ANNUAL REPORT 2018-2019

20th

Year in Service

Retirement Fund Board

"Saving For Your Retirement"

Key Fund Information:

Name	Retirement Fund Board
Date Established	1st July 1999
Fund Type	Defined Contribution Plan
Principal Place of Business: Physical Address: Postal Address	 Retirement Fund Board Building Corner of Railway Rd and Mateialona Rd Nuku'alofa Kingdom of Tonga. P.O. Box 96 | Nuku'alofa | Kingdom of Tonga Telephone: +676 25433 | Fax: +676 25422 website: www.rfb.to| Email: enquiry@rfb.to
Directors of the Board	Honourable Dr. Pohiva Tu'i'onetoa (Chairman) Honourable Samiuela 'Akilisi Pohiva (Former Chairman) Honourable Vuna Fa'otusia (Deputy Chairman) Honourable Semisi Kioa Lafu Sika (Former Deputy Chairman) Honourable Tevita Lavemaau Mr. Sione Folau Lokotui Mr. Manu 'Aipolo 'Akauola Mr. Sione Faleafa Mr. Hekisou Fifita (Former Member Representative)
Secretary of the Board	Mr. Michael A. Bloomfield
Regulator (Non-bank financial institution)	National Reserve Bank of Tonga
Auditor	KPMG, Suva, Fiji
Bankers	Bank of South Pacific ANZ Banking Group Limited MBf Bank Limited Tonga Development Bank
Legal adviser	Solutions Consulting House Ltd
Logo	The RFB logo (Gold Heilala Flower) represents recognition and rewards. It conceptualized the RFB vision, wealth creation, service excellence, prudent management, good governance and growth.

CONTENTS

Financial Highlights 2018/2019

	2018 / 2019	2017 / 2018
Memberships	5,420	5,269
Total Net Assets Available to Pay Benefits	$	$
Total Net Assets	170,885,137	160,013,412
Contributions		
Total Contributions	15,986,152	15,627,674
Voluntary Contributions	633,799	600,896
Total Investment Returns		
Net Interest on Investments	4,520,498	4,827,876
Fund Earning Rate	3.5%	4.0%
Retirement Benefit Payments		
Total Benefit Payments	8,715,620	7,887,870
Number of Retirees	264	249

FUND BOARD MEMBER'S

SAIA UAI HAVILI	MANU 'A. 'AKAU'OLA	HONOURABLE Dr. POHIVA TU'I'ONETOA	HONOURABLE SAMIUELA 'AKILISI POHIVA	HONOURABLE SEMISI SIKA	SIONE FOLAU LOKOTUI	HEKISOU FIFITA
Board Secretary	Members Representative	Minister of Finance and National Planing	Prime Minister / Chairman	Deputy Prime Minister/Deputy Chairman	Members Representative	Members Representative

RETIREMENT FUND BOARD STRUCTURE AND STAFF

Retirement Fund Board

Fund Board Committees:
1. Investment Committee
2. Governance, Compliance, Audit and Risk
3. Election Committee

Saia Uai Havili

Leadership Team Committee

Michael A. Bloomfield/COO

Senior Management Committee

Members Loans	Operations	Finance	Governance, Compliance & Corporate Services	ICT	Investment
COO(Vacant)	COO*(Vacant)*	**Sione V.Polota**	**Michael A. Bloomfield**	**Tevita Cower Matoto**	**Kaho 'Ofa**
'Iunisi Liu	**Tevita L.Veituna, 'Iunisi Liu**	*Finance Manager (Vacant)*	Internal Auditor/ Risk & Compliance Officer *(Vacant)*	**Taniela Koloamatangi**	Investment Manager*(Vacant)*
Waller Fifita, 'Anitoni Mo'ungaloa, Sione Taufa,	**'Ofaloto Vaipulu, 'Uinisieti Heimuli**	**Meliame L.Finau, Liongi Tu'akalau**		Senior System Administrator *(Vacant)*	**Mary T. Tamale, Laumanu Mafi**
	Tevita Vao, Fe'ofa'aki Fusikata *(Study Leave)* **Kathylyn Moli**	Accountant *(Vacant)*	**'Ofa Hui** *(Study Leave)*	**Semisi Langi**	**Samiuela Vao**
	Lisita Maumau, 'Uinise Fakava, Sovaki Fakatava	Finance Officer *(Vacant)*	**'Ana Moala**	ICT Officer (*Vacant)*	Investment Officer *(Vacant)*
	'Ana Lino		Fund Agents/ Fund Board Secretariat		
			Consultants *(Outsource)*		
			Legal Services *(Outsource)*		
			Security Services *(Outsource)*		
			Driver*(Vacant)*		

Key	
Vacant	9
Filled	**28**

Back Row: Mr. Semisi Langi, Mr. 'Anitoni Mo'ungaloa, Mr. Siua Koloamatangi, Mr. Kaloni Kaivelata, Mr. Kaua Matoto, Mr. Sione Polota, Mr. Taniela Koloamatangi

Middle Row: Mr. Samiuela Vao, Miss 'Ana Moala, Miss Sovaki Fakatava, Miss Meliame Finau, Mr. Waller Fifita, Mr. Tevita Vao, Mr. Sione Taufa, Mr. Kaho Ofa, Mr. Tevita Veituna, Miss Laumanu Mafi, Mr. Liongi Tu'akalau

Front Row: Mrs. Uinisieti Heimuli, Mrs. 'Ana Lino, Mrs. Ofaloto Vaipulu, Mr. Michael A. Bloomfield, Mr. Saia U. Havili, Mrs 'Iunisi Liu, Miss Uinise Fakava, Mrs. Lisita Maumau

VISION, MISSION AND VALUES

VISION

Our vision is to enable our Members to accumulate retirement savings for the enablement dignified retirement.

MISSION

Our mission is to enable our Members to maximize the best possible retirement outcome through sound management, good governance, prudent investment management and offering positive and excellent service.

VALUES

- Service Excellence
- Accountability for Member's Funds
- Corporate Integrity
- Decision-making and communication
- Our People
- Teamwork
- Innovation and Improvements

FUND KEY FINANCIAL INDICATOR

	2015	2016	2017	2018	2019	Average - 5 Years
Asset & Liabilities						
Net Assets (Fund Under Management)	126,129,472	137,019,780	148,345,942	160,013,412	170,885,137	$ 148,478,749
Growth	9.00%	8.63%	8.27%	7.87%	6.79%	8.11%
Memberships						
Active Members	4,864	5,031	5,139	5,269	5,420	6,070
Preserved Members	1,034	1,088	1,123	1,329	1,447	1,409
Number of Retiree	137	149	151	177	211	195
Growth	4.35%	3.75%	2.34%	5.37%	4.08%	7.3%
Contribution						
Contribution	11,799,478	12,863,131	14,753,525	15,627,674	15,986,152	$ 14,205,992
Growth	-29.97%	9.01%	14.70%	5.93%	2.29%	0.39%
Investment Returns						
Interest on Term Investment	2,052,604	2,150,214	2,606,590	2,949,083	3,002,681	2,552,234
Interest on Transfer Preserve	1,272,252	727,691	215,933	588,992	587,900	678,554
Interest on Loans	2,499,073	2,635,488	2,853,492	3,220,110	3,373,836	2,916,400
Interest Offshore					2,074	415
Other Interest Revenue	171,382	196,943	184,096	133,625	94,059	156,021
Rental		47,165	192,846	194,802	195,606	126,084
Other Income		95,179	16,587	17,364	12,085	28,243
Net Interest on Investment	5,725,293	5,565,899	5,784,643	6,710,208	6,708,724	6,098,953
Growth	0.68%	-2.78%	3.93%	16.00%	-0.02%	3.56%
Payments						
Administrations Costs	1,135,160	1,446,329	1,508,776	1,546,871	1,729,158	1,473,259
Unrealised foreing exchange loss					10,435	2,087
Insurance Premium	350,186	365,979	416,712	419,241	425,562	395,536
Retirement Benefit Payments	6,022,912	6,118,688	7,158,628	7,887,870	8,715,620	7,180,744
Insurance Claims Benefits	338,171	363,041	544,602	335,461	448,633	405,982
MER *(Benchmark 1.8%)*	0.94%	1.10%	0.93%	0.89%	0.93%	0.96%
Claims Experience	96.57%	99.20%	130.69%	80.02%	105.42%	102.38%
Sustainability Ratio *(Benchmark is 100%)*						
Contribution	11,799,478	12,863,131	14,753,525	15,627,674	15,986,152	14,205,992
Payments	7,508,258	7,930,996	9,084,116	9,853,982	10,880,775	9,051,625
Sustainability Ratio	63.63%	61.66%	61.57%	63.05%	68.06%	63.60%
Outflow Ratio *(Benchmark is 5%)*						
Outflow Ratio	4.78%	4.47%	4.83%	4.93%	5.10%	4.84%
Net Profit						
Net Profit	4,251,962	3,756,529	3,731,265	4,827,876	4,520,498	4,217,626
Growth	-5.39%	-11.65%	-0.67%	29.39%	-6.37%	1.06%
Annual Crediting Rates & Inflation (CPI)						
Fund Earning Rates	4.75%	4.50%	4.00%	4.00%	3.50%	4.15%
Annual CPI (Inflation)	0.10%	-0.60%	7.20%	6.60%	4.00%	3.46%
5 Year Rolling - Investment Target (1% above CPI)						
Fund Earning Rates	5.88%	5.46%	4.94%	4.50%	4.15%	4.99%
CPI (Inflation)	2.48%	1.16%	1.94%	3.12%	3.46%	2.43%
Real Return to Members	3.40%	4.30%	3.00%	1.38%	0.69%	3.15%

CHIEF EXECUTIVE OFFICER'S STATEMENT

INTRODUCTION

It is with great pleasure that I report on the performance of the Retirement Fund Board at the end of its 20th year of operations, as at 30th June 2019. During the year, the Fund continued to develop and review its core functions and policies in growing, protecting and preserving value of Members' Leaving Service Benefits, given the impact of the external markets and the country's economic climate, including high liquidity and inflationary environment.

Investment management and limited investment opportunities in the domestic market coincide with a highly volatile offshore market continues to be major challenges faced by the Fund during the year. The domestic market is still very much influenced by high liquidity in the banking system. The revision of the inflation reference rate to 5%, required the Fund to reconsider its conservative risk appetite, if the Fund is to achieve its mandated investment target return of 1% above CPI over a 5 year rolling period.

During the year, the Fund implemented two investment initiatives, namely Equity participation in Tonga Development Bank and investing Off Shore. The said initiatives highlights, scheduled diversification process the Fund is undertaking to its Investment Portfolio given the limited and depressed investment opportunities available in the domestic Market. It is envisaged, the Fund's Investment Portfolio diversification process will be ongoing.

As a result of Fund performance for the 2018/2019 Financial Year, the Fund Board declared 3.5% to be credited to Members' accounts as at 1st July 2019, thus the Fund continues to achieve its investment target of crediting an interest rate to Members' accounts which is 1% above CPI over a five year rolling period.

The Fund continues to maintain its administration costs below the mandated 1.8% Management Expenditure Ratio (MER) benchmark despite the challenging business environment. The 2018/2019 MER is 0.93% compared to 0.89% the previous year.

The Fund's Net Assets as at 30th June 2019 was recorded at $170.88 million, highlighting an average growth rate of 8.83% during the last twenty (20) years of operations. This growth rate was possible due to an average annual growth rate of 12.7 % in Member contribution revenue, 2.43% in Membership and 7.22% in return on investments.

The year ahead

The Fund focus remains the ongoing achievement of our investment targets, and aim for improved retirement outcomes for our Members. The Fund will continue to consider investment opportunities in property and longer term mortgaged loans.Engagement of new Members to take advantage of scale will also be a priority. Further, the Fund will continue to develop, review policies, processes and strategies to protect and grow our Members' Leaving Service Benefits for a dignified retirement.

OVERVIEW OF FUND OPERATIONS

The operations of the Fund have been carried out in accordance with the provisions of the Retirement Fund Act 1998; Retirement Fund Board Act 1998 and the Retirement Fund (Administration) Regulations 1999.

OPERATIONS AND FINANCE

Fund objectives

The Fund's core functions are:

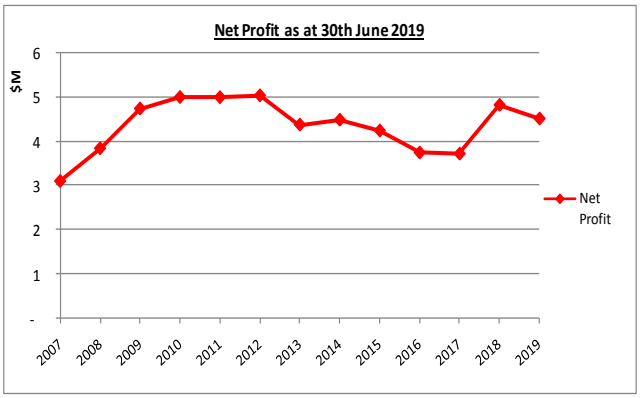
1. Collecting and accounting of Members contributions/information;
2. Processing and provision of Members benefits under the relevant provision of the Retirement Fund Act, regulations and procedures;
3. The investment of the excess funds (available cash) held by the Fund.

The Operations and Finance reports focus on the Fund's core functions No.1 and 2.

Financial Performance

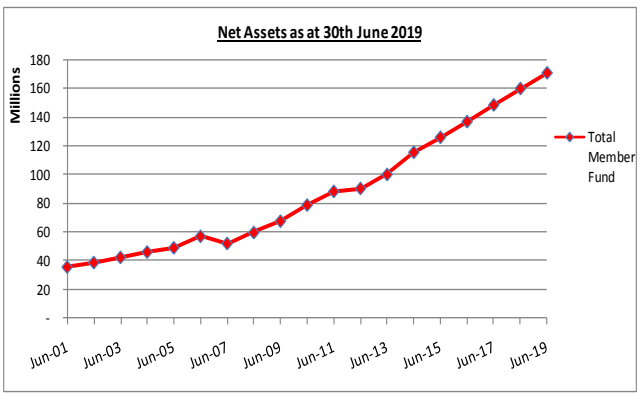
Net Profit

During the financial year, the Fund recorded a net profit of $4.52 million, a decreased by 6.37 per cent from the $4.83 million registered a year ago.



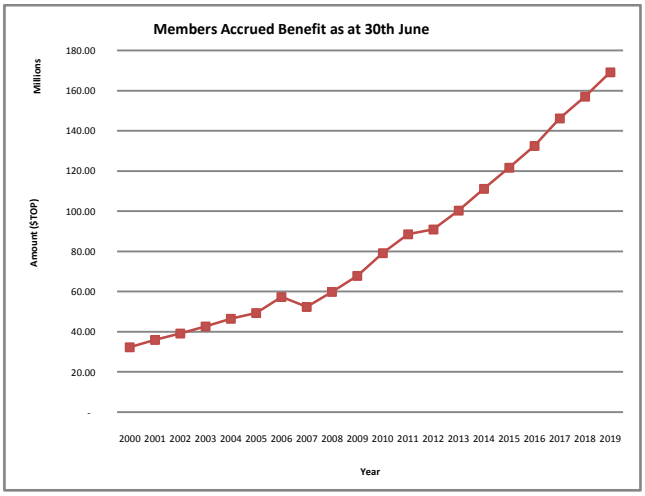
Net Asset (Fund under Management (FUM))

Net assets were $170.88 million compared with $160.01 million in 2018 (an increased by 6.79%).



Members' Benefits Accounts

The total Members' balance for all Members Accounts was $169 million as at 30th June 2019 compared with $157 million in 2018, an increase by 7.6%.



Fund Administration Expenses

The Fund has achieved a management expenses ratio (MER) of 0.93 percent (%) as compared to 0.89 percent (%) last year. Again, rigid expenditure control measures and efficient utilization of resources has enabled the Fund to keep its expenses below 1.8 percent (%) of the average total net assets benchmark.

The total management and administration costs were $1,729,158 as at 30th June 2019 compared with $1,546,871 in 2018, an increase of 10.5% due to increase in office, utilities, personel and depreciation expenses.

Fund Board Expenses

The total Fund Board expenses for 2018/2019 were $196,799 compared with $175,466 in 2018, an increase by 12.15% due to increase in Board basic and allowances. The Fund Board expenses have been approved by the Board to be covered from the General Reserve Account.

The major Fund Board expenses are salary, allowances and continual professional development. The Board basic salaries and allowance was

reviewed by the Remuneration Authority (RA) in 2016.

Members Life Insurance Premium

The total insurance premium expense was $425,562 as at 30 June 2019 compared with $419,241 in 2018, an increase by 0.37% due to increase in Membership and Members July salaries. The insurance premiums continued to be taken from investment income.

The Fund policy requires that Members shall be insured for life insurance. The insured amount is the equivalent of the Member's Salary as at 1st July Review Date or immediately before the Members death. All Members are insured in a Group Life Scheme. This additional function has been self-managed by the Board since 1July 2005 to minimize the Members costs and improve claims processing. The current premium rate is $4.37 per $1,000 of Members salary.

The insurance amount has been authorized and delegated by the Fund Board to the CEO to process and pay-out Insurance amounts only when a Member dies whilst in service to assist with funeral expenses.

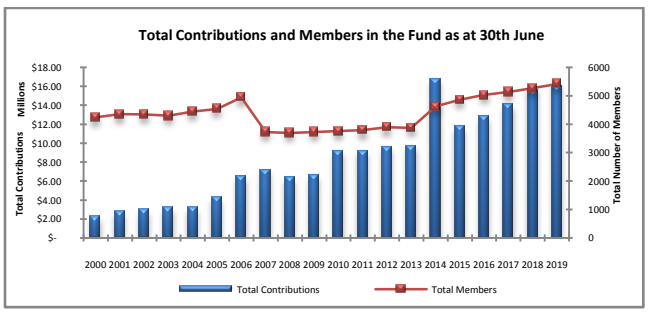
Fund Administration expenses and insurance premium are deducted from interest earned before the Fund Earning Rate is declared on 1st July.

Contributions Income

Total contributions collected during the year were $15.98 million – averaging $1.33 million per month. This is an increase of 2.29% from the previous year's collection of $15.62 million.

660 Members have opted to contribute additional sums over and above the mandatory 15% contribution rate of Members' July Salary, as stipulated in the Act.

There was $633,799 in voluntary contributions received this year compared to $600,896 the previous year.



At balance date, no contributions receivable was recorded.

Fund Operations

Membership

This year, 410 new Members were admitted to the Fund bringing the total of Current Membership of the Fund to 5,420 at 30th June 2019. This is an increase of 2.87% compared to the previous year. This figure includes Members on leave without pay. There were 1,447 Preserved Members who have ceased service but whose retirement entitlements are still administered by the Fund until they reach retirement age or access through the Early Release Grounds.

Fund Members as at 30th June 2018 had an average age of 38 years, with 45.4% of the Membership being Female and 54.6% of the Membership being Male.

Membership Gender Distribution

	June 2015	June 2016	June 2017	June 2018	June 2019
Female	46%	47%	46%	46%	45%
Male	54%	53%	54%	54%	55%

Fund Membership

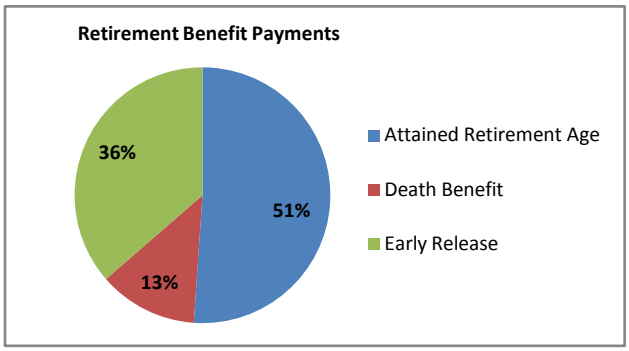
	June 2015	June 2016	June 2017	June 2018	June 2019
Current	4,864	5,031	5,139	5,269	5,420
Preserved	1,033	1,088	1,123	1,329	1,447

Membership by Stations as at 30 June 2019

Station	Current	Preserved	All Members
Niuafo'ou	39	5	44
Niuatoputapu	44	6	50
'Eua	120	28	148
Ha'apai	190	43	233
Vava'u	354	53	407
Tongatapu	4,673	1,312	5,985
Total	**5,420**	**1,447**	**6,867**

Retirement Benefit Payments & Grounds

This year, total benefit payments was $8.71 million, including allocated pension payments, compared to $7.88 million last year, an increase of 10%.



Summary of Members Benefits Payment for 2014 to 2019					
Ground of Payments	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Attained Retirement Age	2,898,204	2,902,030	3,126,509	2,544,081	2,432,600
No. of Member	45	51	56	60	91
Death:					
Benefits	670,455	731,733	1,138,148	636,176	649,360
No. of Member	18	25	25	25	28
Insurance Claims	338,171	363,041	544,602	335,461	448,633
No. of Member	18	21	28	17	19
Early Release Provisions:					
Cease on Medical	525,046	460,535	347,695	503,849	440,782
No. of Member	10	14	11	22	21
Rollover	155,687	63,194	80,722	48,214	45,168
No. of Member	9	1	3	2	2
MVA - Resignation				95,778	116,289
No. of Member				16	13
UT TV Claims				160,825	141,552
No. of Member				18	18
Financial Hardship:					
Migration	908,983	722,044	863,858	514,300	955,164
No. of Member	45	48	49	35	51
Preserved Medical	39,214	67,376	131,673	111,928	99,617
No. of Member	8	10	7	2	5
Severe Financial Hardship	43,814	52,790	71,996	38,544	88,199
No. of Member	29	35	35	27	56

Attained Retirement Age

Members that cease service and have attained retirement age (50-60 years) have the option of withdrawing their retirement benefits as a lump sum or as an allocated pension. This year, 91 retirement (attained retirement age) applications were approved, of these, 71 applicants chose to receive their retirement benefits as a lump sum payment whilst 20 retirees opted for an allocated pension. Total paid out was $2.43 million compared to $2.54 million the previous year.

Allocated Pension

The Fund continues to maintain $1,662,796.49 for 55 retirees who have opted for their retirement benefits to be managed by the Fund and to be allocated under certain terms and conditions. The Fund processed and paid out $532,694 to allocated pensioners during the year compared to $745,147 last year.

Death

Members may nominate a beneficiary or beneficiaries of his/her choice to receive the Death Benefit in the event of his/her (the Member's) death whilst in Service. However, if there is no nomination the status quo remains, i.e. Board will pay the Death benefit to the:

a. Spouse at time of death; or
b. If no spouse at time of death then to the surviving legitimate children in equal portion; or
c. If no surviving legitimate children then to the Member's legal personal representatives.

$649,360 was paid out as Death Benefits this year as opposed to $636,176 last year. There were 19 insurance claims totaling $448,633 during the year compared to $335,461 (17 claims) last year.

Self-Managed Life Insurance

The self-managed life insurance scheme has surplus funds of $561,124 after its thirteenth year of operations. This represents an increase of 1.1% from $554,893 last year. The Self Managed Insurance Fund had a claim experience of 98.6% this year compared to 105.9% last year. There is one (1) outstanding claim at the end of the financial year that is awaiting Supereme Courts confirmation of beneficiaries.

Nominations of Beneficiary

Nine (9) Nominations of Beneficiaries were received during the year. Two (2) Members with Nomination passed away during the financial year and their Memorandum of Nominations was administered by the Supreme Courts and their Beneficiaries were paid accordingly. The Fund currently has a total of 74 Members who have opted to nominate their Beneficiaries.

Total and Permanent Disablement

During the preceeding five (5) years, the Fund did not receive applications under this provision.

Early Release

These encompass withdrawals for cease service on redundancy, medical ground, rollover and financial hardship. On financial hardships, the Fund Board approved the following conditions as circumstances of hardship: migration (Condition No.1), preserved medical (Condition No.2), attained retirement age and facing foreclosure of home mortgage (Condition No.3), cease service and facing foreclosure of home

mortgage (Condition No.4) and cease service and facing severe financial hardship (Condition No.5). In 2017, two additional conditions (Condition 6 & 7) were introduced to provide assistance to Members after the Cyclone GITA. These two conditions ceased on 30 June 2018.

The total paid out this year was $1.89 million compared to $1.64 million in 2018. This represents a 15.2% increase from the previous year.

Ceased Service on Medical Ground

Members who have ceased service on medical grounds can withdraw their benefits with confirmation from employers; 21 Members were processed with a total value of $440,782 compared to 22 Members with a total value of $503,849 in the previous year.

Rollover

Members who have ceased service and are subsequently re-employed by a different employer who has established an "Approved Fund," may apply to roll over their benefits to new employer's Fund. During the year, $45,168 was paid out for 2 Members who applied under this early release provision compared to 2 Members with a total value of $48,214 processed in the previous year.

Circumstances of Hardships approved by the Fund Board:

Compassionate Ground: Preserved Members Migration - Hardship Conditions No.1

Members who have ceased service and are leaving Tonga to settle permanently overseas can withdrawal their benefits. During the year, $955,164 was paid out to 51 Members under this early release provision; this is in comparison to 35 Members who were processed with a total value of $514,300 in the previous year.

Compassionate Ground: Preserved Members Medical - Hardship Condition No.2

Members who have ceased serviced and are unable to secure gainful employment because of their medical condition, as assessed and confirmed by Director of Health, can withdraw their Retirement Benefits; 5 Members were processed with a total value of $99,617 compared to 2 Members who were processed to a total value of $111,928 in the previous year.

Compassionate Ground: Members/Preserved Members Facing Foreclosure of Home Mortgage - Hardship Condition No.3 and 4

Members who have attained the retirement age while in service but are facing financial difficulties in repaying their home loan commitments and facing foreclosure (Condition 3) and; Members who have ceased service and are facing financial difficulties in repaying their home loan commitments and facing foreclosure (Conditon 4) may apply for early release of fund to prevent the foreclosure of their home loans.

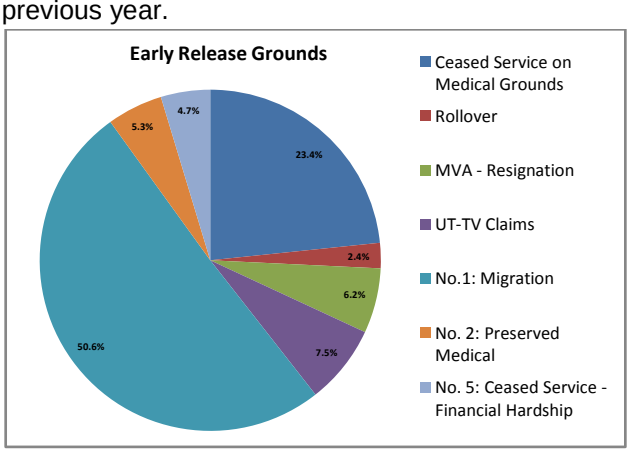
There were no applications received by the Fund under Conditions 3 and 4 during the financial year.

Severe Financial Hardship: Preserved Members Facing Severe Financial Hardship – Hardship Condition No.5:

Members who have ceased service and are experiencing severe financial hardship can withdraw part of their benefits under two conditions: education and unemployment assistance. The Fund Board considers it appropriate to provide these assistances;

- Education Assistance. Paying a Member's/his children's/spouse's education fees (exam fees and tuition and others) as confirmed by an Education Institution. All education assistances are paid to relevant education institutions; or
- Unemployment assistances. Provides assistance (maximum $2,000 per application on a six monthly basis) for Member's on-going obligations while the Member is seeking employment.
- The maximum amount payable is the combined total of the Members' Basic Account (MBA) and Member Voluntary Account (MVA) less application fee.

56 Members were processed to a total value of $88,199; this is in comparison to 27 Members who were processed with a total value of $38,544, in the previous year.



Members Loans Scheme

Small Loan Investment Scheme (SLIS)

A total of 10,855 Loan Applications were processed during the year, an increase of 26.5% from the previous year. The SLIS Member participation rate as at 30th June 2018 was 77.1% (4,181 Active Portfolio) of the total current Fund Membership.

Home Improvement Loan Investment Scheme (HILIS)

There were no Loan Applications were processed during the year. The HILIS Member participation rate as at 30th June 2019 was 0.66% (36 Active Portfolio) of the total current Fund Membership.

Member Services & Awareness

A major focus of our service is creating awareness on the importance of saving. Members are ensured financial security upon retirement. The Fund continues with its regular TV/Radio programs, induction seminars and Member visits.

In January 2017, the Fund joined the Social Media platform, Facebook. With a total of 1664 users (as at 30th June 2019) connected to the Fund's Facebook page, the Fund is able to provide Members with realtime updates on Policy changes, recent Fund activities and general awareness of Retirement Fund Benefits.

The Fund also uses a wide range of services including the Fund's website (www.rfb.to) to re-establish contact with Member's who have left the Service to keep them up-to-date with issues concerning the Fund. All application forms and Annual Reports are also available on the website.

The Government Representatives Office in the Niua's and Eua, and the Governor's Office in Ha'apai have been valued partners in the provision of Member services and communication to Members in the outer islands.

Services Type

Requests for Member Account balance and SLIS Loan eligibility continue to dominate services sought by our Members. Fund also provides supporting letters for Members' visa applications.

Members Annual Benefit Satement Advice 1st July 2018, Distribution

The Fund is required to distribute the Members Benefit Advice at least once, annually and upon a Member's request. The Fund ensures that the Member Benefit Advice is distributed to at least 90% of the Members by the 31st of December each year. Approximately 95% of Members received their Member Benefit Statement during the last financial year. Members that were unreachable in this exercise includes Members stationed in the outer islands of Ha'apai, Members on leave and Preserved Members for whom the Fund has no contact details, since ceasing Service.

Members Survey

The Fund conducted its Member Survey on three very important issues to its operations. First, is "*Customer Service*". Second, is ensuring that all Members will have a "*Dignified Retirement*". This is one of the core functions of the Fund, and hence the need to ensure that the existing contributions level are sufficient to achieve this goal. Lastly, due to the increasing cost of the existing self-insured "*Death Insurance*" scheme in the recent past, the Fund have considered alternative arrangements in hope that this may control cost while still providing the appropriate benefits for the Members. Hence this issue was also put out to the Members to gauge their views on the issue.

A good majority of the respondents indicated that they are satisfied with our *Customer Service* which confirms ad-hoc feedbacks that the Fund often received. Despite our view and predictions that the current level of Benefits are not sufficient to ensure *Dignified Retirement* for our Members, the result indicated that a good majority are satisfied with their leaving service benefit balance, and any increase in contribution should be borne by the Government. While the Fund is concerned with the cost of *Death Insurance*, majority of the respondents prefer that the Fund maintains the existing death insurance scheme. The Fund has incorporated the Member Survey to its yearly work-plan.

Members ID Card and ID Number

The Fund Policy requires that each Member is issued a RFB Member ID and subsequently a Member ID Card, to ensure proper identification of Members, given the sensitive information held by the Fund. Currently the Fund has issued Cards to 90% of its Membership with the intention of at least a 95% ID Card coverage

Policy

The Fund's operational and finance administration and management is governed by Acts, Regulations and Financial Management Policy 2018 and

Operation Policy and Procedures 2017. These documents outline the roles and responsibilities of management in ensuring sound operational, financial practice and compliance with International Financial Reporting Standards and Regulatory Standards.

INVESTMENT

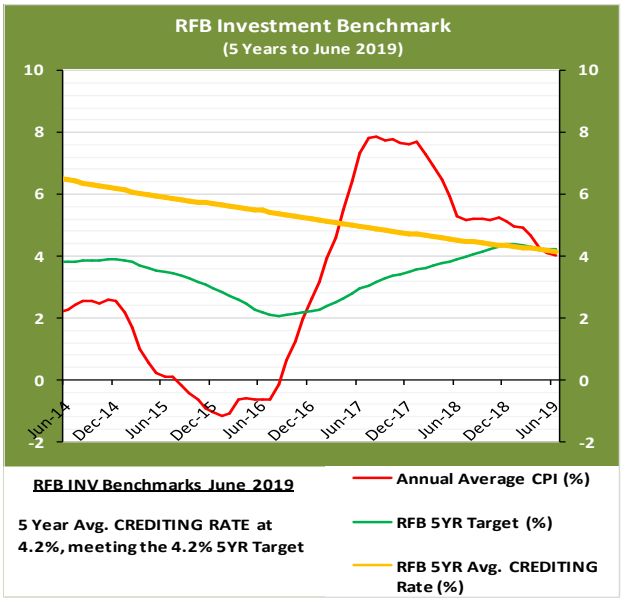
The principal role of the Fund is to manage and invest Members' savings for their retirement. The Fund's broad investment objective is to maximize long-term investment returns and ensure an appropriate balance between risk and return.

The Fund attempts to achieve returns, after fees in excess of increases in inflation by a minimum 1% per year, over a five-year rolling period. This reflects the Fund's long-term investment horizon with the Fund's Membership base average age of 37 years and a working horizon of 23 years before retirement.

Investment Targets

The Fund's long-term investment objective is to provide real returns to its Members. This guarantee security of real value on the Member's life-time savings whist in service and anticipating a dignified retirement.

Chart 1: Investment Target Vs Crediting Rates



Investment Returns and Fund Earning Rates

The Investment returns for the year was $6,634,988 compared with $6,472,569 the previous year, an increase of 2.5%. The increase was due to the increasing revenue from loans and advances, term deposit and offshore. The Fund Board declared 3.5% as the Fund Earning Rate as at 1st July 2019 to be distributed to Member's for 2018/2019.

Table 1: Fund Earning Rate Vs Inflation

FY Ending June	2015	2016	2017	2018	2019
5 YR. AVG. CREDITING RATE	5.9%	5.5%	4.9%	4.5%	4.2%
5 YR. AVG. CPI	2.5%	1.2%	2.0%	3.1%	3.2%
AVG. 5 YR. NET REAL RETURN	*3.4%*	*4.3%*	*3.0%*	*1.4%*	*1.0%*
Annual Fund Crediting Rate	4.8%	4.5%	4.0%	4.0%	3.5%

Note: All quoted figures above are in percentage (%)

Asset Allocation

The Fund's Total Asset Allocation totaled $169.7 million at the end of June 2019.This represents a 6.5%growth from the end of June 2018. The Asset allocation total is represented by $14.1 million in Cash Deposit, $57.2 million in Fixed Term Investment, $7.0 million in Property, $22.0 million in Government Bonds, $7,204.77 in Government of Tonga Transfer Value & Accrued Interest, $47.8 million in the Members' Small Loan Investment Scheme (SLIS), $281,954 in the Members' Home Improvement Loan Investment Scheme (HILIS) and $2.3 in Public Enterprise Loan (PELIS). The asset allocation for the year ended 30th June 2019 is displayed in the table below.

Table 2: Asset Allocation 2018/2019

		End of Financial Year 2018/2019		End of Financial Year 2017/2018	
			Share		Share
1.0.	Domestic Investment Portfolio	158,521,206.88	93%	100%	100%
1.1.	Cash / Demand Deposits	14,198,018.78	8%	7,631,140.75	5%
1.2.	Fixed Term-Deposits	57,220,300.00	34%	68,360,000.00	43%
1.3.	Government Bonds & Notes	22,085,000.00	13%	26,952,000.00	17%
1.4.	Transfer Value	7,204.77	0%	165,098.07	0%
1.4.	Loans	50,455,523.89	30%	48,510,778.11	31%
1.5.	Equity	7,500,000.00	4%		0%
1.6.	Property	7,055,159.44	4%	7,069,694.00	4%
2.0.	Offshore Investment Portfolio	11,174,520.89	7%		0%
2.1.	Cash / Demand Deposits	11,174,520.89	7%	0.0%	
3.0.	TOTAL	169,695,727.77	100%	158,688,710.93	100%

The Fund's cash holding increased by $6.6m closing at $14.2m compared to $7.6 million last year. The cash holdings held at the end of the financial year was envisaged to finance offshore investment projects in the next financial year. As shown in Table 2, a combined 55% of the Asset Allocation for Cash, Fixed Term and Government Bond Investments is generating low return on investment (3.0%).

The Fund Board has identified the investment environment challenges in the short to medium term

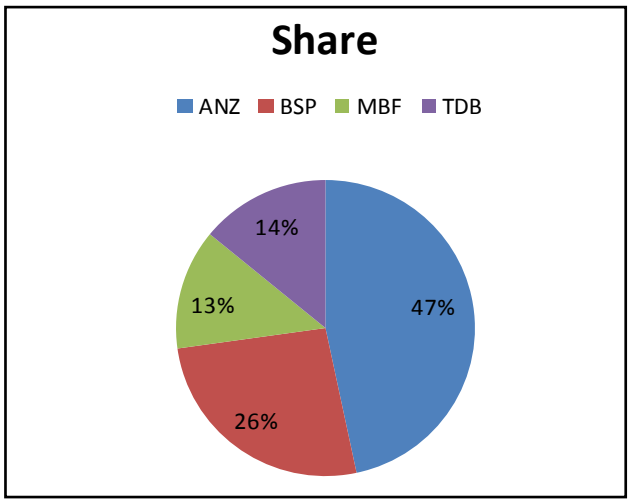
and intends to carry out a strategic and gradual diversification plan into domestic equity, property and offshore investments.

Fixed Term Investment

The Total Term Investment for the year ended 30th June 2019, stood at $57,220,300.00 which is 34% of the Funds Total Asset Allocation, a decrease from the 43% from the previous year. Term Deposits invested with the ANZ Bank take the largest share of 47%, 26% with BSP Bank, 14% with the TDB Bank and 13% with MBF Bank.

The fixed term investments for the year ended 30th June 2019 is displayed in the graph below.

Graph 1: Fixed Term Deposit 2018/2019



The Fund's Term Investments produced a weighted average return of 3.7% at year ended 30th June 2019, this is well above the NRBT Weighted Average Deposit Rate of 1.9% in the same period.

Government Bonds & Notes

Government Bonds for the year ended 30th June 2019 stood at $22,085,000.00, 13% of the Funds Total Asset Allocation. This was invested with theGovernment security register at the National Reserve Bank of Tonga.

The Fund's Bond investments produced a weighted average return of 3.9% at year ended 30th June 2019 with a weighted average maturity of 2.5 years.

Loans and Advances

Small Loan Investment Scheme (SLIS)

The total portfolio for the Small Loan Investment Scheme (SLIS) for the year ended 30th June 2019 stood at $47,820,000.29 which represents 28% of the Fund's Total Asset Allocation. The total loan disbursement for the financial year 2018/2019 was $18.6 million which is an average of $1.55 million per month.

Commencing 1st July 2018, the Fund charges an interest rate of 6.5% on the loans disbursed to its Members (loan repayment period is a maximum of 4 years). The average effective interest rate over 4 years equates to approximately 10.11%.

Home Improvement Loan Investment Scheme (HILIS)

The total portfolio for HILIS as at 30th June 2019 was $281,953.86.

The Home Improvement Loans commenced on the 1st of July 2016. The purpose of HILIS is for the Fund to earn sufficient interest returns whilst allowing Members to renovate or improve a house and or re-finance part of an existing housing loan. In conjunction with SLIS Loans, HILIS loan amounts must be within 50% of Members account balance at date of application and loan repayment is within 50% of the Member's Net Income with 6.5% per annum interest rate.

Public Enterprises Loan Investment Scheme (PELIS)

This product Public Enterprises Loan Investment Scheme (PELIS) commenced on the 30th of May 2018, where the Fund Board assist Public Enterprises on capital projects of national interest via a long-term financing product with no hidden fees or charges. The total portfolio for PELIS as at 30th June 2019 was $2,353,569.74.

Equity

The Retirement Fund Board completed its first domestic equity project ($7,500,000.00) with the purchase of 750,000 shares at $10 per share (par value) or 15% of the authorized capital (5,000,000) of the Tonga Development

Bank on the 31st May 2019. This concludes two years of due diligence work, negotiation and review by the Fund with assistance from the ADB Private Sector Development Initiative (PSDI) Consultants, the National Reserve Bank of Tonga and the Government of Tonga.This is to ensure that the Funds first domestic equity project is prudent and to

contribute to the overall investment objective of the Fund Board in the future.

The Retirement Fund Board was represented by Mr. Manu 'Akau'ola (Deputy Chair of the Board Investment Committee) with the Honourable Minister of Finance Dr. Pohiva Tu'i'onetoa representing the main shareholder the Government of Tonga.

Property

The Retirement Fund Board Building remains fully occupied and operational duration of the financial year 2018/2019. The value of the building capitalized amounted to $7,055,159.44 and is depreciated at the rate of 1.25% per annum.After accounting for depreciation expenses of $308,320, the building value represents 4.0% of the Fund's Total Asset Allocation.

The Fund currently occupies two levels (Ground & First level) of the building for its operation and administration. The Office of the Ombudsman currently occupies the second floor, with a tenancy agreement for ten (10) years with an option to extend. The Fund's property investments produced a weighted average return of 6.9% at year ended 30th June, 2019. The Fund Property Investments is currently seeking join property projects where the Fund can build customized sovereign/corporate villages and residentials for long-term lease by partner entity.

Transfer Value & Accrued Interest

The Transfer Value & Accrued Interest for the year ended 30th June 2019 stood at $7,204.77 which is 0.004% of the Funds Total Asset Allocation. The $7,204.77 consists of $2,246.48 of Transfer Value principle and $4,958.29 in accrued interests. The Fund has charged Treasury 6% per annum commencing 1 July 1999 on the outstanding balance.

At the end of the financial year 2018/2019 the Government transferred a total of $1,022,601.03 as payment for transfer value and accrued interest.

Offshore

The Retirement Fund Board also initiated its long-term investment diversification into offshore investment in June 2019, decreasing its risk exposure in the domestic economy and the domestic banking system. This concludes five years of planning, staff development, due diligence work, offshore visits and review by the Fund with assistance from the ADB Private Sector Development Initiative (PSDI) Consultants, RFB Fund Advisor - Eriksen Global (NZ) and approval from the National Reserve Bank of Tonga. The Funds offshore project is a long-term investment project with global opportunities that is not available in the limited domestic economy of Tonga,not only this ensures sustainability via diversification, but it also improves the risk-return profile of the Funds Investments.At the end of the financial year 2018/2019, the Funds offshore portfolio stood at $11.1 million.

The Retirement Fund Board represented by the Chief Executive Officer at the time Mr. Saia Havili and the Chief Investment Officer Mr. Kaho V. 'Ofa conducting the Offshore Fund Manager Due Diligence Visit to the Thomas Rowe Price Australian Office in October 2018.

Policy

The Fund continually reviews its investment policies and strategies given the challenging investment environment, high exposure in the domestic market, falling interest rates for term deposits. The Fund continually investigates all options that could increase returns to Member's at an acceptable level of risk. The Fund Board continues to closely monitor its Investment and Credit Policy and Members Crediting Rate to provide the framework for the management and credit risk arising from the investment portfolio of the Retirement Fund Board.

INFORMATIONS AND COMMUNICATIONS TECHNOLOGY (ICT)

Information Systems

ICT division continues to review the Fund information systems to ensure it remains in alignment with regulatory framework, policies and operational requirements of the Fund.

Supersoft (Fund Management System) and LMS (Loan Management System) are continually assessed and updated to meet the ongoing requirement of the operations of the Fund with the aim to deliver its services to its Members effectively and efficiently. Alongside ICT's system administration tasks and the everyday staff support by ICT, alot of focus in the fiscal year were put in to achieving the following milestones.

Major milestones for the year included

- System's Upgrades
- ICT Contingency Plan Implementation
- System's Integration
- HR Management System
- RFB Building Security System Upgrade

Systems Upgrade

The Retirement Fund in the Fiscal Year invested in acquiring new server rack, hardware and software platforms to which host's the fund's critical services including the Database, Active Directory, File Servers, and Email Server including it's critical applications such as Supersoft and LMS.

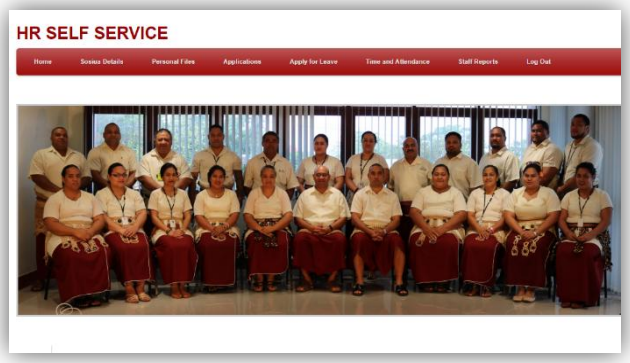
ICT Contingency Plan Implementation

The retirement fund has started executing its latest 2018 contingency plans which includes it's daily, weekly, monthly procedures for a full recovery from any natural or technical disasters are well in place and tested routinely.

System's Integration

The Retirement Fund in the Fiscal Year invested in further integrations between the Fund's Supersoft, Loan Management System and the MYOB system, improving data integrity between the systems and improving Operations and Finance day to day procedures.

HR Management System



ICT managed to design and develop an HR Management System that will be used by the Retirement Fund allowing HR processes to be more efficient, paper less and integrated to the Buildings Security System capturing staff time and attendance systematically allowing close monitoring and management of hr resources.

RFB Building Security System Upgrade

ICT has also managed to upgrade RFB security systems particularly it's installation of 23 CCTV cameras within the premises for closely monitor activities within the compound improving security.

CORPORATE SERVICES

Human Resources

The Fund continues to ensure Fund staff are engaged and motivated to achieve strategic goals and objectives. The Fund targets to leverage and build the Fund as a great place to work and improve internal efficiencies.

Fund staff remains the most valuable asset of the Fund. Continual review of administrative and personnel policies, as well as continual professional development of staff, are key strategies which the Fund adops in its endeavour retain and motivate staff.

Staff Numbers

Total staff numbers remained at 28 consistent with previous year. Staffing gender composition is 54% (15) male and 46% (13) female. The average staff age is 36 (42 for male and 32 for female).

Recruitment and Resignation

During the year, the Fund Board approved the resignation of the Chief Executive Officer, Mr. Saia Havili with effect from the 3rd January 2019. Mr. Havili had served the Fund in numerous capacities for almost 20 years, the last 10 years as Chief Executive Officer. The Fund Board acknowledges the dedicated service the former Chief Executive Officer had rendered to the Fund and it is with best wishes and gratidute that we bid farewell to Saia and his family.

The only recruitment carried out during the year was that of the new Fund Chief Executive Officer. Mr. Michael A. Bloomfied, former Deputy Chief Executive Officer, was appointed Chief Executive Officer of the Fund with effect from the 29th May 2019.

Retention

The Fund recognises the high cost of recruitment, thus the importance of retaining knowledge and experience within. The superannuation industry is a dynamic and highly speciliased sector. To this end, policies are designed to maximize staff retention.

The Fund continues to support an improve work-life balance programmes with rewards and recognition initiatives such as Employee of the Year Awards to acknowledge staff contribution and recognize outstanding staff(s). The Fund also recognizes staff's exceptional service, and provides clear succession plans and career pathways.

Performance Management System

The Fund's Performance Management System (PMS) has been developed to ensure performances of employees are assessed six (6) monthly and annually, via a fair and equitable system. The major PMS objectives are to:

- reward staff appropriately for their contributions to business success
- identify training and development opportunities for staff
- meet the principles of openness and fairness at all levels.

Staff Training and Development

The Fund Board recognises that employees are crucial to the success of the Fund; hence the Fund Board remains committed to training and development across all levels of the organisation. This will ensure that staffs are equiped with adequate skill sets to discharge their duties professionally and competently.

The Fund requires all staff to undergo some form of professional development at least once a year, whilst the Leadership team and selected staff Members are also granted the opportunity to attend international trainings and conferences to remain updated with current developments and industry practices. Further, the Fund continues with monthly in-house trainings as part of staff professional development programme.

Ms. 'Ofa Hui, Personal Assistant Trainee, completed a Bachelor of Business majoring in Management from the Auckland Institute of Studies (AIS) and returned to the Fund in September 2018. Additionally, Mr. Fe'ofa'aki Fusikata, Assistant Operation Officer, also obtained a Bachelor of Commerce, majoring in HR Management, Employer Relations Management and Public Administration from the University of the South Pacific returned to the Fund in December 2018.

During the year two (2) staff continued with online study towards the attainment of a Diploma of Superannuation through the Association of Superannuation Fund of Australia (ASFA).

The Fund was fortunate to gain the continuous assistance of the Government of Tonga, the Asian Development Bank (ADB), the Pacific Private Sector Development Initiative (PSDI) and the Pacific Liaison and Coordination Office, Sydney, Australia, the Fiji National Provident Fund, the Pacific Provident Fund Forum, the Australia Institute of Superannuation Trustee (AIST) and the ASFA with staff trainings and attachments.

Occupational Health and Safety (OHS) and Staff well-being programme

Management remains committed to providing a safe and healthy working environment for Staff, Members, tenants and the public at large, thus preventing all types of health hazards and injury.

Awareness on the prevention of non-communicable diseases (NCDs) is a priority in fostering a good work-life balance. Programmes such as weekly walks and Fiefia Sports together with Office of Ombudsman are supported.

Fleet Management

Consistent with the preceding year, the Fund has a total of five (5) vehicles with four (4) stationed at the Head office, Tongatapu and one (1) at the Vava'u Office.

Policy

The Fund's human resources and corporate services administration and management is governed by Personnel and Administrative Policy 2018. The said Policy outlines the terms and conditions of service of Fund staffs and procedures to be followed in dealing with staffing and other related administrative matters.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board's Corporate Governance Framework is continually reviewed by Management and Fund Board during the year, with updated and revised policies and procedures continually submitted for Fund Board approval.

These policy reviews and strengthening of the Fund Board governance framework, was greatly assisted and supported by the Asian Development Bank (ADB), the Pacific Private Sector Development Initiative (PSDI) and the Pacific Liaison and Coordination Office, Sydney, Australia.

Policy Based Corporate Governance

The Fund, in accordance with its overarching philosophy of governance by policy, conducts major reviews on a number of key policies every three (3) years, during the year. They are the:

- Fund Board Charter 2019
- Personnel & Administrative Policy 2019
- Financial Management Policy 2019
- ICT Policy 2019

The Fund Board also formulated and approved five (5) new policies for strengthening the governance framework. They are the:

- Corporate Governance Framework 2017
- Risk Management Plan/Strategy 2017
- Business Continuity & Disaster Recovery Plan 2017
- Operations Policy & Procedures 2017
- Members Crediting Rate 2017.

Annual policy reviewies: these are policies which were reviewed during the year. They are the:

- Investment & Credit Policy 2019
- Fund Account authorized Signatories for 2018/2019
- Delegation Register Charter for 2018/2019
- Self-Managed Life Insurance Policy for 2018/2019

Corporate Governance Report

Given the Fund's Corporate Governance strategy, management is required to prepare several reports and registers for submission to the Fund Board at the beginning of each financial year. This is to ensure the Fund operates in a prudentially sound manner. They are the:

- The Fund Board Resolutions Register for 2018/2019
- The Fund Board and Committees Meeting Attendance Register for 2018/2019
- The RFB Conflict of Interest Report for 2018/2019
- The RFB Breach Register 2018/2019
- The RFB Compliant Register 2018/2019
- The RFB Business Description as at 1st July 2018
- The RFB Policy Register as at 1st July 2018
- The RFB Service Provider Register as at 1st July 2018

- The Register of Fund Board Members as at 1st July 2018
- The Fund Board Members Training and Ongoing Professional Development Register as at 1st July 2018
- The Fund Management and Other Staff Register at July 2018
- The Fund Management & Other Staff On-going Professional Development Register as at 1st July 2018

Annual Business Plan and Estimates

The Board's governance requires the Fund's Annual Business Plan and Estimates for the next financial year to be submitted and approved by April every year or another time approved by the Board. The Fund continues to achieve this target

Annual Report

The Fund continues to prepare its Audited Financial Statements, and submit together with its Annual Report to His Majesty's Cabinet and Legislative Assembly every year.

Fund Regulator

The National Reserve Bank of Tonga is the Fund regulator for prudential supervision. The Fund continues to review and align its policies with best practice and consistent with prudential standards in the region to ensure Members saving is prudently managed.

Approved Retirement Fund & Consumption Tax Registration Certificate

The Board still maintained its Approved Retirement Fund and Consumption Tax Certification status for the purposes of the Income Tax Act and both certifications remains in force until withdrawal by the Chief Commissioner.

External Auditor

Given the need to ensure compliance and conformity with the International Financial Reporting Standards (IFRS) and Retirement Fund Acts, the Fund's Financial Statements continues to present a true and fair view of all material transactions of the Fund. The Fund Board again engaged KPMG Suva, Fiji, for the 2018/2019 audit

The auditor's unqualified opinion on Fund Accounts 2018/2019 was issued on 10th December 2019.

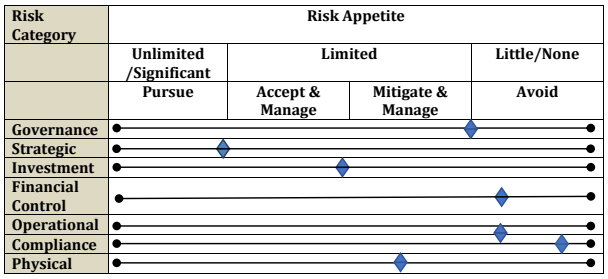
Audit Findings

Audit findings were reported to the Governance, Compliance, Audit and Risk Committee. Follow-up audits were conducted and Management also updated the committee on the implementation of audit recommendations. The majority of the audit recommendations for the 2017/2018 Financial Year were implemented during the 2018/2019 Financial Year.

Risk Management Strategy and Plan

The Fund Board identifies risk management as an integral part of its governance processes and seeks to foster a risk-aware culture that guides both the Fund Board Members and the officers it employs to carry out the management and operations of the Fund. The Fund Board recognizes that there are risks involved in operating the Fund and aims to manage and minimize these risks as appropriate while still maintaining appropriate administration and maximizing benefits for Members.

The Fund Board has set an overall risk appetite for the Board and an individual risk appetite for a particular category of risk as follows:



Policy

The Fund's Corporate Governance Framework and Risk and Compliance administration and management is governed by Corporate Governance Framework 2017 and Risk Management Strategy and Plan 2017. The said policy provides a summary of the authority and legal documents under which the Fund and Board operates; the control and operational structures that govern the Fund; an outline of its internal policies, procedures and reports; and sets out the major service provider agreements and reports currently in place and/or received by the Fund Board.

FUND BOARD

The Fund Board is the peak governance body of the Fund and is ultimately responsible for administering the Fund in accordance with the laws of Tonga. The Fund Board operates under a defined Charter and is headed by the Chairman.

The composition of the Fund Board is determined by the Retirement Fund Board Act 1998, which has provisions for equal representation of Employer and Member Representatives. These Representatives are:

- Three (3) Employer Representatives, i.e. Prime Minister, Minister of Finance and "Cabinet Minister" as appointed by His Majesty Cabinet from time to time"; and
- Three (3) Member Representatives who are appointed following election by Fund Members

The Prime Minister, Honorable Samiuela 'Akilisi Pohiva, is the Chairman and the Deputy Prime Minister, Honourable Semisi Kioa Lafu Sika, is the Deputy Chairman. The Chief Executive Officer is the Secretary of the Board.

Employer's Representatives

The three Employer Representatives remained the Prime Minister, Honourable Samiuela 'Akilisi Pohiva, the Deputy Prime Minister, Honourable Semisi Kioa Lafu Sika and the Minister of Finance, Honourable Reverened Dr. Pohiva Tu'i'onetoa.

Member's Representatives

The three (3) Member Representatives are Mr. Sione Folau Lokotui (Ministry of Justice), Mr. Manu 'Aipolo 'Akau'ola (Ministry of Education and Training) and Mr. Hekisou Fifita (MEIDECC). Whilst Mr. Vilai 'Ilolahia from Ministry of Education and Training and Dr. Leiukamea Saafi from the Ministry of Health are the Alternate Member Representatives to the Fund Board. Their four (4) year term will end on 28th October 2019.

Fund Board Meetings

Looking after the retirement savings of over 6,500 Members is an immense responsibility, one that the Fund Board takes seriously.

The Fund Board continues to exercise good governance principles in conducting its operations and obligations to Member's and stakeholders. The Fund Board held eight (8) meetings during the Financial Year. The Fund Board Charter requires that Fund Board meet at least six (6) times in a financial year, with authority to convene additional meetings, as circumstances require.

Committees

The Committees of the Fund Board assist the Fund Board in scrutinizing and endorsing resolutions for Fund Board consideration.

There are three (3) standing Fund Board Committees; Governance, Compliance, Audit and Risk Committee, Election Committee and Investment Committee. The Committees consist of the following Membership structure. All Committees have written Charters stipulating purpose and responsibilities of each Committee.

	Governance, Compliance, Audit and Risk Committee	Investment Committee	Election Committee
Chairman	Honourable Deputy Prime Minister	Honourable Minister of Finance	Chief Executive Officer of the Public Service Commission
Member's	All Member's Representatives (MR) and MR No.1 (Deputy Chair)	All Member's Representatives (MR) and MR No.2 (Deputy Chair)	Solicitor General
Fund Office	Chief Executive Officer	Chief Executive Officer	Deputy Chief Executive Officer
Secretary	Office of the Retirement Fund Board	Head of Investment Division	Office of the Public Service Commission

Governance, Compliance, audit and Risk Committee (GCAR)

The GCAR Committee monitors and oversees the Fund's Governance, Compliance and Risk Management Frameworks, CEO Annual Performance Appraisal, Staff Remunerations, Financial Reporting, Business Plan/Annual Estimates, Annual Report and Audit of the Fund.

The GCAR Committee met eight (8) times during the financial year.

Investment Committee

The Investment Committee met our (4) times during the period to discuss Investment related matters.

The Committee assists the Fund Board in meeting its statutory and governance responsibilities in relation to the Investment Policy, Investment Strategies and implementation for the Fund. It's include sets asset allocation strategy, monitors the investment portfolio, assesses investment proposals and makes recommendations to the Fund Board as appropriate.

Election Committee

The Election Committee monitors compliance with Members Representatives Election Procedures and supervises the election of Members Representatives. The next election will be in September 2019. Thus, there was no meeting convened during the year.

Fund Board and Committee Attendance

Fund Board Members are expected to attend all Fund Board and Committee meetings. The Fund Board and Committees Attendance Register for 2018/2019 are as follows:

Fund Board Members	Status	Fund Board Meeting	GCAR Meeting	Investment Committee
Hon. Samiuela 'Akilisi Pohiva	Continuing	6/8	N/A	N/A
Hon. Semisi Sika	Continuing	7/8	7/8	N/A
Hon. Dr, Pohiva Tu'i'onetoa	Continuing	7/8	N/A	3/4
Mr. Sione Folau Lokotui	Continuing	7/8	6/8	2/4
Mr. Manu Aipolo 'Akauola	Continuing	8/8	8/8	3/4
Mr. Hekisou Fifita	Continuing	7/8	6/8	4/4

Disclosure of Fund Board Member Interest

Given the need to manage conflict of interest and Member independence, the Fund Board continues to declare their interest at the beginning of the financial year and during every Fund Board Meeting.

Delegations of Authority

The Fund Board has delegated the day-to-day operation of the Fund to Management. The Fund Office is headed by the Chief Executive Officer (CEO).

During the year the Fund Board continues to delegate some of its responsibilities to the CEO and Management and Committees however, must report back to the Fund Board for noting to improve efficiency and effectiveness.

Chief Executive Officer (CEO) Appraisal

One of the principal responsibilities of the Fund Board is to monitor and evaluate the performance of the CEO on an annual basis.

The Fund Board delegated this responsibility to the GCAR Committee to carry out in October each year. For 2018/2019 appraisal, the GCAR Committee and Fund Board were satisfied with the CEO's performance.

Fund Board Professional Development

The Fund Board recognizes the need for Fund Board Member's continual professional development. This is an essential requirement due to the specialised and dynamic nature of the superannuation industry.

During the year, Fund Board Members and Secretary were approved to attend the Annual Association of Superannuation Fund of Australia (ASFA) Conference.

Fund Board & CEO Remunerations

Policy requires that Fund Board Member & CEO remunerations shall reflect the demands on and responsibilities of Fund Board Members and CEO and to be reviewed by independent body. The last Fund Board Remuneration reviewed was on 1st July 2016 by Remuneration Authority (RA).

Policy

The Fund Board's administration is governed by Acts and Regulations and Fund Board

Charters 2018. The Acts and Regulations complimented by the Charter outlines the roles, responsibilities of Members and Committees, composition of Committees, meetings, and remuneration of the Fund Board.

APPRECIATION

The feedback of our Members, both past and presents, and employer is crucial in the continuous improvement of our service provision. The Fund wishes to thank all of you, and other key stakeholders, for your support during the year.

The Fund recognizes its fiduciary responsibility to its entire Membership and will always continue to work in Members' best interest.

Management has been privileged to have the counsel and the support of the Honourable Chairman, Fund Board Members, both past and present, and supporting Committees during the financial year. The Fund Board's effective guidance and stewardship allowed Management to execute its responsibilities effectively and efficiently.

Finally, I would be a remiss in my duties if sincere gratitude and appreciation to Fund staff ware not mentioned. Their untiring commitment and dedication to their work ensures the highest standard of work and ouput is performed. The Fund acknowledges that Fund staffs are our key assets in delivering service levels that are second to none to our Members and stakeholders.

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Mr. Michael A. Bloomfield
Chief Executive Officer

RETIREMENT FUND BOARD
Retirement Fund Board
TONGA

Retirement Fund Board
Financial Statements
For the year ended 30 June 2019

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The Fund Board presents their report together with the financial statements of the Retirement Fund Board (the Fund) for the year ended 30 June 2019 and the auditor's report thereon.

FUND BOARD

The Fund board Members during the financial year report and up to the date of this report were:

- Prime Minister, Hon. Dr. Pohiva Tu'i'onetoa (Chairman) - Appointed on 08/10/2019;
- Former Prime Minister, Hon. Samiuela 'Akilisi Pohiva (Former Chairman) - Term ended on 12/09/2019;
- Deputy Prime Minister, Hon. Vuna Faka'otusia (Deputy Chairman) - Appointed on 09/10/2019;
- Former Deputy Prime Minister, Hon. Semisi Sika (Former Deputy Chairman) - Term ended on 08/10/2019;
- Minister of Finance, Hon. Tevita Lavemaau - Appointed on 09/10/2019;
- Former Minister of Finance, Hon. Dr.PohivaTu'i'onetoa - Term ended on 08/10/2019 ;
- Mr. Manu 'Aipolo 'Akauola (Members Representative) - Re-Appointed on 29/10/2019;
- Mr. SioneFolauLokotui (Members Representative) - Re-Appointed on 29/10/2019;
- Mr. Sione Faleafa (Members Representative) - Appointed on 29/10/2019; and
- Mr. Hekisou Fifita (Former Members Representative) - Term ended 28/10/2019.

OPERATIONS OF THE FUND

The Fund is a defined contribution fund and the operation of the Fund has been carried out in accordance with the provisions of the Retirement Fund Board Act 1998, Retirement Fund Act 1998 and the Retirement Fund (Administrations) Regulations 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Fund is the provision of superannuation services to its Members. There were no significant changes in the nature of these activities during the financial year.

RESERVES

The Fund Board approved the allocation of profit to Members accounts from the Fund's income statement as annual interest at a rate of3.5%(2018: 4%).

BAD AND DOUBTFUL DEBTS

The Fund Board Members took reasonable steps before the financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts. At the date of this report, the board Members are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

CURRENT ASSETS

The Fund Board Members took reasonable steps before the financial statements were made out to ascertain that the current assets of the Fund were shown in the accounting records at a value equal to or below the value that would be expected to be realized in the ordinary course of business. At the date of this report, the board Members are not aware of any circumstances which would render the values attributable to the current assets in the financial statements misleading.

RELATED PARTY TRANSACTIONS

In the opinion of the Board Members all related party transactions have been recorded in the books of the Fund and adequately disclosed in the attached financial statements.

OTHER CIRCUMSTANCES

At the date of this report, the Fund Board Members are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements misleading.

FUND BOARD MEMBERS' BENEFIT

No Fund Board Member has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Fund Board Members shown in the financial statements) by reason of a contract made with the Fund or a related corporation with the Board Member or with a firm of which the Fund Board Member is a Member, or in anentity in which the Fund Board Member has a substantial financial interest.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board Members of the Fund, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in subsequent financial years.

For and on behalf of the Fund Board

……..... ……..

Honourable Dr. Pohiva Tu'i'onetoa
Chairman

Mr. Manu 'Aipolo 'Akauola
Fund Board Member

In the opinion of the Fund Board:

(a) the accompanying income statement is drawn up so as to give a true and fair view of the results of the Fund for the year ended 30 June 2019;

(b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of the affairs of the Fund as at 30 June 2019;

(c) the accompanying statement of changes in Member benefits is drawn up so as to give a true and fair view of the movements in Member benefits of the Fund for the year ended 30 June 2019;

(d) the accompanying statement of changes in reserves is drawn up so as to give a true and fair view of the movements in the reserves of the Fund as at 30 June 2019;

(e) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 June 2019;

(f) at the date of this statement there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due;

(g) all related party transactions have been recorded and adequately disclosed in the attached financial statements; and

(h) the financial statements have been prepared in accordance with the provisions of the Retirement Fund Board Act 1998and International Financial Reporting Standards.

Signed in accordance with a resolution of the Fund Board this 1st day of November 2019.

……

Honourable Dr. Pohiva Tu'i'onetoa
Chairman

……

Mr. Manu 'Aipolo 'Akauola
Fund Board Member

Independent Auditors' Report

To the Members of Retirement Fund Board

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Retirement Fund Board ("the Fund"), which comprise the statement of financial positionas at 30 June 2019, the statements of income, changes in member benefits, changes in reserve and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 20.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial performance, changes in member benefits, changes in reserves and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Retirement Fund Board Act 1998 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Report on the Audit of the Financial Statements – continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt onFund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report

To the Members of Retirement Fund Board – continued

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
In our opinion:

i). proper books of account have been kept by the Fund, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

ii). to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Retirement Fund Act 1998, in the manner so required.

10 December **, 2019**

Suva, Fiji

KPMG KPMG

Chartered Accountants

RETIREMENT FUND BOARD STATEMENT OF FINANCIAL POSITION

AS AT 30th JUNE 2019

	Notes	2019 TOP	2018 TOP
Assets			
Cash			
Cash	**11**	14,196,168	7,631,140
Receivables			
Interest receivables	**12**	1,110,896	1,322,375
Other receivables		34,818	190
		1,145,714	**1,322,565**
Investments			
Debt securities	**8**	79,305,300	95,312,000
Transfer value accounts	**9**	2,265	53,528
Loans and advances	**10**	50,340,477	48,404,698
Equity investments – local unutilised		7,500,000	-
Equity investments – offshore managed investments		11,190,755	-
		148,338,797	**143,770,226**
Other assets			
Property, plant and equipment	**13**	7,287,404	7,333,175
Intangible assets	**14**	259,441	288,446
		7,546,845	**7,621,621**
Total assets		**171,227,524**	**160,345,552**
Liabilities			
Sundry creditors		271,066	255,532
Employee entitlements	**15**	63,311	64,865
Deferred income		7,473	11,743
		342,387	**332,140**
Net assets available to pay benefits	**16**	**170,885,137**	**160,013,412**
Member benefits			
Allocated to members		165,726,521	152,791,763
Unallocated to members		3,367,086	4,258,600
Total member benefits		**169,093,607**	**157,050,363**
Total net assets		**1,791,530**	**2,963,049**
Equity			
Insurance reserve	**16(c)(i)**	476,929	500,000
Investment fluctuation reserve	**16(c)(ii)**	198,644	1,115,334
General reserve accounts	**16(c)(iii)**	1,115,957	1,347,715
Total equity		**1,791,530**	**2,963,049**

Signed in accordance with a resolution of the Fund Board.

Honourable Dr. Pohiva Tu'i'onetoa
Chairman

Mr. Manu 'Aipolo 'Akauola
Fund Board Member

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 40.

RETIREMENT FUND BOARDINCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 TOP	2018 TOP
Superannuation activities			
Revenue			
Interest income	**5**	6,634,988	6,472,569
Other income	**6**	207,691	212,166
Life insurance proceeds	**16(c)(i)**	425,562	419,241
		7,268,241	**7,103,976**
Expenses			
Investment expenses		(559,517)	(393,768)
General administrative expense	**7**	(1,729,158)	(1,546,871)
Life insurance expenses	**16(c)(i)**	(448,633)	(335,461)
Unrealised foreign exchange loss		(10,435)	-
		(2,747,743)	**(2,276,100)**
Profit available for allocation		4,520,498	4,827,876
Income tax expense	**3(k)**	-	-
Net profit available for allocation		4,520,498	4,827,876
Net benefits allocated to member's account		(4,775,326)	(4,997,624)
Net profit taken from reserves	**16(d)**	**(254,828)**	**(169,748)**

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 40.

RETIREMENT FUND BOARD STATEMENT OF CHANGES IN MEMBER BENEFITS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 TOP	2018 TOP
Opening balance of Member's benefit		**157,050,364**	**146,201,390**
Contributions revenue			
Employer contributions		9,440,010	9,247,859
Members contributions		5,349,962	5,189,389
Pension contributions		919,374	899,379
Transfer value contributions		276,806	291,047
Total contribution		15,986,152	15,627,674
Benefits payments to members	**17**	(8,182,926)	(7,142,723)
Benefits payments to pensioners	**17**	(532,694)	(745,147)
Interest adjustment for opening balance		(916,690)	(988,245)
Interest allocated to members account		5,689,401	4,097,415
Closing balance of member benefit		**169,093,607**	**157,050,364**

The statement of changes in Member benefits is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 40.

RETIREMENT FUND BOARD STATEMENT OF CHANGES RESERVE

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Insurance reserve TOP	General reserve TOP	Investment reserve TOP	Total TOP
Balance at 1 July 2017		**449,063**	**1,568,400**	**127,089**	**2,144,552**
Net transferto/(from)member reserve/benefits	**16(c)**	50,937	(220,685)	988,245	818,497
Balance at 30 June 2018		**500,000**	**1,347,715**	**1,115,334**	**2,963,049**
Net transfer from member reserve/benefits	**16(c)**	(23,071)	(231,758)	(916,690)	(1,171,519)
Balance at 30 June 2019		**476,929**	**1,115,957**	**198,644**	**1,791,530**

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 40.

RETIREMENT FUND BOARD STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 TOP	2018 TOP
Cash flows from operating activities:			
Interest received		6,149,860	5,541,971
Life insurance proceeds	**16(c)(i)**	425,562	419,241
Transfer value proceeds		745,795	1,449,874
Other income		168,447	200,303
Life insurance claims	**16(c)(i)**	(448,633)	(335,461)
Payments to suppliers and employees		(2,026,654)	(1,659,260)
Net cash from operating activities		**5,014,377**	**5,616,668**
Cash flows from investing activities:			
Acquisition of plant, equipment and intangible assets		(172,188)	(213,827)
Proceeds from sale of plant and equipment		1,950	7,120
Disbursements of loans net		(1,935,779)	(12,224,338)
Proceeds / (placements) of term deposits		16,006,700	(21,777,547)
Offshore managed investment		(11,201,190)	-
Local unlisted equity		(7,500,000)	-
Net cash used in investing activities		**(4,800,507)**	**(34,208,592)**
Cash flows from financing activities:			
Contributions received			
- Employers		9,440,010	9,247,859
- Members		5,626,768	5,480,436
Benefits paid to Members		(8,715,620)	(7,887,870)
Net cash from financing activities		**6,351,158**	**6,840,425**
Net increase/(decrease) in cash held		**6,565,028**	**(21,751,499)**
Cash at the beginning of the financial year		**7,631,140**	**29,382,639**
Cash at the end of the financial year	**11**	**14,196,168**	**7,631,140**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 40.

1. REPORTING ENTITY

The Retirement Fund Board (the "Fund") is a superannuation fund domiciled in the Kingdom of Tonga. The Fund is constituted by Section 4 of Retirement Fund Act 1998 to provide retirement benefits to public servants. The address of the Fund's registered office is Level 1 RFB Building, Corner of Mateialona&Railway Road, Nuku'alofa.

The financial statements were approved by the Fund Board on 1st day of November 2019

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements is a general purpose financial statement which has been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board including International Accounting Standard ("IAS") 26 Accounting and Reporting by Retirement Benefit Plans and the requirements of the Retirement Fund Act, 1998.

(b) Basis of measurement

The financial statements are presented in Tonga Pa'anga, which is the Fund's functional currency, rounded to the nearest Tonga Pa'anga and has been prepared under the historical cost convention.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(d) Changes in accounting policies and disclosures

Standards, amendments and interpretations issued but not yet effective

Apart from the adoption of IFRS 9 *Financial Instruments,* IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, a number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018, and have not been applied in preparing these financial statements. None of the new standards is expected to have a significant effect on the financial statements of the Fund.

Changes in accounting policies

Except for the changes below, the Fund has consistently applied the accounting policies to all periods presented in these financial statements. The Fund did not have any revenue stream that was in the scope of IFRS 15.

A. *IFRS 9Financial Instruments*

The Fund has adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 July 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

The nature and effects of the key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Fund adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the income statement. Previously, the Fund's approach was to include the impairment of financial assets in general and administrative expenses. Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures for 2019 but generally have not been applied to comparative information.

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies and disclosures (continued)

A. *IFRS 9Financial Instruments (continued)*

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Fund classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 3(f).

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 3(f).

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below.

– Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the general reserve as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

– The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.

– If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Fund assumed that the credit risk on the asset had not increased significantly since its initial recognition.

However, there was no impact on transition to IFRS 9 on retained earnings at 1 July 2018.

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Debt securities	8	Held-to-maturity	Amortised cost	95,312,000	95,312,000
Loans and advances	10	Loans and receivables	Amortised cost	48,404,698	48,404,698
Cash	11	Loans and receivables	Amortised cost	7,631,140	7,631,140
Receivables	12	Loans and receivables	Amortised cost	1,322,375	1,322,375

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies and disclosures (continued)

A. *IFRS 9Financial Instruments (continued)*

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Total financial assets				**152,670,213**	**152,670,213**
Financial liabilities					
Sundry creditors		Other financial liabilities	Other financial liabilities	255,532	255,532
Total financial liabilities				**255,532**	**255,532**

The Fund's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(f). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Loans, advances and receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

b. Debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Fund intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018.

	IAS 39 carrying amount at 30 June2018	Reclassification	Re-measurement	IFRS 9 carrying amount at 1 July 2018
Financial assets				
Amortised cost				
Debt securities	95,312,000			
Brought forward: Held-to-maturity		-	-	
Re-measurement				
Carried forward: Amortised cost				95,312,000
Loans and advances				
Brought forward: Loans and receivables	48,404,698			
Re-measurement		-	-	
Carried forward: Amortised cost				48,404,698
Cash				
Brought forward: Loans and receivables	7,631,140			
Re-measurement		-	-	
Carried forward: Amortised cost				7,631,140

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies and disclosures (continued)

B. *IFRS 9Financial Instruments (continued)*

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

	IAS 39 carrying amount at 30 June2018	Reclassification	Re-measurement	IFRS 9 carrying amount at 1 July 2018
Receivables				
Brought forward: Loans and receivables	1,322,375			
Remeasurement		-	-	
Carried forward: Amortised cost				1,322,375
Total amortised cost	**152,670,213**	**-**	**-**	**152,670,213**

There was no change to the opening ECL allowance determined in accordance with IFRS 9 as at 1 July 2018. The closing impairment allowance for financial assets in accordance with IAS 39 as at 30 June 2018 was the same as the ECL allowance determined under IFRS 9.

IFRS 16 Leases

The Fund applied IFRS 16 with a date of initial application of 1 July 2018. As a result, the Fund has changed its accounting policy for lease contracts as detailed below.

The Fund applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2018. The details of the changes in accounting policies are disclosed below.

i. Definition of a lease

Previously, the Fund determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Fund assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(p).

On transition to IFRS 16, the Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2018.

ii. As a lessee

As a lessee, the Fund previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Fund. Under IFRS 16, the Fund recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Fund decided to apply recognition exemptions to short-term leases of space (see Note 3(p)). For leases of other assets, which were classified as operating under IAS 17, the Fund recognised right-of-use assets and lease liabilities.

a. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Fund's incremental borrowing rate as at 1 July 2018. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessees incremental borrowing rate at the date of initial application – the Fund did not apply this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Fund applied this approach to all leases.

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies and disclosures (continued)

IFRS 16 Leases (continued)

ii. As a lessee (continued)

a. Leases classified as operating leases under IAS 17 (continued)

The Fund used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

iii. As a lessor

The Fund is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Fund accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Fund is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. The Fund has no sub-lease contract.

iv. Impacts on financial statements

The impact of IFRS 16 was limited to the change in accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Tonga Pa'anga at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Tonga Pa'anga at the exchange rate at that date. The foreign currency gains or losses on translation are recognized in the income statement.

(b) Cash

Cash includes the cash at banks.

(c) Other receivables

Other receivables comprise of receivables from employees with respect to surcharges and are stated at amortised cost.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in the income statement.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Fund and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipmentis recognized in the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

Depreciation

Items of property, plant and equipment are depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. The method of write off and the rates used are those considered appropriate to each class of asset. The annual depreciation rates are as follows:

	Depreciation rates
Office furniture and equipment	20%
Motor vehicles	10% - 20%
Computer equipment	20% - 33%
Buildings	1.25%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets

Acquired computer software licences have a finite useful life and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group. All other expenditure, including costs associated with maintaining computer software programmes are recognised in the income statement as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the income statement. The estimated useful life for the Software is 5 years.

(f) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 July 2018 (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 July 2018

The Fund makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable rate features;

– prepayment and extension features; and

– terms that limit the Fund's claim to cash flows from specified assets (e.g. non−recourse features).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Business model assessment – Policy applicable from 1 July 2018 (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in income statement.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the income statement.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the income statement.

Financial assets – Policy applicable before 1 July 2018

Financial instruments comprise investments in Government bonds and other fixed interest securities, term deposits, cash and loans and advances. The Fund classifies its financial assets in the following categories: held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial assets

The Fund initially recognises loans and advances on the date they are originated. All other financial assets (including assets designated as at fair value through the statement of changes in net assets) are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument. Any interest in such financial asset that is created or retained by the Fund is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Fund classifies non-derivative financial assets into the following categories: held to maturity and loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable before 1 July 2018 (continued)

Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and the ability to hold to maturity, other than those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Term deposits, government securities and other fixed securities are included under this category.

Loans and advances

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Members' loans and advances are carried at principal balances outstanding. Interest income is brought to account by applying the effective interest rate method. The loans are secured against the Members' contributions to the Fund.
Members are eligible to take a loan from the Fund not exceeding 50% of their Leaving Service Benefit on the date of application. However it was increased to 65% between March to June 2018 to allow for GITA assistance. The GITA loan assistance was only given till June 2018 and not afterwards. The Fund has the following products on offer: `

Small loan investment scheme (SLIS)

SLIS was established to enhance the Member's livelihood during their working life and appropriate diversification of the Fund's investment portfolio.

Home improvement loan investment scheme (HILIS)

HILIS is a loan product introduced by the Fund in the last financial year. It was established to assist Members to improve the condition of their homes.

Public Enterprise loan investment scheme (PELIS)

PELIS was a new loan product introduced by the Fund in the current financial year. It was established as a new investment product to government and/or its corporations and agencies in capital projects of national interest.

Cyclone GITA Loan Assistance

This was a new compassion ground after the cyclone GITA depending on whether the member had current SLIS/HILIS loans or without a SLIS/HILIS loans which allowed the members loan and advance balance to increase to 65% of the contribution balance at any point of time. This compassion ground only applied from March to June 2018. All such loans were fully re-paid during the June 2019 financial year.

Members with current SLIS/HILIS Loans

It allowed of up to six (6) months loan (SLIS & HILIS) repayment suspension, however, total of repayment projected for suspension period was paid up front. Current loan repayment schedule remains the same with current loan term extended by period of repayment suspension.

Members without current SLIS/HILIS Loans

Up to six (6) months repayment holiday was be available to applicants. Loan term was be extended by periodof repayment holiday.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable before 1 July 2018 (continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held−for−trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

iii. Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non−cash assets transferred or liabilities assumed) is recognised in the income statement.

iv. Modifications of financial assets

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see Note 3(f)(iii)) and a new financial asset is recognised at fair value.

Policy applicable from 1 July 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement. If such a modification is carried out because of financial difficulties of the borrower (see Note 3(f)(vi)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see Note 3(q)).

Policy applicable before 1 July 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate (see Note 3(f)(vi)).

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

v. Impairment

Policy applicable from 1 July 2018

Financial instruments

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

No impairment loss is recognised on equity investment.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12−month ECL:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward−looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

The Fund considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per rating agency Moody's or BBB− or higher per rating agency Standards & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12−month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability−weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows; and

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit−impaired. A financial asset is 'credit−impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

v. Impairment (continued)

Policy applicable from 1 July 2018 (continued)

Evidence that a financial asset is credit−impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Fund on terms that the Fund would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write−off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there isobjective evidence of impairment as a result of one or more events that occurred after the initial recognitionof the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.
For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortisedcostor Loans and advances

As the loans and advances of the Fund are secured against the members' contributions there is no impairment recorded in respect of these loans and advances. The loans and advances balance of a member does not exceed 50% percent of the contribution balance at any point in time except for the periodof GITA assistance which allow to increase to 65%. Meanwhile held to maturity financial assets are guaranteed by government or held with financial institutions.

(g) Sundry creditors and accruals

Sundry creditors and accruals are stated at amortisedcost using effective interest rate. A provision is recognized in the statement of financial position when the Fund has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(h) Employee benefits

Wages, Salaries and Employee entitlements

Liabilities for wages, salaries and employee entitlements are recognizedand are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services provided up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue

Interest income

Interest income earnedfrom members' loans are brought to account by applying the effective interest rate method.

Interest income earned from debt securities such as term deposits and Government bonds and transfer value are brought to account on a straight line basis.

Fees and surcharges

Fees and surcharges comprising of loan application fee and surcharges on member contributions are recognized when related services have been provided to the members.

(j) Expense recognition

Benefits paid

Benefits paid include member withdrawals, pension payouts and other member payments. These are recognized upon payment of such benefits.

Other expenses

Expenses are recognized in the income statementwhen the good/service isreceived.

(k) Income tax

The Retirement Fund is exempt from income tax under section 22 of the Income Tax Act 2007. The Fund has a certified approved Fund and Consumption Tax Certification by the Chief Commissioner of Revenue and Customs.

(l) Contributions

Contributions from employers and members are recorded upon receipt of the contributions from the employers. The amount of contributions due for an employee is equal to 15% of the total wages payable to the employee for the month. The contribution is paid by a 5% deduction from the total wages from the employee and 10% by the employer. A member may contribute additional amounts at such an amount as the member determines.

(m) Liability for accrued benefits

The liability for accrued benefits represents the Fund's present obligation to pay benefits to members and beneficiaries and is determined on the basis of the expected future payments which arise from the membership of the Fund up to the reporting date.

(n) Pension accrued benefits

The liability for pension accrued benefits represents the Fund's present obligation to pay benefits to retirees and beneficiaries and is determined on the basis of the expected future payments which arise from the membership of the Fund up to the reporting date.

(o) Insurance fund

Receipts and payments for the insurance policy for self-managing the life insurance scheme are processed directly from the Fund, and any excess of Fund assets over the liabilities are reported separately in the statement of changes in reserves. Transactions are recognized on a cash basis.

All members are insured on a Group Life Insurance Scheme which is self-managed by the Fund. The insured amount is equal to the member's annual basic salary as at the July review date.

(p) Leases

The Fund has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2(d).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

Policy applicable from 1 July 2018

At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Fund has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Fund has the right to direct the use of the asset. The Fund has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Fund has the right to direct the use of the asset if either:
  - the Fund has the right to operate the asset; or
  - the Fund designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2018. At inception or on reassessment of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Policy applicable before 1 July 2018

For contracts entered into before 1 July 2018, the Fund determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

Under IFRS 16 – from 1 July 2018

The Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodicallyreduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

Policy applicable before 1 July 2018 (continued)

i. As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund presents right-of-use assets and lease liabilities as separate line items in the statement of financial position.

Short-term leases and leases of low-value assets
The Fund has elected not to recognise right-of-use assets and lease liabilities for short-term leases of space that have a lease term of 12 months or less and leases of low-value assets. The Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor
When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Fund applies IFRS 15 to allocate the consideration in the contract.

The Fund recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Fund as a lessor in the comparative period were not different from IFRS 16. However, when the Fund was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

(q) Finance income and finance costs

The Fund's finance income and finance costs include:

– interest income;
– interest expense;
– the foreign currency gain or loss on financial assets and financial liabilities; and
– impairment losses (and reversals) on investments in debt securities carried at amortised cost.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(r) Comparative figures

Where necessary comparative figures have been adjusted to conform to changes in current year presentation.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

Introduction

The Fund is committed to the management of risk to achieve sustainability of service to its members, employment of its staff and net surplus attributable to members and, therefore, takes on controlled amounts of risk when considered appropriate.

The Fund has exposure to the following risks:

- Market risk;
- Liquidity risk;
- Credit risk.

The Fund Board has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyse the risk faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The following sections describe the risk management framework components:

Market risk

The Fund's operations are subject to the risk of interest rate fluctuations to the extent that investments re-price at different times or in differing amounts. Risk management activities are aimed at maximizing gain on investment; given market interest rate levels are consistent with the Fund's business strategies.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizingthe return on risk.

To mitigate market risk, the Fund undertakes all investment decision making and ensures it has appropriate expertise and skill for monitoring market conditions and benchmark analysis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

Market risk (continued)

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk through its offshore investments which are denominated in United States Dollars, Australian Dollars and New Zealand Dollars respectively. As the currency in which the company presents its financial statements is in Tonga Pa'anga, the Fund's financial statements are affected by the movements in the exchange rates between this currency and other foreign currencies.

The Fund's exposure to foreign currency risk is as follows:

	USD	NZD	AUD
	$	$	$
30 June 2019			
Offshore investments	6,061,975	2,749,623	2,379,157
30 June 2018			
Offshore investments	-	-	-

The following exchange rates were applied during the year:

	Year-end spot rate	
	2019	**2018**
USD	0.4395	-
NZD	0.6550	-
AUD	0.6266	-

Sensitivity analysis

A 10 percent strengthening (weakening) of the USD, NZD and AUD, as indicated below against the Tonga Pa'anga at 30 June would have increased (decreased) profit and loss and equity for the period by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2018.

Effect in TOP

	Equity	Profit of loss
	$	$
30 June 2019		
USD	673,553	(673,553)
NZD	305,514	(305,514)
AUD	264,351	(264,351)
30 June 2018		
USD	-	-
NZD	-	-
AUD	-	-

A 10 percent weakening of the USD, NZD and AUD against the Tonga Pa'anga at 30 June would have had the equal but opposite effect, on the basis that all other variables remain constant.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

Market risk (continued)

ii. Interest rate risk(continued)

The majority of the Fund's financial instruments are interest-bearing with cash and cash equivalents, fixed interest securities and loans and advances being directly subject to interest rate risk. Any excess cash and cash equivalents above immediate working capital requirements are invested in short-term deposits which are available at call to maximize returns.

Interest on loans and advances are fixed for the term with the maximum term of any loan being three years. As a result, the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

For re-investment of short and long term cash deposits, the Fund negotiates an appropriate interest rate with the banks and invests with the bank which offers the highest interest return. For fixed interest securities, the prices and terms are usually set by the issuer and the terms are determined and agreed at the start. Terms for loans and advances are set by the Fund and agreed at the start.

The Fund's interest rate risk is monitored on a daily basis by the Investment Manager in accordance with the policies and procedures in place including monitoring of exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Investment Manager also has the authority to maximize returns through the transfer of excess cash to short-term deposits. All transfers require dual authorisation from the Investment Manager and Chief Executive Officer. Currently all cash assets are held with domestic financial institutions.

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed Interest bearing instruments	**Note**	**2019 TOP**	**2018 TOP**
Cash	11	14,196,168	7,631,140
Loans and advances	10	50,340,477	48,404,698
Transfer value accounts	9	2,265	53,528
Debt securities	8	79,305,300	95,312,000
		143,844,210	**151,401,366**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficientliquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. It is the Fund's policy to have liquidassets greater than anticipated withdrawals. The Fund's Act provides for the daily withdrawal of benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals at any time.

To control liquidity risk in terms of member withdrawals, the Fund has implemented measures to restrict withdrawals for certain benefits only. The major portion of the member withdrawals is retirement which is controlled by maintaining adequate cash in the general operating account. The Fund also holds term deposits that are at call in cases of liquidity issues.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is subject to credit risk through its lending and investing activities.

The Fund's primary exposure to credit risk arises through its loans to members. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of net assets. Lending standards and criteria are defined for loans provided to members of the Fund. The Fund relies primarily on the integrity of members and their ability to meet the obligations to the Fund. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2019 TOP	2018 TOP
Cash	11	14,196,168	7,631,140
Interest receivable	12	1,110,896	1,322,375
Transfer value accounts	9	2,265	53,528
Debt securities	8	79,305,300	95,312,000
		94,614,629	**104,319,043**

The security held against the loan exposure is the balance of funds in the member's account held by the Fund. Hence the credit exposure for loans is nil as it is fully secured against the member balances.

Amounts arising from ECL

Cash
The Fund held cash of $14,196,168 at 30 June 2019 (2018: $7,631,140). Cash held with international banks are rated B2 to Aa3, based on Moody's ratings. In relation to cash held with local banks the Fund monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on cash has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that its cash have low credit risk based on the external credit ratings of the counterparties and available press and regulatory information.

The Fund uses a similar approach for assessment of ECLs for cash to those used for debt securities.

Accordingly, due to short maturities, on initial application of IFRS 9, the Fund did not recognise an impairment allowance against cash as at 1 July 2018. The amount of the allowance did not change during 2019.

Debt investment securities
The Fund held debt investment securities of $79,305,300 at 30 June 2019 (2018: $95,312,000). The debt investment securities are held with banks and the National Reserve Bank of Tonga. Debt investment securities held with international banks are rated B2 to Aa3, based on Moody's ratings. In relation to debt investment securities held with local banks and the National Reserve Bank of Tonga the Fund monitors changes in credit risk by reviewing available press and/or regulatory information.

Impairment on debt investment securities has been measured on the 12-month expected loss basis. The Fund considers that its debt investment securities have low credit risk based on the external credit ratings of the counterparties (in relation to international banks) and available press and regulatory information (in relation to local banks and the National Reserve Bank of Tonga).

On initial application of IFRS 9, the Fund did not recognise an impairment allowance against debt investment securities as at 1 July 2018. The amount of the allowance did not change during 2019.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

Credit risk (continued)

Comparative information under IAS 39

The table below summarizes the ageing of loans and advances of the Fund as at 30 June 2019 based on the carrying amounts:

	0 – 3 months TOP	3-12 months TOP	1-2 years TOP	More than 2 years TOP	Total TOP
30 June 2019	60,602	292,900	1,601,654	48,445,923	50,340,477
30 June 2018	26,658	637,670	2,012,727	45,727,643	48,404,698

Comparative information under IAS 39 (continued)

The table below presents the maturity profile of held to maturity investments of the Fund as at 30 June 2019 based on carrying amounts:

	0-3 months TOP	3-12 months TOP	1-2 years TOP	2-5 years TOP	Total TOP
30 June 2019	4,965,000	19,390,300	13,126,000	41,824,000	79,305,300
30 June 2018	16,440,000	32,553,000	15,645,000	30,674,000	95,312,000

The current carrying values of all loans and advances, term deposits and bonds are considered to be a close approximation of their fair values.

Capital risk management

The capital of the Fund is represented by the net assets available to pay benefits to its members. The amount of net assets available to pay benefits to its members can change significantly as the Fund receives contributions and pays benefits to members on a daily basis. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns and benefits to its members and to maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund currently does not engage in borrowings and as such is not exposed to significant capital risk. As a matter of practice, borrowing facilities available to the Fund will be utilized only as a last resort.

5 Interest revenue

	2019 TOP	2018 TOP
Term deposits	3,002,681	2,949,083
Offshore	2,074	-
Loans and advances	3,373,836	3,220,110
Transfer value	587,900	588,992
Other interest income	94,059	133,625
	7,060,550	6,891,810
Less: Insurance claims	(425,562)	(419,241)
	6,634,988	**6,472,569**

As per the Retirement Fund Administration Amendment 2016 effective 1 July 2016, any insurance premiums required to be paid by the members shall also be deducted from investment income resulting from the Fund's investment activities prior to declaring the fund earning rate.

	Notes	2019 TOP	2018 TOP

6 Other revenue

Rental income		195,606	194,802
Other income		12,085	17,364
		207,691	**212,166**

The investment department charges rent to the Fund which is off-set by the rental expense and has no net impact on the rental income figure disclosed in the note above.

7 General administration expenses

Auditors' remuneration			
- Audit base fee		22,500	19,000
- Other audit costs		12,457	22,686
Fund Board expenses		196,799	175,466
Depreciation and amortization	14,15	247,501	228,046
Personnel expenses		861,386	775,523
Travel expenses		82,169	63,540
Communications expenses		28,532	36,187
Utilities		99,358	95,848
Office expenses		176,764	125,712
Rent expense		1,200	1,200
Other expense		492	3,663
		1,729,158	**1,546,871**

8 Debt securities

Term deposits		57,220,300	68,360,000
Government bonds		22,085,000	26,952,000
		79,305,300	**95,312,000**

9 Transfer value accounts

This represents the members' benefit entitlements transferred from the Civil Service Pension Scheme as at 30 June 1999. These Accounts are still to be funded by the Government and, therefore, accumulate interest at 6% per annum since 1 July 1999. *(Section 2 of the Retirement Fund (Administration) Regulations 1999).*

Transfer value accounts		2,265	53,528
Interest receivable	12	4,958	111,590
		7,223	**165,118**

10 Loans and advances

Balance at beginning of the year		48,404,698	36,180,360
Add: Disbursement during the year		18,653,490	27,221,450
Less: Repayment during the year		(15,550,558)	(14,269,681)
Set-off during the year		(1,167,153)	(727,431)
Net Disbursement		1,935,779	12,224,338
Balance at the end of the year		**50,340,477**	**48,404,698**

11 Cash

Cash at bank		14,196,168	7,631,140

12 Interest receivable

	Notes	2019 TOP	2018 TOP
Term deposits		1,105,938	1,210,785
Transfer value	9	4,958	111,590
		1,110,896	**1,322,375**

13Property, plant and equipment

	Office Building TOP	Motor Vehicles TOP	Office Furniture and Equipment TOP	Computer Equipment TOP	Work In Progress TOP	Total TOP
Cost						
Balance at 30 June 2017	**7,279,324**	**252,211**	**136,964**	**260,900**	**162,222**	**8,091,621**
Acquisitions	7,404	-	6,102	17,655	182,666	213,827
Disposals	-	(31,000)	-	(33,753)	-	(64,753)
Transfer to intangibles	-	-	-	-	(344,888)	(344,888)
Balance at 30 June 2018	**7,286,728**	**221,211**	**143,066**	**244,802**	**-**	**7,895,807**
Acquisitions	76,752	-	20,497	31,185	-	128,434
Disposals	-	-	-	(16,741)	-	(16,741)
Balance at 30 June 2019	**7,363,480**	**221,211**	**163,563**	**259,246**	**-**	**8,007,500**
Depreciation						
Balance at 30 June 2017	**125,976**	**88,081**	**80,435**	**161,289**	**-**	**455,781**
Depreciation charge for the year	91,058	26,562	17,413	36,571	-	171,604
Disposals	-	(31,000)	-	(33,753)	-	(64,753)
Balance at 30 June 2018	**217,034**	**83,643**	**97,848**	**164,107**	**-**	**562,632**
Depreciation charge for the year	91,286	26,563	18,777	37,579	-	174,205
Disposals	-	-	-	(16,741)	-	(16,741)
Balance at 30 June 2019	**308,320**	**110,206**	**116,625**	**184,945**	**-**	**720,096**
Carrying amount						
At 30 June 2017	7,153,348	164,130	56,529	99,611	162,222	7,635,840
At 30 June 2018	7,069,694	137,568	45,218	80,695	-	7,333,175
At 30 June 2019	**7,055,160**	**111,005**	**46,938**	**74,301**	**-**	**7,287,404**

		Notes	2019 TOP	2018 TOP
14	**Intangible Assets**			
	Cost			
	Balance as at 1 July		344,888	-
	Additions		44,291	-
	Transfers from work in progress		-	344,888
	Balance as at 30 June		**389,179**	**344,888**
	Amortization			
	Balance as at 1 July		56,442	-
	Amortization charged during the year		73,296	56,442
	Balance as at 30 June		**129,738**	**56,442**
	Carrying Amount			
	At the beginning of the year		288,446	-
	At the end of the year		**259,441**	**288,446**
15	**Employee Entitlements**			
	Annual leave		63,311	64,865
	Balance at 1 July		64,865	58,282
	Expense recognised in profit or loss		(1,554)	6,583
	Balance at 30 June		**63,311**	**64,865**
16	**Net assets available to pay benefits**			
	Net assets available to pay benefits		170,885,137	160,013,412
	Represented by:			
	Liability for accrued benefits	(a)	167,430,805	155,817,693
	Pension accrued benefits	(b)	1,662,802	1,232,671
	General reserve accounts	(c)	1,791,530	2,963,048
			170,885,137	**160,013,412**
(a)	**Liability for accrued benefits**			
	Balance at the beginning of the year		155,817,693	145,164,430
	Net movement during the year		11,613,113	10,653,263
	Balance at the end of the year		**167,430,805**	**155,817,693**
(b)	**Pension accrued benefits**			
	Balance at the beginning of the year		1,232,671	1,036,960
	Transfers in		962,825	940,858
	Transfers out		(532,694)	(745,147)
			430,131	195,711
	Balance at the end of the year		**1,662,802**	**1,232,671**

This account was established to account for retirees who choose the allocated pension product and continues to be maintained and managed by the Fund and allocated according to the terms and conditions agreed with the retiree.

	Notes	2019 TOP	2018 TOP

16 Net assets available to pay benefits (continued)

(c) General reserve account

General reserve account (GRA)		1,791,530	2,963,049
GRA comprise the following reserves:			
Life insurance reserve	17(c)(i)	476,929	500,000
Investment fluctuation reserve	17(c)(ii)	198,644	1,115,334
General reserve	17(c)(iii)	1,115,957	1,347,715
		1,791,530	2,963,049

The movement in the above reserves are as follows:

(i) Life insurance reserve

Balance at the beginning of the year	500,000	449,063
Add net transfers from statement of changes in net assets:		
Transfers in	425,562	419,241
Transfers out	(448,633)	(368,304)
	(23,071)	50,937
Balance at the end of the year	**476,929**	**500,000**

The amount transferred to the life insurance reserve of $425,562 (2018: $419,241) represents deductions of $4.37 per each $1,000 of gross salary of each member from the accounts of each entitled member.

The amounts transferred from the life insurance reserve of $448,633 (2018:$368,304) represent disbursements to the nominees of those members who died during the year equal to a year's gross salary of the member. These amounts are in addition to any credit amounts relating to the deceased member.

(ii) Investment fluctuation reserve

Balance at the beginning of the year	1,115,334	127,089
Transfer (to)/from unallocated benefits	(916,690)	988,245
Balance at the end of the year	**198,644**	**1,115,334**

The Fund maintains this reserve account to assist in managing investment fluctuations and to help reduce any uncertainty of returns for Members

(iii) General reserve

Balance at the beginning of the year	1,347,715	1,568,400
Interest adjustment for opening balance	-	-
Transfers in from income statement	-	-
Transfers out:		
Administration expenses	(231,758)	(220,685)
	(231,758)	(220,685)
Balance at the end of the year	**1,115,957**	**1,347,715**

The Fund maintains this reserve account for the administration and development of Fund operations. Transfers out represents administrative expenses that were authorized by the Fund board to be covered from the General reserve and are as follows:

	2019 TOP	2018 TOP
16 Net assets available to pay benefits (continued)		
(iii) General reserve (continued)		
Audit fees	34,957	41,686
Board salaries and allowances	174,224	140,181
Travel expenses	21,455	29,085
Legal fees	1,122	6,200
Office expenses	-	3,533
	231,758	**220,685**

(d) Net profit for the year

The net profit for the year has been appropriated to accrued benefits and reserves as follows:

Profit for the year attributable to members of the Fund	4,520,498	4,827,876
Allocated to:		
Liability for accrued benefits	(4,775,326)	(4,997,624)
Life insurance reserve	23,071	(50,937)
General reserve	231,757	220,685
	254,828	169,748
	(4,520,498)	**(4,827,876)**

17 Benefit paid

Attained retirement age	2,432,600	2,544,081
Death benefit	649,360	636,176
Early release:		
- Medical	540,399	615,776
- Rollover	45,168	48,214
- Resignation benefit	-	95,778
- Redundancy	141,552	160,825
-Members voluntary account	115,422	-
	3,924,501	4,100,850
Early release (Financial hardship approved Fund Board from time to time):		
- Compassionate Ground: Migration	955,164	514,300
- Compassionate Ground: Preserved MemberMedical	215,257	-
-Cyclone relief assistance	-	155,596
-Severe Financial Hardships	88,199	38,544
	1,258,620	708,440
Allocated pension	532,694	745,147
Others	2,999,805	2,333,433
Total	**8,715,620**	**7,887,870**

18 Commitments and contingent liabilities

(i) Operating leases

The Fund leases its office space in the Retirement Fund Board building with a fixed term till end of June 2019 at a monthly rent of $24,349. However, the lease is internal thus it has nil impact on lease commitments. The Fund does not have any other leases.

(ii) Contingent liabilities

As at balance date, the Fund board Members are not aware of any pending or threatened legal actions being made against the Fund

19 Related party disclosures

(a) Fund Board

The following were Fund board members of the Fund at any time during the financial year:

- Prime Minister, Hon. Samiuela 'AkilisiPohiva (Chairman);
- Deputy Prime Minister, Hon. Semisi Sika (Deputy Chairman);
- Minister of Finance, Hon. Dr. PohivaTu'i'onetoa;
- Mr. SioneFolauLokotui (Members Representative);
- Mr. Manu 'Aipolo 'Akauola (Members Representative); and
- Mr. HekisouFifita (Members Representative).

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any Fund board Member (whether executive or otherwise) of that Fund.

During the year the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Fund:

- Chief Executive Officer; and
- Acting Chief Executive Officer

The aggregate compensation of the key management personnel comprises short term benefits and is set out below:

	2019 TOP	2018 TOP
Short term benefits	163,103	172,449

(c) Loans to related party

The aggregate loans as per the products offered under note 3 (e) (i) of the key management personnel and Board Members are set out below:

Loans to Key Management Personnel	41,300	89,278
Loans to Fund Board Members	79,670	99,649
	120,970	**188,927**

(d) Fund Board Members' fees and emoluments

Amounts paid to Fund board members during the year are disclosed in Note 7. No other emoluments were paid or are due to the Fund board members at year end.

(e) Related party transactions

There were no significant transactions with related parties apart from those identified above.

20 Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Fund Board, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in subsequent financial years.