



THE SOCIAL SECURITY SCHEMES INVESTMENT GUIDELINES, 2021

(Made under Section 26(2) and 48(a) of the Social Security (Regulatory Authority) Act, Cap. 135)

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PART I

PRELIMINARY PROVISIONS

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| Short Title and Commencement | 1. These Guidelines may be cited as the Social Security Schemes Investment Guidelines, 2021 and shall come into operation on the date of signing by the Governor. |
| Application | 2. These Guidelines shall apply to all mandatory and supplementary social security schemes, fund managers and custodians operating in Tanzania Mainland. |
| Interpretation | 3. In these Guidelines unless the context requires otherwise:

“ Act ” means the Social Security Act, Cap. 135;

“ Actuarial Valuation ” has the meaning ascribed to it in the Act;

“ Authority ” has the meaning ascribed to it in the Act;

“ The Bank ” means the Bank of Tanzania existing under the Bank of Tanzania Act, Cap. 197;

“ Board of Trustees ” means the supreme Board, by whatever name known, of the Social Security Scheme;

“ Conflict of Interests ” means a situation in which someone in a position of trust, has competing professional, business or personal interest, making it difficult to fulfill his duties impartially;

“ Custodian ” has the meaning ascribed to it in the Act;

“ Fair Value ” means the price that two parties are willing to pay for an asset preferably in active market. It takes into account such objective factors as production cost, acquisition cost, replacement cost or cost of close substitute;

“ Fund Manager ” has the meaning ascribed to it in the Act;

“ Infrastructure Projects ” means projects that involve installations, construction or development of basic facilities and services needed for the functioning of a community or society, such as transportation and communication systems, water and power lines, etc;

“ Joint Venture ” means a business arrangement where two or more schemes agree to pull their resources for the purpose of accomplishing a specific investment; |

“Mandatory Scheme” has the meaning ascribed to it in the Act;

“Non-Income Earning Property” means an investment property acquired or under construction that has not yet started to earn income;

“Real Estate Investment Trust” means an entity created with the sole purpose of channeling investable funds into operating, owning or financing income producing real estate;

“Regulations” has the meaning ascribed to it in the Act;

“Social Security Scheme” has the meaning ascribed to it in the Act;

“Special Purpose Vehicle” means a separate legal entity created by a scheme(s) for the purpose of carrying out a specific investment project;

“Supplementary Scheme” has the meaning ascribed to it in the Act;

Objectives

4. The general objective of the Guidelines is to guide the Boards of Trustees of the schemes to undertake investment decisions in line with the best practices and provisions of the Act. Specifically, the Guidelines aim at:
 - (i) Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk;
 - (ii) Safeguarding and protecting the interest of the members of the schemes by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria;
 - (iii) Ensuring that there is sufficient liquidity to meet maturing obligations;
 - (iv) Ensuring sound governance structure, which is essential for the effective investment of social security funds. The governance structure ensures an appropriate division of operational and oversight responsibilities, and the suitability and accountability of those with such responsibilities; and
 - (v) Ensuring a high level of integrity and professionalism in the governance and administration of the investments of social security schemes.

PART II
INVESTMENT POLICY

- Investment Policy 5. (1) The Board of Trustees of every scheme shall formulate and implement written investment policy in accordance with these Guidelines and shall consider the latest actuarial report when formulating investment policy.
- (2) Without prejudice to the generality of guideline 5 (1) above, the Board of Trustees of every scheme shall ensure that, at minimum, the investment policy include:
- (a) Clear investment objectives that are consistent with the characteristics of the liabilities of the scheme and with acceptable degree of risk;
 - (b) Role and responsibilities of the Board of Trustees;
 - (c) Types and frequency of risk management report to be submitted by the management to the board.
 - (d) Requirement that conflicting roles in the investment execution; and performance and risk reporting are segregated.
 - (e) Permissible investment (categories of investments) to be held by the schemes in line with these Guidelines;
 - (f) Internal investment limits for each category of investment;
 - (g) Approval procedures and approval limits;
 - (h) Description of the sources of funds for investments;
 - (i) Appropriate benchmark for measuring portfolio performance;
 - (j) Policy on investment ethics and conflict of interest that refrain investment personnel from engaging in business activities that can conflict with proper execution of investments;
 - (k) The management committee responsible for investment decisions, at minimum shall comprise of Chief Executive Officer who shall be the Chairperson and Heads responsible for the following functions:
 - (i) Investment;
 - (ii) Finance;
 - (iii) Legal Matters;

- (iv) Risk/Actuarial Matters; and
- (v) Operations.

(l) Procedures for monitoring and evaluation of investments; and

(m) Conduct of the Investment Committee meetings.

(3) The Investment policy referred to under guideline 5(1) above shall be submitted to the Bank for review after they have been approved by the Board of Trustees.

Members of
supplementary
schemes
Involvement in
Investment
Decisions

6. Supplementary scheme(s) that allow members to make investment choices, the investment policy for such scheme(s) shall ensure that:

(i) An appropriate array of investment options, including a default option, is provided to members;

(ii) Members have access to information necessary to make investment decisions;

(iii) There is a clear classification of the investment options according to the investment risk that members bear;

(iv) Periodic analysis of each asset category and the portfolio as a whole is carried out to determine nominal, risk-adjusted, and inflation-adjusted (real) rates of return;

(v) The analysis in (iv) above include comparisons with target rates of return, and appropriate benchmarks to:

(a) Allow the social security scheme to assess investment performance;

(b) Update the asset allocation strategy; and

(c) Make adjustments (as may be required) to the investment policy and strategy.

(vi) Investment shall follow the principles of investment including safety, yield, liquidity, diversification and socio-economic utility.

Review of Policy

7. (1) The Boards of Trustees of every scheme shall review their investment policy at least annually.

(2) Whenever changes are made in the investment policy, it shall be submitted to the Bank, not later than thirty days after approval by the respective Board of Trustees.

PART III
INVESTMENT CATEGORIES AND LIMITS

Investment
Categories and
Limits

8. (1) A scheme shall only invest in the investment categories prescribed in these Guidelines to the extent to which the fair value of the investment in the category expressed as a percentage of the total investment portfolio of the scheme does not exceed the percentage prescribed hereunder:

S/n	Investment Category	Investment limit as a percentage of Total Investment Portfolio
1	Cash and Demand Deposit in Banks and Financial Institutions	5
2	Government Securities (Treasury Bills, Treasury Bonds.)	20 -100
3	Direct Loans to the Government	10
4	Commercial Paper, Promissory Notes and Corporate Bonds	20
	of which Unlisted Corporate Debt	5
5	Real Estate	30
	of which Non-Income Earning Property	5
6	Ordinary and Preference Shares	20
	of which Unquoted Equity	5
7	Infrastructure Investments	25
8	Fixed Deposits, Time Deposits and Certificates of Deposits with Licensed Banks and Financial Institutions	35
9	Investment in Licensed Collective Investment Schemes	30
10	Guaranteed Fund – Supplementary schemes only	100
11	Others -subject to prior approval by the Bank	10

- (2) Every mandatory scheme shall ensure that its holding of assets other than investments shall not exceed fifteen percent of total assets of that scheme.

Return on
Investments

9. (1) Without prejudice to guideline 8 above, the Board of Trustees of every scheme shall ensure that any investment other than Treasury instruments shall have return which is over and above return on Government Securities of a similar maturity at the time of investing.

- (2) A scheme intending to invest in assets with yields lower than those prescribed in (1) above shall seek prior approval of the Bank.

Permission to Exceed Investment Limits	<p>10. A scheme may exceed the limits indicated in guideline 8 (1) in the event of an increase in the market price of assets, revaluation, bonus issues or spontaneous transfer of investment from one category to another provided that:</p> <p style="margin-left: 40px;">(i) No new investment shall be done for those investment categories until such times when the investments are restored to the limits prescribed in these Guidelines; and</p> <p style="margin-left: 40px;">(ii) Any such excess shall be reported immediately to the Bank.</p>
Investment in Government Securities	<p>11. A scheme may invest in Government Securities issued by the Governments of EAC Partner States.</p>
Investment in equities	<p>12. A scheme may invest in any equities of ordinary and preference shares of private companies or companies listed on the Dar es Salaam Stock Exchange or any other Stock Exchange within EAC Partner States subject to the limits provided under the Guidelines.</p>
Investment in Collective Investment Schemes and Corporate Bond	<p>13. A scheme may invest in collective investment schemes and corporate bonds approved by Capital Market and Security Authority or Capital Market Authorities of the respective EAC Partner States.</p>
Convertible Bonds	<p>14. A convertible bond shall be treated under the category into which it is converted.</p>
Investment in Properties	<p>15. Investment in properties shall include properties constructed or acquired for the purpose of leasing to prospective tenants and/or for sale provided that:</p> <p style="margin-left: 40px;">(i) All investment properties shall be managed by independent property managers; and</p> <p style="margin-left: 40px;">(ii) Development or construction of properties shall be undertaken by independent third parties registered by relevant authorities.</p>
Investment in Infrastructure	<p>16. (1) Where a scheme intends to invest in infrastructure projects, it shall appoint competent and independent third parties to oversee construction and management of the project.</p> <p style="margin-left: 40px;">(2) Infrastructure projects shall be considered suitable investments only if they are expected to generate adequate cash flows and rates of return acceptable to the scheme.</p>

Offshore Investments	17. Off-shore investment by the schemes shall be in accordance with, and governed by the Foreign Exchange Act and regulations, directives and rules issued by the Bank from time to time.
Investment in other Asset Categories	18. Investment in asset categories not specified in these Guidelines shall be subject to prior approval by the Bank.
Engagement of Fund Managers and Custodians	<p>19. (1) A scheme shall use the services of Custodian(s) registered by the Authority to carry out custodial services;</p> <p>(2) A mandatory scheme may use services of Fund Manager(s) registered by the Authority to undertake its investment activities;</p> <p>(3) Where it deems necessary, the Bank may require any mandatory scheme to engage Fund Manager(s) to undertake investment functions on behalf of the scheme;</p> <p>(4) A supplementary scheme shall be required to engage Fund Manager(s) to undertake investment functions on behalf of the scheme;</p> <p>(5) Notwithstanding the provision of guidelines 19 (4) above, a supplementary scheme investing solely in Government Securities or Guaranteed Funds may elect not to engage the service of Fund Manager(s);</p> <p>(6) Where a scheme engages the services of the Fund Managers and Custodians, such a scheme shall put in place policy and procedures for engagement of such Fund Managers and Custodians.</p>
Exposure limits	<p>20. Investments by Social Security Schemes shall be subject to the following considerations:-</p> <p>(i) Aggregate exposure outside Tanzania shall not exceed thirty percent of the total investment portfolio of the scheme;</p> <p>(ii) Any single holding other than central Government debt (including any single property) shall not exceed ten percent of total investment portfolio of the scheme;</p> <p>(iii) Exposure in fixed deposits, savings and current account balances, corporate bonds, commercial papers, and any other exposure with any single bank or</p>

financial institution shall not exceed twenty percent of the total exposure of the scheme with all banks and financial institutions in such instruments;

- (iv) Any investment in unquoted equity and real estate shall require prior approval of the Bank;
- (v) Any investment in real estate in the form of Joint Venture, Special Purpose Vehicle and Real Estate Investment Trusts shall be classified as investment in real estate;
- (vi) Holding of any given security as a percentage of total issue shall not exceed ten percent of the security issued and subscribed by the public;
- (vii) Investments in collective investments schemes managed by any one body shall not exceed ten percent of the total investment portfolio of the scheme;
- (viii) A supplementary scheme may invest in a guaranteed fund of an approved issuer;
- (ix) Investment in venture capital or exploration shall not be allowed; and
- (x) Schemes shall not grant loans except mortgage loans to members as permitted by the respective scheme's establishing Act and incentive loans to staff as guided by staff loans policies approved by the Boards of Trustees.

Guarantees and Contingent Liabilities

21. A scheme shall not provide guarantees nor assume any type of contingent liability, except as is necessary under section 38 of the Act.

Valuation of Properties

22. Schemes shall undertake valuation of its real properties by using professional valuers registered by the National Council of Professional Surveyors at least every three years.

PART IV

REPORTING REQUIREMENTS

Reporting to the Bank and the Authority

23. Every scheme, fund manager, custodian and administrator shall submit reports to the Bank and a copy to the Authority in the manner and frequency as shall be prescribed by the Bank.

Submission of Audited Accounts

24. Every scheme shall, as soon as its financial statements have been audited and in any case not later than six months after the closure of the financial year, submit a copy of the audited financial statements to the Bank and the Authority together with a copy of any report made by the auditor including the management letter.

Penalty for Failure to Submit Reports 25. Any scheme, fund manager or custodian which fails to submit the reports within the deadlines specified in the respective reports shall be liable to a penalty charge of one million shillings per day for every day in which the failure continues.

Penalty for Submission of Incorrect Reports 26. Any scheme, fund manager or custodian which submits incorrect or misleading reports shall be liable to a penalty charge of one million shillings per day for every day in which the reports remain uncorrected.

PART V

GENERAL PROVISIONS

Due Diligence 27. The Board of Trustees shall ensure that every investment proposal generated by the scheme is subject to appropriate due diligence to determine its economic viability.

Conflict of Interests 28. (1) The Board of Trustees of every scheme, fund manager and custodian shall develop and observe comprehensive policies and procedures to minimize instances of insider dealing and conflict of interest in all their operations.

(2) The policies referred to in 28 (1) above shall, at the minimum, address and raise awareness on insider dealing and conflict of interests in areas such as investment approvals, contracts for works or employment, business relationships, professional services and competing businesses.

(3) The sale, disposal or purchase of scheme's assets shall be in a manner that is fair, transparent, at arm's length and in the best interest of the scheme.

Sanctions 29. Without prejudice to the other penalties and actions prescribed by the Act and these Guidelines, the Bank may impose one or more of the following sanctions where any of the provisions of these Guidelines is contravened:

(i) Monetary penalties on the fund manager, custodian, member of the board, officers or employees responsible for the violation as prescribed in the Act;

(ii) Suspension of the right to engage in certain investment; and

(iii) Recommend disqualification of the defaulting director(s), officer or employee to the respective appointing authority.

Amendment of Guidelines 30. The Bank may amend these Guidelines from time to time.

Dis-application of Guidelines

31. (1) The Social Security Schemes Investment Guidelines, 2015 are hereby dis-applied.

(2) Notwithstanding guideline 31 (1) above, everything done, action, claim or directive made pursuant to the Social Security Schemes Investment Guidelines, 2015 shall continue to have effect as if were made, issued or prepared under these Guidelines.

Dar es Salaam

17th June 2021

Florens D. A. M. Luoga

Governor