, data integrity, and the potential failures of an outsourced administrator.

Regarding the oversight of investments, APRA is mindful of investment and liquidity risks given the low-return environment. Superannuation fund trustees face the daunting decision of adding more risk into the portfolio in pursuit of greater returns or to reduce the target return objective. Regardless of their choices, APRA requires a strong investment governance framework that includes, at a minimum, a trustee strategy that considers risk versus returns, the need for diversification, and the liquidity needs of the fund.

Staley was asked to comment on APRA's environmental, social, and governance (ESG) requirements. While ESG is an area of consideration, the regulator is focused more on satisfying the core principles framework and sole purpose test.

Vilimaina Dakai began her remarks by addressing the role of provident or pension funds in the development of capital markets and financial literacy. As a regulator, she considers her focus and mandate to be the protection of the pension obligation made between the fund and its beneficiaries. Regulators have no issues with funds that go into these other activities, as long as they can maintain their ability to make timely pension payments.

The Reserve Bank of Fiji (RBF) has been the regulator of the Fiji National Provident Fund (FNPF) since 2003, when the Insurance Amendment Act gave it oversight powers. Whether FNPF should be required to be prudentially supervised was deliberated as early as 1999, when the fund was considered systemically important because its assets were greater than the combined total of all the commercial banks in Fiji. The Reserve Bank has a mandate to ensure the soundness and stability of the financial system and protect the public interest.

The RBF uses an internal TRUST framework, as recommended by the International Monetary Fund, to guide its supervision of the FNPF:

T - Trust the integrity of governance oversight
R – Risk management
U – Underlying capacity to manage investments
S – Strength of management and control systems
T – Transparency and solvency of financial performance and position

The RBF considers the pension and provident funds in most Pacific jurisdictions to be systemically important financial institutions and "too big to fail." Therefore, according to RBF, they should not be treated as normal financial institutions. FNPF accounts for 50% of Fiji's Gross Domestic Product and 30% of its financial system assets, and it will only continue to grow. Given this, the intensity of supervision must be enhanced. The capacity of the fund to meet its obligations must be tested consistently; a minimum solvency requirement must be considered, along with robust checks and balances, internal controls, and actuarial audits. Clear communications and disclosure rules must also be developed and implemented.

Pension and provident funds in the region are national organizations of tremendous importance. They account for a significant portion of their country's savings and investable funds. They are often considered their country's largest depositor and investor, and in most cases, they are the only source of income for their retirees. Given these roles in their countries, the sustainability of these pension and provident funds must be undertaken with robust due diligence through an accountable and transparent process.

Governance and supervision must consider that boards and senior management are accountable not only to members, but also to employers and the government.

The issue of protections for regulators from civil lawsuits for failed investments was raised during the Q&A. The RBF and others leave investment decision making to the FNPF board and management, which provides some insulation. It is recommended that there should be clauses in the oversight framework that provide indemnity for the regulators. The pension and provident funds can be held liable either individually or as part of a class-action suit. It was further recommended that boards and management consider purchasing directors' and officers' liability insurance. These, as well as investment managers' liability insurance, are available out of Australia and the United Kingdom.

The Central Bank of Solomon Islands is the regulatory body for the National Provident Fund (NPF). NPF was established under the NFP Act of 1973 as a defined contribution fund with a minimum crediting rate of 2.5%. As of June 2016, the total assets of the fund amounted to SI$ 2.5 billion (roughly $320.6 million), making it one of the key financial institutions in that country.

Raynold Moveni highlighted some critical issues confronting the Central Bank's regulatory powers. Under the Financial Institutions Act of 2003, NPF came under the prudential supervision and regulation of the Central Bank. This oversight created a challenge for the regulators because the Financial Institutions Act was written to address the supervision of institutions like commercial banks, not for provident funds. Over time, jurisdictional issues arose, such as the appointment of auditors. Under the NPF Act, the attorney general is designated as the auditor of the NPF whereas the Financial Institutions Act lets the institutions themselves choose their auditors with necessary approval from the Central Bank. Furthermore, the regulators have no authority to enforce their supervision under the NPF Act.

A second challenge for the NPF regulators is the small capital market and very limited investment opportunities in the Solomon Islands. This has resulted in a balance sheet that is highly concentrated on direct and indirect exposure to two sectors of the economy, and some of these investments are underperforming. Also, the previous governance model allowed for political influence in the investment decision making process.

As a result, the Central Bank has allowed the NPF to invest 30% of its assets offshore, subject to approval by the minister of finance. Currently, the Central Bank is in the process of changing the NPF Act with the help of ADB. The bank has approved and released new corporate governance practices aimed at improving the fitness and propriety of individuals holding trustee or senior management roles with the NPF. The bank also approved a set of guidelines for investments which addressed the risk appetite of the fund as well as compelling prudent fiduciary decisions that serve the best interests of the beneficiaries. Other regulatory legislation is also under review.

On the practice of provident funds providing loans to members, the NPF has suspended this activity because the loans were underperforming and the commercial banks and credit institutions felt that it was outside of the fund's role.

All three regulators emphasized that the best interests of the beneficiaries constitute the heart of their work.

## SESSION 3: PACIFIC PENSION SYSTEMS: OPTIONS FOR REFORMS

**Sri Wening Handayani**, Principal Social Development Specialist, Sustainable Development and Climate Change Department, ADB
**Peter Dirou**, Senior Financial Sector Expert, ADB's PSDI
**Kris Greenville**, Vice President, PPI
**Warren Staley**, Manager Supervision Team, Australian Prudential Regulation Authority
**Ganeshan Wignaraja**, Advisor, Economic Research and Regional Cooperation Department, ADB

The goal of pension and provident funds as seen through the eyes of a social development specialist is to provide adequate, affordable, sustainable retirement income while seeking to improve the welfare for all citizens. The weaknesses of the Pacific developing member countries provident funds as discussed in the previous day's sessions are investment policy, governance, and fiscal unsustainability, and perhaps most critically, the coverage is very narrow. Not discussed was the issue of portability—workers moving from island to island and job to job.

While there are some faults in the Pacific developing member countries systems, the challenges are not insurmountable. India, for example, passed major reforms, chief among them were the introduction of national identity cards and the reduction of lump-sum payouts to a maximum of 50% of savings. These were significant reforms taken on by the government of a much larger population.

Any Pacific developing member countries reforms must be country-specific. There is too much diversity among the funds, the labor markets, their varied demographic transition, and the economies to propose reforms that will work everywhere. However, the World Bank's multi-pillar system is a worthy goal. Many developing countries are moving into multi-pillar systems.

The World Bank's framework is:

- Zero pillar is noncontributory, tax-funded, and provides a very basic level of benefits
- First pillar is a mandatory contributory system that is linked to income
- Second pillar, also mandatory, is individual savings accounts
- Third pillar is a voluntary employer-sponsored defined contribution or defined benefit account
- Fourth pillar is family or community support

These reforms highlight the need for detailed and reliable data. Otherwise, any discussions about change can become highly politicized.

Dirou focused on three critical sets of issues that underlie any decisions about reforms. First and foremost, any reform must be financed in a sustainable way. Even for a social protection system and an economy as well-developed as Australia, there are still significant challenges to the provision of income through retirement. This also relates to the issue of foreign investment. There are encouraging signs that Pacific developing member countries pension systems and regulators understand the importance of diversifying into offshore investments. Although there is a great deal of work to be completed, the key institutions are in agreement and reforms are under way.

Second, funds need to develop strong policy frameworks, especially for risk management. The internal structure and service policies of the fund go hand-in-hand with regulation. There is an alignment of interests, but only up to a certain point. At that point, it is important that each side respect what the other institution is trying to accomplish. The importance of risk assessment and the related policies is especially critical for the non-retirement services that a provident fund may offer or consider offering.

The third set of issues is around financial sector development. The goals of the pension or provident fund should not be purposefully intermingled with the government's goals of financial sector development. There are often competing priorities that will create situations that cannot be easily resolved. There are undoubtedly some important linkages between retirement funds and the financial sector. Once these are clearly understood, then both sets of institutions can make complementary reforms.

Upon hearing the challenges common among Pacific developing member countries funds, Staley considered measures that Australian funds have taken to address similar issues. To address the lack of economies of scale, Australia uses the master trust model that is built around one board of trustees with expertise and independence providing governance to several small funds with aligned interests. The model allows the funds to maintain their individual identities and structures while pooling investments and other resources. A similar model is the pooled superannuation trusts, which only pools investments.

A prudential framework based on common behavioral standards could be shared by all funds in the region. The advantage would be a consistent approach to regulation that would encourage future collaboration on several regulatory and operational issues.

Sharing common challenges is beneficial, but as noted earlier, there needs to be a catalyst for action to push reforms forward. In the Australian system, change typically starts with an independent review that provides policy makers with the unbiased data and context necessary to propose reforms.

Greenville provided an overview of pension fund governance structures in North America. As it is in the Pacific developing member countries, pension funds in the US and Canada are diverse in their governance structures, operational models, and investment strategies. They are also subject to laws, regulations, and policies that vary by state and by fund.

The most common governance structure integrates the investment management and administrative operations under one fiduciary board of directors with a single executive, typically a chief executive officer or executive director, tasked with the day-to-day oversight.

Another very common structure separates the fiduciary role of investment management from the administrative functions. A board of directors oversees the investment strategies in coordination with, primarily for liability matching purposes, the separate administrative side of the organization.

Yet another governance structure places the responsibility for the administration of the fund under the direction of a executive director or chief executive and the investment responsibilities under a chief investment officer both reporting directly to the same fiduciary board.

The sole fiduciary structure has become less common in recent years. Under this model, the responsibility for investments lies with an elected or appointed official, often the state treasurer or comptroller, with day-to-day management delegated to a chief investment officer and investment staff. An advisory board composed of individuals with investment expertise is often in place to provide guidance to the investment staff. The pension administration organization reports to its own board or multiple boards (for multiple funds) and may or may not report directly to the sole fiduciary.

Sixty percent of the largest state public pension funds have an integrated investment management and pension administration with a single fiduciary board. The boards of these funds typically comprise the following:

- Representatives elected from the constituent employee groups
- Government appointees
- Retirees from the constituent employee groups
- Investment experts nominated by state officials

Not all boards have representatives from each group. In cases where trustees do not possess investment expertise, there have been concerted efforts to provide educational programs.

One factor that heavily affects the governance of a pension fund is the ability of the board or sole fiduciary to carry out its operational functions such as budgeting, employee compensation setting, investing, and procurements without interference or influence from state legislators.

Some key best practices from North American pension funds that have relevance for the Pacific region are:

- Fiduciary boards, bound by “conflict of interest” policies, should possess financial and investment expertise and have the autonomy to align administrative and investment interests
- Frequent and extensive education programs are critical to effective board oversight
- Communications plans should support transparency and offer public education on the importance of pension savings
- Fiduciary reviews, in addition to annual audits, should be conducted regularly, utilizing independent experts

## SESSION 4: A PACIFIC EXAMPLE—FIJI NATIONAL PROVIDENT FUND SCHEME

**Jaoji Koroi**, Chief Operating Officer, FNPF
**Vijay Naidu**, Professor and Director of Development Studies, University of the South Pacific
**Geoffrey Rashbrooke**, Fund Actuary FNPF
**Vanessa Steinmayer**, Population Affairs Officer, Social Development Division, UNESCAP

This year, FNPF celebrates its Golden Anniversary after 50 years of operation as Fiji's only superannuation fund. FNPF has been offering life pensions since 1975 to retirees under incapacitation and old-age retirement as well as spousal nominees of members who die before an entitlement event. The journey to reform the initial unsustainable design of the pension scheme, leading up to the final strategies embarked upon in the 2011-2012 reforms, offers insights and lessons for other regional economies. In addition, the Fiji Government has undertaken strategies to strengthen the coverage of social welfare assistance programs in an effort to provide income security for Fiji's elderly and most vulnerable.

The FNPF is a provident fund currently offering two pension products: a life annuity for both single and joint accounts and term annuity (5-, 10-, and 15-year terms). The fund is developing a third product, a member drawdown account.

The membership of FNPF has increased over time. The number of employers registered with FNPF increased from 5,000 in 2003 to about 10,000 in 2015.

Benefits are based strictly on contributions. Contributions are mandatory for the formal sector for both employers and employees. Coverage of the formal sector is adequate, but improvements could be made in the coverage of the informal sector, where contributions are voluntary. There are no re-distributory elements built into the benefits, meaning that members with low incomes will receive low pensions with no enhancement from the fund.

The reforms of 2011–2012 segregated the FNPF's pools of capital, which created a more transparent balance sheet and eliminated cross-pollination between pools. The retirement income fund and the accumulation fund were ring-fenced. Now the two are administered separately, each with their own risks and specific asset allocations.

Previously, there were 22 different allowances to withdraw funds from FNPF. Now there are only nine. Investment mandates have opened up, allowing FNPF to invest overseas.

Also, the reforms set a requirement for FNPF to perform actuarial analysis of assets and liabilities. This requirement has reversed a trend that up until 2012 was leading to insolvency. FNPF now holds a solvency reserve as protection against lower mortality and investment returns, and higher expenses than assumed in pricing. This solvency allowed the fund to disperse F$275.5 million ($130.6 million) to citizens affected by Cyclone Winston, the largest storm ever recorded in the southern hemisphere. The importance of this issue inspired the FNPF actuary to propose the development of an actuarial association in the Pacific developing member countries to assist other funds that do not have the resources to add this key function.

There are some important takeaways from the FNPF reforms. A critical component throughout the process is the political will that comes from the buy-in of key stakeholders. Open communication is key to maintaining political commitment and educating members.

Retirement systems need to be evaluated by outside experts and redesigned if necessary to be equitable, sustainable, and flexible enough to adjust to a changing demographic and economic environment. New retirement and life cycle products, such as health insurance, should be considered and offered when feasible.

Proper governance needs to be in place to build trust and ensure that new policies are followed. However, the governing bodies should not exert political influence on the operations or investments of the fund.

Lastly, robust information technology support systems that capture the optimum quality of beneficiary data are necessary to manage the fund more efficiently.

Despite the successes, there is some controversy surrounding the reforms. There are still significant gaps in Fiji's overall social protection policies. Coverage of informal workers is only 1%, according to some sources. This issue is especially troublesome for women, who tend to earn lower wages and fill most informal sector jobs. Unemployment among youth is very high and there are no social protection programs to provide job training. Tourism, a significant part of the economy, employs a majority of "casual" workers that are not part of the formal sector. Some consider the Fiji government to have ageist policies which leave behind many older workers and set a bad example for other employers.

Additionally, the reforms removed workers' representatives from the FNPF board, replacing them with professional members.

## SESSION 5: HEALTH INSURANCE SCHEME DESIGN—SETTING THE FRAMEWORK

**Madhukar Pande**, Senior Research Advisor, Accident Compensation Corporation
**Asim Mohammed**, Manager Insurance, FNPF
**Agni Singh**, General Secretary, Fiji Teachers Union
**Geoffrey Rashbrooke**, Fund Actuary FNPF

Social protection in health remains a challenge across the Pacific. Increasing demand for health services, an aging population, and potentially fewer resources to finance health care are the predominant reasons leading to this challenge. There is a need for provident funds to focus their attention on including health insurance schemes to complement the infrastructure already in place and assist in expanding coverage of social health protection.

The concept of a national provident fund providing health insurance creates a number of very significant challenges. Yet, in some Pacific developing member countries, there may be no better platform for providing this service. Provident funds already hold many of the same values, such as equity, fairness, and universal access, as that of a social health insurance plan.

According to the Organisation for Economic Cooperation and Development (OECD), there are also tangible benefits of a social health insurance scheme:

- sustainable poverty reduction
- improved health for the population
- prevention of impoverishment due to health expenditures
- substitution for inefficient risk coping mechanisms
- increased productivity
- opportunities to foster investments internally
- promotion of social stability and cohesion
- empowerment of the vulnerable

There is no general blueprint for a successful social health protection insurance scheme, but there are great examples from other developing countries, such as: Thailand, Costa Rica, Sri Lanka, the Philippines, Ghana, Tanzania, Viet Nam, Rwanda, and Brazil.

The process of enacting such a program requires a long-term commitment as success will take time. There has to be a political commitment regardless of the change in government or during periods of slow or stagnant economic growth. There will be a broad range of changes to key institutional mandates: legislative, regulatory and structural. The government and the fund must engage and partner with all relevant stakeholders and experts for a multi-sectoral approach.

As often heard during the course of the program, good data is essential to good decision making. A central database that tracks utilization is imperative. This would require unique patient IDs in order to collect the most accurate records.

For provident funds to provide health insurance coverage, there must also be: (1) robust medical care and infrastructure in place to provide adequate and preventative services, (2) greater coverage to build the economies of scale and reduce overall costs, and (3) portability. With coverage rates currently low, those who are not part of the formal sector and do not pay into the system could be denied access. This would certainly drive up costs for everyone.

The OECD also acknowledges that government funding alone is not adequate for ensuring quality outcomes. Provident funds, however, can supplement government funding with investment returns to support a more sustainable system.

## BREAKOUT DISCUSSION

Facilitator: **Kris Greenville**, Vice President, PPI

The program concluded with the audience breaking into four small groups, with each asked to address five questions that were previously provided and report on the key takeaways from their discussions. Many of the responses from the four groups were similar and supported one another. Some groups chose not to answer certain questions, opting instead to focus on very specific issues.

1. What is the future of provident funds in the region? What are the pros and cons of a provident fund?
2. What processes and policies are necessary to ensure sustainability, fairness, and inclusion for all constituents, including the informal sector? What improvements are needed? What policies are necessary to provide portability?
3. What can be done to improve the quality of data available from all funds in the region?
4. How, as long-term investors, are your funds dealing with the low interest rate and low return environment?
5. What other reforms are desirable to make pension systems more effective and beneficial in the future?

Provident funds will continue to be very important institutions in the Pacific region. They will play key roles in their national economies as well as for their members. Their services will expand as members' needs change over time. They provide stability and hope for all citizens.

Being "too big to fail" was noted as a negative. The ripple effect of a poorly managed system that fails to keep the pension promise would create major disruptions throughout the economy and directly harm beneficiaries. Offering a variety of retirement products and services, on the one hand, can make funds more effective, beneficial, and inclusive. But on the other hand, trying to do too much can weaken the system and lead to failure.

To improve inclusiveness of the informal sector, better data is necessary to understand the scope of the issue. It was noted that legislative barriers are not the limiting factor, and it is instead a matter of developing stronger communication, education programs, and funding resources. It was also noted that collaboration with stakeholders, such as governments, members, and the private sector, will improve coverage.

For greater portability, there first needs to be an agreement among the Pacific developing member countries funds, which can subsequently expand to include Australia and New Zealand.

Allowing third-party payments would provide a method for including many in the informal sector. For example, a homeowner who contributes into the system on behalf of his or her domestic worker would enlarge the pool of those being covered. Alternatively, laws could be passed requiring that domestic workers register with the provident fund. There was support expressed for the implementation of a national ID system to improve coverage and improve the quality and quantity of data.

Other ideas to improve the quality of data included taking a series of fundamental first steps, such as collecting each member's full contact details, including mobile numbers and emails, in a central database. Other pieces of data that should be collected are the number of dependents and the number of workers and their occupations in every household. Better training of the data administrators would improve the consistency and quality of data being collected.

The groups agreed that asset diversification is the best option for dealing with the low-return environment. That said, trustees and management need to fully understand the risks of different investments. Some also suggested that managing investments directly will add to costs initially, but would eventually reduce fees while also building in-house capacity and expertise. Other suggestions for navigating the low-return environment included rehabilitating underperforming assets, using reserves to buffer or improve returns, and encouraging larger voluntary contributions to offset lower returns.

Financial literacy and education programs were most often cited as essential to making pension systems more effective and beneficial. These programs would convey the importance of long-term savings, encourage retirees to resist the temptation of taking lump-sum payouts, and provide young people with job training.

The use of information technology was also viewed as important to increase the efficiency and effectiveness of systems and processes. In addition to the use of technology for communications, one group suggested that there should also be more face-to-face interaction such as visiting worksites and canvassing areas where informal workers gather.

# APPENDIXES

## APPENDIX 1: PROGRAM

Strengthening Pension Systems and Health Coverage in the Pacific
2–3 November 2016
Grand Pacific Hotel, Victoria Parade 584-628, Suva, Fiji

The 14 Pacific developing member countries of the Asian Development Bank (ADB), with a combined population of about 11.2 million, are spread over thousands of square miles of ocean. Natural resources–fisheries and agriculture–and tourism are the key economic drivers in this unique and diverse region. Many socio-economic, cultural, and social challenges affect Pacific economies. Their economies are varied in their stages of development but commonly face scarce human resources, underdeveloped domestic markets, distance from foreign markets, and demonstrate a particular vulnerability to climate change. External economic shocks associated with a fragile global environment are likely to amplify internal economic challenges in the Pacific.

While the working-age populations for most of the Pacific are rising, the demographic dividend is not fully realized as participation in the workforce is relatively low. This, coupled with an increasing percentage of older persons in their populations that need support for living and health-care costs, puts additional pressure on the nascent public pension systems that already face challenges around sustainability, coverage, and adequacy. Additionally underdeveloped capital markets have limited the spread of private pensions with some Pacific economies relying on culturally traditional informal old age support syste There is increasing policy interest in strengthening pensions systems in the Pacific and options for reform. There is also interest in exploring a possible role for pensions institutions in health insurance schemes.

## NOVEMBER 2, WEDNESDAY

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| 8:30 a.m.–9:00 a.m. | Registration |
| 9:00 a.m.–10:15 a.m. | Welcome Remarks<br>Jaoji Koroi, Chief Operating Officer (COO), Fiji National Provident Fund (FNPF)<br><br>Robert Jauncey, Regional Director, Pacific Subregional Office (SPSO), Asian Development Bank (ADB)<br><br>Opening Address – Chief Guest<br>Aiyaz Sayed-Khaiyum, Attorney-General and Minister for Economy, Public Enterprises, Public Service and Communications, Fiji<br><br>Economic Outlook, Pensions Challenges and Reforms in Asia and the Pacific<br>Ganeshan Wignaraja, Advisor, Economic Research and Regional Cooperation Department (ERCD), ADB |
| 10:15 a.m.–10:45 a.m. | Photo Taking and Break |
| 10:45 a.m.–11:30 a.m. | General Discussion with Participants<br>Moderated by Kris Greenville, Vice President (VP), Pacific Pension & Investment Institute (PPI) |
| 11:30 a.m.–1.15 p.m. | **Session 1: Old Age Poverty, Social Protection Systems and Pensions Finance**<br><br>Rising poverty and inequality in Pacific economies has led to emphasis on social protection systems covering health insurance, pensions, the informal sector, targeted measures. Adequate levels of social protection are said to elude many in the region. Pension schemes are reputed to be underdeveloped relative to old age needs. Support for the retired comes from traditional, informal, family or kinship-based syste The pensions systems that are in place typically take the form of a contribution-based national provident fund schemes. Ongoing debates exist about participation/contribution rates, investment mandates, and the efficiency of operations in existing pension fund schemes. There is debate too about variable eligibility standards across the whole spectrum of income support schemes. Some say that resulting higher transaction costs impose barriers on the levels of support to all of the vulnerable populations.<br>Key issues:<br>• Assessing the affordability and effectiveness of social protection in the Pacific<br>• The role of pension systems in the economy<br>• Inclusion and coverage of pensions systems<br>• Investment mandates/opportunities of pensions funds<br>• Development of capital markets and private sector pensions<br>• Special pension challenges of Pacific microstates |

Panelists:
1. Parmod Achary, Lecturer, University of the South Pacific
2. Sri Wening Handayani, Principal Social Development Specialist, Sustainable Development and Climate Change Department (SDCC), ADB
3. Peter Dirou, Senior Financial Sector Expert, ADB's Pacific Private Sector Development Initiative (PSDI)

Moderator: Robert Jauncey, Regional Director, SPSO, ADB

1.15 p.m.–2.15 p.m. Lunch

2.15 p.m.–5:00 pm. **Session 2: Governance, Law and Regulations**

This session will explore the differences between bank regulation and retirement fund regulation, as well as discussing the regulatory implications of provident funds providing financial services, such as loans to members, in addition to retirement products. The objective is to raise awareness of the issues that concern regulators and those which are constraining the development of retirement funds. Several country examples will be discussed from the perspective of regulators and fund managers. This session will also underscore the importance of good corporate governance and illustrate how the development of robust internal policies and regulatory standards are mutually reinforcing.

Key issues:
- Distinctiveness of retirement fund regulation
- Regulation of non-retirement financial services provided by provident funds
- Protecting member contributions. Should member contributions be used as collateral
- Regulating fund investments
- Good corporate governance for retirement funds
- How retirement funds impact financial sector development.

2:15 p.m.–3:30 p.m. **Session 2a: Country Case Studies**

Panelists:
1. Ian Tarutia, Chief Executive Officer (CEO) , NASFUND Papua New Guinea
2. Saia Havili, CEO, Tonga Retirement Fund Board

Moderator: Peter Dirou, Senior Financial Sector Expert, ADB's PSDI

3:30 p.m.–3:45 p.m. Break

3:45 p.m.–5:00 pm. **Session 2b: Regulating Provident Funds and Retirement Funds**

Panelists:

1. Warren Staley, Manager Supervision Team, Australian Prudential Regulation Authority (APRA)
2. Vilimaina Dakai, Chief Manager Financial Institutions, Reserve Bank of Fiji
3. Raynold Moveni, Chief Manager, Financial Markets Supervision Department,
4. Central Bank of Solomon Islands

Moderator: Peter Dirou, Senior Financial Sector Expert, ADB's PSDI

5:00 p.m. Close of Day 1

## NOVEMBER 3, THURSDAY

9:00 a.m.–10:15 a.m. **Session 3: Pacific Pension Systems: Options for Reforms**

Key issues:

- National pension reform options
- Financial system development and complementary policies
- Pan-Pacific scheme pros/cons
- Special challenges and options for microstates
- Sequencing impacts of pensions reforms on economic development
- Implementation challenges

Panelists:

1. Sri Wening Handayani, Principal Social Development Specialist, SDCC, ADB
2. Peter Dirou, Senior Financial Sector Expert, ADB's PSDI
3. Kris Greenville, VP, PPI
4. Warren Staley, Manager Supervision Team, APRA
5. Ganeshan Wignaraja, Advisor, ERCD, ADB

Moderator: Ganeshan Wignaraja, Advisor, ERCD, ADB

10:15 a.m.–10:35 a.m. Break

10:35 a.m.–12:05 a.m. **Session 4: A Pacific Example-Fiji National Provident Fund Pension (FNPF) Scheme**

This year, FNPF celebrates its Golden Anniversary after 50 years of operation as Fiji's only superannuation fund. FNPF has been offering life pension since 1975 to retirees under incapacitation and old-age retirement as well as spousal nominees of members who die before an entitlement event. The journey undertaken to reform the initial unsustainable design of the Pension scheme leading up to the final strategies embarked on in the 2011-2012 reforms offers insights and lessons for other regional economies. In addition, the government of Fiji has undertaken strategies to strengthen the coverage of social welfare assistance programmes in an effort to providing income security for the old-age and Fiji's most vulnerable.

Key Issues:
- Origins and mandate
- Experience, achievements and challenges
- Opportunities ahead
- Prudential actuarial management

Panelists:
1. Jaoji Koroi, COO, FNPF
2. Vijay Naidu, Professor and Director of Development Studies, University of the South Pacific
3. Geoffrey Rashbrooke, Fund Actuary, FNPF
4. Vanessa Steinmayer, Population Affairs Officer, Social Development Division, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

Moderator: Vanessa Steinmayer, Population Affairs Officer, Social Development Division, UNESCAP

12:05 p.m.–1:15 p.m.

**Session 5: Health Insurance Scheme Design: Setting the Framework**

Social protection in health remains a challenge across the Pacific. Increasing demand for health services, an aging population and potentially fewer resources to finance health care are predominant reasons leading to this challenge. There is a need for Provident Funds to also focus attention on including a health insurance scheme to complement the infrastructure already in place to assist in expanding coverage of social health protection.

Key issues:
- Scheme design–affordability, adequacy, financing
- Administration, monitoring
- Governance, law and regulation
- Sustainability management–solvency reserving
- Claims management
- Maximizing coverage
- Existing insurance benefit designs and how the above aspects have been managed

Panelists:
1. Madhukar Mel Pande, Senior Research Advisor, Accident Compensation Corporation
2. Asim Mohammed, FNPF Manager Insurance
3. Agni Singh, General Secretary, Fiji Teachers Union

Moderator: Geoffrey Rashbrooke, Fund Actuary, FNPF

1:15 p.m.–2:15 p.m. Lunch

2:15 p.m.–3:30 p.m. Breakout Discussion

Facilitator: Kris Greenville, VP, PPI

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|---|---|
| | Suggested Questions for Breakout Groups:<br>1. Inclusion and coverage–What processes and policies are in place to ensure fairness for all constituents?<br>2. Internal capacity and administration of benefits–How funds are employing technology and manpower to handle the needs of growing constituents?<br>3. Investment performance–How, as long term investors, are pension funds dealing with the low return environment?<br>4. What reforms are desirable to make pensions system work better in the future? |
| 3:30 p.m.–3:45 p.m. | Break |
| 3:45 p.m.–5:15 p.m. | Continuation of breakout discussions |
| 5:15 p.m. | Close of workshop |
| 6.00 p.m.–9.00 p.m. | Cocktail (hosted by FNPF for 50th Anniversary celebration) |

# APPENDIX 2: LIST OF PARTICIPANTS

## PACIFIC COUNTRIES

| | Country | Representative/s | e-mail address |
|---|---|---|---|
| 1 | Cook Islands | Damien Beddoes<br>Chief Executive Officer<br>Cook Islands National Superannuation Fund | Damien.Beddoes@superfund.gov.ck |
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*Pacific Countries Continued*

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*Pacific Countries Continued*

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*Pacific Countries Continued*

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| 3 | Asian Development Bank | Sri Wening Handayani<br>Principal Social Development Specialist<br>Sustainable Development and Climate<br>Change Department | swhandayani@adb.org |
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## APPENDIX 3: STATISTICS

**Table 1. Selected Economic Indicators for Pacific Island Economies**

| Country | GNI per capita, PPP* (current international $) | Growth rate of GDP (% per year) 2015 | 2016f | 2017f | Inflation (% per year) 2015 | 2016f | 2017f |
|---|---|---|---|---|---|---|---|
| **The Pacific** | 5,345 | 7.2 | 2.7 | 3.5 | 3.9 | 4.7 | 5.5 |
| Cook Islands | ... | 4.8 | 4.2 | 4.0 | 3.0 | 0.7 | 2.0 |
| Fiji | 8,700 | 4.0 | 2.4 | 4.5 | 1.4 | 3.5 | 3.0 |
| Kiribati | 4,150 | 3.0 | 1.8 | 1.5 | 1.4 | 0.7 | 2.0 |
| Marshall Islands | 4,710 | 0.5 | 1.5 | 2.0 | -2.2 | -1.3 | 1.0 |
| Micronesia, Fed. States of | 3,600 | 1.4 | 2.0 | 2.5 | -1.1 | -0.3 | 1.5 |
| Nauru | ... | -10.0 | 3.0 | 15.0 | 11.4 | 6.6 | 1.7 |
| Palau | 14,700 | 9.4 | 2.0 | 5.0 | 2.2 | 1.5 | 2.5 |
| Papua New Guinea | 2,800 | 9.9 | 2.2 | 3.0 | 6.0 | 6.5 | 7.5 |
| Samoa | 5,720 | 1.6 | 5.0 | 2.0 | 1.9 | 0.1 | 2.0 |
| Solomon Islands | 2,180 | 2.9 | 2.7 | 2.5 | -0.3 | 3.3 | 4.5 |
| Timor-Leste | 3,820 | 4.1 | 5.0 | 5.5 | 0.6 | 1.2 | 3.0 |
| Tonga | 5,290 | 3.4 | 3.1 | 2.6 | -0.7 | 2.0 | 1.9 |
| Tuvalu | 5,430 | 3.5 | 3.0 | 3.0 | 3.5 | 2.0 | 2.0 |
| Vanuatu | 3,040 | -1.0 | 3.5 | 3.8 | 2.5 | 1.9 | 2.4 |

... = data not available, * = most recent estimate, f = forecast, GDP = gross domestic product, GNI = gross national income, PPP = purchasing power parity.
Source: World Bank, World Development Indicators (accessed October 2016) and Asian Development Bank, Asian Development Outlook 2016 Update (accessed September 2016).

**Table 2. Population and Aging for Pacific Island Economies**

| Country | Total Population (millions) | | | Rate of Change of Population (%) | | Percentage of Population Ages 60 and above | | | Old-age Dependency Ratio (% of working age population) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2000** | **2015** | **2030** | **2000–2015** | **2000–2030** | **2000** | **2015** | **2030** | **1990** | **2014** |
| **The Pacific** | 8.2 | 11.2 | 14.4 | 8.2 | 11.2 | 4.4 | 5.7 | 7.3 | ... | ... |
| Cook Islands | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Fiji | 0.8 | 0.9 | 0.9 | 0.8 | 0.9 | 5.7 | 9.2 | 14.3 | 5.0 | 8.6 |
| Kiribati | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 4.8 | 6.3 | 9.2 | 6.1 | 6.0 |
| Marshall Islands | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | ... | ... | ... | ... | ... |
| Micronesia, Fed. States of | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 5.6 | 7.7 | 9.3 | 6.8 | 6.9 |
| Nauru | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Palau | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Papua New Guinea | 5.4 | 7.6 | 10.1 | 5.4 | 7.6 | 4.2 | 5.1 | 6.7 | 4.2 | 5.0 |
| Samoa | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 6.9 | 7.8 | 11.9 | 6.9 | 9.0 |
| Solomon Islands | 0.4 | 0.6 | 0.8 | 0.4 | 0.6 | 4.4 | 5.1 | 6.7 | 5.4 | 6.0 |
| Timor-Leste | 0.8 | 1.2 | 1.6 | 0.8 | 1.2 | 3.9 | 7.2 | 6.8 | 3.0 | 10.5 |
| Tonga | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 8.2 | 7.5 | 9.9 | 8.0 | 10.3 |
| Tuvalu | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... |
| Vanuatu | 0.2 | 0.3 | 0.4 | 0.2 | 0.3 | 4.9 | 6.4 | 9.0 | 6.8 | 7.0 |

... = data not available.
Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects (2015 Revision).

**Table 3. Selected Pension Indicators for Pacific Island Economies**

| Country | Main Type of Pension Scheme | Statutory Retirement Age (current law)* | Future Coverage[a] (%) | Total Public Spending in Pensions[b] (% of GDP)* |
|---|---|---|---|---|
| **The Pacific** | | | | |
| Cook Islands | .. | ... | ... | ... |
| Fiji | Provident Fund | 55 | 22.7 | 0.50 |
| Kiribati | Provident Fund | 50 | ... | ... |
| Marshall Islands | .. | ... | ... | 7.40 |
| Micronesia, Fed. States of | Defined Benefit | 60 | 33.4 | ... |
| Nauru | .. | ... | ... | ... |
| Palau | Defined Benefit | ... | ... | ... |
| Papua New Guinea | Provident Fund | 55 | 3.3 | 0.20 |
| Samoa | Provident Fund | 55 | ... | ... |
| Solomon Islands | Provident Fund | ... | 46.3 | ... |
| Timor-Leste | .. | ... | 5.5 | ... |
| Tonga | .. | ... | ... | 0.90 |
| Tuvalu | .. | ... | ... | ... |
| Vanuatu | Provident Fund | 55 | 22.0 | 0.30 |

Notes:
"... = data not available, * = most recent estimate.
[a] Future coverage refers to contributors as percent of working age population.
[b] Public pension spending refers to both contributory and noncontributory pensions.
Source: World Bank, Pensions Database GP Social Protection (accessed 2016).

## APPENDIX 4: PROFILE OF ORGANIZERS

**Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members including 48 from the region. Its main instruments for helping it developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

*The following from ADB were involved:*

- *Economic Research and Regional Cooperation Department, (ERCD)*
- *Pacific Department, (PARD)*
- *Pacific Private Sector Development Initiative, (PSDI)*
  *- A regional technical assistance facility co-financed by the the Asian Development Bank, Government of Australia, and the Government of New Zealand.*

**Fiji National Provident Fund**

The Fiji National Provident Fund (FNPF) is a self-funded defined contribution fund that provides superannuation services to its members. The operation of the Fund is guided by the FNPF Decree 2011 and the FNPF Transition Decree 2011. As such, FNPF is mandated by law to collect compulsory contributions from employees and employers towards the retirement savings of all workers in Fiji. Apart from retirement savings, the Fund also provides pre-retirement benefits such as housing, medical and education assistance.

As of 30 June 2016, FNPF's total assets were valued at $5.1 billion, of which $4.4 billion is members' balance for our 406,065 members. FNPF is a major investor in Fiji and one of the country's largest property owners. The Fund also owns majority of shares in Amalgamated Telecom Holdings Limited, Vodafone Fiji Limited, Home Finance Company Bank, and fully-owns the Natadola Bay Resort Limited (InterContinental Fiji Golf Resort & Spa), Holiday Inn Suva, Momi Bay Resort Limited and 25% of the Grand Pacific Hotel.

**Pacific Pension & Investment Institute**

The Pacific Pension & Investment Institute (PPI) is a global organization with individual and institutional members from leading pension funds, sovereign wealth funds, endowments, foundations, commercial asset management, and other investment experts.

Our members' investment decisions impact the prosperity and security for hundreds of millions of beneficiaries and stakeholders today and for future generations.

PPI's extended network reaches nearly 40 countries and includes well over 2,000 thought leaders and innovators in the world of institutional investment. Our institutional members are represented by senior level executives who value the deep insight and knowledge gained from their peers in the industry. Individual members include diplomats, academics, business leaders and influencers –all with deep experience and commitment to long-term investment issues in Asia, the Pacific rim and globally. Members value the trusted relationships that PPI fosters inside our programs and through our network. Current membership includes 51 of the world's most influential asset owners and 53 asset managers of institutional investor funds.

## APPENDIX 5: PHOTO GALLERY




## Strengthening Pension Systems and Health Coverage in the Pacific

*Proceedings of the 2016 ADB-FNPF-PPI-PSDI Forum on Public Pension Systems in Asia, Focus: Pacific Region*

Pension provision is an emerging challenge for the Pacific. While the working-age populations for most of the Pacific are rising, the demographic dividend is not fully realized as workforce participation is relatively low. This, coupled with an increasing percentage of older persons in their populations that need support for living and health-care costs, puts additional pressure on the nascent public pension systems that already face challenges around sustainability, coverage, and adequacy. Furthermore, underdeveloped capital markets have limited the spread of private pensions with some Pacific economies relying on culturally informal old age support systems. Strengthening pensions systems in the Pacific and exploring reform options are a pressing public policy issue. These issues and challenges are discussed in these summary proceedings of the forum on "Strengthening Public Pensions and Health Coverage in the Pacific" held on 2-3 November 2016 and organized by the Asian Development Bank, Fiji National Provident Fund, and Pacific Pension & Investment Institute.

**About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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