

ASSOCIATION OF SUPERANNUATION FUNDS OF PNG INC. MINUTES OF MEETING NO. 3 OF 2002.

DATE : 27th November 2002
TIME : 9:30 am
VENUE : Nasfund Board Room

1. ELECTION OF ACTING CHAIRMAN

The Chairman, Mr Don Manoa advised in the meeting of 12th September 2002 that he would not be available to chair this meeting. The Deputy Chairman Mr Chris Hagan passed his apology that he would be late for the meeting. The members among their number nominated Mr Ian Tarutia as the Acting Chairman to chair the meeting.

2. MEETING OPENED

The Acting Chairman, Mr Ian Tarutia opened the meeting at 10.00 am.

2.1 Members Present:

:	Rod Mitchell	-	National Superannuation Fund Ltd
:	Ian Tarutia	-	National Superannuation Fund Ltd
:	Erastus Kamburi	-	National Superannuation Fund Ltd
:	Wayne Smith	-	POSF
:	Chris Hagan	-	AON
:	Mathew Awari	-	OK Tedi Mining Ltd
:	Stephen Beach	-	Pricewaterhouse Coopers
:	Kylie	-	Kina Securities Ltd
:	Jonathan	-	Kina Securities Ltd
:	Paul McLaren	-	Capital Stockbrokers Ltd

2.2 In Attendance:

:	Greg Taylor	-	Task Force
:	Lady Mina Siaguru	-	Task Force
:	Philip Holdon	-	Central Bank
:	Ellison Pidik	-	Central Bank
:	Andrew Oaeke	-	Department of Treasury
:	Igimu Momo	-	Department of Treasury

3. LEGISLATIVE CHANGES

3.1 Power to direct existing Funds

Greg Taylor and Philip Holdon informed the members that amendment to the current Act is required to give Central Bank the power to issue directions to existing Funds or entities who are not an ASF.

3.2 Fit and Proper Persons Requirement

Amendments are sought to ensure that the decision of the Governor in relation to the question of fit and proper persons, although subject to internal review, will be final and not made subject to judicial review.

3.3 Existing Small Superannuation Funds

The Central Bank has issued exemptions to existing small Funds to accept new contributions and members and pay out benefits during the transition period. Amendments are sought to enable this to continue for 5 years from commencement of the Act.

3.4 Payment of Accrued Benefits

Amendments sought to enable payments of life insurance benefits accrued during the year.

3.5 Agricultural Workers

It is impractical to extend superannuation to many workers in the rural industries. Extensive exemptions will have to be extended to all rural workers but with the exception of workers with existing superannuation coverage and those in continuous employment (eg. employees in clerical or supervisory positions). The difficulty is how to give effect to this idea in the legislation where the industrial characteristics of each of those industries differs substantially from the other. The Task Force will liaise with Rural Industries Council to resolve this difficulty.

4. POST- RETIREMENT INCOME STREAMS : TAXATION ISSUES

In the view of the Task Force the absence of compulsory pension arrangement after retirement is a significant weakness in the superannuation arrangement. Task Force representative reported that the tax implications of possible annuity arrangements had been discussed with IRC but it appeared that specific proposals from the financial sector will be required before this idea is further developed. Kina indicated an interest in doing this.

The Task Force representative further reported that amendments to the Superannuation Act have been drafted which will allow superannuation savings to be :-

- held in the superannuation fund after retirement, to be drawn down on a periodic basis ; or
- transferred to another ASF to be managed on the same basis.

In relation to the taxation legislation the following model is for further consideration

- all lump sums arising from superannuation to be taxed as at present, but may be retained in a nominated ASF and be free from any further taxation upon draw down by the beneficiary.
- future earnings on the first K100,000.00 of the retained amount in the ASF to be free of taxation within the ASF and to be taxed at the marginal rate of the individual upon distribution

The PWC representative asked whether the Task Force recommendations for amendment to the tax regime at time of exit from superannuation would proceed. A Kina member of the Committee reported on submissions made to the IRC for alternative taxation arrangements, geared to age on exit.

A Treasury representative advised that the Department was considering activating the Task Force recommendation to form a Treasury/IRC working party. In this event, there would be further consultation with the industry.

5. FUND RESERVES AND THE VALUATION OF ASSETS

Under the Act an ASF cannot hold reserves. It is proposed to amend the Act to allow reserves of up to 1% or 2% of net value with scope for application to BPNG to allow reserves above this limit if an ASF can show an exceptional circumstances. Some members questioned whether there should be any exemption. It was noted, however, that POSF reserves may exceed this limit at present and Nasfund reserves may be 4% of net value.

It was agreed that:-

- All Funds advise the Task Force of their reserves; and
- The Association (ASF) members to discuss this matter and submit to the Task Force their position on this proposal.

6. PRUDENTIAL GUIDELINES – OFFSHORE INVESTMENTS

The members were advised of the number of recommendations that formed the basis for a prudential guideline as accepted by the Governor.

In relation to recommendation number VII the following amendment was made:-

- “.....proceeds are repatriated to PNG within three working days **after funds becomes available after the sale.**”

It was agreed that the recommendations to be made to the Governor would be circulated to all members before it is finalized.

7. TRUSTEE AND FUND ADMINISTRATORS TRAINING

An ASFA Administration Essentials was circulated to all members which set out a draft course content.

It was agreed that a Committee be formed to settle the course content.

The following members were nominated :-

- Rod Mitchell
- Chris Hagan
- Paul McLaren
- Mathew Awari

8. PROPOSED EDUCATION CAMPAIN

The members were advised that not much had been done on this and still require discussions with the Media Council.

9. COMPLAINTS

The members were advised that Nasfund has already placed on its website the complaints procedure for its members.

10. ANY OTHER MATTERS

10.1 Nomination of Chairman

The Secretary advised the members that the Chairman, Mr. Don Manoa has tendered his resignation and such resignation has been accepted and requested for nominations for the position of Chairman.

- **Chris Hagan** was nominated and voted in unanimously as the new Chairman of the Association.

10.2 Nomination of Deputy Chairman

The Secretary advised the members that upon the appointment of Chris Hagan as the Chairman, the position of Deputy Chairman which he previously occupied has now become vacant and requested for nominations to fill that post.

- **Ian Tarutia** was nominated and voted in unanimously as the new Deputy Chairman of the Association.

11. MEETING CLOSE

There been no further matters the Acting Chairman closed the meeting at 11: 50 am.

.....
Ian Tarutia
Acting Chairman

.....
Rod Mitchell
Secretary/Public Officer