THE SOCIAL SECURITY SCHEMES INVESTMENT GUIDELINES, 2015

(Made under Section 26(2) of the Social Security (Regulatory Authority) Act No. 8 of 2008)

ARRANGEMENT OF THE GUIDELINES

PART I

PLELIMINARY PROVISIONS

Short Title and Commencement	1.	These Guidelines may be cited as the Social Security Schemes Investment Guidelines, 2015 and shall come into operation on the 1st day of October, 2015.
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 (Regulatory Authority) Act No. 8 of 2008;

"**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, 2006;

"**Board of Trustees**" means the supreme Board, by whatever name known, of the Social Security Scheme;

"**Conflict of interest**" 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;

"**Mandatory Scheme**" has the meaning ascribed to it in the Act;

"**Regulations**" has the meaning ascribed to it in the Act;

"**Social Security Scheme**" has the meaning ascribed to it in the Act;

"**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 POLICIES

Investment Policies

5. (1) The Board of Trustees of every scheme shall formulate and implement written investment policies in accordance with these Guidelines and shall consider the latest actuarial report when formulating investment policies.

(2) Without prejudice to the generality of guideline 5 (1) above, the Board of Trustees of every scheme shall ensure that, at a minimum, the investment policies include:

(a) Clear investment objectives that are consistent with the characteristics of the liabilities of the scheme and with acceptable degree of risk;

(b) Permissible investment (categories of investments) to be held by the schemes in line with these guidelines;

(c) Internal investment limits in each category of investment;

(d) Approval procedures and approval limits;

(e) Description of the sources of funds for investments;

(f) Benchmark for investment returns;

(g) 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;

(h) Composition of the committee(s) responsible for investment decisions;

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

(j) Conduct of the Investment Committee meetings.

(3) The Investment policies 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.

Composition of Investment Committee

6. (1) Without prejudice to the generality of guideline 5 (2) (h) above, the Board of Trustees must ensure that, at a minimum, the committee responsible for investment decisions shall comprise of the Chief Executive Officer who shall be the Chairperson and the Heads responsible for the following functions:

(i) Investment who shall be the Secretary;
(ii) Finance;
(iii) Legal Matters;
(iv) Risk/Actuarial Matters; and
(v) Operations.

Members Involvement in Investment Decisions

(2) For 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 Policies

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

(2) Whenever changes are made in the investment policies they 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. 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 asset of the scheme does not exceed the percentage prescribed hereunder:

S/n	**Investment Category**	**Investment limit as a percentage of Total Assets**
1	Government Securities (Treasury Bills, Treasury Bonds.)	20 -70
2	Direct Loans to the Government	10
3	Commercial Paper, Promissory Notes and Corporate Bonds	20
	of which Unlisted Corporate Debt	5
4	Real Estate	30
	of which Non-Income Earning Property	5
5	Ordinary and Preference Shares	20
	of which Unquoted Equity	5
6	Infrastructure Investments	25
7	Fixed Deposits, Time Deposits and Certificates of Deposits with Licensed Banks and Financial Institutions.	35
8	Investment in Licensed Collective Investment Schemes	30
9	Loans to Corporate and Cooperative Societies	10
10	Others -subject to prior approval by the Bank	

Return on Investments

9. (1) Without prejudice to guideline 8 above, the Board of Trustees of every scheme shall ensure that any investment different from Treasury instruments shall have return which is over and above return on Treasury bills and Treasury bonds, at the time of investing, depending on the maturity.

(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	10. (1) A scheme may exceed the limits indicated in guideline 8 in the event of an increase in the market price of assets, revaluation, bonus issues or transfer of investment from one category to another provided that: (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 (ii) Any such excess shall be reported immediately to the Bank.
Convertible Bond	11. A convertible bond shall be treated under the category into which it is converted.
Investment in Equities	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 these Guidelines.
Investment in Properties	13. Investment in properties shall include properties constructed or acquired for the purpose of leasing to prospective tenants and/or for sale provided that: (i) All investment properties shall be managed by independent property managers; and (ii) Development or construction of properties shall be undertaken by independent third parties registered by relevant authorities.
Investment in Infrastructure	14. (1) Where a scheme intends to invest in infrastructure projects, it shall appoint competent and independent third parties to oversee construction and manage revenue collection. (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.
Offshore Investments	15. 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	16. Investment in asset categories not specified in these Guidelines shall be subject to prior approval by the Bank.

Engagement of Fund Managers and Custodians

17. (1) A scheme may engage services of Fund Managers and Custodians registered by the Authority to undertake its investment activities.

(2) Where it deems necessary, the Bank may require any scheme to engage Fund Managers and Custodians to undertake investment functions on behalf of the scheme.

(3) Notwithstanding the provisions of Guidelines 17 (1) and 17(2) above, every supplementary scheme shall be required to engage Fund Managers and Custodians to undertake investment functions on behalf of the scheme.

(4) Where a scheme engage the services of the Fund Managers and Custodians as in 17(1) and 17 (2) above, such a scheme shall put in place policy and procedures for engagement of such Fund Managers and Custodians.

Exposure limits

18. Investments by Social Security Schemes shall be subject to the following considerations:-

(i) Any single holding other than central Government debt (including any single property) shall not exceed ten per cent of total assets of the scheme;

(ii) Exposure in fixed deposits, savings and current account balances with any single bank or financial institution shall not exceed twenty percent of the total fixed deposits, savings and current account balances of the scheme with all banks and financial institutions;

(iii) Any investment in unquoted equity shall require prior approval of the Bank;

(iv) 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;

(v) A scheme shall limit its investments in corporate bonds to those issues which have been listed on the Dar es Salaam Stock Exchange or any other Stock Exchange within EAC Partner States;

(vi) A scheme can also invest in the non-listed corporate bonds provided that the issue has been approved by the capital markets regulatory authority of the respective EAC Partner States;

(vii) Investments in collective investments schemes managed by any one body shall not exceed ten percent of total assets of the scheme;

(viii) Investment in venture capital or exploration shall not be allowed; and

(ix) No loans shall be granted to individuals 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

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

Amendment of Guidelines

20. The Bank may amend from time to time investment limits and asset categories provided in these Investment Guidelines.

Valuation of Properties

21. 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

22. Every scheme, manager and custodian 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

23. Every scheme shall, as soon as its financial statements have been audited and in any case not later than six months after the close 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

24. Any scheme, 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

25. Any scheme, 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

Conflicts of Interest

26. (1) The Board of Trustees of every scheme, manager and custodians 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 (1) above shall, at the minimum, address and raise awareness on insider dealing and conflict of interest in areas such as investment approvals, contracts for works or employment, business relationships, professional services and competing businesses.

Sanctions

27. Without prejudice to the other penalties and sanctions 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 scheme, manager, custodian, directors, officers or employees responsible for the violation in such amounts as may be determined by the Bank;

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

(iii) Suspension from incurring capital expenditure;

(iv) Suspension of the right to recruit new members;

(v) Suspension from office of the defaulting director, officer or employee;

(vi) Disqualification from holding any position or office in a scheme, manager or custodian;

(vii) Placing the scheme, manager or custodian under administration; and

(viii) De-registration by the Authority.

Repeal

28. The Social Security Schemes Investment Guidelines, 2012 are hereby repealed.

Dar es Salaam
…..September, 2015

Benno J. Ndulu
Governor