GOVERNMENT NOTICE No. 390 published on 3/08/2018

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

GUIDELINES

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

THE SOCIAL SECURITY SCHEMES (FUNDING) GUIDELINES, 2018

ARRANGEMENT OF THE GUIDELINES

Paragraph *Title*

PART IV
REPORTING REQUIREMENTS

PART V
MISCELENEOUS PROVISIONS

GOVERNMENT NOTICE No. 390 published on 3/08/2018

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

GUIDELINES

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

THE SOCIAL SECURITY SCHEMES (FUNDING) GUIDELINES, 2018

PART I
PRELIMINARY PROVISIONS

Citation and Commencement

1. These Guidelines may be cited as Social Security Schemes (Funding) Guidelines, 2018.

Application

2. These Guidelines shall apply to all schemes operating in Tanzania Mainland.

Interpretation

3. In these Guidelines unless the context otherwise requires:

Cap. 135

"Act" means the Social Security (Regulatory Authority) Act;

"actuarial valuation" means valuation of assets and liabilities of a scheme made by an actuary;

Cap. 135

"Authority" means the Social Security Regulatory Authority established by the Social Security (Regulatory Authority) Act;

"Board" means a Board of Trustees as ascribed to it under the respective social security schemes laws and Trust Deeds;

"contribution density" means the share of earnings in the active phase of life on which an individual contributes to some contributory pension system for old-age;

G.N. No. 390 (contd.)

"funding policy" means the funding policy developed by the scheme and approved by the Authority in accordance with paragraph 5 of the Guidelines; and

"mandatory scheme" means a compulsory scheme established by law and guaranteed by the Government to provide social security benefit 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;

"Umbrella Scheme" means a Supplementary Scheme whose membership is open to employees of more than one employer and persons with accrued benefits transferred from other schemes.

Objectives of the Guidelines

4. The overall objectives of these Guidelines is to ensure every scheme implements policies that ensure there is optimum resource allocation and minimize risks associated with payment of pension benefits. Specifically the Guidelines aim at:

(a) providing guidance to the Scheme's Board of Trustees in formulating specific funding and investment policies;

(b) improving transparency of funding decisions which includes investment decisions of the Board of Trustees of schemes;

(c) providing guidance to actuaries when selecting actuarial methods and assumptions within the scheme's tolerance limits; and

(d) protecting members' interest by ensuring that their contributions are properly managed and Scheme provides adequate benefits and remain sustainable.

PART II
FUNDING POLICY

Long term funding policy

5.-(1) Every Scheme shall develop and implement a funding policy in accordance with these Guidelines.

(2) The policy developed under sub-paragraph (1) above shall, at a minimum:

(a) provide a clear objective that the scheme shall at all times maintain long-term funding resources to cover costs of promised benefits;

(b) put in place a prudent governance practice to assist the scheme to achieve intergenerational equity and to avoid high transfer of costs to future generations;

(c) prescribe a target level of funding based on actuarial valuation.

(d) ensures that actuarial valuation assumptions are carefully reviewed by the scheme and approved by Trustees;

(e) establish a framework that guides schemes in the operations of both pension benefits and other short term benefits.

(3) Subject to subparagraph (2) (c), the targeted level of funding shall not be below:

(a) 40 percentam for a Defined Benefit (DB) scheme; and

(b) 100 percentum for a Defined Contribution (DC) scheme.

(4) The Authority, may from time to time, provide compilation on the implementation of sub paragraph (a).

(5) The funding policy prepared by scheme shall be submitted to the Authority.

Requirement to abide with the Funding Policy

6.-(1) Every scheme shall utilize its funds in accordance with funding policy.

(2) The operation of defined benefit shall take into account factors that are relevant to the scheme and to the government as a guarantor of the schemes as far as funding is concerned.

G.N. No. 390 (contd.)

(3) Funding policy shall be a tool to guide the fundamental goal of scheme in the provision of benefits to qualified members and their immediate beneficiaries.

Authority supervisory role on Scheme Funding

7.-(1) For purposes of ensuring compliance with these Guidelines, the Authority shall have mandate to require the Board of Trustees to provide information on funding activities of the Scheme.

(2) Subject to the provisions of the schemes respective laws relating to remittance of contributions, every employer shall contribute full amount of contribution to the scheme.

(3) Scheme shall submit to the Authority as part of the quarterly returns the employers compliance in remittance of contributions.

Rate of Contributions

8.-(1) Schemes shall ensure employers remit full amount of contributions within the time specified in their respective laws.

(2) The rate of contributions shall be in compliance with the establishing legislation.

Contribution density

9.-(1) Every Scheme shall conduct contribution density assessment for its members on annual basis to determine the level of compliance in contributing to the scheme taking into account the employers' payroll and statutory contribution rates.

(2) For the self-employed members, every scheme shall set control of their declared income to mitigate risk of under reporting and possibility of overstating of their benefits at the time of exit or retirement;

(3) Report of the assessment should be submitted to the meeting of the Board of trustee for deliberations.

(4) Report of the assessment shall be submitted to the Authority for information.

Diversification of investments

10. (1) Schemes shall periodically conduct asset-liability assessment and diversify investment portfolio to ensure that there is adequate funding of scheme.

(2) For risk management purpose and in line with Investment Guidelines, Scheme shall review their asset allocation policies for the purpose of diversifying assets across and within asset classes to reduce the in actuarial rate of contribution volatility.

G.N. No. 390 (contd.)

Investment Returns

11. The investment return of schemes shall be considered as an average long-term estimated rate of return and, which is recommended by the Actuary and approved by the Board.

Control of growth in liabilities

12.-(1) Subject to the provisions of section 25 of the Social Security (Regulatory Authority) Act, all benefit increments for members and beneficiaries shall be carefully considered and approved by the Authority in consistent with internal rate of return.

(2) All pension schemes shall put in place a clear benefit adjustment strategy that integrates benefit enhancements with the funding policy of the scheme.

(3) Benefit enhancements shall be actuarially valued and cleared by the Board of Trustees and approved by the Authority before implemented.

Measures against misconducts and unethical practices Caps. 329 and 423

13. Every scheme shall at all times, abide to the provisions in the Scheme's Code of Conduct, Code of Ethics, the Prevention and Combating of Corruptions Act, and the Anti-Money Laundering Act.

Risk Assessment

14. Schemes shall adopt a proportionate integrated approach to risk management in-line with Risk Guidelines issued by Authority, when developing an appropriate scheme funding solution

PART V
GENERAL PROVISIONS

Reporting

15.-(1) Each scheme shall at the end of every financial year incorporate the implementation of its funding policy in its Annual Report in accordance with Annual Reporting Guidelines.

(2) Notwithstanding sub-paragraph (1), the Authority may at any time direct a scheme in writing to submit reports as it may consider necessary.

Sanctions

16. (1) Any scheme which 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.

(2) Notwithstanding the penalty imposed under sub paragraph (1) and powers conferred under the Act, the Authority shall -

(a) direct the scheme to comply with these Guidelines;
(b) propose disqualification of the Board of schemes and Management of the schemes to the respective appointing Authority;
(c) take any other necessary measures as the Authority may considers appropriate for the better implementation of these Guidelines.

Dodoma
............, 2018

IRENE C. ISAKA
Director General