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SOCIAL SECURITY (REGULATORY AUTHORITY) ACT
(CAP. 135)

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GUIDELINES
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(Made under section 5(1)(c))

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THE SOCIAL SECURITY SCHEMES (CONDUCT OF AFFAIRS OF BOARD OF TRUSTEES)
GUIDELINES, 2018

ARRANGEMENT OF THE GUIDELINES

Paragraph

Title

PART I
PRELIMINARY PROVISIONS

1. Citation.
2. Application.
3. Interpretation.
4. Objectives of Guidelines.

PART II
DUTIES AND RESPONSIBILITIES OF THE BOARD

5. Oversight role and conduct of Board.
6. Duties and responsibilities of Board.
7. Setting and reviewing policies and objectives.
8. Developing strategic plan.
9. Enforcing of responsibility and accountability.
10. Maintenance of adequate funds.
11. Audit of operations, performance and controls.

PART III
QUALIFICATION OF TRUSTEES

12. Qualification of trustee.
13. Terms of appointment, remuneration and retirement.

PART IV
BOARD MEEETINGS

14. Board meeting.
15. Attendance of meetings of Board.

PART V
CONFLICT OF INTEREST

16. Conflict of interest.
17. Conflict of interest by person other than Trustees.

PART VI
EVALUATION OF BOARD

18. Evaluation by Board.
19. Immediate reporting to Authority.

PART VIII
RISK MANAGEMENT

20. Review of policies relating to risk.
21. New investments and strategic activities.

PART IX
COMPOSITION AND CONDUCT OF THE BOARD

22. General requirements for Board composition.
23. Specific board composition requirements.
24. Practicing professionals.

PART X
UNDERTAKING BY TRUSTEE

25. Undertaking by Trustee.

PART XI
BOARD COMMITTEE

26. Types of Board Committees.
27. Composition of Board Committees.
28. Participation of Chairman in Board Committees.

PART XII
GENERAL PROVISIONS

29. Sanctions.
30. Dis-application of Guidelines and savings.

THE SOCIAL SECURITY SCHEMES (CONDUCT OF AFFAIRS OF
THE
BOARDS OF TRUSTEES) GUIDELINES, 2018

PART I
PRELIMINARY PROVISIONS

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|----------------|--|
| Citation | 1. (1) These Guidelines may be cited as Social Security Schemes (Conduct of Affairs of the Board) Guidelines, 2018. |
| Application | 2. These Guidelines shall apply to all Schemes operating in Tanzania and their respective Board of Trustee. |
| Interpretation | 3. In these Guidelines, unless the context requires otherwise- |
| Cap 135 | “Act” means the Social Security (Regulatory Authority) Act;
“Board” means the Board the Board of Trustee established under the respective social security scheme's legislation; |
| Cap 135 | “mandatory scheme” means a compulsory scheme established by law and guaranteed by the Government to provide social security benefits to employees;
“scheme” means the social security scheme and includes mandatory and supplementary schemes;
“supplementary scheme” means a voluntary scheme chosen by the member to compliment benefit of any mandatory scheme;
“trustee” means a trustee of a scheme and includes a Chairman. |

Objectives of Guidelines

4. The objectives of these Guidelines shall be to-
- (a) promote and maintain good governance;
 - (b) establish standards for corporate governance processes and structures;
 - (c) provide guidance to trustees for proper discharge of their fiduciary responsibilities; and
 - (d) promote and maintain public confidence in social security schemes.

PART II

DUTIES AND RESPONSIBILITIES OF THE BOARD

Oversight role and conduct of Board

5.-(1) The Board of a scheme shall be responsible for the oversight and providing direction of the scheme and shall conduct its affairs with high standard of integrity.

(2) Without prejudice to the generality of subparagraph (1), the Board shall-

- (a) act in accordance with the rules of the scheme, within the framework of the law;
- (b) act prudently, conscientiously, and with good faith;
- (c) act in the best interests of the scheme's constituents;
- (d) seek advice where necessary on technical and legal matters;
- (e) ensure that the funds of the Scheme are invested in line with the Social Security Schemes Investments Guidelines;
- (f) commit sufficient time in the oversight of affairs of the scheme;
- (g) discharge its responsibilities, command a high level of integrity, honesty, competency and ability to adhere to good governance principles under these Guidelines;

Duties and responsibilities of Board

6.-(1) The Board shall be the governing body of the scheme and in particular, the Board shall-

- (a) set scheme's objectives;
- (b) establish strategies and monitor operations to ensure a scheme complies with laws and regulations governing the business of the scheme;
- (c) oversee the operations of the Fund on a day to day basis;

- (d) align corporate activities and behavior with the expectation that the scheme operates in a safe and sound manner and in compliance with applicable laws, regulations, guidelines and directives;
- (e) protect the interests of members.
- (f) be responsible for safe custody and investment of the members' funds as detailed in the Investment Guidelines;
- (g) exercise duty of care to see to it that all applicable laws and regulations are not violated and take actions to avoid recurrence of any violations.
- (h) exercises fiduciary duty and authority to question and insist upon straightforward, truthful and accurate explanations from management, and receive on timely basis sufficient information to judge the performance of management;

(2) For the purposes of ensuring efficient and effective fulfilment of the duty to compliance, Trustees shall have a clear understanding of the legal and regulatory framework under which a scheme operates.

Setting and reviewing policies and objectives

7.-(1) The Board shall prepare policies, strategies and objectives that directs the activities of a scheme in all areas of operations.

(2) The Board shall ensure that, Scheme's objectives, strategies, mission, vision and other organization's values are communicated to the Scheme's employees, members and stakeholders.

(3) The Board shall ensure that the management adheres to objectives of the scheme.

(4) The Board shall have Board and Board Committee Charters to guide the conduct of affairs of the Board in line with these Guidelines.

Developing strategic plan

8.-(1) The Board shall upon advice of the Schemes Management prepare a strategic plan for the purpose of enabling a scheme achieve its set out mission, vision and objectives.

(2) Subject to subparagraph (1), the Board shall review the strategic plan and communicate such plan to all employees of the Scheme.

Enforcing of responsibility and

9.-(1) The Board shall define the roles and key

accountability responsibilities to the management in accordance with the establishing legislation or Trust Deeds as the case may be.
(2) The Management of a scheme shall, in performance of functions, be accountable to the Board.
(3) The Board shall be accountable to the appointing authority and the Authority.

Maintenance of adequate funds 10.-(1) The Board shall, at all times, ensure that the scheme's Fund is adequately funded and its funding level meets the level set out in the Social Security Schemes (Funding Level) Guidelines.
(2) For the purpose of sub-paragraph (1), the funds of a scheme shall not be beyond the required minimum funds as may be indicated in actuarial reports conducted by the certified and registered actuary in line with the provisions of the Actuarial Valuation Guidelines.

Audit of operations, performance and controls o 11.-(1) The Board shall put in place sufficient and effective internal controls to ensure that all operations and performance of the scheme are audited by competent auditors from time to time in accordance with the Act.

(2) For the purposes of sub-paragraph (1), the Board shall engage external auditors to, among other things assess, report on the operations, performance and effectiveness of internal controls of the Scheme and advice accordingly.

(3) Subject to subparagraph (2), the Board shall, ensure that the Scheme Management, implement all recommendations of the auditors and take timely corrective measures to rectify any shortcoming identified.

(4) The Board shall, in discharging its role under this Paragraph abide to the provisions of section 28 of the Social Security (Regulatory Authority) Act in relation to audits and submissions of reports and audited accounts.

PART III
QUALIFICATION OF TRUSTEES

Qualification of trustee 12. (1) Without prejudice to the qualifications set out in the laws or trust deeds, as the case may be, of the respective schemes and for the purposes of enhancing performance of the Board, only fit and proper person shall be appointed as a Trustee.

(2) In assessing fitness and propriety of a person to be appointed to a Board, every Scheme shall consider his

honesty, integrity, diligence, fairness, confidentiality, competency, capability and financial soundness.

(3) For purposes of this provision, the following qualification shall also be employed to determine a fit and proper person-

- (a) at least a bachelor degree in matters relating to either social security, actuarial science, banking, insurance, law, finance, economics, investment of funds of schemes or any other relevant field or equivalent qualification;
- (b) at least five years of management experience in a financial, social security, in any public institution or in any reputable organization;
- (c) ability to control his own finances and has an unblemished reputation;
- (d) the age of majority;
- (e) free of insolvent or has not been declared bankrupt; and
- (f) no records of criminal record;

Terms of
appointment,
remuneration and
retirement

13. A scheme shall put in place a policy which shall, subject to the relevant laws and other directives from relevant authority, spell out clearly the appointment, remuneration, and retirement terms for the members of the Board of a scheme.

PART IV
BOARD MEETINGS

Board meeting

14.-(1) In the performance of its functions, the Board shall meet four times in a year.

(2) Notwithstanding subparagraph (1), the Chairman may, as and when deemed expedient, call for an extraordinary meeting of the Board.

(3) In any meeting of the Board, except for extraordinary meeting, the Board shall receive from the Management and deliberate the following reports-

- (a) a summary of the statement of net assets available for benefits;
- (b) a summary of the changes in net assets available for benefits;
- (c) a summary of the cash flow statement;
- (d) performance review against the budget, business plan and performance against peers in the social security sector;
- (e) the extent to which a scheme is exposed to

various risks, at a minimum the review should cover liquidity, interest rate, foreign exchange and operational risks;

- (f) review of investment performance including projects related transactions and concentration of investments as provided in the investment guidelines;
- (g) the operations of the scheme in the social security sector;
- (h) litigation status or issues;
- (i) human resources issues;
- (j) Risk Management issues;
- (k) compliance with laws, regulations, circulars, internal policies and procedures; and
- (l) any other report as the Board may direct or the management may consider it necessary to be brought to the attention of the Board.

Attendance of meetings of Board

15.-(1) Every member of the Board shall attend effectively at least seventy five percent of the board meetings of the scheme in each financial year.

(2) Each scheme shall, in every year, review the attendance of all trustees for the purpose of establishing the suitability of a trustee who has failed to attend the meetings of the Board as prescribed under this paragraph.

PART V
CONFLICT OF INTEREST

Conflict of interest

16.-(1) Without prejudice to the provisions in the respective legislation or trust deeds, as the case may be, of a scheme, a trustee who has, whether directly or indirectly, personal interest in an existing or proposed transaction of the scheme that is brought for discussion before the Board, or in a decision that the Board is about to make, shall-

- (a) declare his personal interest at the opening of the meeting of the Board at which the transaction is to be discussed;
- (b) cause his interest to be registered in the register of interest;
- (c) excuse himself from attending the meeting that discusses the matter that concerns him, and shall not be taken into account for purposes of determining a quorum required for that discussion;

(2) For the purpose of this paragraph, the Board shall establish and keep a register in which shall be interred all interest declared by trustee to be in conflict with any matter before the Board.

Conflict of interest
by person other than
Trustees

17. A person shall not serve as a Trustee if-
- (a) his business or permanent occupation creates a conflict of interest between him and the scheme; or
 - (b) he is or was a trustee of another similar scheme and less than three years have passed since he ceased to serve as a trustee of that scheme.

PART VI
EVALUATION OF BOARD

Evaluation by Board

18.-(1) The Board shall regularly review its skills, experience and other qualities in order to assess the effectiveness of the Board and its Committees.

(2) The review by the Board shall be by means of peer and self-evaluation of the Board, its Committee and the continuum of each Trustee including the Chairman.

(3) For the purposes of subparagraph (1), the board shall, at the end of every financial year, conduct board evaluation and the report thereon be submitted to the Authority within thirty days after commencement of the next financial year..

Immediate reporting
to Authority

19. (1) Notwithstanding paragraph 18, the report shall be submitted to the Authority upon-

- (a) occurrence of a change in the composition of the Board or its Committees, including a change resulting from the resignation, dismissal or demise of a Trustee;
- (b) exceptional events that constitute a departure from the proper conduct of scheme, or infringement of the provisions of the law, or substantive violation of the interest of the scheme's stakeholders.

(2) The report referred in sub paragraph (1) above shall comprise a statement by the Chairman of the Board regarding the reasons for resignation or dismissal, as well as a signed statement by the Trustee regarding the reasons for his resignation or dismissal.

PART VIII
RISK MANAGEMENT

Review of policies relating to risk

20. Without prejudice to the provisions in the respective legislation of the schemes and subject to the Social Security Schemes (Risk Management) Guidelines, the Board shall-

- (a) review at least annually all policies relating to various types of risks and determine the ceilings of exposure permitted in the various risks and activity segments;
- (b) review and approve the organizational arrangements for managing and controlling the scheme's overall exposure to various risks.

New investments and strategic activities

21. The Board shall ensure that it is informed of all new investments and approves strategic activities of the scheme after it has clear understanding of the following-

- (a) risks involved in that new investment;
- (b) mechanisms the scheme will use for managing, measuring and controlling of the risks emanating from such investment;
- (c) quantitative restrictions required in connection with the risks embodied in the investment;
- (d) appropriate personnel, sources of finance, and technical and technological infrastructure for the new investment ; and
- (e) management of the new investment and whether can be adapted to the existing situation in the scheme.

PART IX
COMPOSITION AND CONDUCT OF THE BOARD

General requirements for Board composition

22.-(1) Without prejudice to the provisions in the respective legislation of the schemes, in appointing a board of trustee, the appointing authority shall ensure that-

- (a) the Board of Trustee does not have less than five persons and not more than nine persons, majority of whom must be non-executive and have social security experience or related experience;
- (b) the Chairman of the Board is a non-executive Trustee;
- (c) a trustee does not simultaneously serve as a Trustee of the Board in any other scheme;

(2) For avoidance of doubt, a person who holds any political post or who is a Chief Executive of the Government shall not be appointed as a Trustee of a scheme.

(3) The Chairperson and any member of the Board of Directors of the Authority shall not be eligible to serve in the Board of Trustee of a Scheme unless a period of three years has elapsed since that Chairperson or member ceased to be a member of the Board of Directors of the Authority.

Specific board
composition
requirements

23.- (1) The Board of a mandatory scheme shall be composed of representatives from the Government, the most representatives Employers Association and the most representative Trade Union.

(2) The Board of a supplementary scheme and occupational schemes shall be composed of representatives of the employer and employees.

Practicing
professionals

24.-(1) In order to tap expertise of practicing professionals, a scheme may appoint such professionals as Trustees:

Provided that the professionals shall not be employees or partners in a firm which is engaged in conducting audit of, or consultancy work for the scheme.

(2) Practicing professionals who are appointed as trustees of a scheme shall exercise the highest degree of integrity, confidentiality and professionalism.

(3) Board shall avoid being involved or appearing to be involved in any self-serving practices and conflict of interest situations while serving as Trustees of a scheme.

PART X
UNDERTAKING BY TRUSTEE

Undertaking by
Trustee

25.-(1) Upon being appointed, the Scheme shall cause every trustee, within thirty days from the date of appointment, to subscribe to a Written Undertaking provided in the Schedule to the effect that he-

(a) has read these Guidelines and undertakes to comply to them;

(b) shall fulfill his obligations towards maintaining a safe, sound and sustainable scheme in accordance with the provisions of the Act and regulations made thereunder.

(2) The written undertaking under this paragraph shall be submitted to the Authority.

PART XI
BOARD COMMITTEE

Types of Board
Committees

26.-(1) The Board shall establish Committees and ensure their effective functioning and performance.

(2) The Board may, delegate some of its responsibilities to the Committees.

(3) The Board shall form an Audit Committee and such other Committees, as it may deem necessary for effective discharge of its functions.

Composition of
Board Committees

27.-(1) The Board shall prescribe the composition and functions of every Committee formed, and the terms and conditions upon which the Committee shall exercise its functions.

(2) The Committee shall consist solely of non-executive Trustees and the number of members shall not be less than three.

Participation of
Chairman in Board
Committees

28. For purposes of observing and fostering best practices of good corporate governance, the Chairman of the Board of a scheme shall not be the Chairman or a member of any of the Committee to be formed by the Board.

PART XII
GENERAL PROVISIONS

Sanctions

29.-(1) Any Scheme which contravenes the provisions of these Guidelines commits an offence and shall be liable to penalties as stipulated in the Act.

(2) Any Board of Trustee or a member who contravenes the provisions of these Guidelines commits an act of unsafe or unsound conduct as provided in the Act, and such act shall be punishable in the manner provided in the Act.

(3) Notwithstanding the penalty imposed under sub paragraph (1) and (2), the Authority shall have the powers to-

- (a) direct the Scheme to comply with these Guidelines;
- (b) propose disqualification of the Board of Schemes and or Management of the Schemes to the respective appointing Authority;
- (c) take any other necessary measures it considers appropriate for the better implementation of these Guidelines.

Dis-application of
Guidelines and
savings

30.-(1) The Social Security Schemes (Conduct of Affairs of the Boards of Trustees of Scheme) Guidelines, 2012, issued prior to the coming into effect of these Guidelines, are hereby disappplied.

(2) Notwithstanding sub paragraph (1), anything done, action, claim or directive made pursuant to the Social Security Schemes (Conduct of Affairs of the Boards of Trustees of Scheme) Guidelines, 2012 shall continue to have effect as if were made, issued or prepared under these Guidelines.

SCHEDULE

TRUSTEE UNDERTAKING

(Made under Paragraph 25(1))

I, _____, being appointed as the Trustee of the Board of Trustees of _____, [Name of the Fund] undertakes as follows:

1. Prohibition against private remuneration and procedures for managing conflicts of interest

I shall not derive any personal profit or gain, directly or indirectly, by reason of my service as Trustee with the [Name of Fund]. I shall conduct my personal affairs in such a manner as to avoid any possible conflict of interest with my duties and responsibilities as Trustee of the Board. Nevertheless, conflicts may arise from time to time:

- (a) When there is a decision to be made or an action to be approved that will result in a conflict between the best interests of [Name of Fund] and my personal interests, I shall immediately disclose the conflict of interest so that the rest of the Board's decision making will be informed about the conflict.
- (b) It is my obligation, in accordance with this Undertaking, to ensure that decisions made by the Board reflect independent thinking.
- (c) Any conflicts of interest, including, but not limited to financial interests, on the part of me, shall be disclosed to the Board when the matter that reflects a conflict of interest becomes a matter of Board action, and through an annual procedure for disclosing conflicts of interest.
- (d) I shall also disclose any conflicting interest involving my immediate family or any person acting on his or her behalf before the Board and refrain myself from taking part in deliberating issues of interest to the Fund with my immediate family member or any other person.

2. Prohibition against any Form of Harassment

By being a Trustee of _____, [Name of Fund] strives to maintain a workplace that is free from illegal discrimination and harassment. I understand that engaging myself in discriminatory or harassment conducts are subject to removal from the Board.

3. Confidentiality

I am made aware that confidential financial, personnel and other matters concerning the Fund, the Government, employers, staff or members of the Fund may be included in board materials or discussed from time to time, and I should not disclose such confidential information to anyone.

4. Active Participation

As a Trustee, I am expected to exercise the duties and responsibilities of my position with integrity, collegiality, and care. This includes:

- (a) making attendance at all meetings of the board a high priority;
- (b) being prepared to discuss the issues and business on the agenda, and having read all background material relevant to the topics at hand;

The Social Security Schemes (Conduct of Affairs of Board of Trustees)

G.N. No. 388 (contd.)

- (c) cooperating with and respecting the opinions of fellow Board Trustees, and leaving personal prejudices out of all board discussions, as well as supporting actions of the Board even when the Trustee personally did not support the action taken;
- (d) putting the interests of the Fund above personal interests;
- (e) representing the Fund in a positive and supportive manner at all times and in all places.
- (f) showing respect and courteous conduct in all board and committee meetings; and
- (g) refraining from intruding on administrative issues that are the responsibility of management, except to monitor the results and ensure that procedures are consistent with Board Charter.
- (h) observing established lines of communication and directing requests for information or assistance to the Director General

The Social Security Schemes (Conduct of Affairs of Board of Trustees)

G.N. No. 388 (contd.)

I, _____, recognizing the important responsibility I am undertaking in serving as a member of the Board of Trustees of _____, [Name of Fund], hereby pledge to carry out in a trustworthy and diligent manner the duties and obligations associated with my role as Trustee and abide by this Undertaking. I understand that failure to abide by this Undertaking may result in my removal as the Trustee, pursuant to the requirements and processes provided in the Fund's governing documents.

Signature _____, Date _____

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....., 2018

IRENE C. ISAKA
Director General