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Date: 31<sup>st</sup> August 2018

Honourable Dr. Pohiva Tu'i'onetoa  
Minister of Finance and National Planning  
Ministry of Finance and National Planning  
**NUKU'ALOFA**

Pursuant to Section 17(3) of the National Retirement Benefits Scheme Act 2010, I have the honour to submit the report of the National Retirement Benefits Fund on its operations for the Financial Year ended 30<sup>th</sup> June 2018, together with the audited Accounts for the same period.

Respectfully,

  
Dr. S. Leimoni Taufu'i  
**CHIEF EXECUTIVE OFFICER**





## ABOUT US

The National Retirement Benefits Fund (NRBF) was established on 1<sup>st</sup> July 2012 as an accumulation contribution Fund. The operations of the Fund are guided by the provisions of the National Retirement Benefits Scheme Act 2010; National Retirement Benefits Scheme (Administration) Regulations 2012; National Retirement Benefits Scheme (Amendment) Act 2014; and the National Retirement Benefits Scheme (Appointment of Directors) Regulations 2015.

NRBF is responsible for collecting compulsory contributions from employees and employers towards the retirement savings of workers in Tonga except government employees who contribute towards the Government Retirement Fund Board. The Fund provides benefits in respect of retirement, permanent total disablement, early release, or death of a member. Early release of benefits is due to redundancy, medical grounds, migration overseas, or financial hardship.

Since September 2012, the Fund has been responsible for the administration and management of the Government Social Welfare Scheme.

### **Our Vision**

Securing your Retirement.

### **Our Mission**

To provide customers with quality services and reasonable returns for retirement.

### **Our Values**

- Humility: Respect opinions of customers and colleagues.
- Integrity: Be honest and do what is right in serving customers and colleagues.
- Teamwork: Support and care for each other.
- Excellence: Always aim to achieve high standards.



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## 2017 / 2018 HIGHLIGHTS

**Table 1: Summary of Key Indicators 2013/2014 – 2017/2018**

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	% Change
Employers	451	544	574	698	731	7.73
Members	5,502	7,173	9,596	11,300	12,778	13.08
Contributions (\$)	6,420,531.69	6,603,005.34	7,396,861.91	7,715,944.18	9,232,258.86	19.65
Fund Earning Rate (%)	3.25	4.05	4.15	4.17	4.10	-1.67
Total Investment (\$)	12,043,148.13	18,560,991.67	25,170,991.67	31,667,580.71	39,004,699.00	23.2
Investment Income (\$)	274,216.82	607,592.42	906,645.12	1,169,224.82	1,443,914.70	23.5
Total Net Assets (Member Funds)(\$)	12,830,903.23	19,391,170.79	25,960,621.69	33,085,929.44	40,629,977.31	22.80

**Table 2: Summary of Member Withdrawals (Benefits Paid to Members) FY2013-2018**

Grounds of Withdrawals	2013/2014 \$	2014/2015 \$	2015/2016 \$	2016/2017 \$	2017/2018 \$	% Change
Normal Retirement	88,723.44	103,325.67	139,553.31	263,231.68	405,947.80	54.21
Death	103,723.40	83,830.17	151,388.20	221,957.47	248,502.74	11.95
Medical	6,669.12	23,286.15	11,861.32	36,426.21	50,120.12	37.59
Migration	43,736.03	172,455.96	333,805.48	255,692.91	655,646.88	156.41
Redundancy	32,761.22	108,487.61	86,310.48	137,267.20	253,796.79	84.89
Financial Hardship	7,900.00	99,830.57	252,393.31	358,389.59	293,443.15	-18.21
Phased Retirement		20,000.00	39,013.00	186,500.00	351,200.00	88.31
Member Voluntary	6,079.15	-	-	-	23,711.77	100.00
Transfer Contributions	34,976.37	-	-	-		
Total Benefits Paid to Members	324,022.73	611,216.13	1,014,324.73	1,459,465.06	2,282,369.25	56.38
Number of Withdrawal Members	81	157	236	423	384	-9.2

**Table 3: Financial Highlights**

Total Net Assets (Member Funds) increased by 22.80% from last year's \$33,085,929.44 to \$40,629,977.31
Total contributions increased by 19.65% from \$7,715,944.18 last year to \$9,232,258.86
4.10% interest credited to members on 30 June, 2018 resulted in the distribution of \$1,443,914.70 compared to \$1,169,224.82 of last year
Total benefit paid to members was \$2,282,369.25 compared with \$1,459,465.06 in 2016/2017
Number of employers increased by 7.7% from 698 last year to 731
Number of employees increased by 13.08% from 11,300 last year to 12,778





## OUR BOARD



**Mr. Ross Chapman**  
Private Businesses' Nomination



**Rev'd Dr. Tevita Havea**  
Chairman and  
Churches' Nomination



**Lord Matoto 'o Tu'anekevile**  
Churches' Nomination



**Mrs. Tunamailangi Likiliki**  
Private Businesses' Nomination



**Mr. Pita Ha'angana**  
Public Enterprises and Statutory  
Boards' Nomination



**Mrs. Leta Kami**  
Public Enterprises and Statutory  
Boards' Nomination



**Dr. S. Leimoni Taufu'i**  
Chief Executive Officer  
and Secretary



**Mrs. 'Alisi Taumoepeau**  
Chairman's Nomination



## CHAIRMAN'S REPORT



The financial year 2017/18 has been extensively engaging for the Fund, especially with the on-going appraisal of the Fund's overall performance for the 1<sup>st</sup> five years of its establishment. Whilst the financial performances may dominate the Fund's economic capability, the results clearly indicate that the Fund establishment has built a sound platform to improve operational efficiencies and has successfully placed the National Retirement Benefits Fund (NRBF) on a solid financial and governance foundation for the future of Tonga.

I am pleased to report that the fierce force of Cyclone Gita that visited the Kingdom in February this year surprisingly spared the Fund's Head Office building that was built in 1933. Not a single old timber or roofing was moved or disturbed, and we give thanks to God for his grace.

This is the sixth consecutive year in which the Board has declared the total investment revenue to be fully credited to members' accounts. The interest declared was 4.10 percent (%), which was \$1,443, 567.89 and distributed to members' accounts. We are indeed proud to report that in its six years of existence, the Fund has credited almost \$4.5 million as interest to our members.

Revenue	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Contributions	6,157,543.91	6,420,531.69	6,603,005.34	7,396,861.91	7,715,944.18	9,232,258.86
Interest on Investment	60,988.00	274,216.82	607,592.42	906,645.12	1,169,224.82	1,443,914.70
<b>Accumulated Total</b>	<b>\$ 6,218,531.91</b>	<b>\$ 12,913,280.42</b>	<b>\$ 20,123,878.18</b>	<b>\$ 28,427,385.21</b>	<b>\$ 37,312,554.21</b>	<b>\$ 47,988,727.77</b>

Contributions collected totalled to \$9.23 million compared with \$7.71 million last year, an increase of 19.65 percent (%). Nearing an average of \$0.8 million mark in contribution every month is a huge milestone on the establishment stages of the Fund. This increase is attributed to improved compliance, the outreach program and regular visits and seminars and increased economic activity. Increased contributions also led to 22.80 percent (%) growth in the total member funds to \$40.62 million compared with \$33.08 million in 2017. However, there are still less than 1,000+ businesses to be registered and start contributing to the Fund.

The Board has endorsed a strategy to strengthen the corporate culture of the Fund by identifying the right work values and behaviours to nurture a culture of stewardship. These have been reinforced by setting the right policies and environment to support this new culture. The Fund has also engaged a leadership team from within the sectors with diverse experience and knowledge to deliver these strategic priorities. We will continue to up skill our workers and provide the right environment for them to grow and excel. This has been set up well to increase the pace of execution and the results will deliver real value for our members.

Investment has been and will be a priority for the Fund. In view of the increasing high liquidity in the domestic market, the Board has encouraged the diversification of investment portfolio. As a result, the Fund has embarked on equity negotiation with the Tonga Development Bank for acquisition of 15 percent (%) share at the Bank. We hope this investment will come into fruition by September 2018.

In conclusion, I wish to express my sincere thanks and appreciation to the fellow Directors, employers and members of the Fund, the Chief Executive Officer and staff of the Fund for their cooperation, support and commitments. You have all contributed to a successful year and I hope it will continue in the future to ensure a sustainable fund and secure retirement for all. I wish you all have a productive and fruitful year ahead.

**Rev. Dr. Tevita Koloa'ia Havea**  
Chairman



## CHIEF EXECUTIVE OFFICER'S REPORT

It has been another productive year of innovation and success at the National Retirement Benefits Fund. The Fund remains in a very strong financial position with above industry average member growth, competitive fee structure, and value for money insurance benefits. We have placed a significant focus on improving the member experience and whilst our primary objective is to engage our members to enable them to take greater control of their financial future, it has been very rewarding to have received positive feedbacks from stakeholders on the growing performance of the Fund.



The domestic investment conditions and high liquidity position have put pressure on our investment strategy and performance. The average interest offered to the Fund had dropped from 4 percent (%) to 2.75 percent (%) during the year resulting in the slight decrease in interest revenue for the year. To ensure that we meet our investment objectives, the Fund has placed a concerted effort into re-allocation of its based strategies that can perform, such as, property and equity and aimed to ensure that the strategic asset allocation is sound and with reasonable performance outcomes.

Our mission is to make a real difference in the retirement outcome of every member. Achieving the best possible retirement for each of our members is our core value. However, the concept of adequacy in retirement has been on the agenda of the Board for review of the contribution rates. We also strive to overcome barriers of complexity, pressures from government, and fear that can stop people engaging with their super and planning for a better financial future.

The history of health and community services is one of a calling to support, empower and to serve. So, our vision is to be the super fund for Tongan health and community services and prepare and empower our members for wellbeing in retirement. We aim not to just make a difference, we aim to lead and lay the foundations of an enduring legacy.

It is through continuous improvement that we deliver our promise to always put our members first. In addition to establishing our own self managed group life insurance scheme, we have continued to impose the no administration fees capped for low account balances, below \$200 since 2012.

Supporting the community work for our social welfare members, we're indeed also passionate about seeing the Fund playing a greater role in the community and giving something back to make a real difference to the lives of the aged Tongans. I see no better source of inspiration than our very own members and through the administration of the Government social welfare scheme by the Fund.

Lastly, I wish to express my deep appreciation to employers and members for maintaining their timely contributions towards the Fund although there is still room for improvement. I also wish to extend my sincere appreciation to the Chairman and Board of Directors for their wise guidance and assistance to the Fund to achieve its financial targets for the year. With your assistance and guidance we will be able to achieve another successful year in 2018/2019.



**Dr. Leimoni Taufu'i**  
Chief Executive Officer







## GOVERNANCE

### Board

The Board is responsible for the management of the Fund's affairs by providing guidance and policies that will ensure the sound management of members' fund.

### Board Composition and Membership

The seven Board Directors comprises: three representatives of employees, three representatives of employers, and one person with relevant experience and qualifications. The Directors represent three sectors which include churches, private businesses, and public enterprises and statutory boards. The current Board Directors will complete their three year tenure at the end of August 2018.

### Board Meetings

The mandated number of meetings is a minimum of one meeting per month. The Board met 7 times during the year. Special meetings were also held to discuss and approve the first equity investment project of the Fund which was the acquisition of shares in the Tonga Development Bank (TDB). The Board also sought professional advice on this investment from an independent consultant.



### Board Investment Committee

The Board Investment Committee is the only sub-committee of the Board. The main function of the committee is to provide technical advice to the Board regarding key investment projects. The four members of the committee are also members of the Board. Independent views were provided from an independent consultant on the due diligence of the TDB concerning the equity acquisition of shares in the Bank. The committee met 6 times.

### Audit

In accordance with the Act, audit of the Financial Statements of NRBF is carried out every six months by the auditor, JK Chartered Accountants. The audit of 2017/18 accounts is scheduled to be completed by end of August 2018.

### National Reserve Bank of Tonga

The Fund continued to support and adhere to the prudential supervision of the National Reserve Bank of Tonga (NRBT). In order to complete the process of equity acquisition of shares in the Tonga Development, the Fund requested and received approval from the National Reserve Bank of Tonga.





# OVERVIEW of 2017/2018

## OPERATIONS

### Members

The total members registered and contributed to the Fund continued to grow over time. On the 30<sup>th</sup> June 2018, this number was recorded at 12,778 which is a 13.08% increase from 30<sup>th</sup> June 2017 total members of 11,300.

### Contribution

Total contributions collected were \$9,232,258.86, an increase of 19.65% over last year's collection of \$7,715,944.18. The increase is attributed mainly to increase in total number of members, mandatory increase of employers' contribution from 5% to 7.5% and business compliance checks. The voluntary fund collected was \$98,357.50.

### Total Members Fund

The total balance for all members' accounts increased by 22.80% from \$33,085,929.44 to \$40,629,977.31. The increase was also due to the main reasons outlined above, under Contribution.

### Employers

The total employers registered with the Fund also have a similar trend to that of members, however, it grew at a much slower pace due to financial constraints. By the end of June 2018, the total number of employers registered was recorded at 731 which is a 7.73% increase compared to the 698 total recorded in June 2017.

Fig.4: Total Number of Members from 2014 – 2018

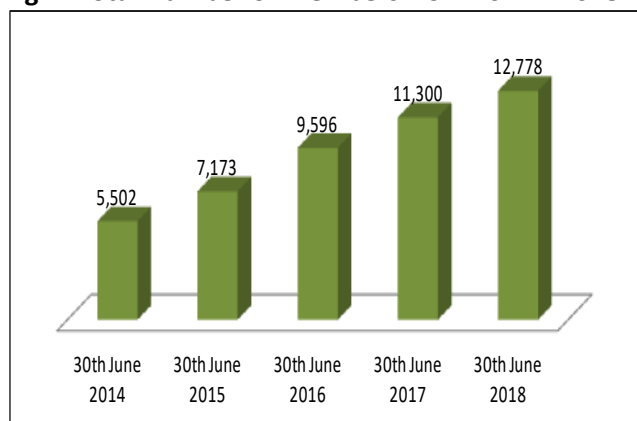
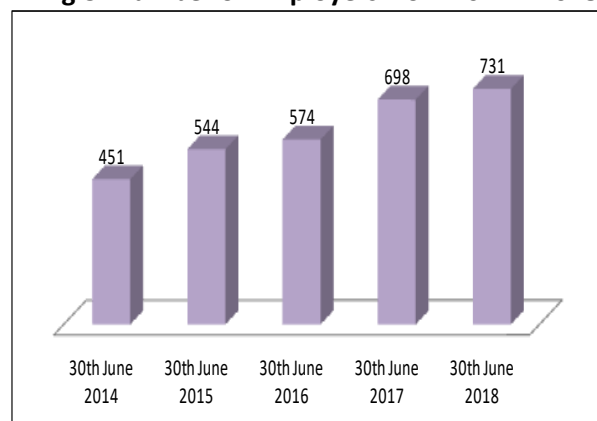
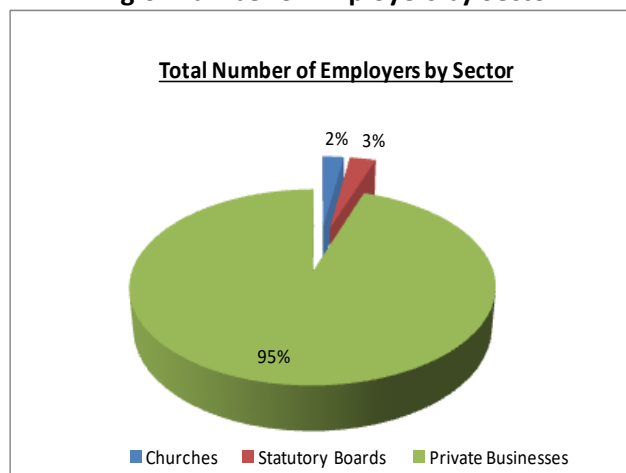


Fig.5: Number of Employers from 2014 – 2018

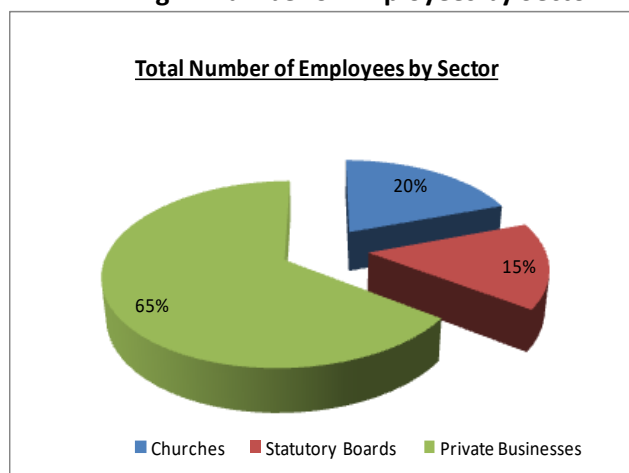


The majority of the total employers of 731 registered and contributed to the Fund comprised of 693 privately owned businesses employing 8,318 employees from a pool of 12,778. The 21 statutory boards registered total employees of 1,955, followed by the churches with 17 employers but with 2,505 employees.

**Fig.6: Number of Employers by Sector**



**Fig.7: Number of Employees by Sector**



## Retirement Benefit Payments

Altogether, a total number of 384 members withdrew some or all of their retirement funds under the various grounds permitted by the Act, including financial hardship (employment assistance). The total amount of withdrawal benefits by members who have retired or withdrawn portion of their retirement benefits amounted to \$2,282,369.25, an increase of 56.38% from \$1,459,465.06 in 2016/17.

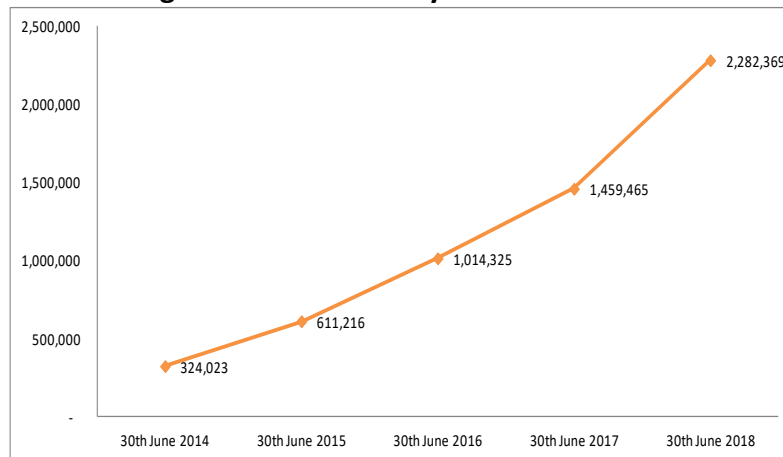


**Table 4: Retirement Benefit Payments 2017/2018**

	<u>No. Of Members</u>	<u>Contributions (\$)</u>	<u>Insurance (\$)</u>	<u>Total Payments (\$)</u>	<u>% of Total Payments</u>
Normal Retirement	43	405,947.80		405,947.80	17.79
Death	29	143,502.74	105,000.00	248,502.74	10.89
Phased	10	351,200.00		351,200.00	15.39
<b>Early Release:</b>					
Medical	6	50,120.12		50,120.12	2.20
Migration	75	655,646.88		655,646.88	28.73
Redundancy	30	253,796.79		253,796.79	11.12
Voluntary	0	-		-	-
Financial Hardship	190	293,443.15		293,443.15	12.86
Member Voluntary	1	23,711.77		23,711.77	1.04
<b>Total</b>	<b>384</b>	<b>\$ 2,177,369.25</b>	<b>\$ 105,000.00</b>	<b>\$ 2,282,369.25</b>	<b>100.00</b>

While the total benefit payments paid out per financial year has increased over time. The steep increase in the total amount of benefit withdrawals was due to migration with 28.73% and while no voluntary contributor withdrew any fund for this year, the least amount of withdrawal was under member voluntary (MV) drawdown with only 1.04%.

**Fig.8: Total Benefit Payments from 2014 - 2018**



### Self-Managed Life Insurance Scheme

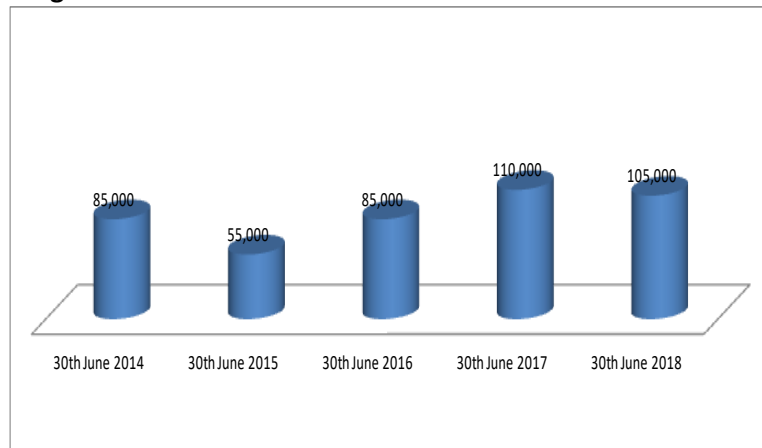


With the premium rate of \$15.24 per active member for the sum insured of \$5,000, the Fund's Self-Managed Life Insurance is the most affordable across the country. This is a decrease of 9.93% from the \$16.92 per member last year. In addition to affordability, the Fund aims to bring protection to the members' loved ones and bring peace to members' minds by adding more financial security to the beneficiary.

The total benefit payment under death claims of \$248,502.74 for 29 members, only 21 members claimed life insurance amounting to \$105,000. The Act permits members to nominate a beneficiary to claim his

retirement entitlements upon death, while in service and it is evident from the graph below that the total amount of Life Insurance claimed has fluctuated over the years with an increasing trend.

**Fig.9: Total Amount of Life Insurance Paid from 2014 - 2018**





## Member Services

The Fund's customers are its most valuable asset. The Fund makes it its top priority to ensure quality customer service is delivered at all times so that customers feel they are valued, treated fairly, and appreciated by the Fund.

Full transparency is supported by the ongoing consultations with businesses, churches and statutory authorities throughout the country to increase awareness by informing members about the Fund's performance. Both employer and member statements are distributed on a yearly basis after audit. In addition to the over-the-counter services the Fund offers during working hours, the ICT staffs are also monitoring what is being said about the Fund online so issues can be quickly addressed and that complaints are resolved as they arise.

## Enforcement and Compliance

In May, the Fund joined the Government of Tonga Taskforce. This Committee is made up of several Government Ministries including Ministry of Commerce, Consumer, Trade, Innovation and Labour, Ministry of Revenue and Customs, Immigration Department, Ministry of Health and others. It is this Committee's responsibility to enforce compliance with their various Acts, Regulations and Policies. With this opportunity on hand, the Fund's Enforcement and Compliance team wishes to use it to their advantage and capture employers whom are still resistant with getting on board.

The Enforcement team continued to follow up the unregistered businesses to ensure employers are not only registered but also comply with the requirements of the Act. These are mainly small, medium businesses and sole traders.

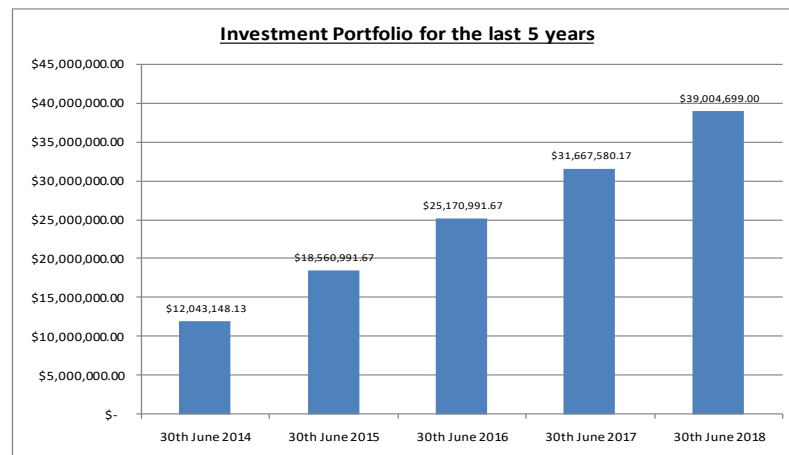
## INVESTMENT

### Investment Portfolio

The Fund's total investment portfolio grew from \$31,667,580.71 in 2017 to close at \$39,004,699.00 in 2018. This is an increase by 23.2% compared to the previous financial year. This is due to increase in membership and increase of employer's contribution from 5% to 7.5% which started in 1st July 2017.



**Fig.1: Investment Portfolio 2014 – 2018**



## Fixed Interest

Fixed interest remains the only asset class in the overall investment portfolio. The Fund's total portfolio was invested fully in the domestic market consisting of 96% in local term deposits and 4% of Government bonds. The term deposits were invested in the Tonga Development Bank, MBF Bank, ANZ Bank and Bank of South Pacific and the Government bonds in the National Reserve Bank of Tonga. The bank interest rates on the portfolio spread from a minimum of 2.5% to the maximum of 6.5%.

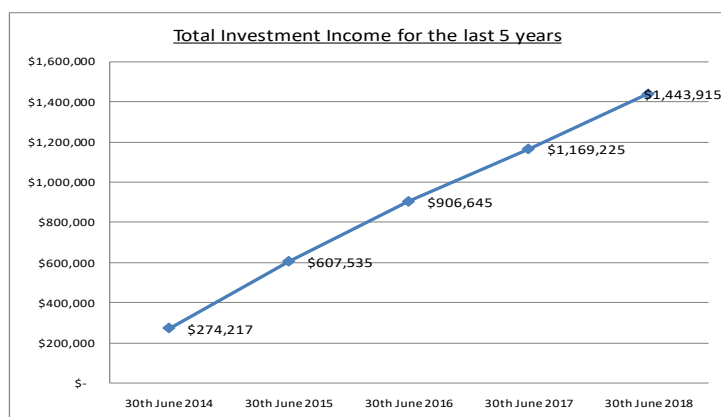
The total investment income for the financial year was recorded at \$1,443,914.70 compared with \$1,169,224.82 in 2017, an increase of 23.5% totalled to \$274,689.88. This increase is consistent with the growth of previous years.



## Equity

The Fund actively pursued growth opportunities to diversify its portfolio locally. The Board has approved equity acquisition of 15% share in the Tonga Development Bank which amounted to \$7.5 million. The National Reserve Bank of Tonga has approved the acquisition to go ahead.

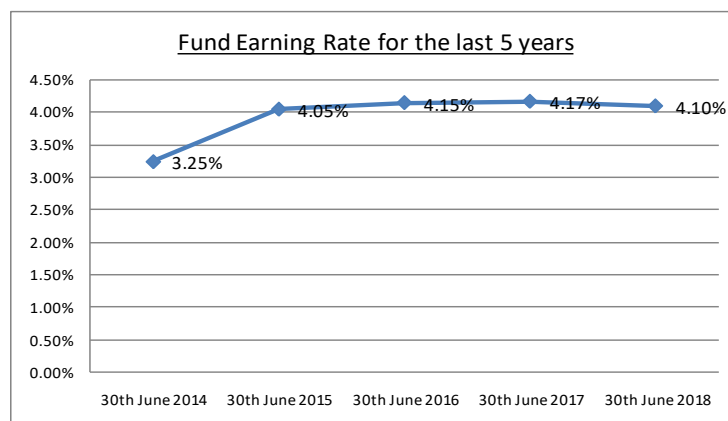
**Fig.2: Investment Income 2014 – 2018**



## Fund Earning Rate

The Fund's Earning Rate at the close of the financial year was 4.10% compared with 4.17% declared at the end of 30th June 2017. This is a decrease by 1.7% which is a reflection of high liquidity in the domestic market driving the interest on term investments down.

**Fig.3: Fund Earning Rate from 2014 - 2018**



## COMPLYING SCHEME

The Act states that an employer who provides a retirement benefit scheme for his employees may submit an application for exemption from contributing to the Scheme.

The Fund initially granted exemptions to 15 employers as complying schemes. At the end of its sixth year 7 employers remained as complying schemes which are: Tonga Power Limited, Pacific Energy SW Limited, Electricity Commission, United States Peace Corps Tonga, E.M Jones Limited, National Reserve Bank of Tonga and the Church of the Latter Day Saints. The Fund will continue to ensure that each of these complying schemes act in accordance with the Fund's Act and Regulations.





## **INFORMATION COMMUNICATION & TECHNOLOGY**

Technology plays a major role in the Fund's operation. As the Fund grows in size there is always the challenge for technology to play a vital link in enabling the Fund to bring its services to the members and the public to a new level of speed and sophistication

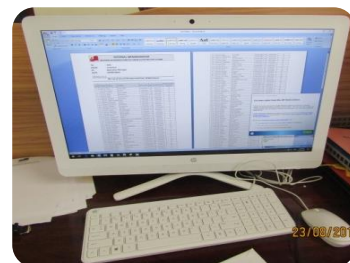
### **Impact of Cyclone Gita**

When Cyclone Gita struck Tonga early February 2018, there was a blackout throughout the country. The Fund's building was safe and its stand-by generator provided electrical supply while waiting for all electricity to be restored. Unfortunately, water leakage through the louvers reached the file server which created a communication breakdown. A new server was ordered from New Zealand and the Fund managed to get back to normal duties very quickly with no damages to the Fund's database. The ICT System was able to restore all its surveillance and network system to fully function. Network Surveillance Camera recording is functioning 24/7 and allowed sufficient storage space for recording.



### **New and Upgrade of Equipment**

Upgrading of hardware was implemented during the Gita breakdown which includes upgrading of both software and hardware. More PC machines were ordered for the new staff and computers (All in One PC with Window 10 Professional as the Operating System). The ICT recovery plans and policies were also finalized after the experience from Cyclone Gita.



### **Internet Services, Networking and Security**

The Fund purchased three new HP Proliant DL380 Servers with Windows Server 2016 Standard. One server was dedicated to a Mail and File Server while the extra one was stored as a backup. The upgrade led to change of UPS, Servers, Firewall and Server Operating System.

Successful negotiation with Internet Service Provider (Digicel) resulted in a better plan with more Gigabytes in a very affordable rate. It allows staff to access all vital information anytime of the day but with strict internal control by ICT team. The network infrastructure provided services to the operation of the Fund such as enabling sharing of files, printers and hosting the Fund emails and website. The Fund also renewed its license with ESET NOD32 Antivirus software to ensure the full protection of all computers and devices

## HUMAN RESOURCES

Human Resource in the Fund is crucial to achieving its strategic objectives. This department oversees various aspects of employment including staff compliance with the Fund's rules and policies, administration of employee benefits, and some aspects of recruitment and dismissal.

### Staff Number



Depending on the station and the job description, academic qualifications ranges from school leavers to PhD graduate with the majority sitting at the Diploma category. The number of males and females employed is balanced out and the Fund have recruited the very best available to ensure it has the right manpower in terms of both qualifications and experience for the job.

On 30<sup>th</sup> June 2018, the Fund had 29 employees on record including both permanent staff and 4 on daily basis.

**Table 5: Total Number of Staff by Island Group**

	Tongatapu	Vava'u	Ha'apai	'Eua	Total
Males	15	2	-	-	17
Females	10	-	1	1	12
Total	25	2	1	1	29

### Staff Movement

This year recorded the highest movement in our staff and human resource. 'Alameini Latu, Falakesi Vaipulu and 'Ana Tangitangi Maka have all migrated overseas and their services are greatly missed and appreciated by the Fund. In return, the Fund had also recruited few staff not only to replace the aforementioned outgoing staff but also as part of its succession plan. It is with great pleasure that the Fund was also able to reach out and recruit two graduates from Tonga's very own Sia'atoutai Theological College into its Enforcement and Compliance team. The new recruits include Meleseini Lomu, Clandia Tu'iono, Serah Soakai, 'Akuila Satini, Sione Tu'ivai, Felekoni Vaipulu and Samuela Maka.





## Education and Staff Development

Staff development through ongoing professional education and work attachments are highly supported by the Fund to ensure qualifications and knowledge through work experiences are up-to-date and maintained.

Malia Halaifonua on Scholarship Award is completing her Bachelor of Arts at the University of the South Pacific, Fiji at the end of 2018. Simione Foukimoana, an Australian Scholarship Award Recipient has been approved by the Board to take 3 years study leave without pay also at USP towards his Bachelor of Commerce in Accounting and Human Resource Management & ER, commencing February 2018.



Several members of our staffs have also attended trainings and work attachments in Fiji at the end of last year and also beginning of this year as part of our staff development programs.

Training/Attachment/Conference		Participants
13 – 17/11/ 2017	Income Security for Older Persons in the Pacific, Nadi, Fiji	Sesilia Halaholo
19 – 21/03/2018	4 <sup>th</sup> Annual Portfolio Construction Masterclass, Nadi Fiji	Meleseini Lomu Lesieli Nau
22 – 28/03/2018	Pacific Regional Conference on Shock Responsive Social Protection, Nadi, Fiji	Sesilia Halaholo
15 – 17/05/2018	Study Attachment, Fiji National Provident Fund, Suva Fiji	Meleseini Lomu
28 – 30/05/2018	Pacific Islands Investment Forum, Rarotonga, Cook Islands	Dr. S. Leimoni Taufui Tevita Tonga

## GOVERNMENT SOCIAL WELFARE SCHEME

### Monthly Stipend

The Government of Tonga approved the Social Welfare Scheme Revised Policy to increase the monthly social welfare stipend from \$65.00 to the following categories effective 1st July 2017:

Age	Monthly Stipend
70 - 74	\$70.00
75 - 79	\$75.00
80+	\$80.00

The Government also endorsed that a beneficiary who receives life pension payment shall be entitled to the social welfare benefits. Further, the social welfare payment will cease when the entitled beneficiary travels overseas for more than three (3) months and resumes when the beneficiary returns to Tonga.





The Social Welfare Scheme Financial Statements for year ended 30<sup>th</sup> June 2018 have been duly audited and submitted to the Ministry of Finance & National Planning for information and Report.

**Table 5: Social Welfare Scheme Payment as at 30<sup>th</sup> June 2018**

Station	No.Members	Amount
'Eua	195	230,987.05
Ha'apai	275	253,201.20
Niuafo'ou	26	24,885.85
Niuaotoputapu	51	45,918.95
Tongatapu	2,353	3,056,434.90
Vava'u	627	580,769.53
	<b>3,527</b>	<b>\$4,192,197.48</b>

### Bus – Manatu- Ki-'Api

The senior citizens of Tonga were blessed with a bus for transportation donated by Sione Fangia of Sydney, Australia to mark the 90<sup>th</sup> birthday of his mother Fangia from Vaotu'u, Tongatapu. The gift was received by HRH Princess Angelika Latufiipeka Tuku'aho in Sydney, Australia on 08<sup>th</sup> August 2017. The bus arrived in September 2017 with goods donated by HRH and the Tongan community in both Canberra and Sydney. The donated goods consisted of food items which were distributed to senior citizens in the outer islands of 'Eua, Ha'apai, Niuafo'ou and Niuaotoputapu. In addition, the Tonga Cable Ltd and Sione Fangia both donated \$300.00 and \$1,000.00 respectively, in support of HRH's initiative to raise funds to assists the elderly people of Tonga.



The bus has been used to transport elderlies to and from their respective villages to collect their monthly stipend from the NRBF Office in Nuku'alofa. The pay day starts from the 8<sup>th</sup> of each month. The Scheme benefited from fuel supply donated by Tonga Airline Limited.

### Australian Government Financial Assistance



The elderly members of Tongatapu and 'Eua were also blessed to have received a one off top-up assistance of \$225 per person for Tropical Cyclone Gita in March 2018, donated by the Australian Government. The amount donated was \$699,300.00 as part of its shock responsive program towards assisting the elderly members of Tonga in recovering from the aftermath of Tropical Cyclone Gita



# NATIONAL RETIREMENT BENEFITS FUND FINANCIAL STATEMENTS

For the Year Ended 30<sup>th</sup> June 2018

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## Independent Auditor's Report

### National Retirement Benefits Fund Financial Statements For the year ended 30 June 2018

We have audited the financial statements of the National Retirement Benefits Fund (the Fund) on pages 1 to 11, that comprise the statement of net assets available for benefits as at 30 June 2018, the statement of changes in net assets available for benefits, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies.

#### Opinion on the financial statements

In our opinion the financial statements of the Fund on pages 1 to 11:

- comply with generally accepted accounting practice in Tonga as represented by the International Financial Reporting Standards; and
- comply with the National Retirement Benefits Scheme Act 2010 as amended in 2014; and
- give a true and fair view of the fund's:
  - Statement of Net Assets Available For Benefits as at 30 June 2018; and
  - Changes in Net Assets Available For Benefits and Cash Flows for the year ended 30 June 2018.
- based on our examination the Fund kept proper accounting records.

Our audit was completed on 31<sup>st</sup> August 2018. This is the date at which our opinion is expressed.

#### Basis of opinion

We carried out our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

We confirm that we have no other relationship with the Fund other than the audit of the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors and management as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**JKCA**  
CHARTERED ACCOUNTANTS



## Responsibilities of the Board of Directors and Management

The Board of Directors and Management are responsible for preparing financial statements that:

- comply with generally accepted accounting practice as represented by International Financial Reporting Standards ; and
- comply with the National Retirement Benefits Scheme Act 2010, National Retirement Benefits Scheme (Amendment) Act 2014, National Retirement Benefits Scheme (Administration) Regulations 2012 and the Fund's Financial Policies; and
- give a true and fair view of the Funds's net assets available for benefits, changes in net assets available for benefits and cash flows.

The Management is also responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting an applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors' responsibilities arise from the National Retirement Benefits Scheme Act 2010 and National Retirement Benefits Scheme (Amendment) Act 2014.

## Responsibilities of the Auditor

Our responsibility is to express an independent opinion on the financial statements to the Minister of Finance and National Planning of the Government of Tonga in accordance with section 17 of the National Retirement Benefits Scheme Act 2010.



Kisione Tupou  
JK Chartered Accountants  
Nuku'alofa, Tonga

**JKCA**  
CHARTERED ACCOUNTANTS

# STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

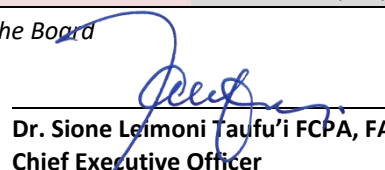
For the year ended 30<sup>th</sup> June 2018

Assets	Notes	Jun-18 \$	Jun-17 \$
<b>Investments</b>			
Term Deposits	2	39,004,699.00	31,667,580.71
<b>Total Investments</b>		<b>39,004,699.00</b>	<b>31,667,580.71</b>
<b>Receivables</b>			
Contribution Receivables	3	588,863.94	554,084.16
Accrued Revenue - Others		0.00	0.00
Accrued Interest		380,446.30	316,401.71
<b>Total Receivables</b>		<b>969,310.24</b>	<b>870,485.87</b>
<b>Prepayment Expenses and Other Assets</b>			
Prepaid Expenses		3,900.86	775.80
Property, Plant and Equipments	4	291,765.64	287,457.47
<b>Total Prepayment Expenses and Other Assets</b>		<b>295,666.50</b>	<b>288,233.27</b>
<b>Cash</b>			
Operating Account - BSP		180,866.91	229,793.47
Contribution Account - BSP		48,603.56	29,662.89
Corporate Card Account - BSP		9,068.92	8,650.96
Contribution Account - TDB		246,646.35	198,734.63
Contribution Cheque Account - TDB		6,446.11	(19,457.72)
Insurance Fund Account - TDB	5	53,974.02	59,423.83
Capacity Building Account - TDB		124,667.22	47,710.87
Insurance Cheque Account - TDB	5	6,707.96	27.91
Patron's Fund Account - TDB		17,892.38	15,834.88
<b>Total Cash</b>		<b>694,873.43</b>	<b>570,381.72</b>
<b>Total Assets</b>		<b>40,964,549.17</b>	<b>33,396,681.57</b>
<b>Less Liabilities:</b>			
Accrued Expenses	6	8,092.50	10,312.83
Deferred Income	7	326,479.36	300,439.30
<b>Total Liabilities</b>		<b>334,571.86</b>	<b>310,752.13</b>
<b>Net Assets Available for Benefits</b>		<b>\$40,629,977.31</b>	<b>\$33,085,929.44</b>
<b>Represented by:</b>			
Members Accrued Benefit	8	32,689,492.66	25,916,789.42
Current Earnings		7,606,818.86	6,772,154.05
Insurance Fund	5	60,681.98	59,451.74
Investment Reserve Account	14	3,057.08	2,975.00
Patron Fund Account		17,892.38	15,834.88
General Reserves		252,034.35	318,724.35
<b>Total Members Fund</b>		<b>\$40,629,977.31</b>	<b>\$33,085,929.44</b>

Signed in accordance with a resolution of the Board



Rev. Dr. Tevita Koloa'ia Havea  
Chairman



Dr. Sione Leimoni Taufu'i FCPA, FASFA  
Chief Executive Officer

The financial statements should be read in conjunction with the accounting policies and notes to and forming part of the financial statements set out in pages 24 – 31

# STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at 30<sup>th</sup> June 2018

	Notes	Jun-18 \$	Jun-17 \$
<b>Operation Revenue</b>			
<b>Contribution Revenue</b>	12		
Member Contribution Account		3,551,625.84	3,412,198.32
Employers Contribution Account		5,123,238.79	3,555,943.94
Members Voluntary Contribution Account		125,163.54	142,949.87
Employers Voluntary Contribution Account		165,504.77	265,118.29
Transfer Contribution Account		168,368.42	320,943.76
Voluntary Contributors Contribution Account		98,357.50	18,790.00
		<b>9,232,258.86</b>	<b>7,715,944.18</b>
<b>Less Operational Expenses</b>			
Management and Administration	9	773,244.99	651,660.15
Board Administration	10	118,740.46	111,889.74
Retirement Benefit Payments	13	2,177,369.25	1,349,465.06
Member Insurance Claims Payment		105,000.00	110,000.00
		<b>3,174,354.70</b>	<b>2,223,014.95</b>
<b>Result from Operational Activities</b>		<b>6,057,904.16</b>	<b>5,492,929.23</b>
<b>Other Revenue</b>			
Member Insurance Claims Income		105,000.00	110,000.00
Member ID Replacement Fees		310.00	390.00
Proceeds from disposal of property, plant & equipment		0.00	450.00
Gain on sale of assets		0.00	0.00
Other Income	11	50,916.30	96,494.44
		<b>156,226.30</b>	<b>207,334.44</b>
<b>Less Other Expenses</b>			
Other Expenses	11	50,916.30	96,494.44
		<b>50,916.30</b>	<b>96,494.44</b>
<b>Result from Other Activities</b>		<b>105,310.00</b>	<b>110,840.00</b>
<b>Investment Revenue</b>			
Interest income		1,443,914.70	1,169,224.82
Interest on Cheque Account		0.00	0.00
		<b>1,443,914.70</b>	<b>1,169,224.82</b>
<b>Result from investment activities</b>		<b>1,443,914.70</b>	<b>1,169,224.82</b>
<b>Net Increase/Decrease</b>		<b>7,607,128.86</b>	<b>6,772,994.05</b>
<b>Less Transfer to Reserves</b>		310.00	840.00
		<b>7,606,818.86</b>	<b>6,772,154.05</b>
<b>Net Assets Available for Benefits</b>			
Beginning of the financial year 1 <sup>st</sup> July 2017		0.00	0.00
Balance at end of financial year 30 <sup>th</sup> June 2018		<b>\$7,606,818.86</b>	<b>\$6,772,154.05</b>

*The financial statements should be read in conjunction with the accounting policies and notes to and forming part of the financial statements set out in pages 24 – 31*



**STATEMENT OF CASH FLOWS**  
For the year ended 30<sup>th</sup> June 2018

Cash flows from Operating Activities	Note	Jun-18 \$	Jun-17 \$
<b>Cash received from:</b>			
Contributions		9,302,432.89	7,740,715.87
Operational Fund		0.00	255,000.00
Member ID Replacement Fees		310.00	415.00
Insurance Premium - Group Life, General Motors & ICT Equipments		17,175.28	18,568.28
Transfer from SWS		100,000.00	315,760.00
Proceeds from disposal of property, plant, equipment		0.00	450.00
Proceeds from sale of donated goods - Patron's Fund Account		6,718.90	0.00
		<b>9,426,637.07</b>	<b>8,330,909.15</b>
<b>Cash was disbursed to:</b>			
Payment to Board Member		99,305.73	109,212.03
Payment to Employees		620,206.42	497,785.66
Members Insurance Premium		105,000.00	110,000.00
General Expenses		270,474.08	474,901.29
Retirement Benefit Payments	13	2,177,369.25	1,349,465.06
Purchase of Property, Plant, Equipment		67,108.38	9,022.40
		<b>3,339,463.86</b>	<b>2,550,386.44</b>
<b>Net Cash Provided by Operating Activities</b>		<b>6,087,173.21</b>	<b>5,780,522.71</b>
<b>Cash flows from Investing Activities</b>			
Cash was provided from:			
Matured Term Investments		2,841,080.71	935,850.00
Interest on Cheque Accounts (CBF Savings Account)		1,484.60	1,200.40
Interest on Term Investments		1,372,952.19	1,096,431.85
		<b>4,215,517.50</b>	<b>2,033,482.25</b>
Cash was disbursed to:			
Term investments		10,178,199.00	7,432,589.04
		<b>10,178,199.00</b>	<b>7,432,589.04</b>
<b>Net Cash Used in Investing Activities</b>		<b>(5,962,681.50)</b>	<b>(5,399,106.79)</b>
<b>Net Increase/Decrease in cash held</b>		<b>124,491.71</b>	<b>381,415.92</b>
Cash in Bank at the beginning of financial year, 1 <sup>st</sup> July 2017		570,381.72	188,965.80
Cash on hand, 30 <sup>th</sup> June 2018		0.00	0.00
<b>Cash Balance as at 30<sup>th</sup> June 2018</b>		<b>\$694,873.43</b>	<b>\$570,381.72</b>

*The financial statements should be read in conjunction with the accounting policies and notes to and forming part of the financial statements set out in pages 24 – 31*

## **1. Statement of Significant Accounting Policies**

### **Reporting Entity**

The Financial Statements are for the National Retirement Benefits Fund established under Section 7 of National Retirement Benefits Scheme Act 2010. The National Retirement Benefits Fund administers the Retirement Benefits Fund in accordance with the provisions of National Retirement Benefits Scheme Act 2010 and National Retirement Benefits Fund Amendment 2015 and thus responsible for the management and investment of the fund.

### **Accounting Policies**

The financial statements have been prepared in accordance with the provisions of the National Retirement Benefits Scheme Act 2010, and generally accepted accounting practice as represented by International Financial Reporting Standard (IFRS).

The accounting policies that materially affect the measurement of the Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits and Cash Flows are set out below.

#### **(a) Measurement**

The financial statements have been prepared on a historical cost basis and do not take into account the changes in money values. All amounts are reported in Tongan Pa'anga.

#### **(b) Investment**

Term deposits are brought to account on a cost basis.

#### **(c) Property, Plant and Equipment and Depreciation**

All items of property, plant and equipment are measured at cost less accumulated depreciation.

##### **Depreciation Policy**

Depreciation is charged so as to allocate cost of assets less their residual values over their estimated useful lives, using the straight-line method. All assets are depreciated to zero residual value. While this is a departure from IFRS, the property, plant and equipment valuations are reviewed to establish whether written down values exceed the estimated recoverable amount. The following useful life estimates have been used for the depreciation of property, plant and equipment:

Office Furniture	-	Five (5) years
Office Equipment	-	Five (5) years
Motor Vehicles:		
• Brand New	-	Ten (10) years
• Used Vehicles	-	Five (5) years
Computer:		
• Server	-	Five (5) years
• PC & Others	-	Three (3) years
• Software	-	Ten (10) years

Items with a life expectancy of less than one year or cost less than \$500.00 are considered to be consumable items.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2018

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**(d) Revenue Recognition**

Contributions Revenue from Members, Employers and Voluntary Contributors are recognized on accrual basis. The National Retirement Benefit Fund's contributing period is 1<sup>st</sup> July to 30<sup>th</sup> June.

Investment Revenue is accrued based on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Other revenue is recognized when it is received.

**(e) Contribution Account and Rate**

A Member must contribute to his Account five (5) percent (%) of his annual salary applicable at the July Review Date. This is stated in the financial statement as Members Contribution Account.

The Employer must contribute to the Members Account seven and a half (7.5) percent (%) of the Member's annual salary, applicable at the July Review Date. This is stated in the financial statement as Employers Contribution Account.

A Member may contribute additional amounts at such rate and amount as the Member determines. This is stated in the financial statements as Members Voluntary Contribution.

An Employer may contribute additional amounts at such rate and amount as the Employer determines. This is stated in the financial statements as Employers Voluntary Contribution.

Any individual who wish to join the National Retirement Benefits Fund may register and contribute at such rate and amount as he or she determines. This is stated in the financial statements as Voluntary Contributors Contribution.

**(f) Receivable**

Receivables are stated at fair value.

For the purposes of recognizing and reliably measuring the contributions receivable as at 30<sup>th</sup> June 2018, NRBF have recognized contributions receivables at fair value and measured this by contribution received, which relates to this financial year, subsequent to balance date.

**(g) Grants**

The Grants and funding from Donor Funding Agencies have been recognized and accounted for under the Income Approach.

**(h) Taxation**

The National Retirement Benefits Fund income, including investment earning, is exempted from income tax and any other government impost (except consumption tax) under Section 13 of the National Retirement Benefits Scheme Act 2010.

**(i) Retirement Benefit and Voluntary Contributor's Payment Recognition**

Retirement Benefits and Voluntary Contributors Payments to Members are recognized at the time of payment





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2018

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**(j) Members Insurance Premium**

All Members' are insured on a Group Life Insurance Scheme which is self-managed by the National Retirement Benefits Fund with effect on 1<sup>st</sup> July 2012. The insured amount is fixed at \$5,000.00 per member.

**(k) Foreign Currencies**

Transactions in foreign currencies are converted to Tongan Pa'anga at the exchange rate on the date of transaction.

**(l) Insurance Fund**

The Insurance policy for self-managing the group life insurance scheme and general insurance for motor vehicles has been adopted and is to be reviewed from time to time.

Receipts and payments are processed directly from the fund, and any excess of fund assets over the liabilities are reported separately in the Statement of Net Assets Available for Benefits. Each transaction is recognized at the time of payment.

**(m) Voluntary Contributors Accumulated Fund**

Voluntary Contributors Accumulated Fund was established to account for members who wish to contribute to their retirement benefit account.

The contribution revenue and payments are accounted for in the Statement of Changes in Net Assets Available for Benefits as Voluntary Contributors Contribution Account and Voluntary Contributors Benefits Payments respectively. The balances are transferred to the Voluntary Contributors Accumulated Fund Account at the end of the financial year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2018

### 2. Term Deposits

Certificate Number	Principal	Interest Rate	Deposit Date	Period	Maturity Date
<b>ANZ Bank</b>					
20132000526	500,000.00	3.00%	08/11/2013	5 years	08/11/2018
20132000582	400,000.00	4.00%	19/12/2013	5 years	19/12/2018
1945282	800,000.00	2.75%	31/05/2018	4 years	31/05/2022
<b>Total</b>	<b>1,700,000.00</b>				
<b>National Reserve Bank of Tonga - Government Bonds</b>					
10999	1,484,000.00	3.00%	06/02/2017	5 Years	06/02/2022
<b>Total</b>	<b>1,484,000.00</b>				
<b>MBF Bank</b>					
8799	532,500.00	6.50%	30/09/2017	12 Months	30/09/2018
9615	567,207.33	6.50%	25/02/2018	12 Months	25/02/2019
9619	600,000.00	6.50%	28/02/2018	12 Months	28/02/2019
<b>Total</b>	<b>1,699,707.33</b>				
<b>Bank South Pacific</b>					
2001398516	1,000,000.00	3.00%	31/01/2018	3 Years	01/02/2021
2001412556	700,000.00	2.50%	03/04/2018	5 Years	03/04/2023
2001420633	700,000.00	2.50%	30/04/2018	5 Years	03/04/2023
<b>Total</b>	<b>2,400,000.00</b>				
<b>Tonga Development Bank</b>					
6962	840,000.00	3.50%	27/09/2013	5 Years	26/09/2018
7063	470,000.00	5.00%	28/01/2014	5 Years	27/01/2019
7082	1,450,000.00	5.00%	25/02/2014	5 Years	24/02/2019
7110	500,000.00	5.00%	28/03/2014	6 Years	27/03/2020
7132	478,500.00	5.00%	29/04/2014	6 Years	28/04/2020
7146	520,000.00	5.00%	30/05/2014	6 Years	29/05/2020
7171	600,000.00	5.00%	06/06/2014	6 Years	06/06/2020
7185	1,093,000.00	5.00%	30/06/2014	8 Years	01/07/2022
7220	450,000.00	4.00%	31/07/2014	6 Years	31/07/2020
7245	430,000.00	4.00%	29/08/2014	6 Years	29/08/2020
7263	355,000.00	4.00%	30/09/2014	6 Years	30/09/2020
7287	576,000.00	4.00%	31/10/2014	6 Years	30/10/2020
7309	500,000.00	4.00%	28/11/2014	6 Years	28/11/2020
7332	600,000.00	4.00%	19/12/2014	7 Years	19/12/2021
7355	580,000.00	4.00%	30/01/2015	6 Years	30/01/2021
7360	1,000,000.00	4.00%	10/02/2015	8 Years	09/02/2023
7388	470,000.00	4.00%	27/02/2015	8 Years	26/02/2023
7403	570,000.00	4.00%	31/03/2015	8 Years	30/03/2023
7423	570,000.00	4.00%	30/04/2015	8 Years	28/04/2023
7435	600,000.00	4.00%	29/05/2015	8 Years	28/05/2023
7456	400,000.00	4.00%	30/06/2015	8 Years	29/06/2023
7473	380,000.00	4.00%	30/06/2015	8 Years	29/06/2023
7488	500,000.00	4.00%	31/07/2015	8 Years	31/07/2023
7519	540,000.00	4.00%	31/08/2015	8 Years	30/08/2023
7546	550,000.00	4.00%	30/09/2015	8 Years	29/09/2023
7560	600,000.00	4.00%	30/10/2015	8 Years	29/10/2023
7589	600,000.00	4.00%	30/11/2015	8 Years	29/11/2023
7611	600,000.00	4.00%	31/12/2015	8 Years	30/12/2023
7624	500,000.00	4.00%	29/01/2016	8 Years	29/01/2024
7650	600,000.00	4.00%	29/02/2016	8 Years	28/02/2024
7676	600,000.00	4.00%	31/03/2016	8 Years	31/03/2024
7687	600,000.00	4.00%	29/04/2016	8 Years	29/04/2024
7702	420,000.00	4.00%	31/05/2016	10 Years	31/05/2026
7729	500,000.00	4.00%	30/06/2016	10 Years	30/06/2026
7756	500,000.00	4.00%	29/07/2016	10 Years	29/07/2026
7792	500,000.00	4.00%	31/08/2016	10 Years	31/08/2026
7838	600,000.00	4.00%	31/10/2016	10 Years	31/10/2026
7867	500,000.00	4.00%	30/11/2016	10 Years	30/11/2026
7901	600,000.00	4.00%	30/12/2016	10 Years	30/12/2026
7928	600,000.00	4.00%	31/01/2017	10 Years	30/01/2027
7936	300,000.00	4.00%	13/02/2017	10 Years	12/02/2027
7968	400,000.00	4.00%	28/02/2017	10 Years	28/02/2027
8007	700,000.00	4.00%	31/03/2017	10 Years	31/03/2027
8030	500,000.00	4.00%	28/04/2017	10 Years	28/04/2027
8049	600,000.00	4.00%	31/05/2017	10 Years	31/05/2027
8086	600,000.00	4.00%	30/06/2017	10 Years	30/06/2027
8111	500,000.00	4.00%	31/07/2017	10 Years	30/07/2027
8159	500,000.00	4.00%	31/08/2017	10 Years	31/08/2027
8188	600,000.00	4.00%	29/09/2017	10 Years	29/09/2027
8208	600,000.00	4.00%	31/10/2017	10 Years	30/10/2027
8228	500,000.00	3.00%	30/11/2017	10 Years	29/11/2027
8248	200,000.00	3.00%	15/12/2017	5 Years	15/12/2022
8385	1,778,491.67	3.20%	27/06/2018	5 Years	27/06/2023
8391	600,000.00	3.00%	29/06/2018	5 Years	29/06/2023
<b>Total</b>	<b>31,720,991.67</b>				
<b>Grand Total</b>	<b>\$ 39,004,699.00</b>				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2018

### 3. Contribution Receivables

	2017/2018
Opening balance as at 1 <sup>st</sup> July 2017	554,084.16
Less receivables received during the year	(554,084.16)
Add receivables for the month of June 2018	588,863.94
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$588,863.94</b>

### 4. Property, Plant and Equipment's Depreciation Schedule

Items	Type	Useful Life	Rate	Cost	Accumulated Depreciation 30/6/17	Book Value 30/6/17	Additional/(Disposal)	Depreciation 30/06/18	Book Value 30/06/18
No.	NRBF FUNDED ASSETS								
1	Server	5	20%				49,786.37		49,786.37
2	PC & Oths	3	33%	25,045.86	22,794.59	2,251.27	6,405.98	2,409.13	6,248.12
3	Computer Software	10	10%				3,542.03		3,542.03
4	Office Furniture	5	20%	15,512.95	9,291.22	6,221.73	4,020.00	2,782.89	7,458.84
5	Office Building	10	10%	29,977.76	11,807.81	18,169.95		2,997.76	15,172.19
6	Office Equipment	5	20%	23,835.74	13,632.06	10,203.68	1,404.00	3,694.13	7,913.55
7	Land	10	20%				1,950.00		1,950.00
Sub-Total				94,372.31	57,525.68	36,846.63	67,108.38	11,883.91	92,071.11
DONOR FUNDED ASSETS									
1	Server	5	20%	24,000.00	24,000.00				
2	PC & Oths	3	33%	40,749.00	40,749.00				
3	Computer Software	10	10%	131,246.30	65,318.42	65,927.88		13,124.52	52,803.36
4	Office Furniture	5	20%	10,451.00	10,451.00				
5	Office Building	10	10%	369,398.93	185,567.84	183,831.09		36,939.92	146,891.17
6	Motor Vehicle	5	20%	118,000.00	118,000.00				
7	Office Equipment	5	20%	75,356.72	74,504.86	851.86		851.86	
Sub-Total				769,201.95	518,591.12	250,610.83		50,916.30	199,694.53
Total				\$ 863,574.26	\$ 576,116.80	\$ 287,457.46	#####	\$ 62,800.21	\$ 291,765.64

### 5. Insurance Fund

The Insurance Fund Account was established to account for the management of the Self-Managed Life Insurance Scheme.

	2017/2018
Balance 1 <sup>st</sup> July 2017	59,451.74
Add: Receipts	
Premiums – Group Life Insurance	105,000.00
Premiums – General Insurance (Motor Vehicles)	15,568.28
Interest on Bank Account	398.23
Donations for fuel	1,607.00
(Less): Payments	
Insurance Claims	(105,000.00)
Bank Charges	(143.82)
General Motors - Maintenance & Fuel	(16,199.45)
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$60,681.98</b>

### 6. Accrued Expenses

	2017/2018
Wages	92.50
Audit Fees (Financial Year 2017-2018)	8,000.00
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$8,092.50</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30<sup>th</sup> June 2018

### 7. Deferred Income

This represents the amount of Grants and project funded from the European Union and Government of Tonga being recognized as income necessary to match with related costs, which they are intended to compensate, on a systematic basis.

	2017/2018
Capacity Building <sup>a</sup>	47,710.88
Capacity Building Expenses	(23,043.65)
Transfer funds from SWS	100,000.00
Grant Assets	252,728.43
Depreciation on Grant Assets	(50,916.30)
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$326,479.36</b>

The Grants have been recognised and accounted for under the Income Approach.

- a. Capacity Building Fund represents Fund for training and development of the Fund staff capacity.

### 8. Members Accrued Benefits

The members' accrued benefit represents the Fund's present obligation to pay benefits to members and beneficiaries. They are determined on the basis of the present value of expected future payments, which arise from membership of the Fund up to the reporting date.

#### **Members Accrued Benefit**

	2017/2018
Balance as at 01/07/2017	25,916,789.42
Plus Current Earnings 30/06/2017	6,772,154.05
Plus Adjustment	549.19
<b>Members Accrued Benefits as at 30<sup>th</sup> June 2018</b>	<b>\$32,689,492.66</b>

### 9. Management and Administration

This represents the administration expenses on the operations of the Fund for 2017/2018.

	2017/2018		2017/2018
Salaries	506,843.85	Insurance	20,223.23
Overtime & Allowance	48,926.81	Subscriptions	7,093.19
Wages	13,311.85	Bank Charges	625.82
Domestic & Overseas Travel	46,214.70	Office Sundries	2,855.72
Telephone/Telecommunications	2,992.86	Staff Uniform	3,639.75
Fuel	0.00	Staff Employer Contribution	55,368.56
Maintenance & Services of Assets	5,422.60	Exchange Loss	165.90
Office & Computer Supplies	24,907.08	Legal Fees	50.00
Publicity & Member Services	2,696.75	Audit Fees	8,000.00
Freight	1,514.04	Depreciation	11,883.91
Electricity	9,642.69	Hospitality	687.00
Water	178.68	Outreach Program	0.00
		<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$773,244.99</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30<sup>th</sup> June 2018**

**10. Board Administration**

This represents the board administration expenses of the Fund for 2017/2018.

	2017/2018
Board Basics & Allowances	107,285.00
Domestic & Overseas Travel	7,141.10
Sundries	4,314.36
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$118,740.46</b>

**11. Other Income and Expenses**

This represents the amount of Grants and project funded from the European Union and the Government of Tonga being recognized as income necessary to match with related costs, which they are intended to compensate, on a systematic basis.

	2017/2018
Depreciation on Grant Assets	50,916.30
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$50,916.30</b>

**12. Contribution**

	2017/2018
Members' Contribution	3,551,625.84
Employers' Contribution	5,123,238.79
Members' Voluntary Contribution	125,163.54
Employers' Voluntary Contribution	165,504.77
Transfer Contribution	168,368.42
Voluntary Contributors' Contribution	98,357.50
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$9,232,258.86</b>

**13. Retirement Benefit Payments**

	2017/2018
Contribution	2,154,269.38
Interest	23,099.87
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$2,177,369.25</b>

**14. Investment Fluctuation Reserve**

	2017/2018
Balance 1 <sup>st</sup> July 2017	2,975.00
Transfer from General Reserve	7,000.00
Transfer to top-up interest for distribution in 2017-18	(6,917.92)
<b>Balance as at 30<sup>th</sup> June 2018</b>	<b>\$3,057.08</b>



## **15. Principal Activities**

The Principal activities of the National Retirement Benefits Fund during the year includes the collection and accounting of members' contributions and information processing, providing of the member's benefits under the relevant provision of the National Retirement Benefits Scheme Act 2010, National Retirement Benefits Scheme (Amendment) Act 2014; Regulations 2012, (Appointment of Directors) Regulations 2015 and procedures, and investment of members' net contribution fund (available cash) held by the Benefits Fund. It also includes the administration of Members' Life Insurance Fund and Voluntary Contributors Accumulated Fund Accounts.