



CENTRAL BANK of SOLOMON ISLANDS
P.O. BOX 634, Honiara, Solomon Islands

Remarks by Denton Rarawa, Governor of Central Bank of Solomon Islands on the Occasion of the Solomon Islands National Provident Fund's [SINPF] 40th Anniversary Celebrations, 11th November 2016

Salutations

Minister of Finance, Hon Snyder Rini

Deputy Chairman of SINPF Board Mr Gideon Zoleveke & other Board members

Chief Executive Officer of SINPF Mr Tony Makabo & Management

Senior Government Officials

Members of the Diplomatic Corps

CEO's of SOE's and Private Sector Companies

Former Chairmen and Directors of SINPF Board

SINPF Staff, past and present

SINPF members

Other Distinguished Invited guests

Ladies and gentlemen,

Good morning

First of all, I would like to thank the organizers of this event for giving me the opportunity to say a few words at this important occasion as we celebrate SINPF's 40th anniversary this morning. I have been asked to speak on behalf of the regulator but much of what I will say is also from me as a member and contributor of the Fund.

Secondly, let me congratulate the Chairman and the Board of SINPF, the Chief Executive Officer, your management team and staff for achieving this important milestone.

Let me also congratulate and thank former chairmen and board directors, former CEO's and staff for the leadership and service rendered to the Fund during your time in office.

Growth of the Fund

The Fund has certainly come a long way in the last 40 years. From its humble beginnings in 1976, the Funds' balance sheet has grown, its membership has grown and staff numbers have increased during the last 40 years.

Today the Fund occupies an important position in the Solomon Islands financial system. It plays a critical role as a major source of captive savings in the system. SINPF's operations and activities can therefore, contribute to the growth and strength of the financial system but it can also become a source of instability. The question of 'too big to fail' therefore becomes an important issue for the future of the Fund.

But I am pleased to note that SINPF is in a much stronger financial position today than in the past.

This does mean it has been plain sailing in the last 40 years. There have been challenges and there were years when the Funds financial position came under pressure. I remember when Bank of Hawaii pulled out of NBSI in 2003, SINPF's attempts to acquire the BOH shares were not successful because of its weak financial position. But now things have improved and the Funds financial position is much better shape than in those years. There is no doubt that we have made strong growth and good progress.

So while we can and I think we should celebrate our achievements of the last 40 years, the challenge for us today is what happens in the next 40 years. What kind of provident fund do members expect in the next 40 years? The young member who just joined the Fund this year, in 2056 will be queuing to withdraw his/her

contributions. Will he/she receive his/her full savings accumulated over the years or only a portion of it? Or will he/she receive anything at all? Will his/her savings be adequate to sustain him/her for the rest of his/her life?

These are important questions that are of interest to all of us SINPF members. These questions are also of interest to the regulator. That is why we have a supervisory framework in place to assist the Fund manage and invest its members' contributions prudently so that they can derive maximum benefits from their contributions.

As the Funds' regulator, the CBSI should not be viewed as someone always scrutinizing your operations to find faults in your organization. Rather, we are your partner to assist you identify any gaps in your operations and recommend remedial action to address those gaps. Our work also performs the role of 'third party validation' of the Funds activities. So we need to work together to ensure members funds are protected especially in the next 40 years.

This morning I want to talk about three issues that I believe are pertinent to our focus in the next 40 years. Addressing these issues requires reforms in the Fund and also closer cooperation between the Fund and the regulator.

Planning for retirement

The first issue I want to talk about this morning is the need to encourage and promote national efforts and focus on planning for our retirement. As we all know, the life expectancy of Solomon Islanders has increased. In 1976 when the SINPF was established, the average life expectancy of Solomon Islanders was 54 years. In 2015 this has increased to 70 years. So our people are living longer, especially our women.

At the same time however, our traditional safety nets like the wantok system and the practice of children looking after their parents and grandparents when they are old is coming under severe strain or are being eroded. And there is limited fiscal space for Government to provide social security payments to our population.

So we need to seriously plan and save for our retirement. And we need to promote this at the national level. Imagine an SINPF member retiring at 55 withdraws his/her lump sum contribution and is expected to live for another 15 years to 70. If he/she squanders all or a large portion of his/her savings in the first year after withdrawing his/her funds, he/she will not have enough money to last him/her for the next 15 years.

So financial literacy training for members before they withdraw their funds is very important and I urge the Fund to consider this so that our retiring members can be trained and equipped to use their savings wisely when they retire.

If we do not properly plan for our retirement, in the future, we will be faced with the challenge of our people **'out-living their retirement income'** and an increase in **'old-age poverty'** in our country.

Risk appetite on investments

The uncertain and highly volatile global economy is perpetuating an environment of 'low return on investments' that would probably continue into the medium term. This means SINPF's investment income will increasingly come under pressure in the medium term. Against that background, SINPF is expected to earn adequate returns for its members. So SINPF will have to look for alternative high yielding investments. The question is, what is the SINPF's risk appetite for 'high yielding but more riskier' investments? Would the Fund consider high return/high risk investments? As a regulator, I am interested in the Funds' appetite for taking on riskier investments in the future. As a member I am also interested in this issue.

If you venture into high yield/high risk investments, you need to know all the risks involved and take appropriate measures to mitigate those risks in the event something goes wrong. These are important questions as you chart your way into the next 40 years.

Tapping the informal sector

I am pleased to note that efforts are already well advanced to include the informal sector contributions to the Fund. Our farmers, fishermen, betel nut sellers, market

vendors will soon become part of the SINPF. If this happens more Solomon Islanders will benefit from the SINPF and we can enhance the sustainability and inclusiveness of the Fund.

On this note, I want to call on all farmers, fishermen, betel nut sellers, women market vendors, and all of you out there in the informal/subsistence sector to come out and be part of this exciting innovation. If we can encourage more Solomon Islanders to join the formal financial system, it would go a long way towards our financial inclusion efforts and I am sure it will have a positive impact on your livelihood.

Conclusion

In conclusion ladies and gentlemen, let me again congratulate the SINPF especially the current Board and management, but also previous boards and managements for bringing up the Fund to what it is today. I am confident that with the steady guidance of the current Board and management, the Fund will continue to grow in the years ahead.

To all SINPF members, let us celebrate this important milestone. Let us continue to support our Fund because it will in turn support you when you retire at the end of your working career.

Ladies and Gentlemen, once again, thank you for the opportunity to say a few words at this important occasion.

May God bless SINPF and may God bless Solomon Islands

Thank you.