



NATIONAL HEALTH INSURANCE FUND

REVISED INVESTMENTS POLICY

October, 2012

[MARCH, 2008]

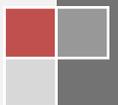


Table Contents

1.0	CITATION AND INTERPRETATIONS	4
2.0	PROFILE OF THE FUND, RATIONALE AND OBJECTIVES OF THE INVESTMENTS POLICY	6
2.1	Introduction	6
2.2	Profile of the Fund	6
2.3	Basis and rationale of the Investments Policy	7
2.4	Objectives of the Investment Policy	7
2.5	Scope	7
2.6	Sources of Funds for Investment	7
2.7	Investible funds for Investment	8
3.0	THE GUIDING PRINCIPLES OF NHIF INVESTMENTS	9
3.1	Liquidity	9
3.2	Safety	9
3.3	Yield	9
3.4	Economic and Social utility	9
3.5	Diversification	10
4.0	ASSET CLASS PREFERENCE AND INVESTMENTS PERFORMANCE BENCHMARKING	11
4.1	Asset Class Preference	11
a)	Government Debts	11
b)	Fixed Deposits, Call Deposits and reverse repos with licenced banks and financial institutions	11
c)	Commercial Papers, Promissory notes and corporate bonds	12
d)	Equities and Joint Ventures	12
e)	Collective Investment Schemes	12
f)	Investments towards Improving Health Sector of Tanzania	13
i)	Direct Loans to the Government	13
ii)	Centers of Medical Excellencies and Treatment	13
iii)	Medical Equipment and Facilities Improvement loans	13
g)	Real Estates and Other Emerging Investments	13
4.2	Asset Allocation	13

4.3	Investments performance benchmarks _____	14
4.3	Discounting Factor for the Fund’s Investment Proposals_____	16
5.0	INVESTMENTS’ RISK MANAGEMENT _____	17
5.1	Investment Returns and Risk _____	17
5.2	Types of Investments Risks _____	17
5.3	Risk Mitigation Strategies _____	17
6.0	ROLES, RESPONSIBILITIES AND CONTROLS_____	18
6.1	The Board of Directors _____	18
6.2	Finance and Operations Committee of the Board _____	18
6.3	Management Investment Committee (MIC) _____	18
6.4	Director General _____	19
6.5	Directorate Responsible for Investments _____	19
6.6	Fund Manager _____	19
6.7	Custodian _____	20
6.8	Investments Approval Levels _____	20
6.9	Exposure Limits_____	21
6.10	Prudence_____	22
6.11	Internal Controls _____	22
6.12	Investment Trainings _____	23
6.13	Ethics and Conflicts of Interests _____	23
6.14	Procedure of Acting on Conflict of Interest _____	23
6.15	Reporting Requirements _____	24
7.0	IMPLEMENTATION AND PERFORMANCE EVALUATION _____	25
7.1	Implementation _____	25
7.2	Performance measurements _____	25
7.3	Investment Policy Adoption and Revision _____	26

PART ONE

1.0 CITATION AND INTERPRETATIONS

This Policy may be cited as the Revised Investments Policy of the National Health Insurance Fund 2012 and shall come into operations on the day when it is approved by the Board of Directors of the Fund. It is prepared in line with section 5, 7 and 8 of the Social Security Schemes Investments Guidelines 2012.

In this Investments Policy, unless the context otherwise requires:-

- 1.1 **"Conflict of interest"** means a situation in which someone in a position of trust has competing professional business or personnel interest, making it difficult to fulfill his or her duties impartially
- 1.2 **"Custodian"** means a company registered under the law of Tanzania whose business includes taking responsibility for the safe custody of the funds, securities, financial instruments, and documents of title of the assets of a scheme;
- 1.3 **"Financial Regulations"** is the approved Financial Regulations of the National Health Insurance Fund.
- 1.4 **"Fund Manager"** means a company whose business includes:-
 - a) Undertaking, pursuant to a contract or other arrangements, the management of the funds and other assets of a Scheme for purposes of investments;
 - b) providing consultancy services of the investment of scheme; or
 - c) reporting or disseminating information concerning the assets available for investment of scheme.
- 1.5 **"Infrastructure projects"** means projects that involve installation, construction or development of basic facilities and services needed for the functioning of a community or society, such as health services facilities etc.
- 1.6 **"Investments Committee"** is the committee constituted by the Director General from Senior Members of the Management as per section 6 of the Social Security Schemes' Investments Guidelines 2012 and as amended from time to time "Investment Portfolio" refers to all investment assets of the NHIF.
- 1.7 **"Investments Personnel"** means NHIF staff responsible for the Fund's investment activities.
- 1.8 **"Policy"** refers to the Investment Policy.

- 1.9 **"Securities"** means documents or certificates showing ownership of stock, bonds, shares, etc.
- 1.10 **"Scheme"** means the National Health Insurance Scheme.
- 1.11 **The "Act"** means the National Health Insurance Fund Act No. 8 of 1999 and as may be amended from time to time.
- 1.12 **The "Board"** refers to the Board of Directors of the NHIF.
- 1.13 **The "Finance and Operations Committee"** refers to the Finance and Operations Committee of the Board of Directors of the NHIF.
- 1.14 **"The Fund" or "NHIF"** refers to the National Health Insurance Fund, established under the Act of Parliament No 8 of 1999.

PART TWO

2.0 PROFILE OF THE FUND, RATIONALE AND OBJECTIVES OF THE INVESTMENTS POLICY

2.1 Introduction

The Investments Policy of the National Health Insurance Fund (NHIF) is a policy document, which provides a broad but focused guideline on the investment activities of the Fund. The Policy, aims at attaining and maintaining a positive real rate of return on the Fund's overall investment portfolio. It also aims at achieving and maintaining a well-diversified investment portfolio that is capable of handling Funds obligations on a sustainable basis.

The first Investments Policy of the Fund was adopted in September 2005. Since then it has been reviewed twice, in April 2008 and in February 2011. This reviewed policy has been done following the issuance of the Social Security Schemes Investment Guidelines, 2012 which came into operation on 1st May, 2012.

In the review and formulation of the Policy, the NHIF Act, the corporate objectives, as well as the Mission, Vision and Core Values of the Fund have been taken into consideration

2.2 Profile of the Fund

The National Health Insurance Fund (NHIF) is a body corporate established under the National Health Insurance Fund Act No. 8 of 1999 to provide for contributions to and payments of health insurance care benefits to public servants and to provide for related matters.

Initially coverage of the Fund was limited to civil servants only. Later on in 2002, the National Health Insurance Fund Act, Cap 395 R.E 2002 was amended through Act No 25 to cover servants in the public service. The Act was further amended by Act No. 3 of 2009 to cover councilors and retirees. In 2010 through Act No. 2, the principal Act was further amended to extend coverage of the Police Force, Prisons, Immigration, Fire and Rescue Brigade. This change in the Act is expected to further extend coverage of the National Health Insurance Fund to involve more groups of Tanzanians. Currently the Fund has been mandated to manage the Community Health Fund and this will make it possible for the health insurance to be extended to all Tanzanians.

Benefits provided by the Fund cover members and their legitimate beneficiaries (Spouse and other four dependants). Major responsibilities of the Fund include the task of maintaining the value of the collected funds by investing them in

various available investment opportunities with a view to earning income; following the general principles of investments.

Initially the Fund was allowed to invest only in short term investments so as to achieve high level of liquidity and hence be able to meet financial obligations and increase sustainability of the Fund. In 2007/2008 the Fund embarked on socially responsible investments such as providing loans for equipment and rehabilitation of accredited facilities. In March 2010, the Principal Act was amended to allow the Fund to invest not only in short-term investments but also in long-term investments that aims at improving the health sector in Tanzania.

2.3 Basis and rationale of the Investments Policy

The purpose of this Policy is to assist the Board of the National Health Insurance Fund in effectively supervising, monitoring and evaluating the investment of the Fund. The Policy also helps to guide the Management with regard to day-to-day investment activities of the Fund.

Section 32 of the Act provides for the sources of the funds and Section 33 (c) provides for the management of the funds. These sections form the basis for this Policy.

2.4 Objectives of the Investment Policy

The objectives of the Fund's Investments Policy are:-

- (a) Ensure investments are made in safe and high yielding investments avenues.
- (b) Ensure there is sufficient liquidity to meet maturing obligations in relation to both the provision of health service to members and administering the Fund.
- (c) Ensure investments assets of the Fund are prudently managed.
- (d) Define and assign the roles and responsibility of all involved parties in the Investment function of the Fund.
- (e) Offer guidance and limitations to all parties dealing with the Fund's investments
- (f) Establish a basis for evaluating periodic investment performance.

2.5 Scope

The scope of this Investment Policy is a comprehensive one that governs all investment activities of the Fund. It applies to all types of assets invested by the Board in exercising its statutory authority.

2.6 Sources of Funds for Investment

The sources of funds for investments purposes are as follows:-

- All contributions, fines and penalties as required to be made under the National Health Insurance Fund Act No. 8 of 1999;

- All maturing investments generated in each financial year;
- Any income generated from Investments of the Fund approved under NHIF Act, rents and interests received thereof;
- Such sums as may be received by way of donations and grants;
- All other such sums as may be appropriated by the Parliament for a purpose; and
- Any sum which may in any manner become payable to or vested in the Board as a result of the performance by the Board of its functions and duties under NHIF Act.

2.7 Investible funds for Investment

Investible funds are funds set aside for investment purposes after deducting amount earmarked for benefit payments, administrative expenses and capital expenditures. Investible funds of the Fund shall be approved by the Board of Directors of the Fund when approving the Plan and Budget of the Fund of each financial year.

PART THREE

3.0 THE GUIDING PRINCIPLES OF NHIF INVESTMENTS

Investments shall be made solely in the interest of the beneficiaries of the Fund. Since the Fund's financial obligations are mostly short-term in nature, the first consideration will be liquidity of an investment. Other governing principles will be safety of the investments, providing the highest investment return using authorized investment instruments, promoting economic and social utility development in the country, and ensuring that the Fund's investments portfolio is well diversified.

3.1 Liquidity

Any investment of the Fund is made ultimately for the purpose of meeting the obligations for benefit payments. Therefore, to be able to meet the Fund's short-term maturing financial obligations, NHIF shall ensure that sufficient resources are held in short-term investments that are easily convertible into cash. Specific proportions to be set aside for this purpose shall be determined and contained in the approved annual plan and budget of the Fund.

3.2 Safety

Safety refers to certainty of recovery of the invested capital and yield thereon. NHIF has been entrusted with the management of its members' funds; hence strict rules have to be observed as regards to the safety and control of the investments. NHIF Management will ensure that the nominal value of the invested funds is recovered and also that regular payment of interest is ensured. The Fund shall strive further to ensure that real safety of investment is achieved i.e. a positive real rate of return on investment. Therefore NHIF shall invest in areas that guarantee safety of the Fund's capital.

3.3 Yield

The NHIF shall commit its resources into high yielding investments in order to be able to render meaningful benefits to members. It may not be necessary to seek investments with the highest yield because normally such investments are associated with the highest risk as well. That means, investments to be undertaken by NHIF shall as much as possible, provide a positive real rate of return on aggregate basis and a balance shall be struck between risk and yield.

3.4 Economic and Social utility

The NHIF shall invest in areas which will fulfill conditions of economic or social usefulness to the country. But this shall be achieved if liquidity, safety, and yield are attained. It is in the interest of the society and the health insurance scheme that the funds are invested in such a way that they contribute to improve the health conditions, or the standard of living of the insured persons.

3.5 Diversification

It is the policy of the Fund to diversify its investment portfolio to avoid incurring unreasonable and avoidable risks or loss resulting from over-concentration of assets in a specific maturity, specific issuer or a specific class of securities, unless the securities are risk-free.

The annual allocation of funds for different portfolio categories will, as much as possible, be well diversified. The objectives of diversification are: -

- To reduce the Fund's total return variability.
- To reduce over exposure to any single component of the securities market.
- To reduce the risk of not tracking and hedging inflation.
- To gradually contribute towards the improved quality of health service delivery.

PART FOUR

4.0 ASSET CLASS PREFERENCE AND INVESTMENTS PERFORMANCE BENCHMARKING

4.1 Asset Class Preference

Asset classes form an important basis in constructing an investment strategy. In order to allow flexibility on asset allocations, investment avenues are classified into a group of securities that exhibit similar characteristics and behave similarly in the marketplace. In conformity to the Act and the Social Security Schemes Investment Guidelines, 2012, the NHIF shall invest its surplus funds in the following avenues:-

a) Government Debts

The Fund shall invest in government securities / debts as and when they are floated in the primary and secondary markets. These instruments include the Treasury bills and the Treasury bonds.

i) Treasury bills

Treasury bills are short-term government securities used to borrow funds from the public. They are risk-free assets and the yields from these assets may be quite marginal and at times negative. The participation in treasury bills may be reduced significantly when the yields slide below the inflation rate. The tenure of the Treasury Bills ranges from 35 to 364 days.

ii) Treasury bonds

These are long-term debt obligations issued by the Government that yield a regular (or fixed) return for the life of securities. Unlike Treasury bills, Treasury bonds have life that exceeds 12 months at the time they are issued. The potential gains from investing in Treasury bonds come from the fixed coupon payments promised and the final payment at maturity.

b) Fixed Deposits, Call Deposits and reverse repos with licenced banks and financial institutions

The Fund shall follow up closely the performance of banks and non bank financial institutions and shall make placements of funds in creditworthy banks and financial institutions. They will vary from call deposits to fixed deposits of 12 months. The Fund may also invest in a fixed deposit whose maturities are more than one year after taking into consideration the Fund's projected cash inflow and outflows, the offered interest rate and the stability of the bank. Investment limits in any one bank will depend on strength of the bank as shall be determined by the Investments Committee and shall be within the limits stipulated in the Social Security Schemes Investments Guidelines.

The Fund may also invest in Reverse Repo depending on the track record of the bank and non-bank financial institutions provided that the amount to be invested shall not exceed the exposure limit. Reverse repos are collateralized deposits with banks and non bank financial institutions with government securities (preferably treasury bills) serving as collateral during the term of deposit.

c) Commercial Papers, Promissory notes and corporate bonds

These are long-term debt obligations, often issued by corporations that yield a regular (or fixed) return for the life of securities. Unlike commercial papers which are short term securities, promissory notes and corporate bonds have maturities that exceeds 12 months at the time they are issued and they offer the promised fixed coupon payments and the final payment at maturity. For promissory notes and corporate bonds, allowable investments are those listed or will be listed at the Dar es Salaam Stock Exchange. A significant risk with all these instruments is the possibility that the issuer will not make the promised payments and therefore the Fund shall go for companies with high creditworthiness.

d) Equities and Joint Ventures

Among the general asset categories, equities are generally the riskiest investments. NHIF shall invest in ordinary shares of listed private and public companies in Tanzania, either during the Initial Public Offer (IPO) or in the Secondary Market. Preference will be to acquire such securities during the IPO and some through Secondary Markets as long as the shares are sold at reasonable price that shall enable the Fund to earn a reasonable return at the end of the holding period. As the Fund believes it has a responsibility to use its resources to promote health delivery system in the country; the Fund may also invest in equity of unlisted companies either in its own or in joint venture for specific venture that support the Fund's core business.

In line with the Social Security Schemes Investment Guidelines, 2012 investments in equities shall be made through the registered Fund Manager and certificates shall be kept by the Custodian shall be procured from the registered custodians by the Social Security Regulatory Authority.

e) Collective Investment Schemes

These are institutions that pool the financial resources of individuals and companies and invest those resources in diversified portfolio of assets. Investment in Collective Investment Schemes will only be in the Schemes approved by the Capital Market and Security Authority.

f) Investments towards Improving Health Sector of Tanzania

i) Direct Loans to the Government

A portion of Fund's cash may be committed on commercial terms to support government / special projects related to improvement of health status of the country. There should be Government guarantee or loan guarantee or collateral covering the value of the investment.

ii) Centers of Medical Excellencies and Treatment

The Fund shall be taking measures toward improvements of the health delivery systems and the referral system in the country by financing construction of Centres of Excellencies and Treatment in selected strategic areas. The Fund may construct its own centres of excellence and treatment or it may issue loans to facilities (Government, faith based and private) on commercial terms.

iii) Medical Equipment and Facilities Improvement loans

NHIF shall extend soft loans to Accredited Health Facilities, so that they can rehabilitate and improve treatment facilities and buy medical equipment that would help to offer better services to members. The loan shall be charged a small interest margin on lump-sum amount to safeguard the time value of money and operational costs. The interest on loan will be set by the Investments Committee from time to time depending on the economic conditions and the revisions of the project.

g) Real Estates and Other Emerging Investments

Investments under this asset class aims at providing the Fund with alternative investment income that will be generated from any emerging and viable investment opportunities. The Fund's long term plan is to own office buildings in each region that can accommodate other business offices. Investments under this category, apart from aiming to increase Fund's income are those investments that are related to support the Fund's core business. These will include among others construction of regional offices, strategic real estate investments and any other emerging investment opportunity. These projects shall be developed by the contractor and consultant appointed by the Board and upon completion they will be managed by the property manager appointed by the Fund's Tender Board.

4.2 Asset Allocation

Careful asset allocation is among the most important aspect in investment process. Rather than present restricted percentages, asset allocation may be expressed in ranges. This allows the Investment personnel, based on their reading of the financial market trends to invest toward the upper or lower end of the ranges. Accordingly, the asset allocation of the Fund shall be as follows:

TABLE 1: THE FUND'S INVESTMENTS PORTFOLIO MIX

S/N	INVESTMENTS CATEGORY	NHIF INVESTMENTS LIMITS*	BOT INVESTMENTS LIMITS*
1	Government Debts (Treasury bills, Treasury bonds)	20% – 70%	20% – 70%
2	Direct loans to the Government	10%	10%
3	Commercial papers, promissory notes and corporate bonds (including Residential Mortgage Backed Securities)	30%	40%
4	Of which unlisted corporate debt	10%	10%
5	Real Estates	30%	30%
6	Of which non-income earning property	5%	5%
7	Ordinary and preference shares	15%	15%
8	Of which private equity	5%	5%
9	Infrastructure investments	25%	25%
10	Deposits with licenced banks and financial institutions with original maturity of at least six months (in call deposits, notice deposits, term deposits and certificate of deposits)	35%	35%
11	Investments in licenced collective investments schemes	20%	30%
12	Loans to corporate and cooperative societies	10%	10%
13	Others – subject to prior approval by the Bank of Tanzania	10%	

* **Percentage of total assets**

4.3 Investments performance benchmarks

The overall objective of the Fund's Investments Policy is to ensure that the Fund achieves a positive real rate of return in all its investments. In order to maximize members' funds, the actual returns for each category of investments will be compared against the preset performance indicators or benchmarks. However the minimum real rate of return on investments shall not be less than 1%. Thus, the Fund's benchmarks for each category of investments are required to be as follows:-

TABLE 2: INVESTMENTS PORTFOLIO RETURNS BENCHMARKS

S/N	INVESTMENTS CATEGORY	NHIF REQUIRED ANNUAL RATE OF RETURN	BOT REQUIRED ANNUAL RATE OF RETURN
1	Government Debts (Treasury bills, Treasury bonds)	Prevailing weighted average yield (WAY) on respective Government Debts	Prevailing weighted average yield (WAY) on respective Government Debts
2	Direct loans to the Government	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Treasury bonds	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Treasury bonds
3	Commercial papers, promissory notes and corporate bonds (including Residential Mortgage Backed Securities)	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Government Security	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Government Security
4	Of which unlisted corporate debt	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Government Security	Real rate of return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable Government Security
5	Real Estates	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
6	Of which non-income earning property	-	-
7	Ordinary and preference shares	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
8	Of which private equity	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
9	Infrastructure investments	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
10	Deposits with licenced banks and financial institutions with original maturity of at least six months (in call deposits, notice deposits, term deposits and certificate of deposits)	Real return shall not be less than 1% and / or nominal rate of return shall be above WAY of the comparable treasury bills	Real return shall not be less than 1% and / or nominal rate of return shall be above WAY of comparable treasury bills

S/N	INVESTMENTS CATEGORY	NHIF REQUIRED ANNUAL RATE OF RETURN	BOT REQUIRED ANNUAL RATE OF RETURN
11	Investments in licenced collective investments schemes	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
12	Loans to corporate and cooperative societies	Real rate of return shall not be less than 1% and / or nominal rate of return above WAY of comparable Treasury bonds	Real rate of return shall not be less than 1% and / or nominal rate of return above WAY of comparable Treasury bonds
13	Others – subject to prior approval by the Bank of Tanzania	Real rate of return shall not be less than 1%	Real rate of return shall not be less than 1%
14	Overall real rate of return on investments	Greater or equal to 1% (i.e >=1%)	Greater or equal to 1% (i.e >=1%)

4.3 Discounting Factor for the Fund’s Investment Proposals

The Fund shall not accept investment proposals whose expected return are below the required rates of return as detailed in Table 2 in page 15. The overall required rate of return will be the basis for discounting cash flow of any project in which the Fund intends to invest.

PART FIVE

5.0 INVESTMENTS' RISK MANAGEMENT

5.1 Investment Returns and Risk

All investments are constrained by varying degrees of risk. Investments with high returns are normally associated with high risk and vice versa. It is therefore important to manage risks, to minimize risks or losses that impact the Fund's income from investments. Avoiding losses will positively impact the benefits provided to the members and beneficiaries of the Fund.

5.2 Types of Investments Risks

In undertaking the investment function, the Fund will ensure strategies are in place to manage investment risks facing the Fund. These risks are:-

- Risks of mismatch between assets and liabilities. Most liabilities of the Fund are in short-term and therefore sufficient funds will be invested in money market instruments to cover liabilities which are above the monthly contribution collection;
- External risks such as market, economic and political risks;
- Inherent risks such as capital , credit and interest rate risks; and
- Internal risks such as strategic risks, poor governance and implementation risk.

5.3 Risk Mitigation Strategies

The Fund will ensure that all parties involved in the investment process manage risks related to each category of investment. Risk mitigation strategies will include inter alia the following:-

- a) All investments will be limited (as much as possible) to assets with established market;
- b) The Fund's investments portfolio will be adequately diversified to spread the risks among many investment avenues;
- c) The Fund will not over expose its assets to high risk areas; and
- d) A continuous monitoring and analysis of the financial market and the investments environment.

CHAPTER SIX

6.0 ROLES, RESPONSIBILITIES AND CONTROLS

6.1 The Board of Directors

The Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Fund's investment operation. When the Board deems it feasible it shall be involved in:-

- Approving of investment performance evaluation standards/benchmark and deviation limits.
- Approving principles for asset selection
- Approving principles for credit risk management
- Specifying overall framework for investment management, monitoring, evaluation, and control.
- Authorize disbursement out of the Fund as per section 30 (i) of the Act.
- Approving any amendments to the policy, where the policy demands so.
- Approving investments in Government loans/ special projects

6.2 Finance and Operations Committee of the Board

Section 31 (f) and (h) of the Act empowers the Board to establish any committee and delegate powers in respect of any matter relating to the management, investment and administration of the Fund. On the strength of this section, the Board established the Finance and Operation Committee that is responsible for reviewing Investments Management Policy, scrutinizing investment proposals and recommending these proposals to the Board of Directors for approval.

6.3 Management Investment Committee (MIC)

The Committee shall be responsible for undertaking all investment and re-investment activities of the Fund as directed by the Board and/or the Finance and Operations Committee except Direct Loans to the Government, real estates, Equipment Loans and Facilities Improvement Loans whose value is equal or more than TZS 500.0 million.

All MIC members of the Fund shall be appointed by the Director General as per the requirement of section 6 of the Social Security Schemes Investments Guidelines, 2012 as amended from time to time.

The MIC meeting shall be convened anytime whenever there are investments proposals to be deliberated and approved. The MIC Secretary shall issue a notice

of the meeting to all committee members after consultation with the Chairman. The quorum for the investments Committee will be considered to be present if at least 50% of the total members have attended the meeting. Whenever the Chairman is absent from office, the investments committee shall be chaired by the Deputy Director General or the most senior member of the Investments Committee.

6.4 Director General

The Director General shall ensure safekeeping of all ownership documents for all investments of the Fund. These powers could be delegated to the Director responsible for Finance. All ownership documents for all investments shall also be kept by the custodian engaged by the Fund.

6.5 Directorate Responsible for Investments

- Manage the Fund's investments in accordance with the policy guidelines and objectives as expressed in the Investment Policy;
- Study, recommend and implement policy and operational procedures that will enhance the investment program of the Fund;
- Communicate any major changes to the economic outlook, investment strategy or any other factors that affect implementation of investment process, or the investment objective progress of the Fund's investments;
- Prepare necessary Investment reports and submits to the Director General and Management Investment Committee;
- Undertake studies/research with a bid to identifying new investments areas, which are within the boundaries of the Act's provisions on Investment functions; and
- Monitor the performance of the Fund Manager and Custodian to provide the Investment Committee with the ability to determine the progress toward the investment objectives.

6.6 Fund Manager

The most important duty of a Fund Manager is to ensure that the wealth of his employer is protected and increased in value. Specific responsibilities of the Fund Manager(s) will include:

- Managing the Fund assets in equities in accordance with the policy guidelines and objectives expressed herein, or as expressed in a separate written agreement between the Fund and Fund Manager.

- Reporting to the client for any investments made
- Preparing and submitting periodical performance report to the client on the performance of the investments and the respective investments environment
- Communicating any major changes to economic outlook, investment strategy or any other factors that affect implementation of investment process, or the investment objective progress of the Fund's investment management.

Fund Manager shall be reviewed at least annually regarding performance, personnel, strategy, research capabilities, organizational and business matters and other qualitative factors that may impact their ability to achieve the desired investment results.

6.7 Custodian

All certificates from investments in equities shall be kept by the custodians registered by the Social Security Regulatory Authority. Safekeeping will be documented by a written agreement, in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement. Specific responsibilities of the Custodians will include:

- Provide safekeeping services of the investments ownership document in soft and hard form
- Carry out instructions of the Fund/Fund Manager in respect of the investments.
- Follow up of income (dividends and interest) to make sure the same are paid to the Fund and on time.
- Monitoring of the corporate actions for the securities they hold under custody.
- Maintenance of records and provision of the reports in respect of the securities under custody.

6.8 Investments Approval Levels

The Fund's investments approval levels shall be as follows:-

S/N	Approving Authority	Limits	Remarks
1	Board	All investments in Government projects / loans, real estates and MEFI loans whose value is above TZS 500.0 million	
2	MIC	All investments except all investments in Government projects / loans, real estates and MEFI loans whose value is above TZS 500.0 million	Investments can also be approved by MIC members through circular resolution
3	DG	Investments in financial market instruments and MEFI loans from TZS 300.0 million to TZS 500.0 million	The DG shall approve investments when it is difficult to convene MIC meeting and the same shall be ratified by the MIC members in the next meeting.

6.9 Exposure Limits

Investments of the Fund shall be made subject to the following allowable exposure limits:

S/n	Category	Criteria	Limits
1.	Investments in any single holding other than central Government debt (including any single property)	Total assets of the Fund	10%
2.	Exposure in fixed deposit receipts, savings and current account balances with any single bank or financial institution	Total balances of the Fund in fixed deposits, savings and current account	20%
3.	Investment in the unquoted equity of any one company	Total assets of the Fund	5%
4.	Holding of any given security issued and subscribed by the public	Total issue	10%
5.	Loans to Local Government and Central Government	Total assets of the Fund	10%
6.	Investments in collective investments schemes managed by any one body	Total assets of the Fund	10%

6.10 Prudence

The level of prudence to be used by the investment personnel in the context of managing financial resources of the Fund shall be the Prudent Investor Rule, which states:

“Investment shall be made with proper judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived”.

The Investment personnel acting in accordance with written procedures and exercising due diligence shall not be held personally responsible for a specific security's credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity, provided that these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

6.11 Internal Controls

The Director General shall establish a system of internal control governing the administration and management of the investment portfolio, which shall be approved by the Board and reviewed annually by an external auditor. The controls shall be designed to prevent and control losses of the Fund assets arising from fraud, error, misinterpretation, unanticipated market changes, conflict of interest, or imprudent actions. The semi and annual investment reports submitted to the Board shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program. Controls deemed most important include:-

- Control of collusion,
- Separation of duties,
- Separating transaction authority from accounting, record keeping and custodial safekeeping,
- Clear delegation of authority,
- Specific limitations regarding asset losses and remedial action,
- Written confirmation of telephone transactions,
- Minimizing the number of authorized investment officials,
- Documentation of transactions and strategies.

6.12 Investment Trainings

Investment personnel of the Fund shall be trained to attain required knowledge in investments management, analysis, appraisal and risk management. The training will depend on the availability of money from the Fund itself or sponsorships.

6.13 Ethics and Conflicts of Interests

The Director General shall avoid any transaction that might impair members' confidence in the Fund's ability to govern effectively. Investment Personnel involved in the investment process shall refrain from personal business activities which could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment personnel shall disclose any material financial Interest that could be related to the performance of the Fund's investment portfolio.

It is the policy of the Fund that no person performing the investment functions, in any manner, have any interest, either directly or indirectly, in any investments in which the Fund is authorized to invest; or receive in any manner, compensation of any kind, from any investments made.

An example of such conflict of interest or perceived conflict of interest may include the purchase or retention of securities of a company or a Fund in which investment personnel, member(s) of their immediate families or his/her firm hold a significant financial interest.

6.14 Procedure of Acting on Conflict of Interest

The disclosure of any conflict of interest should be made in writing to the Director General within three business days after the individual becomes aware of the conflict of interest.

The disclosure should also be made orally if awareness of the conflict occurs during the discussion of Fund business. The individual disclosing the conflict of interest shall withdraw from the meeting during the discussion of and vote on the issue causing the conflict of interest. Although the individual may be permitted to participate in the discussion, he/she shall not be present for the vote. The disclosure of the conflict of interest, the name of the individual declaring the conflict and how the conflict was resolved will be recorded in the minutes of the meeting.

Similarly, any Board member shall immediately disclose to the Board, at the time to its discussion of this policy or of matters related to the investment of the Fund, any actual or perceived conflict of interest that could reasonably be expected to impair, or could be reasonably interpreted as impairing his/her ability to render unbiased and objective advice or to fulfill his/her fiduciary responsibility

to act in the best interests of the beneficiaries of the Fund. Any Board member required to make such a disclosure shall not participate in the discussion or vote on any resolution in relation to which the disclosure is required.

6.15 Reporting Requirements

The Director responsible for Investments shall prepare monthly Investment Performance Report to be submitted to the Management Investments Committee within 15 days following the end of the month covered by the report. The report shall include the following:-

- Purpose of report
- A listing of the existing portfolio in terms of investment securities, balances, maturities, return, financial institutions, purchases or cost of securities and other features deemed relevant.
- The book and market value of all holdings.
- Portfolio return versus appropriate benchmarks.
- The total investment earnings for the reporting period.
- The investment strategies employed during the period.
- Recent market conditions, economic developments and anticipated investment conditions, and
- Any areas of policy concern warranting possible revisions of current of planned investment policies. The report shall include an appendix that discloses all transactions during the month.

The Director General shall prepare and submit to the Board for approval a Quarterly Investment Performance Report that describes inter alia the investment strategy employed during the past three months and the strategy planned for the following quarter and the actual investments performance.

PART SEVEN

7.0 IMPLEMENTATION AND PERFORMANCE EVALUATION

7.1 Implementation

In implementing the Policy, annual investment plan and cash flows projection will be prepared and investment training shall be undertaken to manage dynamism of the investments environment.

Other aspects for implementation by the Fund shall include maintenance of relevant financial statistics, conducting studies and analysis on different instruments, closer monitoring and supervision of investments and provision of professional advice on investment matters to the Fund.

7.2 Performance measurements

Performance shall be measured regularly both in absolute terms (change in the market value of the portfolio), and in relative terms, comparing actual performance with the benchmark performance. Performance should be measured in the form of financial performance in terms of total rate of return.

The overall benchmark on return from investment is that returns should be over and above the inflation rate. It is crucial that the impact of any deviation from preset benchmarks is being measured and evaluated. The Directorate responsible for investments shall be providing detailed guidelines on performance standards. Performance measurements will offer the following benefits:-

- Keep track of the true financial performance against accounting performance.
- Allows identification and origins of profits/losses.
- Allows evaluation of returns attributable to various decision-making bodies.
- Allows for the identification of strengths and weaknesses in the Fund's investment management approach, and
- Provide an extra level of audit.

The Fund's investment portfolio will be designed with the objective of exceeding the average of the Government securities rates. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. The Board will make an

evaluation of investment performance and this will take place immediately after the end of each quarter.

7.3 Investment Policy Adoption and Revision

The Fund’s Investments Policy shall be adopted from the day when it is approved by the Board of Directors of the Fund.

The Social Security Regulatory Authority (SSRA) and the Bank of Tanzania will issue Investment Guidelines as required in the SSRA Act 2008 and these shall form basis for the review of the Fund’s Investments Policy.

**Dar es Salaam
17th October 2012**

.....
**Mr. Emanuel E.B Humba
Director General**