

**ASSOCIATION OF SUPERANNUATION FUNDS OF PNG INC.
MINUTES OF MEETING NO.9 OF 2004.**

DATE : Thursday 22nd July 2004
TIME : 9: 30 am
VENUE : NASFUND Board Room

1. MEETING OPENED

The Chairman, Mr. Chris Hagan opened the meeting at 10.00 am.

1.1 Members Present:

:	Chris Hagan	-	AON
:	Rod Mitchell	-	NASFUND
:	Ian Tarutia	-	NASFUND
:	Erastus Kamburi	-	NASFUND
:	Paul McLaren	-	Capital Stockbrokers
:	Yamyam Gire	-	Capital Stockbrokers
:	Greg Taylor	-	POSF
:	Leon Buskens	-	POSF
:	Stephen Brown	-	Kina Investment & Superannuation Services
:	Kong Wong	-	Kina Securities Ltd
:	Mathew Awari	-	OTML Super Fund
:	Mahadevan Shankar	-	Deloitte Touche Tohmatsu
:	Stephen Beach	-	PriceWaterhouse Coopers
:	Amalendu Roy	-	UPNG
:	Richard Sinamoi	-	CTSL

1.2 In Attendance:

:	Chris Lee	-	Central Bank
:	Ellison Pidik	-	Central Bank
:	John Topal	-	Central Bank

1.3 Apologies:

:	Syd Yates	-	Kina Securities Ltd
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2. Minutes of the 8th Meeting of 11th June 2004.

2.1 Item 1.3 amended to include the apology from Syd Yates.

2.2 It was **resolved** that

- **The Minutes of the 8th Meeting of 11th June 2004 as amended be accepted.**

Motion moved by Rod Mitchell. Seconded by Stephen Brown. All in favour.

3. Matters Arising/ Review of Action Summary.

AGENDA	RESOLUTION / ACTION REQUIRED	ACTION OFFICER	COMMENTS/ RESPONSE
Insider Trading	Prepare Prudential Paper on Insider Trading	Central Bank (Ellison Pidik)	To be discussed under Agenda item 12
	Prepare draft submission to the Central Bank on Insider Trading for consideration in the next meeting	Committee of ASFPNG as appointed	To be discussed under Agenda item 12
Reporting Formats	Central Bank to finalize and advise ASFPNG in the next Meeting	Central Bank (Ellison Pidik)	Forms have been completed but require explanatory notes. Draft will be circulated to members next week and discussed in the next meeting.
Prudential Standards for Housing Advance	Housing Committee to speak to the Paper on Prudential Standards for Housing Advance	Housing Committee (Ian Tarutia)	To be discussed under Agenda item 5
Proposed Amendment to Superannuation Act	Speak to the Paper on: <ul style="list-style-type: none"> • Sue and Recover Defaults • Life and Invalidity Insurance • Where No Nominee 	POSF Limited (Leon Buskens)	To be discussed under Agenda item 6
Investment Loans	Section 72 of the Act to be amended.	C/Bank & Treasury (E. Pidik/ I.Momo)	Place this agenda in abeyance until the Task Force is formed and refer for consideration. Central Bank working on the Terms of Reference.
Minimum Capital Requirement of K250,000	Write to Central Bank requesting for repeal of the provision relating to minimum capital requirement.	ASFPNG Executive (C.Hagan/ R.Mitchell)	Place in abeyance until the Task Force is formed and refer for appropriate amendments to be made.
	To repeal the provision relating to minimum capital requirement of K250,000.	C/Bank & Treasury (Pidik/ Momo)	Place in abeyance until the Task Force is formed and refer for appropriate amendments to be made.
School Fees	Prepare Discussion Paper for next Meeting.	PNG Maritime (John Mahuk)	No Paper submitted. To be removed from Agenda
Tax on Superannuation Payouts	Prepare Discussion Paper for next Meeting	PNG Maritime S (John Mahuk)	No Paper submitted. To be removed from Agenda
	Prepare Discussion Paper on double taxation on interest.	Rod Mitchell	To be discussed under Agenda item 7
Fees Payable to the Central Bank	Issue invoice for 2002 & 2003 at the rate of 0.143%	Central Bank (Ellison Pidik)	To be discussed under Agenda item 11
	Itemize individual costs for 2004	Central Bank (Ellison Pidik)	To be discussed under Agenda item 11
	Determination of fee structure for 2004	ASFPNG Members	To be discussed under Agenda item 11
	Take out K200,000 pa from existing fee structure and place in trust account as industry protection fund.	Central Bank (Ellison Pidik)	To be discussed under Agenda item 11
	Take out formal advertisement in the media to inform the members and the public of the increase in the contribution rates for 2005.	Central Bank (Ellison Pidik)	No comments and or response
New Contribution Rates	Regulation to the Act to be gazetted to bring it into force with a retrospective effect.	Treasury Dept (Igimu Momo)	No comments and or response

Unemployment Payment	Amendments where necessary to confirm the ASF's interpretation of the partial withdrawal rule.	C/Bank & Treasury (Pidik/ Momo)	Place in abeyance until the Task Force is formed and refer to Task Force for appropriate amendments to be made.
Removal of Super Education from Central Bank to ASFPNG	Advise Central Bank whether joint advertising is required.	ASFPNG	No Comments and or response
Legislative Amendments	Circulate to ASFPNG members amendments to the Act and Regulation	C/Bank & Treasury (Pidik/ Momo)	No Comments and or response
Crime & Money Laundering Bill	Write to Central Bank requesting that Superannuation be excluded.	Chris Hagan	Chairman had written to the Governor of the C/Bank. Awaiting reply from C/Bank.
Amendment to ASFPNG Constitution	Incorporate the amendment into the existing Constitution.	Erastus Kamburi	Amended Constitution to be circulated to the members in the next meeting.
Review of Super Act	Write to Central Bank and Treasury requesting to revive the Task Force to review the Act.	Chris Hagan & Rod Mitchell	Letter written and delivered. Awaiting response from the Governor of Central Bank and the Secretary for Finance & Treasury.
Media Plan & Strategy for Education	Review draft matrix in the next meeting	Education Committee (Stephen Brown)	To be discussed under Agenda item 8

4. Adoption of 2003 ASFPNG Accounts

1. The Executive presented the Financial Statements of the Association as at 31st December 2003 with the Auditors Report to the Members.

It was **resolved**:

- **To adopt in principle the Financial Statements of the Association for 2003 subject to subsequent ratification by the Auditor and signing by the Chairman.**

Motion moved by Rod Mitchell. Seconded by Paul McLaren. All in favour.

2. The members noted that the Bank Account contains an amount of K56, 493.00

It was **resolved** that:

- **The funds held in the account be withdrawn and placed in IBD and Treasury Bills.**

Motion moved by Chris Hagan. Seconded by Rod Mitchell. All in favour.

5. Ratification of Housing Policy

1. The Prudential Standards for Housing Advance was in circulation among the members since last year.

It was **resolved**:

- **To adopt in principle the rules pertaining to a Housing Advance as presented as a minimum guideline subject to exercise of a limited discretion by the respective ASF's to adopt according to their own circumstances.**
- **Individual ASF's may liaise with the Central Bank and the Task Force to make amendments where necessary.**

- **That this Paper go to the soon to be re established Task Force for consideration as a Prudential Standard and or legislative amendment**

Motion moved by Ian Tarutia. Seconded by Paul McLaren. All in favour.

6. Proposed Amendments.

6.1 Repeal and Replacement of Section 79 – Re Power to Recover Contributions with Interest on Default

It was **resolved:**

- **To adopt the proposed amendments as presented with the removal of point six :** (“Any order made under Subsection (5) shall be made on condition that the ASF is not responsible for any loss of income or profit which may be incurred by the enterprise as a consequence of that order.”)

Motion moved by Leon Buskens. Seconded by Rod Mitchell. All in favour.

6.2 New Section 90A – Life and Invalidity Insurance

It was **resolved:**

- **That Mr. Leon Buskens to liaise with Mahadevan Shankar of Deloitte Touche Tohmatsu and develop a more general policy for the Association’s consideration.**
- **In particular that the policy should not mention precise payout figures (as this will be determined by each ASF in conjunction with their insurer) and that a provision for self-insurance be included.**
- **A policy of self-insurance should include a framework for reserving and adequate monitoring**
- **An ASF who adopts Life and Invalidity Insurance must include the premiums paid as part of the Management Expense Ratio calculation**
- **That once a suitable policy on Life and Invalidity Insurance had been adopted by the ASFPNG, it would be forwarded to the soon to be established Task Force for legislative recommendation**

6.3 Procedure Where No Nominee

It was **resolved:**

- **That the proposed policy was rejected by the ASFPNG but this did not preclude a submission by a member to the soon to be re established Task Force.**

Motion moved by Rod Mitchell. Seconded by Paul McLaren. All in favour.

6.4 Summary of Current Task Force Issues

Mr. Taylor thought it would be helpful to compile a list of all issues discussed by the ASFPNG that require resolution by the Task Force. Mr. Mitchell volunteered to develop a list.

7. Taxation On Interest

7.1 The members noted the paper as presented.

7.2 It was **resolved:**

- **To adopt the removal of double taxation on member interest on withdrawal as a policy objective of the ASFPNG and that the recommendation be forwarded to the Task Force.**

Motion moved by Rod Mitchell. Seconded by Leon Buskens. All in favour.

8. Education Program.

8.1 Stephen Brown presented a short to long-term education objective.

8.2 UPNG offered its facilities for use at no cost to the ASFPNG.

8.3 It was **resolved** that:

- **A Committee be established to consider and develop the text of the newspaper advertisement and present the proposed text in the next meeting for endorsement before publication.**
- **The following members are appointed to constitute the Committee:**
 - (a) **Leon Buskens**
 - (b) **Ian Tarutia**
 - (c) **Richard Sinamoi**
- **The Central Bank will fund the cost of this publication.**

9. Withdrawal on Compassionate Grounds

9.1 Stephen Brown presented the paper on this proposal.

9.2 It was **resolved** that:

- **The proposed policy was rejected by the ASFPNG but this did not preclude a submission by a member to the soon to be re established Task Force.**

10. Proposal For Prudential Standard on Arrears

10.1 The Central Bank had developed a draft Prudential Standard on the treatment of arrears and was currently reviewing its effects on the performance of ASF's.

It was **resolved**:

- **To defer this agenda to the next Meeting.**

11. Fee Levy by Central Bank

11.1 Ellison Pidik advised that the respective ASF's, Fund Managers and Investment Managers have already been issued with invoices relating to 2002 and 2003 fees.

11.2 Concern was again expressed as to the high level of fees.

11.3 It was noted that K400,000 of the total fees collected would be used for such purposes as technical assistance to the industry and or industry participants

11.4 It was **resolved** that:

- **A Committee be established to review the proposed fee structure.**
- **The following members are appointed to constitute the Committee:**
 - (a) **Rod Mitchell (Chairman)**
 - (b) **Wayne Smith**

- (c) **Chris Hagan**
- (d) **Paul MaLaren**

Motion moved by Chris Hagan. Seconded by Leon Buskens. All in favour.

12. Insider Trading.

12.1 Ellison Pidik raised following issues in relation to insider trading:

- Insider Trading is part and partial of corporate governance issue so that it becomes the responsibility of the respective ASF's to have systems in place to monitor and report to the Bank
- Where there is evidence of insider trading by an ASF it becomes a "fit and proper" issue may impact directly on the license.

12.2 It was **resolved** that:

- **The Central Bank to summarise how the existing reporting system will handle insider trading.**
- **ASF will raise the issue again with the Central Bank if those systems are found to be unsatisfactory**
- **Mahadevan Shankar will make the presentation on this issue after the Central Bank addresses the issue.**

13. Correspondences

13.1 The members noted the following:

- Letters to the Secretary of Finance & Treasury and the Governor of the Central Bank in relation to the establishment of the Task Force to review the Act.
- Letter from the Chairman to the Governor of the Central Bank in relation to Crime and Money Laundering Bill.

14. Other Business.

14.1 Re-Establishment of the Task Force

Representatives of the Central Bank and Greg Taylor were excused from the meeting in order for the members to discuss this issue.

Rod Mitchell proposed that the members of the previous Task Force should again constitute the second Task Force because of their knowledge and experience in the current legislation.

It was **resolved** that:

- **Rod Mitchell write to the Governor of the Central Bank and Treasurer of Papua New Guinea and request that the members of the previous Task Force be appointed to new Task Force; and that**
- **Greg Taylor be Chairman of the new Task Force**
- **The Task Force be allowed a period between 90 – 180 days to implement the Terms of Reference**
- **The Central Bank refer the draft Terms of Reference to the members of the ASFPNG for its comments before it is endorsed by the NEC.**

Motion moved by Rod Mitchell. Seconded by Leon Buskens. All in favour.

15. Close of Meeting.

There been no further matters the Chairman closed the meeting at 12: 20 pm.

**SIGNED AS A TRUE AND CORRECT
COPY OF THE MINUTES.**

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Chris Hagan
Chairman

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Erastus Kamburi
Minute Secretary