

GOVERNMENT NOTICE No. 386 published on 3/08/2018

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

GUIDELINES

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

THE SOCIAL SECURITY SCHEMES (ADMINISTRATIVE EXPENSES) GUIDELINES, 2018

ARRANGEMENT OF GUIDELINES

Paragraph

Title

PART I
PRELIMINARY PROVISIONS

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

PART II
ADMINISTRATIVE EXPENSES

5. Administration Expenses Management Policy.
6. Role of Board of Trustees.
7. Maximum administration expenses rate.

PART III
SEPARATION OF ACCOUNTS AND COSTS

8. Accounts separation.
9. Separation of accounts for each branch of benefits.
10. Allocation of expenditure.
11. Application for waiver.
12. Allocation of income.

PART IV
REPORTING REQUIREMENTS

13. Reporting requirements.

PART V
MISCELENEOUS PROVISIONS

14. Sanctions.
15. Inconsistency with other laws.
16. Dis-application and savings.

SCHEDULE

- a scheme in a financial year specified under paragraph 7;
- “member” means an employee or worker registered by a scheme and includes a person entitled to or receiving benefit under a scheme;
- “regulatory costs” refers to social security scheme levy payable to the Authority by schemes pursuant to section 49A of the Act;
- “separation of accounts” means segregation of accounting system for each benefit offered by a scheme pursuant to the provisions of Part III of these Guidelines;
- “scheme” means the social security scheme and includes mandatory and supplementary schemes;
- “short term benefits branch” means a branch of benefits paid in a lump sum by a scheme to a member within the period not more than twelve months or the period exceeding twelve months but not life time subject to the relevant provisions of the scheme's legislation;
- “total contribution income” means contributions paid to the scheme pursuant to the respective social security schemes legislation;
- “trustee” means a trustee of a scheme and includes a Chairperson.

Objectives of Guidelines

4. –(1) The general objective of these Guidelines shall be to ensure that expenses incurred by social security schemes in the administration of the schemes takes into account the best interest of members of the scheme and schemes sustainability.

(2) Without prejudice to subparagraph (1), these Guidelines are intended to-

- (a) set limit in the use of the scheme's income for administration purpose;
- (b) ensure growth and sustainability of schemes;
- (c) provide for separation of accounts for each benefit and the manner of accounting for administration expenses;
- (d) put in place legal mechanisms which shall ensure effective management of the social security schemes administration expenses.

PART II
ADMINISTRATION EXPENSES

Administration expenses management policy

5.-(1) Every scheme shall formulate and implement written administration expenses management policy in accordance with these Guidelines.

(2) Every scheme shall, within six months from the date of coming into operation of these Guidelines, formulate and submit its administration expenses management policy to the Authority for approval.

(3) Any amendment to the administration expenses management policy shall be submitted to the Authority for

approval.

(4) Every scheme shall, in its administration expenses management policy, provide for a mechanism and commitment of the scheme towards ensuring that its administration expenses shall be in pursuance to the provisions of these Guidelines.

(5) Without prejudice to sub-paragraph (4), the administration expenses management policy shall provide for-

- (a) the scheme's plans towards compliance with the requirement of paragraph 7;
- (b) the scheme's management commitment towards administering the fund in the best interest of members;
- (c) the Board of Trustees' commitment towards ensuring fully and effective implementation of the Guidelines and any other directives of the Authority in respect of scheme's administration expenses management; and
- (d) any other detail as the Authority may direct.

Role of Board of Trustees

6. A Boards shall be responsible for ensuring that the scheme's administration expenses are in pursuance with these Guidelines and the scheme administration expenses management policy made under paragraph 5.

Maximum administration expenses rate

7.(1) The Scheme's annual administration expenses shall not exceed the maximum limit of ten *per centum* of the total annual contribution income.

(2) An existing scheme which administration expenses rate at the date of commencement of these Guidelines exceeds the maximum limit set out in sub-paragraph (1) shall within the period of twenty four months reduce its expenses to the acceptable limit.

(3) Notwithstanding sub-paragraph (1), an increment of administration expenses of a scheme whose rate of administration expenses at the commencement of these Guidelines is below the maximum rate set under these Guidelines shall not increase at a rate of more than zero point one *per centum* per annum.

(4) The Authority may, for the purposes of allowing growth of a scheme or where it considers necessary for the best interest of the sector, waive in respect of a scheme or schemes the application of this paragraph for a specified period of time.

PART III
SEPARATION OF ACCOUNTS AND COSTS

Accounts separation

8. Each administrator as a scheme administrator shall maintain separate account for-

- (a) contributions for mandatory scheme;
- (b) contributions for supplementary or voluntary

- schemes;
- (c) long term benefits; and
- (d) short term benefits.

Separation of accounts for each branch of benefits

9.-(1) For the purposes of better evaluation of cost and sustainability of each branch of benefits, every scheme shall segment each branch of benefit for accounting purposes.

(2) Each scheme shall, within one year from the commencement of these Guidelines separate accounts per benefit.

(3) For health insurance benefits there shall be separation of accounts for-

- (a) pre-retirement health insurance benefits;
- (b) post-retirement health insurance benefits;
- (c) voluntary health scheme; and
- (d) Community Health Funds.

Allocation of expenditure

10.-(1) Each scheme shall allocate all the pension schemes expenses by-

- (a) long term benefits branch; and
- (b) short term benefits branch.

(2) Each scheme providing health insurance benefits shall allocate all expenses per benefit branch including allocating separately expenses in relation to in-patients and out-patients.

(3) A scheme which at the commencement of these Guidelines was using an approach other than the approach under subparagraph (1) shall, within twelve months from the date of coming into operation of these Guidelines, align its approach with the new approach provided under sub-paragraph (1).

(4) Notwithstanding sub-paragraph (3), the Authority may, upon application in writing by a scheme, extend the period set out under paragraph (3), provided that such extension shall not exceed twelve months.

(5) Without prejudice to paragraphs 8 and 9, each scheme shall account for expenses of all items specified in the First Schedule to these Guidelines.

(6) The provisions of the First Schedule shall apply *mutatis mutandis* to both health insurance scheme and Workers Compensation Fund.

Application for waiver

11. Notwithstanding the provisions of these Guidelines, the Authority may, upon application in writing by the Scheme supported by actuarial recommendation, waive the application of provisions relating to maximum limit of administration expenses

Allocation of Income

12.-(1) Income from contributions shall be allocated into different branches' accounts based on the contributions paid to each branch.

(2) Allocation between mandatory scheme and voluntary

scheme shall be based on the actual contributions paid to each scheme.

(3) Contributions to the mandatory scheme shall be allocated into each branch based on the contribution rate allocated to each branch.

(4) Without prejudice to paragraphs 8 and 9, each Scheme shall clearly separate its accounts income from areas specified in the Second Schedule to these Guidelines.

(5) The provisions of the Second Schedule shall apply *mutatis mutandis* to both health insurance scheme and Workers Compensation Fund.

PART IV
REPORTING REQUIREMENTS

Reporting requirements

13.-(1) Each scheme shall, within one month after the end of every quarter, submit to the Authority and the Bank, quarterly reports on administration expenses in a manner prescribed by the Authority.

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

PART V
GENERAL PROVISIONS

Sanctions

14.-(1) Any scheme which contravenes the provisions of these Guidelines commits an act which constitutes “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 paragraph 1 and powers conferred under the Act, the Authority may -

- (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 it considers appropriate for the better implementation of these Guidelines.

Inconsistency with other laws Cap.135

15. Where there is inconsistency between these Guidelines and the provisions of any other written laws the Social Security (Regulatory Authority) Act shall prevail.

Dis-application and savings

16.-(1) The Social Security Schemes (Administrative Expenses) Guidelines, 2016 issued prior to the coming into effect of these Guidelines are hereby dis-applied.

(2) Notwithstanding sub paragraph (1), anything done, action, claim or directive made pursuant to the Social Security

Social Security Schemes (Administrative Expenses)

Gn. No. 386(Contd.)

Schemes (Administrative Expenses) Guidelines, 2016 shall continue to have effect as if were made, issued or prepared under these Guidelines.

FIRST SCHEDULE

(Made under paragraph 10(5))

ITEMS OF EXPENSES/EXPENDITURE TO BE ACCOUNTED FOR BY SCHEMES

S/N	NAME EXPENSES OR EXPENDITURE	ITEMS
1.	Benefits of Insured Person	(a) Retirement benefits
		(b) Survivorship benefits
		(c) Sickness
		(d) Invalidity benefits
		(e) Withdrawal in respect of Marriage
		(a) Withdrawal benefits
		(b) Maternity Benefits
		(c) Funeral Grants
		(d) Education Grants
		(e) Erroneous Contributions
		(f) Other benefits
		(g) Income Statements
2.	Personnel Cost	(a) Basic salary
		(b) Housing Allowances
		(c) Medical allowance
		(d) Lunch allowance
		(e) Extra duty allowance
		(f) Transport allowances
		(g) Mileage Allowance
		(h) Gratuity
		(i) Bonus
		(j) Electricity/water-residential
		(k) Telephone -Residential
		(l) Telephone- mobile
		(m) Acting allowance
		(n) Responsibility allowance
		(o) Entertainment allowance
		(p) Scheme employer contributions
		(q) Skills development levy
		(r) Leave expenses
		(s) Recruitment costs
		(t) Workman compensation
		(u) Medical expenses
		(v) Staff housing rent
		(w) Staff transfers
		(x) Staff uniforms
		(y) Employees insurance
		(z) Staff fees and subscriptions
		(aa) Funeral expenses
		(bb) Terminal expenses
		(cc) Long services award and farewell

Social Security Schemes (Administrative Expenses)

Gn. No. 386(Contd.)

		(dd) Staff refreshments
		(ee) Drivers allowance
		(ff) Education relief allowance
		(gg) Inspectors allowance
		(hh) Employees death benefits
		(ii) Employees tax benefits
		(jj) Income statement
3.	General administrative expenses	(a) Electricity
		(b) Water
		(c) Website and internet
		(d) Fuel, oils and lubricant
		(e) Office stationaries
		(f) Clearing and sanitation
		(g) Printed matters
		(h) Other consumables
		(i) Fumigation
		(j) Hospitality and entertainment
		(k) National holiday expenses
		(l) Newspapers, periodicals and tv subscriptions
		(m) Office rent
		(n) Postage and courier
		(o) Security
		(p) Telephone and telefax
		(q) Travelling on duty
		(r) Workers council and committees
		(s) Sports and games
		(t) Tender body expenses
		(u) Administrative advisement
		(v) Staff capacity building
		(w) Support services-ICT software
		(x) Stock taking and FA verification
		(y) Insurance-Investment property
		(z) Insurance-PPE
4.	Board expenses	(a) Board Expenses
		(b) Trustees fees and allowances
		(c) Board meeting expenses
		(d) Board committee meeting expenses
		(e) Capacity building trustees
		(f) Other board expenses
5.	Professional fees and taxes	(a) Audit fees
		(b) Legal expenses
		(c) Land rent
		(d) Property tax
		(e) Licenses and fees
		(f) Corporate taxes
		(g) Regulatory fees
		(h) Litigations fees
6.	Statutory expenses	Statutory expenses
7.	Business expenses	(a) Annual accounts and reports
		(b) Research and development
		(c) Consultancy costs
		(d) Estate management
		(e) Donations

Social Security Schemes (Administrative Expenses)

Gn. No. 386(Contd.)

		(f) Study tours and conferences
		(g) Project management
		(h) Public and members education
		(i) Business promotion and publicity
		(j) Trade fare and exhibitions
		(k) Corporate fees and subscriptions
		(l) Valuation of assets
		(m) Actuarial valuation
		(n) Pensioner's verifications
		(o) Members survey
		(p) Boars of survey
		(q) Annual budget
		(r) Income statement
8.	Financial Expenses	(a) Bank charge and commissions
		(b) Brokerage fees/ commissions
		(c) Interest charged on loans
		(d) Stamp duty and revenue stamp
		(e) Penalties and fines
		(f) Income statement
9.	Depreciation of PPE	(a) Depreciation-office building
		(b) Depreciation- residential building
		(c) Depreciation-office computers
		(d) Deprecation-motor vehicles
		(e) Deprecation- office and fittings
		(f) Depreciation- residential furniture and fittings
		(g) Depreciation- investment furniture's and fitting
		(h) Depreciation-office equip and machines
		(i) Depreciation- residential equipment and machinery
		(j) Depreciation- investment equipment and machinery
		(k) Income statement
10.	Amortization of intangible assets	(a) Amortization-software
		(b) Amortization-other intangible
		(c) Income statement
11.	Impairment losses	(a) Impairment- office buildings
		(b) Impairment-residential building
		(c) Impairment-investment properties
		(d) Impairments- motor vehicles
		(e) Impairment- office furniture and fittings
		(f) Impairment- residential furniture and fitting
		(g) Impairment- investment furniture and fitting
		(h) Impairment-office equipment and machinery
		(i) Impairment-residential equipment and machinery
		(j) Impairment- investment equipment and machinery

Social Security Schemes (Administrative Expenses)

Gn. No. 386(Contd.)

		(k) Impairment- computers
		(l) Impairment- software
		(m) Impairment- other intangible
		(n) Impairment- inventory
		(o) Impairment- loans
		(p) Impairment- debtors and prepayments
		(q) Impairments- financial assets, investment
		(r) Impairments- other financial assets
		(s) Impairments- W.I.P
		(t) Income statements
12	Any other items that follows within the definitions of income	

SECOND SCHEDULE

(Made under paragraph 12 (4))

ITEMS OF INCOME TO BE ACCOUNTED FOR BY SCHEMES

S/N	INCOME NAME	ITEMS
1.	Members contributions	
2.	Interest from investments	(a) Interest from treasury bonds (b) Interest from Government stocks (c) Interest from treasury bill (d) Interest from deposit- banks (e) Interest from corporate bonds (f) Interest from special purposes entities(SPEs) (g) Interest on loans (h) Other interest income
3.	Rent income	(a) Rent income (b) Rent arrears recovery
4.	Dividend from equities	Dividend from equity- unlisted
5.	Other income	(a) Sale of tender documents (b) Gain on disposal of PPE (c) Penalties - Delayed Contribution (d) Gain in Forex Transactions (e) Other Income (f) Fees and Commission (g) Sale of tender Documents
6.	Grants	(a) Amortization of capital Grants (b) Amortization of Revenue Grants (c) Treasury Contribution (d) Income Statement
7.	Disposal of Investments	(a) Gain on Sale Of Investments (b) Gain on Sales Shares (c) Gain on Disposal of other Investments (d) Income Statement

Social Security Schemes (Administrative Expenses)

Gn. No. 386(Contd.)

8.	Changes in fair Values	(a) Gain in FV of Invest Prop.
		(b) Gain due to changes in FV of FN instruments
		(c) Gain due to PPE Revaluation
		(d) Gain due to changes in value of PPE
		(e) Gain due to changes in value of Invest
		(f) Gain due to changes in Value Intangible Assets
		(g) Gain in value of Treasury contributions
		(h) Other changes in Fair Values
		(i) Total gains due to fair Value changes
		(j) Gain in FV of Invest Prop
9.	Any other items that follow within the definitions of income	

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