

**NATIONAL PROVIDENT FUND
AMENDMENT BILL 2014**

SAMOA

Explanatory Memorandum

Introduction

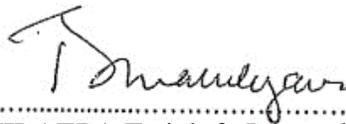
The Bill seeks to amend the *National Provident Fund Act 1972* (Act). The amendments include provisions for the following:

- (a) provisions for crediting a member's account separated from provisions related to withdrawals; and
- (b) to provide for the interest rates payable on member's accounts and cash flows and the calculation of such interest; and
- (c) contributions required for entitlement to death benefit increased (from one (1) month of contributions to contributions amounting to at least two (2) years); and
- (d) the time within which Senior Citizen Benefit Fund entitlements must be claimed; and
- (e) provision to remove the position of Deputy Chief Executive Officer and the substitution of managers with senior management.

These changes implement resolutions adopted by the Samoa National Provident Fund Board to adopt policies and procedures that improve operation and management of the Fund.

Clauses:

- Clause 1:** - provides for the short title and the commencement (date of Assent).
- Clause 2:** - repeals section 12(1)(b) and amends paragraph (d).
- Clause 3:** - repeals section 32(2) and (3) of the Act.
- Clause 4:** - substitutes section 35 of the Act with provisions for the crediting of Member accounts at the end of each financial year, the calculation of interest and the contributions which should be applied.
- Clause 5:** - amends section 36(1) to reflect changes made to calculation of interest and contribution for members' accounts under section 35.
- Clause 6:** - amends the conditions for entitlement to a death benefit under section 37(1)(a) of the Act. Now a member must have contributions under his or her account totaling two (2) years of contributions instead of "1 month".
- Clause 7:** - amends section 42 of the Act by inserting new subsections (4) and (5) in relation to calculation of withdrawals and for interest charged thereto.
- Clause 8:** - inserts a new provision in regards to benefits under the Senior Citizens Benefit Fund to be claimed within one (1) year of entitlement.
- Clause 9:** - insertion of a new provision to provide for the current DCEO to continue until appointment is expired or terminated.



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 (Hon TUILAEPA Fatialofa Lupesoliai Aiono
 Neioti Sailele Malielegaoi)

PRIME MINISTER AND MINISTER OF FINANCE

**NATIONAL PROVIDENT FUND
AMENDMENT BILL 2014**

SAMOA

Arrangement of Provisions

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| 1. Short title and commencement | 5. Rate of interest |
| 2. Staff of the Fund | 6. Death benefit |
| 3. Crediting of contributions to accounts | 7. Withdrawals and elections on date of entitlement |
| 4. Members' accounts | 8. Insertion of new provision |
| | 9. Transitional |

2014, No.

A BILL INTITULED

AN ACT to amend the National Provident Fund Act 1972 (“Principal Act”).

BE IT ENACTED by the Legislative Assembly of Samoa in Parliament assembled as follows:

1. Short title and commencement - This Act may be cited as the National Provident Fund Amendment Act 2014 and commences on the date of assent by the Head of State.

2. Staff of the Fund - For section 12(1) of the National Provident Fund Act 1972:

- (a) repeal paragraph (b); and

(b) in paragraph (d), for “managers” substitute “senior management”.

3. Crediting of contributions to accounts - Section 32(2) and (3) are repealed.

4. Members’ accounts - For section 35 of the Principal Act substitute:

“35. Members’ accounts-(1) At the end of each financial year, the Board shall cause the account of each member of the Fund to be credited with:

- (a) the amount of the contributions paid by or on behalf of the member during the financial year less any partial withdrawal benefits paid from the member’s account during the financial year less any fees charged to the member’s account during the financial year;
- (b) interest under subsections (2) and (3) at the rate declared by the Board under section 36; and
- (c) any amounts credited under section 28; and
- (d) any special payments under section 39.

(2) Interest shall be calculated for each member’s account as follows:

- (a) interest for the whole of the financial year on the amount standing to the member’s credit at the start of the financial year less an annual administration fee as fixed by the Board and less -
 - (i) for an employee member, any voluntary contributions made under section 22(8) in the prior financial year;
 - (ii) for a voluntary member, any sum paid in the prior financial year which exceeds the average annual contributions made in the preceding five (5) years;

- (b) plus, on each contribution credited to the member's account during the financial year, interest for the period between the date of payment of the contribution and the end of the financial year;
- (c) plus, on any amounts credited under section 28, interest for the period between the date the amount is credited and the end of the financial year;
- (d) less, on each partial withdrawal benefit payment made from the member's account during the financial year and an associated fee as fixed by the Board, interest for the period between the date of the partial withdrawal benefit payment and the end of the financial year.

(3) No interest is credited on special payments made to a member's account under section 39 until the financial year after the special payment is made.”.

5. Rate of interest - In section 36(1) of the Principal Act:

- (a) after “payable on” insert “member's account balances and”; and
- (b) for “contributions to” substitute “cash flows to and from”; and
- (c) for “Fund” substitute “members accounts”; and
- (d) after “at such rate” insert “in accordance with section 35 and 42.

6. Death benefit - In section 37(1)(a) of the Principal Act, for “1 month” substitute “2 years”.

7. Withdrawals and elections on date of entitlement - After section 42(3) of the Principal Act insert:

“(4) Where a withdrawal of the full amount in the member's account is permitted, and the member has made no partial withdrawal in the financial year, interest will be payable by the Fund being the sum of:

- (a) interest on the member's account balance on 1 July of the financial year in which the withdrawal is made, calculated over the period between 1 July and the date of the full withdrawal benefit payment less -
 - (i) for an employee member, any voluntary contribution made under section 22(8) in the prior financial year; and
 - (ii) for a voluntary member, any sum paid in the prior financial year which exceeds the average annual contributions made in the preceding five (5) years; and
- (b) interest on each contribution credited to the member's account on or since 1 July, calculated over the period between the date of payment of the contribution and the date of the full withdrawal benefit payment less -
 - (i) for an employee member, any voluntary contribution made under section 22(8) in the current financial year; and
 - (ii) for a voluntary member, any sum paid in the current financial year which exceeds the average annual contributions made in the preceding five (5) years; and
- (c) interest on any amount credited to the member's account under section 28 on or since that 1 July, calculated over the period between the date of crediting and the date of the full withdrawal benefit payment.

(5) Where a withdrawal of the full amount in the accounts of the Fund is permitted and the member has made one (1) or more partial withdrawals since the start of the financial year, interest shall be calculated as follows:

- (a) interest will be calculated in accordance with subsection (4) up to the date of the first partial withdrawal;

- (b) if there has been more than one (1) partial withdrawal, further interest for the period between partial withdrawals will be calculated in accordance with subsection (4) with subsection (4)(a) based on the balance remaining after the last partial withdrawal;
- (c) interest for the period between the last partial withdrawal and the full withdrawal will be calculated in accordance with subsection (4) with subsection (4)(a) based on the balance remaining after the last partial withdrawal.”.

8. Insertion of new provision - After section 79 of the Principal Act insert:

“79A. Unclaimed benefit - A beneficiary who is entitled to a benefit under the Senior Citizens Benefit Fund must claim the benefit within one (1) year from the date of entitlement to receive that benefit.”.

9. Transitional - At the commencement of this Act, any current Deputy Chief Executive Officer continues until his or her appointment expires or is terminated.
