



National Parliament of Solomon Islands

Bills and Legislation Committee

# Committee Report

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Report on the Solomon Islands National Provident Fund (Amendment) Bill 2018 (No.12 of 2018)



NP-Paper No 34 of 2018

Presented on 24<sup>th</sup> October 2018

National Parliament Office

## COMMITTEE MEMBERS

The current members of the Bills and Legislation Committee (10<sup>th</sup> Parliament) are:

Hon. Matthew Cooper Wale, MP (Chairman)

Hon. Dr Derek Sikua, MP

Hon. Manasseh Maelanga, MP

Hon. Douglas Ete, MP

Hon. Peter Tom, MP

Hon. Christopher Laore, MP

Hon. Alfred Ghiro, MP

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## CHAIR'S FOREWORD



Hon. Matthew Cooper Wale, MP, Chairman

### REPORT OF THE BILLS AND LEGISLATION COMMITTEE

Mr. Speaker,

Pursuant to Standing Orders No. 71 (g) of the National Parliament of Solomon Islands, it is an honour for me Sir, to present the Report of the Bills and Legislation Committee on the Inquiry into the **Solomon Islands National Provident Fund (Amendment) Bill 2018** for laying before Parliament.

A handwritten signature in blue ink, appearing to read 'H. Wale', with a long horizontal stroke extending to the right.

**Hon. Matthew Cooper Wale, MP**

Chairman

Bills and Legislation Committee

24 October, 2018

## COMMITTEE FUNCTIONS

The Committee is established under *Standing Order*<sup>71</sup>; an Order made pursuant to the *Constitution*<sup>1</sup> and has the functions, together with the necessary powers to discharge such, to:

- (a) examine such matters as may be referred to it by Parliament or the Government;
- (b) review all draft legislation prepared for introduction into Parliament;
- (c) examine all subsidiary legislation made under any Act so as to ensure compliance with the Acts under which they are made;
- (d) monitor all motions adopted by Parliament which require legislative action;
- (e) review current or proposed legislative measures to the extent it deems necessary;
- (f) examine such other matters in relation to legislation that, in the opinion of the Committee require examination; and
- (g) make a written report to each Meeting of Parliament containing the observations and recommendations arising from the Committee's deliberations.

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<sup>1</sup>Section 62, *Constitution of Solomon Islands* 1978.

## EXECUTIVE SUMMARY

The Committee conducted its scrutiny of the Solomon Islands National Provident Fund (Amendment) Bill 2018 on the 28th of September 2018. Nine groups and individuals including the Ministry of Finance and Treasury (“MOFT”) appeared before the Committee.

The objects of the Bill are:

- (a) create the legal framework for the operation of the YouSave Scheme, a new voluntary pension scheme operated by the Solomon Islands National Provident Fund.
- (b) allow those in informal employment to save through YouSave for retirement; and
- (c) bolster the financial sustainability of the Special Death Benefit entitlement provided by the Solomon Islands National Provident Fund to its members.

After scrutinizing the Bill, the committee makes four recommendations, as follows:

1. That the NPF Board conduct a study into the possibility of establishing an insurance company, either on its own or in partnership with others, to provide cover for health, life, and other such product to its members and the general public.
2. That Clause 5 of the Bill be split into two sub-clauses:
  - (a) To specify that the maximum legal age to join as a member of YouSave scheme is 70, and that
  - (b) a person can still remain as a member of the YouSave Scheme past 70 years of age.
3. That NPF consider an increase in the Death Benefit premium to \$75 to provide adequate cover for funeral costs of a deceased member, consistent with increased costs in the economy.
4. That the NPF Act is further amended to allow nominated persons/family members to access the Death Benefit of a member to cover funeral costs at time of death, as opposed to much later as is the current situation
5. Although not directly related to the NPF amendment Bill, the Committee urges the NPF Board to:
  - (a) Study the re-establishment of the Rural Housing Scheme
  - (b) Study the possibility of Education loan scheme for member’s children

Subject to the above recommendations for amendments, the Committee commends the Bill to the House.

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## 1.0 INTRODUCTION

This Report presents the findings and recommendations by the Bills and Legislation Committee ('the Committee') after inquiring into the **Solomon Islands National Provident Fund (Amendment) Bill 2018** ('the Bill') as required under the Standing Orders of the National Parliament of Solomon Islands ('the Standing Orders').

Relevant stakeholders<sup>2</sup> were invited before the Committee to make presentations or provide submissions on the contents, policy matters, and intentions of the Bill.

The hearing into the Bill was held on the 28<sup>th</sup> September, 2018. The List of witnesses that appeared before the Committee and minutes of these proceedings are contained in Appendices 1 and 2 of this report.

Written submissions were also received from some of the witnesses that appeared before the Committee. A list of Written Submissions can be found in Appendix 3.

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<sup>2</sup>See Appendix 1

## 2.0 BACKGROUND INFORMATION

The **Solomon Islands National Provident Fund (Amendment) Bill 2018** is an important step in the ongoing reform of our National Provident Fund.

Members are advised to refer to the final pages in the Bill containing the Bill's objects and the explanatory memorandum to understand the structure of the Bill, when read in light of the Table of Provisions page.

### 3.0 ISSUES DISCUSSED

During the scrutiny of the Bill, the Committee considered the following issues:

#### **Insurance**

The Committee notes that there are gaps in the insurance industry in the products offered. Further, the Committee notes that given its sheer size, the NPF has the financial muscle and scale to be able to establish an insurance company to provide cover for its members, in areas such as health, life, funeral, and all other insurance products. The Committee urges the government to work with the NPF to study this possibility.

An increasing number of Solomon Islanders are seeking medical care overseas, due to the poor coverage in country, pointing to the need and capacity for insurance in this area.

#### **Recommendation 1**

The Committee recommends that the NPF Board conduct a study into the possibility of establishing an insurance company, either on its own or in partnership with others, to provide cover for health, death, and other such product to its members and the general public.

The CEO of NPF informed the Committee that the NPF Board is considering such a proposal, but is yet to make a decision. The Committee encourages the government and the NPF Board to consider the lessons learnt from the SMI debacle, but push ahead to ensure that adequate and affordable insurance cover is available in the local market.

#### **Beneficiaries of the YouSave Scheme**

The Committee applauds NPF board for this very creative and useful scheme for the informal sector.

##### **Associations**

The scheme proposed in the bill is only available to individuals. The Committee urges the NPF board to consider allowing groups such as savings clubs to join the scheme.

##### **Loan**

The current proposal in the bill does not allow members of YouSave to use their contribution account as a pledge against loans with banks. The Committee urges the board to consider allowing YouSave members to do this.

The CEO of NPF informed the Committee that as this is a new scheme, the board will look at improvements to it as more experience is gained in its implementation.

#### **Clause 5 –Maximum age limit**

The Committee is concerned that the maximum age limit for membership under clause 5 of the Bill is limited to age 70. Solomon Islanders are beginning to live longer, and the scheme should provide for this.

The Committee is of the view that clause 5 be separated into two sub-clauses to state that the age limit to join as a member is set 70. And that once a member, one can remain so for the rest of his/her life.

#### **Recommendation 2**

The Committee recommends that Clause 5 of the Bill be split into two sub-clauses:

- (a) To specify that the maximum legal age to join as a member of YouSave scheme is 70; and that,
- (b) a person can still remain as a member of the YouSave Scheme past 70 years of age.

#### **Withdrawals under YouSave**

The Committee was informed during the hearing by the assistant legal officer of NPF that Sections 28 and 29 of the principal Act is considered under Part 8 of the Bill which deals with withdrawals of NPF contributions. In his response to the Committee, the assistant Legal officer further clarified that under the YouSave scheme, the withdrawal can happen four times a year on one of the YouSave accounts. Each member of the YouSave scheme will have two accounts. The current withdrawals under section 28 was designed for compulsory contributions.

In his submission, Mr, Jairus Hiele further shed light on the withdrawal process under the YouSave scheme. In his evidence, he revealed that;

“...any member below age 55 can withdraw at least four times a year any amount. That is from the general account. You have one account number and two baskets- general and reserved. It is from the general account that you can withdraw any amount depending on your need. If you are more than 55, you can withdraw the whole balance or a lesser amount.”<sup>3</sup>

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<sup>3</sup> Jairus Hiele, Oral Evidence, 28 September, 2018

### Death Benefits

The Committee is of the view that the contribution for the death benefit under Clause 6 (Section 22 (2) of the NPF Act) should be increased to adequately reflect current funeral costs. It is clear that the current cover is too low and the premium should be increased to \$75 to provide adequate cover (30,000 to 50,000) for the funeral costs of a deceased member.

#### Recommendation 3

The Committee recommends that NPF consider an increase in the Death Benefit premium to \$75 to provide adequate cover for funeral costs of a deceased member, consistent with increased costs in the economy.

### Timeliness of access to death cover

The NPF Act provides that the death benefit is added to the member's contribution account and subsequently paid to the member's nominees. The Committee urges the government and the board to seek further amendment to the Act to ensure that the death benefit is accessed at the time of death of a member by a person nominated by the member for such a purpose.

#### Recommendation 4

The Committee recommends that the NPF Act is further amended to allow nominated persons/family members to access the Death Benefit of a member to cover funeral costs at time of death, as opposed to much later as is the current situation.

#### Recommendation 5

Although not directly related to the NPF amendment Bill, the Committee urges the NPF Board to:

- (a) Study the re-establishment of the Rural Housing Scheme
- (b) Study the possibility of Education loan scheme for member's children

The Committee commends the Bill to the House.

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END OF REPORT

## 4.0 APPENDICES

### Appendix 1: Witnesses

Date	Name	Position & Organisation
Wed 28 <sup>th</sup> September 2018  9:00pm – 4:00pm	Ms Cleary Courtney	Economic Reform Unit, MOFT
	Mr Stanley Hanu	Assistant Legal Counsel- NPF
	Ms Ha'a Hauirae	Senior Counsel, Attorney General Chambers
	Mr Jairus Hiele	Assistant Manager, NPF
	Mr, Ishmael Kako	Legal Counsel, NPF
	Ms Margaret Leoa	Economic Reform Unit, MOFT
	Mr Rictor Luaboe	Economic Reform Unit, MOFT
	Ms. Catriona Steele	Legal Draftsperson, AGC
	Mr. Mike Wate	General Manager, NPF

## Appendix 2: Minutes of Proceedings



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

P.O. Box G19,  
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### Minutes of Proceeding

Committee Hearing into the Solomon Islands National Provident Fund (Amendment) Bill 2018.

Day 1/Friday 28<sup>th</sup> September, 2018, CR II, Parliament House @ 9:00am.

#### 1. Members Present

Hon. Matthew Wale, MP (Chairman)  
Hon. Manasseh Maelanga, MP  
Hon. Douglas Ete, MP  
Hon. Dr Derek Sikua, MP  
Hon. Christopher Laore, MP

#### Secretariat and Support Services

Mr Wilson Orisi, Committee Secretary  
Ms Salome Pilumate, Committee Administration  
Mrs Esther Turangaluvu, Hansard  
Mr Philemon Loe, Media

#### 2. Chairman call meeting to order

#### 3. Welcome and Opening Remarks

The Chairman made opening remarks by acknowledging and welcoming the General Manager of NPF and the NPF team, The Economic reform team from the MOFT and the Legal drafts person. The witnesses were reminded of the Parliamentary Privileges, recordings of the proceeding, Member of the Committee were introduced. He then invites them to deliver their presentation. The NPF General Manager introduces himself and members of the Taskforce and commenced his presentation.

#### 4. Committee hearing into the Solomon Islands National Provident Fund (Amendment) Bill 2018'

The Hearing proper commenced and the following witnesses were admitted.

##### Hearing 1 Witnesses

Ms Cleary Courtney, Economic Reform Unit, MOFT  
Mr Stanley Hanu, Assistant Legal Counsel- NPF  
Ms Ha'a Hauirae, Senior Counsel, Attorney General Chambers  
Mr Jairus Hiele, Assistant Manager, NPF  
Mr, Ishmael Kako, Legal Counsel, NPF  
Ms Margaret Leoa, Economic Reform Unit, MOFT

Ms. Catriona Steele, Legal Draftsperson, AGC  
Mike Wate, General Manager, NPF

The Committee questioned the witnesses on their presentation and on the contents of the Bill. The witnesses answered, made clarification and commented on issues raised.

The Chairman thanked the witnesses for their attendance and conclude the proceeding.

Evidence concluded and the Chair thanked the witnesses for their attendance and presentations on the Bill.

## **5. Adjournment**

The Committee adjourned hearing at 4:00pm

### Appendix 3: Submissions

No.	Title	Author	Date Received
1	BLC Checklist	Rictor Luaboe	27 September 2018
2	YouSave-Now everyone can join NPF	NPF	28 September 2018