Expanding social secuirty

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The need to establish a Social Security Regulatory Authority (SSRA) came about because the country's social security system faced a number of challenges, among them increasing fragmentation of the legal and regulatory framework: Some funds were under the Ministry of Finance, some under the Ministry of Labor, while others were the remit of the Ministry of Local Government or the Ministry of Health.

It all needed to be coordinated; so after establishing a Social Security Policy in 2003, there was need for a regulatory board to be put into place.

Tanzania's social security system rests on three pillars: the first deals with the social assistance system, and is financed by taxes. The second pillar is contributory, and contains the pension funds, which are the National Social Security Fund (NSSF), the Parastatal Pensions Fund (PPF), the Public Service Pensions Fund (PSPF), and the Local Authorities Pensions Fund (LAPF). The third pillar is a provident fund, called the Government Employees Provident Fund (GEPF), which includes the National Health Insurance Fund (NHIF). These all rest on mandatory schemes established by an act of parliament. The third pillar supports nascent supplementary schemes and occupational-based ones established by trust deeds.

Until now, we simply had a social system in place dominated by the Mandatory Defined Benefits Schemes.

Regarding the first pillar, although the government offers social assistance to vulnerable groups, the country has not established a universal pension. The SSRA and the Ministry of Labor and Employment are working to introduce a universal pension for the elderly. Among the SSRA's roles is the regulation of the sector, awareness building of social security products and services, and regular monitoring of sector performance.

The coverage ratio is around 3.6 per cent of the population, and roughly 6.5 per cent of the working population. Limited coverage stems from sector membership, a lack of awareness of social security products, inadequate benefits, lack of transferability, and premature withdrawals by contributors to the fund.

The most significant change that this new legislation has brought about, in 2012, was a comprehensive overhaul of the legal and regulatory framework of the acts of all existing mandatory social security schemes to comply with the Social Security Regulatory (SSR) Act. Transparency has increased as schemes inform members of their operations at annual conferences, boosting awareness. The SSRA, in collaboration with the Bank of Tanzania, has issued uniform investment guidelines for all pension funds, raising good governance in fund management. The funds' assets, originally at around US$2.2 million exceeded US$3 million in 2012. Current legislation imposes a penalty for avoidance, or delayed payment of contributions. The turnaround time has been improved from two months to one to two weeks, depending on the fund. Another innovative step has been an amendment to the SSR Act that allows 50 per cent of contributions to be collateralized for mortgages.

This has led to a substantial growth in premiums for three main reasons: The first is the harmonized legal and regulatory framework. The second is enforcement; every employee is registered with a mandatory social security scheme and employers must pay timely contributions. The SSRA protects members against employer non-payment. The third reason is investment guidelines, which have increased prudent fund management.

The SSRA's investment portfolio includes real-estate, listed and unlisted equities, and a fixed income portfolio that include treasury bills, treasury bonds, promissory notes, fixed deposits reserves, loans and corporate bonds.

A key priority for the SSRA has been to extend coverage in the informal sector. Section 30 of SSR Act has created an environment for funds to roll over into other sectors, specifically the informal sector. The SSRA is mandated to advise the Ministry of Labor on all policy matters regarding social security, to conduct evaluations to make sure the system remains stable and sustainable, to carry out awareness programs and research, all of which is to ensure that our members are getting important information and services, and the sector is innovative and able to reach the majority of Tanzanians.

Any person with an income can now join any social security fund of his or her choice. Given the nature of the informal sector, some people can contribute regularly, even daily, while others can contribute seasonally.

For example, food vendors can contribute daily, transport drivers can contribute weekly, and farmers can contribute seasonally after the harvest. This represents innovation in the sector because it allows anyone to participate.