



PSSSF TRUSTEES'  
**ANNUAL REPORT FOR**  
YEAR ENDED 30<sup>TH</sup> JUNE 2020

THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF FINANCIAL  
STATEMENTS OF THE PUBLIC SERVICE SOCIAL SECURITY FUND (PSSSF) FOR THE  
FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2020



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March, 2020

AR/ PA/PSSSF/2019/20

# PUBLIC SERVICE SOCIAL SECURITY FUND

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## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **Mandate**

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, 2008.

### **Vision**

To be a highly regarded Institution that excels in Public Sector Auditing.

### **Mission**

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

### **Core values**

**In providing quality services NAO is guided by the following Core Values:**

<b>Objectivity</b>	We are an impartial organization, offering services to our clients in an objectives and unbiased manner.
<b>Excellence</b>	We are professionals providing high quality audit services based on standards and best practices.
<b>Integrity</b>	We observe and maintain high standards of ethical behaviour, rule of law and strong sense of purpose.
<b>People focus</b>	We value, respect and recognize interest of our stakeholders.
<b>Innovation</b>	We are a learning and creative public institution that promotes value added ideas within and outside the institution.
<b>Results Oriented</b>	We are an organization that focuses on achievement based on performance targets.
<b>Team work spirit</b>	We work together as a team, interact professionally, and share knowledge, ideas and experiences.

### **We do this by:**

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by PSSSF and may form part of the annual general report which once tabled to National Assembly, becomes a public document hence, its distribution may not be limited.

## PUBLIC SERVICE SOCIAL SECURITY FUND

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# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **Abbreviations and Acronyms**

BOT - Bank Of Tanzania

NHIF - National Health Insurance Fund

NSSF - National Social Security Fund

CAG - Controller and Auditor General

PSSSF - Public Service Social Security Fund

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **FUND'S INFORMATION**

#### **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Public Service Social Security Fund,  
Head Office, PSSSF House,  
Makole Road,  
P.O. Box 1501,  
Dodoma, Tanzania.

#### **MAIN BANKERS**

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NMB Bank Plc,  
Head Office, Ohio Street,  
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Dar es Salaam, Tanzania

National Bank of Commerce Limited,  
Head Office, Sokoine Drive,  
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#### **SECRETARY TO THE BOARD:**

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#### **PARENT MINISTRY:**

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#### **ULTIMATE CONTROLLING ENTITY:**

The Government of the United Republic of  
Tanzania.

#### **AUDITORS:**

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New Bagamoyo Road,  
Dar es Salaam, Tanzania.

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **TRUSTEES' REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

### **1 INTRODUCTION**

The Trustees submit their Report together with the Financial Statements for the period of twelve months from 1<sup>st</sup> July, 2019 to 30<sup>th</sup> June, 2020 with comparable report of 11 months for Financial Year 2018/19. The Report provides information on operations, financial position, and cash flows position and the governance systems and structure of the Fund.

### **2 INCORPORATION**

The Public Service Social Security Fund was established by the Public Service Social Security Fund Act, Cap 371 ("PSSSF Act"). The Act repealed the Public Service Retirement Benefits Act, the LAPF Pensions Fund Act, the GEPF Retirement Benefits Fund Act and the PPF Pensions Fund Act and applies in Mainland Tanzania in respect of all employers and employees in the Public Service. The main purpose of the Fund is to provide for collection of contributions and payment of benefits to its members.

Under the Act, the contributions payable by an Employer is 20% of the employee's monthly salary constituting 5% deducted from the employee's salary and 15% contributed by the employer. These rates can be varied by the Minister responsible for finance by an order published in the Government Gazette.

Public Service Social Security Fund has its Head Office in Dodoma, and has regional offices in all regions of Mainland Tanzania and one office in Zanzibar. As part of strategies to ensure that services to members in the Dar es Salaam region remain effective, the Fund operates three regional offices in the region.

The active Members of the Fund as at 30<sup>th</sup> June, 2020 were as follows:

<b>Total Members as at 30<sup>th</sup> June, 2019</b>	<b>616,483</b>
Add: New and reactivated Members	69,686
Add: Members transferred from NSSF	33,638
Less: Paid Members	(17,112)
Less: Duplicate Members from ex-Funds	(5,018)
<b>Total Members as at 30<sup>th</sup> June, 2020</b>	<b>697,677</b>

### **3 MISSION AND VISION OF THE FUND**

#### ***Vision Statement***

To be an outstanding provider of social security services in Tanzania.

#### ***Mission Statement***

To provide high quality social security services using competent, motivated staff and appropriate technology.



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **4 PRINCIPAL ACTIVITIES OF THE FUND**

PSSSF is charged with the following activities:

- (a) Registration of Members and contributing employers;
- (b) Collection of Members' contributions from employers;
- (c) Investment of surplus funds in profitable investments;
- (d) Disbursement of pension, gratuity and other benefits in accordance with the provisions of the Act;
- (e) Advising the Minister responsible for Labour on matters relating to the administration of the Act; and
- (f) Doing all such acts and things and to enter into all such transactions as, in the opinion of the Board, may be necessary for the proper and efficient administration of the Fund.

#### **5 BENEFITS COVERAGE**

Under the provisions of sections 25 to 48 of the PSSSF Act of 2018, the benefits coverage includes Retirement Benefit, Death Benefit, Invalidity Benefit, Maternity Benefit, Unemployment Benefit and Education Benefits. These benefits are explained further under item 9 of this Report.

#### **6 FUNDING POLICY**

The Fund is subject to the funding provisions of section 18 of the PSSSF Act of 2018. The Act requires Members and employers to contribute to the Fund on monthly basis in accordance with the following arrangement:

- |     |   |
|-----|---|
| 15% | of employee salary, being employers' contributions under the section 18 of the PSSSF Act; |
| 5%  | of employee salary, being employee's contribution under the section 18 of the PSSSF Act.  |

The funding policy is directed in ensuring that benefits accruing to Members and other beneficiaries are fully funded. As such, in framing contribution rates, the Government and the Actuary consider long-term trends in such factors as Membership enrollment, salary growth, investment earnings and average market values of the Fund's assets.

#### **7 INVESTMENT POLICY AND STRATEGY**

The Fund's investment strategy focuses on the need to maintain adequate liquidity, maximize returns with minimal risk and portfolio diversification. It also ensure absolute security of the Fund's investments. The investment limits are in compliance with the Investment Guidelines issued by the Bank of Tanzania (BoT). The policy is reviewed annually or as circumstances require.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **8 MEMBERS OF PUBLIC SERVICE SOCIAL SECURITY FUND**

Under the provision of section 5 of PSSSF Act, Members of the Fund are all employees in the Public Service, including Public Entities in which the Government has at least 33% of shareholding. PSSSF receives contributions in the ratio of 15%:5%, from the employers and employees respectively.

During the year, the total numbers of participating employers were 906. These include Local Government Authorities, Government Ministries, Independent Government Departments and Public Entities. As at 30<sup>th</sup> June, 2020, the Fund had 697,677 active Members.

#### **9 BENEFITS PAYABLE UNDER THE SCHEME**

The benefits payable under the Fund are Retirement Benefit, Death and Survivors Benefit, Invalidity Benefit, Maternity Benefit, Unemployment Benefit and Education Benefit. The details of the aforementioned benefits are as illustrated hereunder:-

##### **9.1 Retirement Benefits**

The compulsory age of retirement is 60 years. A Member may opt to retire voluntarily from the age of 55 years, which is voluntary age of retirement. Members whose statutory terms of employment prescribe an age of retirement shorter or longer than the age of 55 or 60 years will retire in accordance with such prescribed terms.

Benefits are payable on retirement upon meeting the following conditions:-

- (a) Upon attaining the age of sixty years which is compulsory age of retirement;
- (b) On or after attaining the age of fifty five years which is a voluntary retirement age;
- (c) On medical evidence to the satisfaction of the employer that he is incapable of discharging duties of his office by reason of becoming invalid;
- (d) On termination of employment due to abolition of office;
- (e) On termination of employment in the public interest; and
- (f) Upon cessation to hold constitutional office pursuant to the provisions of Article 72 of the Constitution.

A special lump sum is payable to a Member who attains retirement age and has retired from employment but does not have 15 years of contributions, has emigrated from the United Republic of Tanzania, has been transferred to other public office in circumstances in which he is permitted by law or regulations of the service in which he is last employed, to retire or has retired on abolition of his office.

##### **9.2 Maternity Benefits**

Member under this category is entitled to cash benefit at the rate prescribed by the Board upon consultation with the Minister responsible for social security, medical care during pre-

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **9 BENEFITS PAYABLE UNDER THE SCHEME (CONTINUED)**

natal and post-natal period by an accredited medical practitioner or midwife provided that, such medical care is not covered by the National Health Insurance Fund (NHIF).

Maternity benefit is payable to a Member who has made at least 36 months contributions, upon receipt by the Director General of a medical certificate from an accredited medical provider certifying that the woman expects delivery of a child; and to a Member who has still-birth at a rate to be prescribed by the Board upon consultation with the Minister responsible for social security.

A Member shall not be paid maternity benefits for more than four times in the Member's employment cycle.

##### **9.3 Invalidity Benefit**

An invalidity benefit is payable to a Member who is recommended by a competent authority that by reason of physical or mental disablement, Member cannot perform his duties, provided that, the cause of his disability is not related to occupational diseases contracted out of work, or in the course of the Member's employment.

##### **9.4 Unemployment Benefits**

A Member who ceases to be employed is entitled to unemployment benefit. Unemployment benefit is paid to a Member who has been a contributing Member for a period not less than 18 months, is terminated or ceased to be employed in the circumstances other than resignation, is a citizen of the United Republic of Tanzania; is not qualified for pension, gratuity or any other long-term benefits payable under this scheme; proves to the Director General that he has not secured another employment and is below 55 years old.

##### **9.5 Death Gratuity**

Where a Member dies while in the Service, the Director General shall grant the dependents a special lump sum of an amount not exceeding either his annual pensionable emoluments or his commuted pension gratuity, if any, whichever is greater.

Where a deceased Member leaves a child or children who are wholly dependent upon him for support at the time of his death, the Director General shall grant to a child or children pension of the amount not exceeding the pension which might have been granted to the widow or widower until that child or children attains the age of 21 years and in the case of a child or children who are incapable of work by reason of bodily or mental disablement, for life.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **9 BENEFITS PAYABLE UNDER THE SCHEME (CONTINUED)**

Where a deceased Member is not survived by a widow, widower or dependent child or children and if his parents were wholly or mainly depending on him for support and without adequate means of support, the Director General shall grant to his parents an amount not exceeding the pension which might have been granted to his widow or her widower.

##### **9.6 Survivors Benefits**

The Director General may, upon satisfaction on the basis of evidence as may be required:

- (a) Pay the monies direct to the widow or widower for the maintenance of herself or himself and the Member's children who were depending on him or her at the time of death;
- (b) Where there is no widow or widower, pay the monies, in such proportions as he may think fit, direct to a guardian of the children of the Member to be applied (i) to the maintenance of the child or children of the deceased; (ii) to any child of the Member who is of full age but who is incapable of work by reason of bodily or mental disablement and (iii) to any other dependent;
- (c) Pay the monies to the executor or administrator of the deceased's estate where there are more claims than one coming from the widow, widower or dependents; or
- (d) In any other case, pay the monies to the Administrator-General who shall hold them on trust for the Members of the family or other persons found to be entitled under this section.

Where a Member dies while receiving retirement or invalidity pension, his dependents shall be paid a lump sum equal to the deceased's Member monthly pension times thirty six.

#### **10 MANAGEMENT OF THE FUND**

The Fund is under the supervision of the Board of Trustees and the day to day management is entrusted to the Director General.

During the period, the Board was composed by 10 non-executive Trustees. The tenure of the Board of Trustees is three years with re-appointment eligibility. The Chairman is appointed by the President of United the Republic of Tanzania (URT). While other Trustees are appointed by the Minister responsible for social security. The composition of the Board is tripartite, with representatives from the Government, Contributing employers and the employees. The Board reports to the Minister responsible for social security who may, from time to time, issue directives, as may be deemed appropriate.

The Organization Structure of the Fund comprises the following directorates/Unit:

- (a) Operations;
- (b) Planning and Investments;
- (c) Finance;

Controller and Auditor General

AR/PA/PSSSF/2019/20

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **10 MANAGEMENT OF THE FUND (CONTINUED)**

The organization structure of the Fund comprises the following directorates (Continued):

- (d) Human Resources and Administration;
- (e) Information and Communication Technology;
- (f) Procurement Services;
- (g) Internal Audit;
- (h) Legal Services;
- (i) Actuarial Services and Risk Management; and
- (j) Public Relations and Members Education.

All Members of the Management report to the Director General. The Director General reports to the Board of Trustees. The Director of Internal Audit reports, administratively, to the Director General and to the Board Audit Committee on functional matters.

#### **11 MAIN OBJECTIVES OF THE FUND DURING THE PERIOD**

The Fund's main objectives are:

- (a) To ensure that every person who is an employee in the Public Service receives the retirement benefits as and when due;
- (b) To assist improvident individuals by ensuring that they save in order to cater for their livelihood during old age; and
- (c) To establish a uniform set of rules, policies and standards for the administration and payment of retirement benefits.

#### **12 THE FUND'S STRATEGIES DURING THE PERIOD**

In achieving these main objectives, the Fund pursues the following strategies:

- (a) Increasing compliance rate with regard to remittance of contributions;
- (b) Reducing benefit processing period;
- (c) Implementing Defined Contribution Scheme (DCS);
- (d) Diversifying investment portfolio and focusing on high yield investments; and
- (e) Enhancing conducive working environment and improving staff welfare.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 13 OPERATING AND FINANCIAL REVIEW

##### ANALYSIS OF STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

###### Additions to Net Assets

###### Contributions

As reflected in the statement of changes in net assets available for benefits, contributions during the year amounted to TZS 1,364.33 billion (2018/19: TZS 1,322.87 billion). When compared with the estimation of contribution for the twelve months of the previous year would have been TZS 1,443.13 billion, which represents a decreased by 5.46%. The decrease was mainly due to private Sector contributing Members transferred to NSSF but initially they were contributing to the Fund.

###### Investment Income

The income from investments during the year amounted to TZS 428.05 billion (2018/19: TZS 429.90 billion). When compared with the estimation of investment income for 12 months of the previous year, would have been TZS 468.99 billion. The investment income earned during the year represents a decrease of 8.73%. During the year, there were new investments made in Treasury Bonds. However, there were fair value losses recognized on unquoted equity investments which has attributed to the overall decrease of investment income.

The investment income category that has significant impact on the overall investment income are interest income which contributes 95.64% of the total investment income (2018/19: 86.13%) and rent income with a contribution of 6.99% of the total investment income (2019: 6.50%). Details of the investment income are tabulated in **Table 01**.

**Table 01: Details of the investment income**

Interest Income	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	TZS '000	TZS '000	% of the total	% of the total
Treasury Bonds	378,026,739	340,046,638	88.31%	79.10%
Treasury Bills	-	1,899,797	0.00%	0.44%
Loans	5,460,978	8,752,729	1.28%	2.04%
Fixed Deposits	15,232,763	11,808,737	3.56%	2.75%
Corporate Bonds	3,997,001	3,669,673	0.93%	0.85%
Other Interest Income	6,673,867	4,101,388	1.56%	0.95%
<b>Sub Total</b>	<b>409,391,347</b>	<b>370,278,962</b>	<b>95.64%</b>	<b>86.13%</b>
<b>Dividend and Share of Profits</b>				
Listed Equity	16,939,288	15,575,050	3.96%	3.62%
Unlisted Equity	2,534,053	1,582,141	0.59%	0.37%

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

Sub Total	19,473,341	17,157,191	4.55%	3.99%
Rental Income				
Rent Income	28,243,432	25,115,017	6.60%	5.84%
Parking Fees	1,276,000	996,863	0.30%	0.23%
Hire of Conference Hall	386,140	403,359	0.09%	0.09%
Hire Purchase- Interest	-	129,316	0.00%	0.03%
Hire Purchase- Commission	-	129,316	0.00%	0.03%
Hire Purchase- Insurance	2,250	1,163,848	0.00%	0.27%
Sub Total	29,907,822	27,937,719	6.99%	6.50%
Fair Values Changes	(30,721,123)	14,529,462	-7.18%	3.38%
Grand total	428,051,387	429,903,334	100%	100%

### Fair Value Changes

During the year, the Fund recorded in aggregate a fair value loss amounting to TZS 30.72 billion (2018/19: gain of TZS 14.53 billion).

Table 02 Changes in Fair Values

CATEGORY	30-Jun-20	30-Jun-19
	TZS' 000	TZS' 000
Government Securities	-	(28,801,184)
Equity Securities	21,452,089	(116,454,730)
Investment properties	19,191,093	76,641,435
Investment in Associates and Joint Ventures	(33,843,532)	9,217,652
Investment in Subsidiaries	(47,589,854)	12,456,282
Property and Equipment	-	27,044,165
Other Fair Values Changes	10,069,081	34,425,841
Total	(30,721,123)	14,529,462

Other Fair Values Changes include inventories and the remained class of assets other than Mutual Funds.

Investment properties experienced a gain in fair values mainly from revaluation of PSSSF Complex SAM Nujoma Road following completion of its construction as initially was accounted for at cost. For equity investments, Listed Equities had fair value gain of TZS 10.21 billion while Unlisted Equities had fair value gain of TZS 11.25 billion.

### Other Income

Other Income amounted to TZS 7.74 billion (2019: TZS 49.63 billion) which includes release of excess benefit provisions, tender fees and penalties on delayed contributions.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 13 OPERATING AND FINANCIAL REVIEW (CONTINUED)

##### ANALYSIS OF STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)

###### Deductions from Net Assets

###### Benefit Expenditure

Benefit expenses amounted to TZS 1,554.43 billion (2018/19: TZS 1,500.90 billion). When compared with the estimation of benefit expenses for the twelve months of the previous year would have been TZS 1,637.34 billion, which represents a decrease of 5.06%. Total beneficiaries during the year were 71,152 (2018/19: 21,479). The increase of beneficiaries is attributed to internal strategies to increase the workforce in processing payments with the focus of clearing the backlog of outstanding claims inherited from the merged funds. The benefit expense is formula based, therefore the value of benefit expenses does not only depend on number of beneficiaries but also depends on beneficiaries last salary and number of months contributed to the Fund by each beneficiary.

Benefit expenses that have significant impact on overall benefit expenditures are the retirement benefits which had 53.75% of the total benefits expenditure and the monthly pensions which had 36.65% (2018/19: 62.59%; 30.47%).

**Table 03; Benefit Expenses**

	30 June 20		30 June 19	
	TZS '000	% of Total Benefit	TZS '000	% of Total Benefit
Retirement Benefits	835,463,235	53.75	939,485,611	62.59
Monthly Pensions	569,699,953	36.65	457,360,950	30.47
Withdrawals	75,223,160	4.84	46,885,025	3.12
Death Benefits	57,840,859	3.72	45,352,835	3.02
Education Benefits	1,095,058	0.07	1,189,937	0.08
Invalidity Benefits	2,039,786	0.13	773,034	0.05
Maternity Benefits	9,050,977	0.58	4,898,620	0.33
Unemployment Benefits	870,338	0.06	186,028	0.01
Contribution Refunds	3,143,037	0.20	4,765,659	0.32
<b>Grand Total</b>	<b>1,554,426,403</b>	<b>100</b>	<b>1,500,897,699</b>	<b>100%</b>

**Table 04; The ratio of benefits to contributions:**

Year ended	Contributions	Benefits	Net Deficit	Benefits/Contributions
	TZS billion	TZS billion	TZS billion	%
30-Jun-20	1,364	1,554	(190)	113.93
30-Jun-19	1,323	1,501	(178)	113.46



**PUBLIC SERVICE SOCIAL SECURITY FUND****TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020****13 OPERATING AND FINANCIAL REVIEW (CONTINUED)****ANALYSIS OF STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
(CONTINUED)****Deductions from Net Assets (continued)****Administrative Expenses**

During the year, total administrative expenses of the Fund amounted to TZS 74.99 billion (2018/19: TZS 85.07 billion). Estimation of the administrative expenses for 12 months of the previous year would have been TZS 92.80 billion. When measured against the 12 months of the previous year, the administration expenses decreased by 19.20% and was mainly due to reduction in staff costs following decrease in number of staff after merging the former four Pension Funds.

The ratio of the total administrative expenses to the total contributions was 5.50% which is less than the regulatory threshold of 10%. In the year ended 30 June 2019, this ratio was 6.43%. With increasing automation of the Fund's processes, further administrative expenses reduction is expected in the forthcoming years.

Further analysis of the administrative expenses is shown in Table 05 below.

**Table 05; Analysis of Administrative Expenses**

<b>Administrative Expenses</b>	<b>30 June 20 TZS' 000</b>	<b>30 June 19 TZS' 000</b>	<b>% Increase/ (Decrease)</b>
Staff Costs*	59,903,045	68,609,831	(12.69)
Board of Trustees Fees	92,250	204,392	(54.87)
Other Board Expenses	275,642	1,103,582	(75.02)
Audit Fees	487,040	505,000	(3.56)
Tender Board Expenses	149,613	207,052	(27.74)
Legal Expenses	1,607,350	1,170,534	37.32
Insurance Expenses	1,520,800	1,346,889	12.91
Bank Charges and Commissions	196,919	270,264	(27.14)
General Operational Expenses**	10,755,313	11,652,638	(7.70)
<b>Total</b>	<b>74,987,972</b>	<b>85,070,182</b>	<b>(11.85)</b>

<b>*Analysis of Staff Costs</b>	<b>30 June 20 TZS' 000</b>	<b>30 June 19 TZS' 000</b>	<b>% Increase/ (Decrease)</b>
Staff Salaries	34,395,521	34,633,066	(0.69)
Staff Allowances	11,504,160	13,549,166	(15.09)
Social Security Contributions	5,361,841	5,340,760	0.39
Medical Expenses	1,307,410	1,807,069	(27.65)
Leave Expenses	3,031,158	2,957,092	2.50
Other Employee Expenses	4,302,955	10,322,678	(58.32)
<b>Total</b>	<b>59,903,045</b>	<b>68,609,831</b>	<b>(12.69)</b>

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020 OPERATING AND FINANCIAL REVIEW (CONTINUED)

13

#### ANALYSIS OF STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)

##### Deductions from Net Assets (continued)

##### Administrative Expenses (continued)

**Analysis of General Expenses	30-Jun-20		30-Jun-19	% Increase/
	TZS' 000		TZS' 000	(Decrease)
Workers Council & Committees	164,156		210,495	(22.01)
ICT Software Expenses	1,712,198		2,132,295	(19.70)
Stationery and Consumables	1,066,662		1,591,767	(32.99)
National Holiday and Sports	6,999		6,188	13.12
Repair and Maintenance Expenses	568,511		913,847	(37.79)
Entertainment Expenses	21,247		76,922	(72.38)
Travelling Expenses	2,998,153		3,192,421	(6.09)
Fees and Subscription	77,264		2,488	3006.07
Office rent	976,968		1,130,974	(13.62)
Staff capacity building	946,552		514,506	83.97
Office utilities	543,722		572,472	(5.02)
Security Services	614,156		339,306	81.00
Telephone and Postage Expenses	813,615		811,326	0.28
Other Office Expenses	245,110		157,631	55.50
<b>Total</b>	<b>10,755,313</b>		<b>11,652,638</b>	<b>(7.70)</b>

##### Statutory Expenses

Statutory expenses of the Fund amounted to TZS 2.50 billion (2018/19: TZS 9.96 billion). Statutory expenses decreased by TZS 7.46 billion (74.90%) mainly due to nonpayment of regulatory levy which was previously imposed by SSRA on all Pension Funds.

##### Investment Management Expenses

Investment management expenses of the Fund amounted to TZS 10.46 billion (2018/19: TZS 5.82 billion). Investment management expenses for the equivalent twelve months of the previous year would have been TZS 6.36 billion which represent an increase of 70.45% due to repair and maintenance cost incurred during the year on investment properties.

The increase in net assets before income tax for the year was TZS 97.77 billion (2018/19: TZS 79.24 billion). When compared with the result of previous year, this result represents an annualized increase of 13.10%.

The Fund incurred an income tax expense of TZS 83.24 billion (2019: TZS 175.98 billion). The tax expense incurred was mainly due to recognition of income tax arrears of the merged Pension Funds following completion of the audit on their previous years financial aspects by TRA.

The increase in net assets after income tax stood at TZS 14.52 billion (2018/19: Decrease of TZS 96.74 billion).

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **ANALYSIS OF STATEMENTS OF CASH FLOWS**

The Fund's cash and cash equivalents as at 30<sup>th</sup> June, 2020 was TZS 191.47 billion (2018/19: TZS 187.94 billion).

The net cash outflow from benefits payment was TZS 1,727.52 billion (2018/19: TZS 1,916.03 billion).

#### **ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

##### **Total Assets**

Total assets of the Fund amounted to TZS 6,436.69 billion (2019: TZS 6,554.74 billion) representing a decrease of 1.80%. The decrease was due to the use of investment proceeds for payment of benefits.

**Table 06; Total Assets of the Fund**

Description	30-Jun-20	%of total assets	30-Jun-19	% of total assets
	TZS '000		TZS '000	
Investments	5,752,956,066	89.38%	5,960,713,645	90.94%
Other Assets	683,731,953	10.62%	594,024,425	9.06%
<b>Total</b>	<b>6,436,688,019</b>	<b>100%</b>	<b>6,554,738,070</b>	<b>100%</b>

##### **Investments**

Investment transactions during the year were undertaken in accordance with the PSSSF Act, the Fund's Investment Policy and Social Security Investment Guidelines, 2012. Fund investment portfolio decreased by 3.49% to TZS 5,752.96 billion (2018/19: TZS 5,960.71 billion). The decrease is attributed to application of matured investments in payment of benefit arrears and fair value losses. The distribution of the investment portfolio of the Fund as at 30<sup>th</sup> June, 2020 is as summarized in the table below:

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

**Total Assets (Continued)**

**Investments (Continued)**

**Table 07; Investments of the Fund**

INVESTMENT CATEGORY	30-Jun-20	% of the Portfolio	30-Jun-19	% of the Portfolio	Change during Year	% of Change
	TZS' 000		TZS' 000		TZS' 000	
Deposits with Financial Institutions	259,367,591	4.51	300,402,555	5.04	(41,034,964.00)	(14)
Equity investments	462,453,218	8.04	439,501,128	7.37	32,326,108.39	7
Government securities	2,515,726,827	43.73	2,866,544,508	48.09	(350,817,680.75)	(12)
Corporate bonds	17,640,180	0.31	24,089,042	0.40	(6,448,861.82)	(27)
Loan investments	856,636,491	14.89	763,679,395	12.81	92,957,095.91	12
Investment properties	1,151,991,776	20.02	1,109,835,575	18.62	42,156,200.89	4
Associates & Joint Ventures	21,946,825	0.38	67,143,991	1.13	(45,197,166.44)	(67)
Investments in subsidiaries	467,193,158	8.12	389,517,451	6.53	68,301,687.66	18
<b>Total Investments</b>	<b>5,752,956,066</b>	<b>100.00</b>	<b>5,960,713,645</b>	<b>100.00%</b>	<b>(207,757,580.14)</b>	<b>(3)%</b>

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

##### **ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

###### **Total Assets (Continued)**

###### **Investments (Continued)**

The movement of year end balances is explained as follows:

###### **Government Securities**

Total Government Securities as at 30<sup>th</sup> June, 2020 was TZS 2,515.73 billion (2018/19: TZS 2,866.54 billion) representing a decrease by 12.24%. New Investments during the year amounted to TZS 219.73 billion (2018/19: NIL). The interest accrued during the year was TZS 378.03 billion (2019: TZS 341.95 billion).

###### **Corporate Bond**

The Corporate Bond decreased from TZS 24.09 billion to TZS 17.64 billion due to maturing of PTA and Stanbic Bonds. There was no new investment in corporate bonds during the year. The interest accrued amounted to TZS 3.99 billion (2018/19: 3.67 billion).

###### **Deposits with Financial Institutions**

Total deposits amounted to 259.37 billion (2019: TZS 300.40 billion). New deposits amounted to TZS 114.05 billion (2018/19: TZS 487.51 billion) with interest earned during the year increasing to TZS. 15.23 billion (2018/19: TZS 11.81 billion).

###### **Equity Investments**

###### **Investment in Listed Equity**

The Fund invests in both listed equity and unlisted equity. Total value of investment in listed equities is TZS 429.50 billion (2018/19: TZS 419.30 billion). The increase in listed equity is due to the increase in share prices at the year end. Total gain in share values during the year was TZS 10.21 billion (2018/19: Loss TZS 106.75 billion).

The table below shows the investments in listed and unlisted equities.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

**Investments (Continued)**

The movement of period end balances is explained as follows (continued):

**Table 08; Investments in Listed Equities**

	% of ownership	30-Jun-20 TZS '000	Fair values TZS '000	30-Jun-19 TZS '000
Tanzania Cigarette Company	4.70	79,624,991	63,240	79,561,751
Tanzania Breweries Limited	5.50	175,290,640	(8,005,876)	183,296,516
Tanga Cement Company Limited	4.10	1,675,592	118,115	1,557,476
Tanzania Portland Cement	6.20	24,372,702.2	2,215,700	22,157,002
CRDB Bank Plc	13.30	50,280,349	12,136,689	38,143,660
NMB Bank Plc	1.60	18,229,655	(3,367)	18,233,022
Vodacom Tanzania Plc	3.80	71,500,062	4,205,881	67,294,181
Swissport	4.20	1,944,697	(468,020)	2,412,717
Mwalimu Commercial Bank	16.20	5,000,000	-	5,000,000
TOL Gases Limited	1.90	650,000	-	650,000
National Investment Company Limited	15.00	935,000	(56,667)	991,667
DCB Bank Plc		3	3	-
<b>Total</b>		<b>429,503,691</b>	<b>10,205,699</b>	<b>419,297,992</b>

**Investment in Unlisted Equity**

Total value of investment in unlisted equities is TZS 32.95 billion (2018/19: TZS 20.20 billion). Accumulated fair value as at 30<sup>th</sup> June, 2020 was TZS 12.74 billion (2019: loss of TZS 9.71 billion).

The table below shows the investments in unlisted equities.

**Table 09; Investments in Unlisted Equities**

	% of ownership	30-Jun-20 TZS '000	Fair Values TZS' 000	Impairment TZS' 000	30-Jun-19 TZS '000
Tanzania Reinsurance Company Limited	10	24,184,409	20,620,409	1,500,000	2,064,000
PTA- Reinsurance	11.2	5,640,759	-	-	5,640,759
Twiga Bancorp/TPB Shares	2.35	660,401	-9,374,019	-	10,034,420
Tanzania Pharmaceuticals Industries	10	1,500,000	-	-	1,500,000
Akiba Commercial Bank	11.2	963,957	-	-	963,957
<b>Total</b>		<b>32,949,526</b>	<b>11,246,390</b>	<b>1,500,000</b>	<b>20,203,136</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND****TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020****13 OPERATING AND FINANCIAL REVIEW (CONTINUED)****ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)****Total Assets (Continued)****Investments (Continued)****Investment in Subsidiaries**

The Fund has 13 subsidiaries. As at 30 June 2020, the investment in subsidiaries was TZS 467.19 billion (2019: TZS 389.51 billion). The increase was mainly due to additional funds injected into Karanga Leather industry amounted to TZS 56 billion and Fixed deposits in Bank M amounting to TZS 56 billion re-classified as share capital with Azania Bank after Bank M was merged to Azania. Included in subsidiaries are two Collective Investment Schemes, these are Unit Trust of Tanzania (UTT) and Watumishi Real Estates (REITs). Notes to the accounts provide additional details on the movement in the subsidiaries. Accumulated Change in Fair Value in subsidiaries stood at loss of TZS 35.13 billion (June 2019: gain 12.45 billion).

The list of subsidiaries, the amount invested and the percentage of ownership are indicated in the table below:

**Table 10; Investments in Subsidiaries**

	% of ownership	30-Jun-20 TZS' 000	Net Change TZS' 000	30-Jun-19 TZS' 000
Pension Properties Limited	-	6,500	-	6,500
Watumishi Real Estate (REITS)	57.20	39,097,438	1,752,879	37,344,559
Unit Trust of Tanzania (UTT)	66.20	155,419,385	11,547,206	143,872,179
International House Property	100	29,974,461	-	29,974,461
Msamvu Properties Company Ltd **	72.70	29,600,000	-	29,600,000
Mwanza City Commercial Complex Ltd	92.80	72,000,000	-	72,000,000
Mzizima Properties Ltd ***	-	321,481	(278,519)	600,000
APC Hotel and Conference Center	55.20	9,982,336	-	9,982,336
Nambongo Sumbawanga Project	60.00	1,122,249	(394,101)	1,516,351
Azania Bank Ltd Ordinary Shares	51.95	97,415,780	56,296,275	41,119,504
Watumishi Housing Co. Ltd (Shares)	57.20	1,000,000	250,000	750,000
Karanga Leather Ind.	90.00	65,387,100	56,085,321	9,301,780
Mamba Ginger Co. Ltd	60.00	1,000,000	-	1,000,000
Fair Value Changes		(35,133,572)	(47,589,854)	12,456,282
Impairments		-	6,500	(6,500)
<b>Total</b>		<b>467,193,158</b>	<b>77,675,707</b>	<b>389,517,451</b>

\*\* Investment in Msamvu Properties Company Ltd was transferred to Morogoro Municipal Council and final agreement on payment terms are at final stages to remove the investment in list of subsidiaries.

\*\*\* Investment in Mzizima Properties Ltd was withdrawn and the Fund has started to receive invested capital.

**PUBLIC SERVICE SOCIAL SECURITY FUND****TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020****13 OPERATING AND FINANCIAL REVIEW (CONTINUED)****ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)****Total Assets (Continued)****Investments (Continued)****Investments in Associates**

The Fund has four investments in Associates. Investment in Associates amounted to TZS 12.47 billion (2019: TZS 38.67 billion). There were no additional investments during the year. Accumulated Changes in Fair Values as at 30th June 2020 was loss TZS 12.51 (2019: gain TZS 12.28 billion). The investments in Associates are shown below:

**Table 11; Investments in Associates**

Entity	% of ownership		30 June 2020	Net Change	30 June 2019
TCCIA	40		8,611,027	(421,505)	9,032,531
NGURU RANCH	39		1,714,800	-	1,714,800
Ubungu Plaza Limited	35		14,643,691	-	14,643,691
Tanzania Mercantile Exchange	44		1,000,000	-	1,000,000
Fair value			(13,496,193)	(25,776,564)	12,280,372
<b>TOTAL</b>			<b>12,473,325</b>	<b>(26,198,069)</b>	<b>38,671,394</b>

**Investments in Joint Ventures**

Investments in Joint Ventures amounted to TZS 9.47 billion (2019: TZS 28.47 billion). The Fund has withdrawn from Joint venture with NSSF in Mkulazi Holding Company Limited.

The investments in Joint Ventures are shown below:

**Table 12; Investments in Joint Ventures**

	% of ownership	30-Jun-20	Net Change	30-Jun-19
		TZS' 000	TZS' 000	TZS' 000
NHC/PPF Investment Company Ltd	50	22,868,459	4,406,445	18,462,014
PPF/DCC Investment Company Ltd	50	2,141,173	-	2,141,173
Mkulazi Holding Company Ltd	-	-	(15,338,575)	15,338,575
Fair Values		(15,536,132)	(8,066,968)	(7,469,164)
<b>Total</b>		<b>9,473,500</b>	<b>(18,999,098)</b>	<b>28,472,598</b>



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

##### **ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

###### **Total Assets (Continued)**

###### **Investments (Continued)**

###### **Investment Properties**

Total Investment properties increased to TZS 1.151 Trillion (2019: TZS 1.109). The Fund's investment properties recorded valuation gain of TZS 19.19 billion (2019: TZS. Gain 76.64 billion). Besides the fair value gains, the increase in investment properties was also due to additions during the year of TZS 28.18 billion (2019: 45.60 billion).

###### **Tradable Inventories**

Tradable inventories are investment properties that are available for sale. These include houses and plots. As at 30 June 2020, the Fund had TZS 118.11 billion in tradable inventories (2018/19: TZS 123.83 billion). In the tradable inventory, houses had TZS 103.78 billion (2019: TZS 108.05 billion) and plots had TZS 14.33 billion (2018/19: TZS 15.78 billion). The increase in the tradable inventory was mainly due to reclassification of additional plots from investment property to tradable inventory.

###### **Loans**

The loans portfolio balance as at 30 June 2020 stood at TZS. 856.64 billion (2018/19: TZS. 763.68 billion), no new loans were issued. The Fund received TZS 200 billion being government loan repayments during the year. The Board expects that the Government will continue to honor its obligation under the guarantee.

Following the Government of the United Republic of Tanzania honoring its long outstanding loans, The Fund during the year reversed accumulated impairment relating to those loans amounting to TZS 323.33 billion. This has resulted to increase in Net Loan amount reported on the face of statement of Net Assets despite repayments of TZS 200 billion received from the Government as the reported amount is net off impairments.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

**Total Assets (Continued)**

**Investments (Continued)**

**Loans (Continued)**

Table 13; Loan Investments

<b>Name of Institution</b>	<b>30-Jun-20</b>	<b>Net Change</b>	<b>30-Jun-19</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
University of Dodoma	358,952,951	(199,035,063)	557,988,014
National Housing Corporation	8,097,917	323,273	7,774,643
TANESCO Syndicated Loan	571,421	(353,164)	924,585
Azania Revolving Credit	-	(3,532,237)	3,532,237
Kagera Sugar Co. Ltd	1,356,239	(3,024,744)	4,380,983
Tanzania Pharmaceuticals Industry	435,058	-	435,058
National Identification Authority	19,696,251	-	19,696,251
TANESCO Loan	2,774,898	(2,648,765)	5,423,663
Hombolo Project	95,296,488	-	95,296,488
PPL - Nelson Mandela	41,377,302	-	41,377,302
PPL - Bunge Project	25,855,748	-	25,855,748
Higher Education Student Loan Board	187,767,047	-	187,767,047
Isamilo Lodge	19,741	-	19,741
Tanzania Building Agency	-	(1,388,321)	1,388,321
PCCB	10,347,707	-	10,347,707
Police Force of Tanzania	23,437,129	-	23,437,129
Ministry of Finance	27,362,629	-	27,362,629
Government Syndicate Loan	-	(681,906)	681,906
PPF/DDC Joint Venture	3,669,053	-	3,669,053
SACCOS Loan	29,868,553	(4,503,454)	34,372,007
Members Loan	38,259,848	(35,037,076)	73,296,924
Impairments of Corp and Gov Loans	(11,615,758)	323,330,578	(334,946,336)
Impairments of SACCOS Loans	(6,893,701)	18,335,242	(25,228,943)
Impairments Members Loans	(30)	1,172,732	(1,172,762)
	<b>856,636,491</b>	<b>92,957,096</b>	<b>763,679,395</b>

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 13 OPERATING AND FINANCIAL REVIEW (CONTINUED)

##### ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)

###### Other Assets

Other assets include receivables, cash and bank balances, prepayments, property and equipment, and inventories. A complete list of Other Assets is shown below.

Table 14; Non Investments Assets

List Other Assets	30-Jun-20	% of total	30-Jun-19	% of total
Cash and cash equivalents	191,467,226	28.00	187,938,906	31.64
Right of Use Assets	652,194	0.10	-	0.00
Prepayments	32,020,795	4.68	14,325,004	2.41
Receivables	196,191,663	28.69	171,831,456	28.93
VAT and Withholding Tax Recoverable	8,523,144	1.25	54,969,204	9.25
Tradable inventories	118,109,061	17.27	123,829,625	20.85
Stationery and Consumables	290,660	0.04	429,439	0.07
Intangible assets	1,402,523	0.21	1,543,906	0.26
Property and equipment	20,676,355	3.02	39,156,885	6.59
Differed tax asset	114,398,332	16.73	-	0.00
<b>Total Other Assets</b>	<b>683,731,953</b>	<b>100</b>	<b>594,024,425</b>	<b>100.00</b>

###### Liabilities

As at 30 June, 2020, total amount of liability was TZS 692.75 billion (2018/19: TZS 825.32 billion). The liabilities mainly comprise of benefits payable to Members, corporate tax payable, accrued expenses and amounts due to subsidiaries.

Benefits payable at the end of the period decreased by 28.69%, from TZS. 603.36 billion as at 30<sup>th</sup> June, 2019 to TZS. 430.26 billion as at 30<sup>th</sup> June, 2020. Benefits payable includes claims falling due in the financial year but could not be paid at the year end. Provision for the liability was made using for unpaid liabilities and using the Fund's records extracted from the Members computerized system.

###### Net Assets

The net assets of the Fund as at 30<sup>th</sup> June, 2020 amounted to TZS 5,743.94 billion compared to TZS 5,729.42 billion for the year ended 30 June 2019. This represents an increase of 0.25%.

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

### **13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

#### **ANALYSIS OF THE STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)**

#### **Key performance indicators for the Fund**

#### **Financial Performance Indicators**

Performance indicator/ratio	Definition and formula	Purpose	June-20	June-19
Investment ratios	$(\text{Total investments} / \text{Total assets}) \times 100$	Showing impact of total investments to total assets	89.38%	90.94%
Income ratios	$\text{Return on Investment Income} = (\text{Investments income} / \text{Total investments}) \times 100$	Showing impact of investment income from investments	7.44%	7.21%
	$\text{Return on total assets} = (\text{Investments income} / \text{Total assets}) \times 100$	Showing impact of investment income to total assets	6.65%	6.56%
	$(\text{Investments income} / \text{Net assets}) \times 100$	Showing impact of investment income to net assets	7.45%	7.50%
Liquidity ratio	$\text{Current assets} / \text{Current liabilities}$	Showing the liquidity of the Fund	1.33	1.03
Benefits ratios	$(\text{Benefits} / \text{Contributions}) \times 100$	Showing impact of benefits paid out of contribution income	113.93%	113.46%
	$(\text{Benefits} / \text{Total income}) \times 100$	Showing impact of benefits paid to total income	86.35%	83.27%
	$(\text{Benefits} / \text{Total expenditure}) \times 100$	Showing impact of benefits paid to total expenditure	91.31%	87.10%
Expenditure Ratios	$(\text{Administrative expenses} / \text{Contributions}) \times 100$	Showing impact of administrative expenses to total contributions	5.50%	6.43%
	$(\text{Investment Management} / \text{Rent income}) \times 100$	Showing impact of Investment Management expenses to total Rent Income	34.98%	20.86%
	$(\text{Administrative expenses} / \text{Total expenses}) \times 100$	Showing impact of administrative expenses to total Expenses	4.40%	4.94%
Funding Ratio	$\text{Net assets} / \text{Total benefits liability}$	Showing the extent to which the Net Assets can cover all of the current liability	N/A	N/A

Controller and Auditor General

AR/PA/PSSSF/2019/20

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **13 OPERATING AND FINANCIAL REVIEW (CONTINUED)**

##### **Key Performance Indicators and Efficiency Ratios (continued)**

##### **Changes in the Fund during the period.**

During the financial year, there were no any changes in benefits computation/determination.

#### **14 ACCOUNTING POLICIES**

The accounting policies used in the preparation of the Financial Statements have been disclosed in Note 2 to the Financial Statements. These policies are all considered to be critical to an understanding of the performance and financial position of the Fund.

#### **15 SOLVENCY EVALUATION**

Accumulation of sufficient funds to meet current and future benefit obligations is a primary responsibility of the Trustees. The Trustees have reviewed the current financial position of the Fund and confirms that applicable accounting standards have been followed and that the Financial Statements have been prepared on a going concern.

During the year ended 30<sup>th</sup> June 2020, no actuarial valuation has been completed. The summary of the most recent actuarial valuations of the individual merged Funds performed by independent firms of actuaries is summarized below:

<b>Fund</b>	<b>Date</b>		<b>Funding Level</b>	<b>Surplus/ (Deficit) TZS Million</b>
LAPF	30 June 2016	Alexander Forbes Financial Services (EA) Limited	43.5%	(1,519,100)
PPF	30 June 2017	Argen Actuarial Solutions	71.2%.	(981,902)
PSPF	30 June 2014	Muhanna & Co	10.5%	(11,153,511)
GEPF	30 June 2015	Muhanna & Co	62.7%.	(199,877)

#### **16 RESPONSIBLE BEHAVIORS TOWARDS MEMBERS AND OTHER STAKEHOLDERS**

The Trustees believe that Members service is the primary reason for the existence of the Fund. A number of measures have been taken to institute a responsible behavior towards Members of the Fund and other stakeholders. The mentioned measures include the establishment of a customer services lounge at Head office, opening regional offices so as to move services closer to Members and reducing the Members' benefit processing time by developing and upgrading the computer based administration system and further integrating it to the Fund's financial reporting system and systems of other stakeholders.

#### **17 CURRENT AND FUTURE DEVELOPMENT PLANS**

The current and future development plans centers around improved benefits and quality service delivery to Members of the Fund.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**18 STOCK EXCHANGE INFORMATION**

The Fund is not listed but it has invested in selected equity and bonds traded in the Dar es Salaam Stock Exchange.

The distribution of Fund's equity investments listed at Dar es Salaam Stock Exchange was as follows:

Entity	No Of Shares	Price 30 June 2020	Value 30 June 2020 TZS'000	No. Of Shares	Price 30 June 2019	Value 30 June 2019 TZS'000
CRDB Bank Plc	346,761,028	145	50,280,349	346,760,545	110	38,143,660
Mwalimu Commercial Bank Plc	10,000,000	500	5,000,000	10,000,000	500	5,000,000
National Investment Co. Ltd	5,666,670	165	935,001	5,666,670	175	991,667
NMB Bank Plc	7,790,451	2,340	18,229,655	7,791,890	2,340	18,233,022
Swissport (T) Ltd	1,495,921	1,300	1,944,697	1,507,948	1,600	2,412,717
Tanga Cement Co. Ltd	2,792,653	600	1,675,592	2,595,794	600	1,557,476
Tanzania Breweries Ltd	16,081,710	10,900	175,290,639	16,078,642	11,400	183,296,515
Tanzania Cigarette Company	4,683,823	17,000	79,624,991	4,680,103	17,000	79,561,751
Tanzania Portland Cement Plc	11,078,501	2,200	24,372,702	11,078,501	2,000	22,157,002
TOL Gases Limited	1,083,333	600	650,000	1,083,333	600	650,000
Vodacom Tanzania Plc	84,117,720	850	71,500,062	84,117,727	800	67,294,182
DCB Bank Plc	11	290	3	-	-	-
<b>Grand Total</b>			<b>429,503,691</b>			<b>419,297,992</b>

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **19 ADMINISTRATIVE EFFICIENCY**

The Trustees consider administrative efficiency as the key to superior service delivery. The Fund has developed and acquired a range of systems that translate its requirements into tools facilitating a number of administrative activities. This has significantly improved administrative functions including stores management, staff and Members records management, placing orders as well as management of fixed assets.

The Trustees are aware that the acquisitions of the systems requires considerable amount of resources. Thus, balancing the need to ensure maximum administrative efficiency, with the need to have the desired systems at low cost has always been Fund's major concern.

The Fund has not borrowed funds and consequently no interest charges have accrued against the Fund. All statutory payments such as Pay As You Earn (PAYE), pension contributions and other statutory deductions effected from staff salaries were made and submitted to the relevant authorities in time.

The existing internal control systems are invariably complied with. This has resulted in smooth operations of the Fund. The Fund had 715 employees as at 30 June 2020, out of them, 393 are male and 322 are female (2019: 823 employees, 469 male, 354 female).

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**20 TRUSTEES**

Trustees of the Board who held office during the period were as follows:

S/N	Name	Position	Age	Qualification	Nationality	Appointment
1.	Eng. Musa I. Iyombe	Chairman	65	- Engineer/Administrator, Consulting Civil Engineer: Master of Engineering, Bachelor of Engineering.	Tanzanian	14-May-18
2.	Dr. Aggrey K. Mlimuka	Vice Chairman	62	- Lawyer: Dr. Juris, LLM, Post Graduate Diploma in International Law, LLB.	Tanzanian	31-July-18
3.	CPA. Stella E. Katende	Member	50	- Accountant: CPA (T), Master of Business Administration, Bachelor of Commerce-Accounting.	Tanzanian	31-July-18
4.	Ms. Susan B. Kabogo	Member	53	- Economist: Master of Business Administration, Bachelor of Arts - Economics.	Tanzanian	31-July-18
5.	Mr. Henry T. Katabwa	Member	56	- Administrator: Master's in Public Administration (HRM), Advanced Diploma in Public Administration.	Tanzanian	31-July-18
6.	Mr. Jacob C. Mwinula	Member	35	- Lawyer: LLM - International Human Rights Laws, LLB.	Tanzanian	31-July-18
7.	Mr. Thomas C. Manjati	Member	61	- Banker: Advanced Diploma in Business Administration, - Certificate in Accountancy, - Diploma in Business Administration - Marketing	Tanzanian	31-July-18
8.	Mr. Rashid M. Mtima	Member	49	- Land Planner: Bachelor of Science in Urban Planning Registered Town Planner.	Tanzanian	31-July-18
9.	Ms. Leah L. Ulaya	Member	50	- Teacher: Bachelor of Education, Diploma in Education.	Tanzanian	31-July-18
10.	Mr. Said A. Nzori	Member	57	- Lawyer: LLM, LLB and Diploma in Translation	Tanzanian	2-April-2020



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **21 TRUSTEES' INTEREST**

The Fund is a public body established by PSSSF Act, Cap 371. It is under the supervision and control of the Board of Trustees. The Trustees Report supplements the information provided in the Financial Statements of the Fund.

#### **22 TRUSTEES' REMUNERATION**

All the Trustees are non-executive. The Trustees were remunerated as approved by the Minister responsible for social security. During the year, a total fees and allowances paid to the Trustees amounted to TZS 92.25 million. Other Board expenses include transport, subsistence or living costs for Board and Committee meetings, as well as Trustees' capacity building amounted to TZS 275.64 million.

#### **23 CORPORATE GOVERNANCE**

The Board of Trustees is the supreme policy making body in the Fund. The Board is charged with the following functions as per the PSSSF Act:

- (a) Registration of Members and contributing employers;
- (b) Collection of Members' contributions from employers;
- (c) Investment of surplus funds in profitable investments;
- (d) Disbursement of pension, gratuity and other benefits in accordance with the provisions of the Act;
- (e) Advising the Minister on matters relating to the administration of the Act; and
- (f) Doing all such acts and things and to enter into all such transactions as, in the opinion of the Board, may be necessary for the proper and efficient administration of the Fund.

The Trustees consider corporate governance as key to good performance of the Fund. The Board is responsible for overseeing the Fund's performance and internal controls. The Trustees confirm that:

- (a) They met regularly throughout the year on statutory meeting and special meeting upon demand;
- (b) All the Trustees are non-executive and retains full and effective control of the Fund and monitor the executive management;
- (c) They accept and exercise responsibility for strategic and policy decisions, approval of budgets and monitoring of performance;
- (d) They continued to strengthen good governance systems by overseeing the implementation of various policies and guidelines in the areas of financial management, operations, investments, internal audit, human resources and ICT; and
- (e) They acted and behaved ethically in discharge of their responsibilities.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 23 CORPORATE GOVERNANCE (CONTINUED)

##### Board Meetings

During the year ended 30<sup>th</sup> June, 2020, the Board of Trustees held 6 meetings. The Board made various decisions including but not limited to, approving the Annual Plan and Budget; Annual Procurement Plan; annual Investment Plan, adopting Audited Financial Statements for the period ended 30<sup>th</sup> June, 2019, reviewing quarterly performance and internal audit reports, approving and reviewing various policies of the Fund.

All Members of the Board who held office during the period were committed to attend the Board meetings, except where it was not possible to do so. Below is a summary indicating the number of meetings attended by Board Members from 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020.

S/N	Name	Number of meetings				
		Board	AC	FC	IC	HC
1	Eng. Musa I. Iyombe	6	N/A	N/A	N/A	N/A
2	Dr. Aggrey K. Mlimuka	5	N/A	N/A	3	3
3	CPA. Stella E. Katende	3	4	N/A	3	N/A
4	*Ms. Susan B. Kabogo	1	2	N/A	1	N/A
5	Mr. Henry T. Katabwa	5	N/A	3	N/A	3
6	Mr. Jacob C. Mwinula	5	N/A	3	N/A	3
7	Mr. Thomas C. Manjati	6	6	4	N/A	N/A
8	Mr. Rashid M. Mtima	5	N/A	4	N/A	4
9	Ms. Leah L. Ulaya	6	6	N/A	4	N/A
10	**Mr. Said A. Nzori	1	1	N/A	1	N/A

\* Trustee Ms. Susan B. Kabogo could not attend all meetings as she is on sick leave

\*\*Trustee Mr. Said A. Nzori could not attend all meetings as he was appointed on 2 April 2020.

IC - Investments Committee; FC - Finance and Planning Committee; AC - Audit and Risk Committee; HC - Legal, Human Resources and Administration Committee; N/A - Not Applicable.

##### Board Committees

Section 13 of the PSSSF Act of 2018 provides for the establishment of various committees of the Board. The key role of the committees is to assist the Board in the review and analysis of various reports submitted by the executive management in relation to specific areas of performance. Whilst the Board is the decision making organ, the committees have an advisory role to the Board. The Board has four Committees. During the period, the meetings were held as follows: Investment committee held four meetings, Legal, Human Resource and Administration Committee held four meetings, Audit and Risk Committee held four meetings, while Finance and Planning Committee held four meetings. Except for the Board's Audit and Risk Committee, the Director General is the Secretary to the Board and its Committees. The Secretary to the Board's Audit and Risk Committee is the Director of Legal Services. The Controller and Auditor General

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## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

Director General is an ex-officio and is not entitled to vote. The Secretary to the Board is responsible for advising the Board and for proper functioning of the Board.

The Secretary is responsible for submission of management reports to the Board and is the custodian of Board documents including minutes and the Board's seal. He is responsible for ensuring that there is good flow of information between the Board, its Committees and Management.

#### **Investment committee**

The Investments Committee is made up of four Trustees. The Committee is mandated to assist the Board in the review and analysis of the following main areas:

- (a) Annual Investment Plan;
- (b) Investment appraisal reports for new investments;
- (c) Quarterly corporate performance appraisals ;
- (d) Projects progress reports; and
- (e) Investment policies and guidelines.

The composition of the Committees during the period was as follows:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>
Ms. Susan B. Kabogo	Chairperson	Tanzanian
CPA. Stella E. Katende	Member	Tanzanian
Dr. Aggrey K. Mlimuka	Member	Tanzanian
Ms. Leah L. Ulaya	Member	Tanzanian

#### **Audit and Risk Committee**

The Audit and Risk Committee is made up of three Trustees. The Committee is mandated to assist the Board in the review and analysis of the following main areas:

- (a) Annual Internal Audit Plan;
- (b) Internal control;
- (c) Financial reporting;
- (d) Internal audit reports;
- (e) External audit reports;
- (f) Risk management; and
- (g) Internal audit and Audit Committee Charter.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **23 CORPORATE GOVERNANCE (CONTINUED)**

##### **Audit and Risk Committee (Continued)**

The composition of the Committees during the period was as follows:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>
CPA. Stella E. Katende	Chairperson	Tanzanian
Mr. Mr. Thomas C. Manjati	Member	Tanzanian
Ms. Susan B. Kabogo	Member	Tanzanian

##### **Finance and Planning Committee**

The Finance Committee is made up of four Trustees. The Committee is mandated to assist the Board in the review and analysis of the following main areas:

- (a) Annual plan and budget;
- (b) Budget re-allocations and supplementary budget;
- (c) Corporate plan;
- (d) Treasury management;
- (e) Assets disposal and write offs;
- (f) Quarterly and Annual performance; and
- (g) Accounting policies and procedures

The composition of the Committees during the period was as follows:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>
Mr. Henry T. Katabwa	Chairman	Tanzanian
Mr. Jacob C. Mwinula	Member	Tanzanian
Mr. Rashid M. Mtima	Member	Tanzanian
Mr. Thomas C. Manjati	Member	Tanzanian

##### **Human Resources and Legal Affairs Committee**

The Human Resources and Legal Affairs Committee is made up of four Trustees. The Committee is mandated to assist the Board in the review and analysis of the following main areas:

- (a) Organization structure;
- (b) Staffing;
- (c) Compensation structure;
- (d) Staff appointments and promotions;
- (e) Disciplinary matters; and
- (f) Human resources policies.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

The composition of the Committees during the period was as follows:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>
Dr. Aggrey K. Mlimuka	Chairman	Tanzanian
Mr. Henry T. Katabwa	Member	Tanzanian
Mr. Jacob C. Mwinula	Member	Tanzanian
Mr. Rashid M. Mtima	Member	Tanzanian

#### **Human Resources and Legal Affairs Committee (continued)**

##### **Independence of Trustees and Ethical Behavior**

All the Trustees are considered by the Board to be independent both in character, judgement and free of relationships or circumstances, which could affect their judgement. All the Trustees are considered to behave and act ethically in the discharge of their fiduciary responsibilities.

## **24 RISK MANAGEMENT AND INTERNAL CONTROL**

The Trustees accepts final responsibility for risk management and internal control system of the Fund. The management ensures that adequate financial and operational control systems are maintained on an ongoing basis. The objective is to provide reasonable assurance on the following:

- (a) Safeguarding of Members funds and the Fund's assets;
- (b) Effectiveness and efficiency of operations;
- (c) Compliance with applicable laws and regulations;
- (d) Reliability of accounting records and financial information;
- (e) Sustainability of the Fund's operations under normal and adverse conditions; and
- (f) Responsive behavior towards stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Fund's system is designed to provide the Trustees with reasonable assurance that procedures in place are operating effectively. The Trustees have assessed the internal control system and generally satisfied as explained herein.

The Fund has a risk management framework and various policies through which it manages its risks. On the other hand, the Fund has an internal audit function which reports to the Board Audit Committee through which the Board monitors and directs corrective measures on the internal control environment.

##### **Risk and Internal Control Assessment**

The Fund invests principally in Treasury Bonds, Treasury Bills, Corporate Bonds, Loans, Fixed Deposits and Receivables. The main purpose of these financial assets is to generate revenue to the Fund. The Fund takes some degree of risk in making such investments.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 24 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

##### Risk and Internal Control Assessment (Continued)

most important type of risks are credit risk, liquidity risk and market risk (interest rate risk, foreign exchange risk and price risk).

The notes below provide detailed information on financial and non-financial risks faced by the Fund and the Fund's general policies for managing the risks.

##### Interest Risk

Interest risk is a market risk emanating from changes in value of assets of the Fund as a result of adverse price movement for investments held by the Fund. Investment in long term government securities with fixed income is one way of mitigating interest rate risk in volatile markets.

##### Foreign Currency Risk

The foreign exchange risk (currency risk) is the risk arising from changes in the value of foreign currencies. The Fund has no significant foreign currency transactions hence the effects of foreign exchange risk are minimal. Where necessary, the Fund negotiates forward contracts in order to settle future transactions denominated in foreign currencies.

##### Credit Risk

Credit risk is the risk that the counterparty to any financial transaction may not be able to fulfil its obligation on due date. Apart from Government based credit lines, the Fund does not have significant concentration of credit risk in other areas. However, in order to minimize credit risk, the Fund has set limits on different categories of investments and has also set exposure limits for each bank where it makes placements of funds. Loan appraisals, investments appraisals and approval processes are in place to mitigate this risk. For Government based lending, the Fund is taking measures to ensure that all the required guarantees and assurances are in place. Other loans has a cash collaterals placed on them.

##### Liquidity Risk

Liquidity risk is the risk of failing to meet obligations when they fall due. Liquidity risk may also arise from inability to sell financial assets quickly at close to its fair value. The Fund is exposed to daily calls on its available cash for benefits payment and other administrative expenses. The Fund manages liquidity risk by maintaining a pool of short term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitments and administrative expenditure. The Fund carries out weekly cash flow projection which is discussed by Management Investment Committee for investment decisions. Main sources of funds include monthly pension contributions and income from investments.

There are number of non-financial risks affecting the Fund in addition to the above highlighted financial risks which include:

##### Operational Risk

Operational risks result from inadequate systems, management failures, ineffective internal control processes, fraud, theft and human errors. The Fund addresses this risk through, inter alia, ensuring existence of Business Continuity Plan (BCP) and sound internal control system. Main instruments of the internal control system include operational and procedural manuals, and policies. and guidelines, and independent internal audit function.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **24 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)**

Managing operational risks in the Fund is an integral part of day to day operations by the Management. The Management, Internal Audit Function, Audit and Risk Committee and the Board of Trustees are actively involved in monitoring process and guidelines and independent internal audit function. Managing operational risks in the Fund is an integral part of day to day.

##### **Operational Risk (continued)**

Operations by the management. The Management, Internal Audit Function, Audit and Risk Committee and the Board of trustees, are actively involved in monitoring process.

##### **Legal Risk**

This risk arises from possible litigations instituted by or against the Fund and uncertainty of enforceability of contracts. In mitigating this risk, the Fund operates a fully-fledged Legal Services Unit and for each contract entered into by the Fund, there is a Contract Manager responsible for managing the implementation of specific contract entered by the Fund.

##### **Reputational Risk**

The Fund has an obligation to ensure that it performs its functions and maintains its reputation as a Social Security Scheme in accordance with PSSSF Act and other applicable laws and regulations. In this endeavor, the Board of Trustees and the Management ensure that they fulfill their fiduciary responsibilities by applying principles of sound corporate governance and adopting best practices in the industry.

##### **Safeguarding of Fund's Assets**

The Trustees are responsible for safeguarding the assets of the Fund. The Board has approved various policies including, but not limited to, financial policy, investments policy, human resources policy and internal audit manual in order to strengthen the internal control environment. These are reviewed from time to time to align with the dynamics of the operating environment. The Trustees are pleased to report that during the year under review, no material incidents of fraud were encountered.

##### **Reliability of Accounting Records and Financial Statements**

The Fund has employed sufficient and competent staff in the Directorate of Finance and has in place a computerized accounting system. Accordingly, proper books of accounts have been maintained and the Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS).

#### **25 RELATED PARTY TRANSACTIONS**

All related party transactions and balances are disclosed under Note 43 to these Financial Statements.

#### **26 GENDER PARITY**

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

The Fund is an equal opportunity employer, as it has no discriminatory policies or practices. As at 30<sup>th</sup> June 2020, the Fund had the following distribution of employees by gender:

<b>Gender</b>	<b><u>30 June 2020</u></b>	<b><u>30 June 2019</u></b>
Male	398	469
Female	322	354
<b>Total</b>	<b>715</b>	<b>823</b>

#### **27 POLITICAL DONATIONS**

The Fund did not make any political donations during the period (2019: NIL).

#### **28 CORPORATE SOCIAL RESPONSIBILITY**

In fulfilling its corporate social responsibility, the Fund spent TZS 100.65 million (2019: TZS 86.87 million) as donations to support the community in which the Fund operates in form of social and financial aid. Donations made by the Fund were mainly in the areas of education, health, sports, environmental conservation and corporate governance.

#### **29 ENVIRONMENTAL CONTROL**

The Trustees recognize that environmental protection is a contemporary agenda. The Fund monitors the impact of its operations on the environment, which is mainly through the use of power, water and generation of waste. The Fund minimizes its impact through better use of its premises and facilities to ensure that there is proper waste management.

All the Fund's investments are environmentally friendly, and if applicable, investments financed by the Fund must be subjected to Environmental and Social Impact Assessment (ESIA). The Fund supports the national campaign for environmental protection.

#### **30 EMPLOYEES' WELFARE**

The Fund has the following employees' welfare arrangements:

##### **Training**

The Fund offers sponsorship to its employees both in short and long term courses within the country on various disciplines depending on the corporate needs and financial resources available. Also, the Fund supports employees' own initiatives for both short and long-term training.

##### **Medical Facilities**

The Fund pay contributions to the National Health Insurance Fund for them to provide medical insurance scheme to its employees and their immediate family dependents. It also pays premiums to the Workers Compensation Fund to provide compensation to employees

#### **30 EMPLOYEES' WELFARE (CONTINUED)**



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

who may suffer occupational injuries or contract occupational diseases arising out of work and in the course of their employment.

#### **Financial Assistance**

The Fund operates a policy to assist in the event of death of an employee or immediate family dependent.

#### **Retirement Benefits**

The Fund pays contributions to the Public Service Social Security Fund to provide social security benefits on retirement due to age, invalidity or in the event of death.

#### **Relationship between Management and Employees**

A healthy relationship continues to exist between the Management and employees. Management liaise and communicate with employees, for inputs, on matters relating to the Fund's operations and its employees' welfare. Such matters include, but not limited to, long and short term plans, budgetary allocations and operational efficiency.

Regular meetings with employees' representatives are held to discuss matters as part of employees involvement in the Fund's decision making process.

These meetings provide important forums form important ingredients into the Management decision making process. During the year ended 30 June, 2020, there were no unresolved grievances or disputes received by the Management from the employees. Specific employees related matters are explained below.

#### **Persons with Disabilities**

The Fund gives equal opportunities to persons with disabilities for vacancies they are able to fill.

#### **Health and Safety**

The business activities carried out by the Fund is services in nature. The Board ensures that the working environment is clean at all times as authorized firms have been engaged to ensure that the working environment is clean and attractive. Fire extinguishers have also been installed in office buildings to ensure that unexpected fire incidents are contained.

#### **Relationship between Management and Other Stakeholders**

The Fund has continued to maintain good relationship with its key stakeholders including Regulators, Authorities, suppliers, contractors, service providers such as Ministry responsible for Labour, Bank of Tanzania, Tanzania Revenue Authority, and Commercial banks.

## **31 COMPLIANCE WITH LAWS AND REGULATIONS**

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

During the period, the Fund observed compliance to other applicable laws and regulations, policies and guidelines which have impact on the Fund's operations. These include The Income Tax Act and The Public Procurement Act, and its regulations. The Trustees confirm that the activities and operations of the Fund were conducted in accordance with the PSSSF Act and other applicable laws and the Trustees are not aware of non-compliance that would have material impact on the Fund.

#### **32 SERIOUS PREJUDICIAL MATTERS**

During the period ended 30<sup>th</sup> June, 2020, there were no serious prejudicial matters to report on as required by the Tanzania Financial Reporting Standard No.1.

#### **33 STATEMENT OF COMPLIANCE**

The Trustee's Report has been prepared in full compliance with the Tanzania Financial Reporting Standards No 1.

#### **34 EVENTS AFTER REPORTING PERIOD**

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these Financial Statements. The risks arising from this pandemic could include market, services and supply chain disruptions, increased credit risk, unavailability of key people resources, locations being quarantined, among others. The Trustees have assessed that, at the time of issuing these Financial Statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Fund. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require material adjustments to the carrying amounts of the assets or liabilities reported in the Financial Statements.

At the time of issuing the Financial Statements, the Trustees had no reason to believe that this is likely to happen. Furthermore, the Trustees believe that the Fund will be a going concern for the foreseeable future.

The Trustees are not aware of other matters or circumstances arising after the reporting period that requires adjustment to or disclosure in the Financial Statements.

#### **35 AUDITOR**

The Controller and Auditor General is the statutory auditor of the Fund by virtue of Article 143 of the Constitution of the United Republic of Tanzania, and amplified in section 10 of the Public Audit Act, Cap 418. However, in accordance with section 33 of the same Act, M/S Ernst and Young was appointed by the Controller and Auditor General to carry out the audit of Financial Statements of the Public Service Social Security Fund for the the year ended 30<sup>th</sup> June, 2020. M/S Ernst and Young carried out the assignment jointly with the Controller and Auditor General.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**TRUSTEES' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**BY THE ORDER OF THE BOARD**



Eng. Musa I. lyombe  
Chairman of the Board of Trustees



CPA. Hosea E. Kashimba  
Director General

Date: 27 | 1 | 2021

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

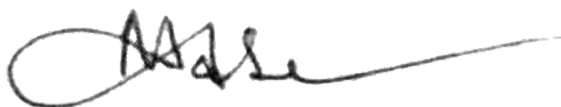
The Trustees are required by the Public Service Social Security, Fund Act, Cap 371 to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its changes in net assets for the year. The Trustees are also obliged to ensure that the Fund keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund.

They are also responsible for safeguarding the assets of the Fund. The Trustees accept responsibility for the Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with the International Financial Reporting Standards (IFRS) and in compliance with the Public Service Social Security Fund Act.

The Trustees are of the opinion that the Financial Statements for the period give a true and fair view of the state of the financial affairs of the Fund and of its changes in net assets for the period. The Trustees further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

#### **BY THE ORDER OF THE BOARD**



Eng. Musa I. Lyombe  
Chairman of the Board of Trustees



CPA. Hosea E. Kashimba  
Director General

Date: 27 | 1 | 2021

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **DECLARATION BY THE HEAD OF FINANCE FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2020**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires Financial Statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of Financial Statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Trustees to discharge the responsibility of preparing Financial Statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Financial Reporting Standards (IFRSs) and statutory financial reporting requirements. Full legal responsibility for the preparation of Financial Statements rests with the Board of Trustees as declared under the Statement of Trustees' responsibilities on an earlier page.

I, **Beatrice Musa-Lupi**, being the Director of Finance of Public Service Social Security Fund hereby acknowledges my responsibility of ensuring that Financial Statements for the year ended 30<sup>th</sup> June, 2020 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) and the Public Service Social Security Fund Act, Cap 371.

I thus confirm that the Financial Statements give a true and fair view of the position of the Public Service Social Security Fund as on that date and that they have been prepared based on properly maintained financial records.



Signature \_\_\_\_\_

NBAA Membership number: ACPA 2225

Date: 27 | 1 | 2021

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

### **1. INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

To: Eng. Musa Ibrahim Iyombe  
Chairman of the Board of Trustees  
Public Service Social Security Fund  
Head Office, PSSSF House  
Makole Road  
P.O. Box 1501  
Dodoma.

#### **1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

##### **Opinion**

I have audited the financial statements of Public Service Social Security Fund (the “Fund”), which comprise the statement of net assets available for benefits as at 30<sup>th</sup> June 2020, and the statement of changes in net assets available for benefits, and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, net assets available for benefits of Public Service Social Security Fund as at 30<sup>th</sup> June, 2020 and its changes in net assets available for benefits and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Public Service Social Security Fund, Cap 371.

##### **Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled Responsibility of the Controller and Auditor General for the Audit of the Financial. I am independent of Public Service Social Security Fund (the “Fund”) in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter**

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Note 5 of financial statements which indicate that actuarial valuation for the Fund was not concluded as of reporting date hence the Fund relied on the recent valuation reports for the merged Funds. As shown in the Note, all the Funds had funding deficit during the period of merging.

##### **Key Audit Matters**

## PUBLIC SERVICE SOCIAL SECURITY FUND

### INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

#### Key Audit Matters

No.	Key audit matter	How our audit addressed the key audit matter
1.	<b>Valuation of unquoted investments</b>	
	<p>According to Public Service Social Security Fund assets include significant unquoted investments (assets). Investment in unlisted companies by the Fund form a significant part of the Fund's assets.</p> <p>My review learnt that the total value of unquoted investment as at 30<sup>th</sup> June, 2020 was TZS 467.19 billion (2019: TZS 389.52 billion) as disclosed under note 32.</p> <p>I considered this as a key audit matter as the valuation of unquoted investments requires the use of estimates and significant judgements such as inflation rates, gross domestic products (GDP) forecasts, cash flow forecasts, future expenditure costs, non-cash expenditure and a small change in the assumptions can have a material impact in the Financial Statements.</p>	<p>I performed the following procedures:</p> <ul style="list-style-type: none"><li>• I engaged my internal actuarial specialists to assess the appropriateness of the methodology and assumptions used to account for the unquoted investments. This included comparison of key data with market benchmarks and to challenge the methodology used by the scheme actuary. I considered whether each of the key assumptions was reasonable in isolation and collectively in determining the value of unquoted investments as at 30<sup>th</sup> June ,2020;</li><li>• Also I tested existence of unquoted investments and reviewed Financial Statements of the investee companies to determine the recognition of investment made by the Fund; and</li><li>• In addition I assessed the assumptions used in the valuations by checking that the assumptions used were consistent with my internally developed range of discount rates, by comparing the cash flows to historical results and considering the impact of other external information; and</li><li>• Further I tested the accuracy of the calculations and assessed whether the assumptions used were in line with other market participants and reflected the particular status of the investment shareholding.</li></ul>

**PUBLIC SERVICE SOCIAL SECURITY FUND****INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)****AUDIT REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)****Key Audit Matters (Continued)**

No.	Key audit matter	How our audit addressed the key audit matter
<b>2.</b>	<b>Recoverability of the government loans</b>	
	<p>Public Service Social Security Fund had issued various loans to finance government projects. As at 30 June these loans stood at TZS 856.64 billion (2019: 763.68 billion) as disclosed under note 28. There is no agreed repayment schedule by the government, but it has promised to repay these loans when the revenue collection improves.</p> <p>In my further review noted that the recoverability of the outstanding amount of government loans were significant to my audit because of the amount of the loans outstanding being material and the likelihood of repayment being dependent on improve in revenue collection by government and there is no agreed repayment schedule.</p>	<p>I performed the following procedures in response to the matter:</p> <ul style="list-style-type: none"><li>• I reviewed the calculations for principle and interest amount for the loans issued to government;</li><li>• In addition I evaluated that the disclosures required by in the Financial Statements about outstanding government loans were included in the Financial Statements;</li><li>• Further I determined if the loans from government were being carried at fair value; and</li><li>• Furthermore I verified the amount received during the year.</li></ul>
<b>3</b>	<b>Investment in Msamvu Property (T) Limited</b>	
	<p>My review noted that the Fund invested in Msamvu Properties (T) Limited. The value of the investment as at 30<sup>th</sup> June, 2020 was TZS 10.19 billion taking into account the fair value losses. The full control of Msamvu Properties (T) Limited was transferred to Morogoro Municipal Council with effect from 1<sup>st</sup> March 2020. The Government through the Ministry of Finance is still working on the modality as to how PSSSF will be compensated for the investment made at Msamvu Properties (T) Limited. By 30<sup>th</sup> June, 2020, the process had still the work in progress.</p> <p>I considered this to be a key audit matter since the process for repayment of the investment was still in progress at year end. I also considered there to be a risk that the Fund's disclosures regarding the investment in subsidiaries, which are included in Note 32 might be incomplete.</p>	<p>I performed the following procedures in response to the matter:</p> <ul style="list-style-type: none"><li>• I reviewed correspondences between the Fund and Morogoro Municipal Council relating to transferring of the Investment. We reviewed the correspondences between the Fund and Ministry of Finance on the regarding modality of compensating the Fund;</li><li>• I reviewed the valuation of investment in unquoted Companies to determine the fair value; and</li><li>• I have inquired management on the progress of the recoverability of the investment in Msamvu Property (T) Limited.</li></ul>



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)**

#### **Other Information**

Management is responsible for the other information. The other information comprises the Trustee's Report and the Declaration by the Head of Finance but does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

#### **Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

Controller and Auditor General

AR/PA/PSSSF/2019/20

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)**

my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, Section 10 (2) of the Public Audit Act, 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)**

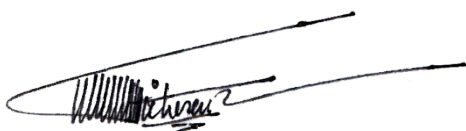
Further, Section 48(3) of the Public Procurement Act, 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

#### **1.2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Compliance with the Public Procurement Act, No.7 of 2011 (as amended in 2016)**

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Public Services Social Security Fund procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011(as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).

Charles E. Kichere,  
Controller and Auditor General,  
DODOMA.  
UNITED REPUBLIC OF TANZANIA.

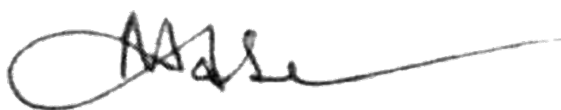


# PUBLIC SERVICE SOCIAL SECURITY FUND

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

	NOTE	30 <sup>th</sup> June, 2020 TZS '000	30 <sup>th</sup> June, 2019 TZS '000
<b>Contributions and Benefits</b>			
Members contributions	6	1,364,325,182	1,322,868,069
Benefits expenses	7	(1,554,426,403)	(1,500,897,699)
<b>Net deficit from dealing with Members</b>		<b>(190,101,221)</b>	<b>(178,029,630)</b>
<b>Investment income</b>			
Interest income	8	409,391,347	370,278,962
Dividend income	9	19,473,341	17,157,191
Rent income	10	29,907,822	27,937,719
Net changes in fair values	11	(30,721,123)	14,529,462
<b>Net investments income</b>		<b>428,051,387</b>	<b>429,903,334</b>
<b>Non-investment income</b>			
Other Income	12	7,737,774	49,631,506
<b>Total Other income</b>		<b>7,737,774</b>	<b>49,631,506</b>
<b>Total income before expenses</b>		<b>245,687,940</b>	<b>301,505,210</b>
<b>Expenses</b>			
Administrative expenses	13	74,987,972	85,070,182
Statutory expenses	14	2,500,267	9,961,298
Investment management expenses	15	10,462,943	5,827,551
Depreciation & Amortization	16	13,611,933	5,587,836
Impairment charges	17	46,358,039	115,816,154
<b>Total expenses</b>		<b>147,921,154</b>	<b>222,263,021</b>
<b>Increase in net assets for the year</b>		<b>97,766,786</b>	<b>79,242,189</b>
Income tax charge	18	(83,243,195)	(175,979,368)
<b>Increase/(decrease) in net assets for the year after income tax</b>		<b>14,523,591</b>	<b>(96,737,179)</b>
Net assets available for benefits at the start of year		5,729,418,633	5,826,155,812
<b>Net assets available for benefits at the end of year after tax</b>		<b>5,743,942,224</b>	<b>5,729,418,633</b>

These Financial Statements were approved by the Board of Trustees on 26 November 2020 and signed on its behalf by:



Eng. Musa I. Iyombe  
Chairman of the Board of Trustees



CPA. Hosea E. Kashimba  
Director General

# PUBLIC SERVICE SOCIAL SECURITY FUND

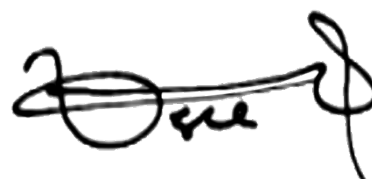
## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30<sup>TH</sup> JUNE, 2020

	NOTE	30 Jun 20 TZS' 000	30 June 19 TZS' 000
<b>Assets</b>			
Cash and cash equivalents	19	191,467,226	187,938,906
Deposits with Financial Institutions	20	259,367,591	300,402,555
Right of use asset	21	652,194	-
Equity investments	22	462,453,218	439,501,128
Government securities	23	2,515,726,827	2,866,544,508
Corporate bonds	24	17,640,180	24,089,042
Prepayments	25	32,020,795	14,325,004
Receivables	26	196,191,663	171,831,456
VAT and Withholding Tax Recoverable	27	8,523,144	54,969,204
Loan investments	28	856,636,491	763,679,395
Tradable inventories	29	118,109,061	123,829,625
Investment properties	30	1,151,991,776	1,109,835,575
Associates & Joint Ventures	31	21,946,825	67,143,991
Investments in subsidiaries	32	467,193,158	389,517,451
Stationery and Consumables	33	290,660	429,439
Intangible assets	34	1,402,523	1,543,906
Property and equipment	35	20,676,355	39,156,885
Deferred tax asset	36	114,398,332	-
<b>Total other assets</b>		<b>6,436,688,019</b>	<b>6,554,738,070</b>
<b>Liabilities</b>			
Deferred tax liability	36	-	37,108,411
Lease liabilities	37	862,800	-
Benefits payable	38	430,264,294	603,359,924
Other payables	39	42,910,861	58,414,783
Provisions	40	7,029,929	2,614,521
Payable to subsidiaries	41	15,103,764	12,851,692
Corporate Tax Payable	42	196,574,147	110,970,106
<b>Total Liabilities</b>		<b>692,745,795</b>	<b>825,319,437</b>
<b>Net assets available for benefits</b>		<b>5,743,942,224</b>	<b>5,729,418,633</b>

These Financial Statements were approved by the Board of Trustees on 26 November 2020 and signed on its behalf by:



Eng. Musa I. Iyombe  
Chairman of the Board of Trustees



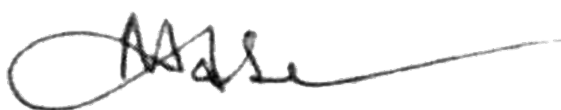
CPA. Hosea E. Kashimba  
Director General

# PUBLIC SERVICE SOCIAL SECURITY FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

	Note	30 June 20 TZS' 000	30 June 19 TZS'000
Receipts from contributions		1,398,431,241	1,387,241,604
Receipts from penalties		3,534,682	1,025,155
Other income		2,107,403	61,356,860
Benefit disbursements		(1,727,503,173)	(1,916,034,947)
Administrative expenses and taxes		(244,790,784)	(497,782,224)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(568,220,631)</b>	<b>(964,193,552)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest investment income		-	212,732,872
Dividend received	26(d)	20,043,257	18,635,594
Rent received	26(d)	26,078,437	23,368,015
Placements with banks	20	(114,051,673)	(183,940,773)
Matured bank deposits	20	113,286,721	259,725,220
Investment in government securities	23	(219,729,361)	-
Redemption of government securities	23	543,662,749	532,696,232
Redemption of corporate debt instruments	24	8,482,615	13,751,807
Repayment of long term loans	28	255,307,220	60,411,258
Purchase of Property and Equipment	35	(1,616,015)	(289,771)
Purchase of intangible assets		(1,339,115)	(751,069)
Acquisition of investment property	30	(28,181,482)	(45,595,169)
Investment in Associates and Joint Ventures	31	-	(38,575)
Proceeds from Associates and Joint Venture	31	15,338,575	-
Investment in Subsidiaries	32	(56,085,321)	(291,596)
Receipts from sales of plots and houses		3,878,476	-
Proceeds from other receivables		6,673,867	-
<b>NET CASH FLOWS IN INVESTING ACTIVITIES</b>		<b>571,748,951</b>	<b>890,414,045</b>
<b>Net cash flows before adjustments for the effects of foreign exchange rates changes</b>		<b>3,528,320</b>	<b>(73,779,507)</b>
Effect of exchange rate changes in cash and cash equivalent		-	-
<b>Net(Decrease)/Increase in Cash and Cash Equivalents</b>		<b>3,528,320</b>	<b>(73,779,507)</b>
<b>Cash &amp; Cash Equivalents at 1st July, 2019</b>	19	<b>187,938,906</b>	<b>261,718,413</b>
<b>Cash &amp; Cash Equivalents at 30 June 2020</b>	19	<b>191,467,226</b>	<b>187,938,906</b>

These Financial Statements were approved by the Board of Trustees on 26 November 2020 and signed on its behalf by:



Eng. Musa I. Iyombe  
Chairman of the Board of Trustees



CPA. Hosea E. Kashimba  
Director General

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 1. FUND INFORMATION

The Public Service Social Security Fund was established by the Public Service Social Security Fund Act, Cap. 371 ("PSSSF Act"). The Act applies in Mainland Tanzania in respect of all employers and employees in the Public Service. The Act provides for administration and investment of social security funds in respect of the employees in public service.

The Fund is governed by the Board of Trustees under the Ministry of Labour, Youth, Employment and Persons with Disability. The Board collects contributions from employees and employers in the Public Service, invests the funds and pay benefits to the Members in accordance with the provisions of the PSSSF Act.

Public Service Social Security Fund is registered under the PSSSF Act as a Defined Benefit Fund. The address of its registered office is:

Public Service Social Security Fund,  
Head Office, PSSSF House,  
Makole Road,  
P.O. Box 1501,  
DODOMA.  
Info@psssf.go.tz  
[www.psssf.go.tz](http://www.psssf.go.tz)

The information given above is a summary only. For detailed and complete information about the Fund, reference should be made to the Trustees Report which is an integral part of these Financial Statements and the PSSSF Act.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Note provides a list of the significant accounting policies adopted in the preparation of these Financial Statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (a) Basis of Preparation

##### (i) Compliance with IFRS

The Financial Statements of the Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to entities reporting under IFRS. The Financial Statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The Financial Statements are presented in Tanzanian Shillings (TZS), which is also the Fund's functional currency, rounded to the nearest thousand (TZS'000), except where otherwise indicated. The convention names used for statement of financial position and statement of profit or loss and other comprehensive income are statement of net assets available for benefits and statement of changes in net assets available for benefits respectively.

The Financial Statements for the period ended 30<sup>th</sup> June, 2020 were prepared for twelve months, and should be read in conjunction with the Financial Statements for the year ended 30<sup>th</sup> June, 2019.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Changes in Accounting and Disclosures**

*(ii) Historical Cost Conventions*

The Financial Statements have been prepared on historical cost basis except where otherwise stated in the below accounting policies.

*(iii) New and Amended Standards Effective During the Period*

**IFRS 16 Leases**

The Fund applied IFRS 16 Leases for the first time during the year. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of net assets available for benefits.

The Fund adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st July, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Fund elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1st July, 2019. Instead, the Fund applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Fund is the lessor.

The Fund has lease contracts for various branch offices. Before the adoption of IFRS 16, the Fund classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Fund applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The Fund recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**(b) Changes in Accounting and Disclosures**

The Fund also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

*(i) New and Amended Standards Effective During the Period (continued)*

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Fund determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Fund applies significant judgement in identifying uncertainties over income tax treatments. The Interpretation did not have an impact on the consolidated Financial Statements of the Fund.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**(b) Changes in Accounting Policy and Disclosures (continued)**

control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Fund assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated Financial Statements of the Fund.

*(ii) New and Amended standards and Interpretations Issues But Not Yet Effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are not expected to have a significant impact on the Fund's statement of net assets available for benefit and statement of changes in net assets.

**(c) Basis of Consolidation**

The Fund is an investment entity and, therefore, it holds its investments in subsidiaries at fair value rather than consolidating them. The Fund also holds its interests in associates and Joint Ventures at fair value. Investments in subsidiaries, associates and Joint Ventures are classified as fair value through profit or loss in accordance with IFRS 9.

**(d) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Fund has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

*(i) Contributions*

Contributions are accounted for in the period in which they fall due. Employers' and employees' contributions are accounted for on accrual basis. Accrual is made based on actual salaries paid to Members of the Fund.

*(ii) Rent Income*

Rental income from operating leases on investment property is recognised on a straight-line basis over the lease term and is included in revenue in the statement of changes in net assets available for benefits.

*(iii) Interest Income*

For all financial instruments measured at amortised cost and other interest-bearing financial assets, interest income is recorded using the effective interest rate (EIR) method. Interest income is recognised for all interest-bearing instruments using the effective interest method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments. Interest income for all interest bearing financial instruments is recognised in the statement of changes in net assets available for benefits using the effective interest method.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Revenue Recognition (CONTINUED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of a financial instrument or when appropriate, to a shorter period to the net carrying amount of the financial asset.

*(iv) Services*

Revenue from sale of services are recognised in the period in which the services are rendered by reference to completion of the specific transactions assessed on the basis of actual services provided as a percentage of the total services to be provided.

*(v) Penalty Income*

Penalty is recognized on accrual basis and computed on contribution received. The computation of additional contributions is made in accordance with Section 19 (1) of the Public Service Social Act, Cap 371. Where an employer fails to remit to the Fund the whole or any part of the contributions required to be remitted by him within 30 days after the end of the month to which the contributions relate, a sum equal to one and a half percent of the amount which such employer has failed to remit shall become due from and payable by such employer by way of additional contribution.

*(vi) Dividend Income*

Dividend income is recognised in the period in which the right to receive payment is established, which is when the shareholders approve the dividend.

**(d) Foreign Currency Translation**

*(i) Functional and Presentation Currency*

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The Financial Statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand, which is the Fund’s functional and presentation currency.

*(ii) Transactions and Balances*

Transactions in foreign currencies during the period are converted into Tanzania Shillings (“TZS”) at rates prevailing at the transaction dates. Monetary items denominated in foreign currency are translated using the functional currency spot exchange rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets available for benefits.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

**(e) Contributions Receivable**

Current service and other contributions are accounted for in the period in which they fall due.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **(f) Transfers**

Transfers are recognised in the period in which Members join from other pension funds or leave for other pension funds. The values are based on methods and assumptions determined by actuaries.

#### **(g) Benefits Payable**

Pensions and other benefits payables are recognised as liabilities in the period in which they fall due.

#### **(h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments such as fixed deposits and treasury bills with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and short-term deposits, as defined above.

#### **(I) Investment Property**

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment properties. It also includes property that is being constructed or developed for future use as investment property. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Fund and the cost can be reliably measured. This is usually the day when all risks are transferred. Investment property is measured initially at cost, including transaction costs. After initial recognition, investment property is carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued, who applies a valuation model recommended by the International Valuation Standards Committee. These valuations form the basis for the carrying amounts in the Financial Statements.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Subsequent expenditure is capitalized to the asset's carrying amount only

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably.

All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised. Changes in fair values are recognised in the statement of changes in net assets available for benefits in the year in which they arise. Investment properties are derecognised when they have been disposed or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Where the Fund disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of changes in net assets available for benefits.

**(j) Investment Property (continued)**

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Fund accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**(k) Inventory - Stationery and Consumables**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis (FIFO). Any obsolete items are provided for in full in the year they are detected. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(l) Income Tax**

**(i) Current Tax:**

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, Cap 332. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the end of reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(ii) Deferred Tax:**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Financial Statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

(i) Income Tax (Continued)

(ii) Deferred Tax (Continued)

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of reporting period and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Fund offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **(ii) Value Added Tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **(I) Property and Equipment**

Property and equipment are stated at fair value, based on valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All other repairs and maintenance are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred.

Any revaluation surplus is credited to the statement of changes in net assets available for benefits, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of changes in net assets available for benefits, in which case the increase is recognised in the statement of changes of net assets available for benefits. A revaluation deficit is recognised in the statement of changes of net assets available for benefits, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Construction in progress is stated at cost, net of accumulated impairment losses, if any.

#### **(m) Property and Equipment (Continued)**

Depreciation is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

<b>Asset Description</b>	<b>Rate (%)</b>
Buildings	2
Motor vehicles	20
Office equipment	10
Furniture & Fittings	10
Computer Hardware	20

Property and equipment are periodically reviewed for impairment. When the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

The residual values useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of motor vehicles and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of changes in net assets available for benefits in the year the asset is derecognised.

#### **(n) Intangible Assets -Computer Software**

Intangible assets acquired are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged in the statement of changes in net assets available for benefits in the year in which the expenditure is incurred. Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at each financial year end date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets is recognised in the statement of changes in net assets available for benefits. The annual rate of amortization, which has been consistently applied, is 10% per annum.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment of intangible assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement net changes in net assets available for benefits in the expense category that is consistent with the function of the intangible assets.

**(n) Intangible Assets -Computer software**

The carrying value of intangible assets as at the year-end is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**(o) Leases**

The Fund adopted IFRS 16 Leases (IFRS 16) during the year. Under IFRS 16, the determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

**(i) Fund as a Lessee**

The Fund applies a single recognition and measurement approach for all the leases, except for short term leases and low value assets. The Fund recognises lease liabilities to make lease payments and the right-of-use assets representing the right to use the underlying asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**(ii) Right-of-Use- Assets**

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
(O) Leases (Continued)**

The right-of-use assets are also subject to impairment. Refer to the accounting policy on impairment of non-financial assets.

**(iii) Lease Liabilities**

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses, unless they are incurred to produce inventories, in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**(iv) Short -Term Leases and Leases of Low Value Asset**

The Fund applies the short-term lease recognition exemption to short-term leases i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

**(v) Accounting Policies applicable in the Prior Years Under IAS 17 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased item to the lessee. All other leases are classified as operating leases.

**(vi) Fund as a Lessor**

Leases in which the Fund does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(o) Employees' Benefits**

The Fund operates a defined contribution scheme whereby it contributes to a publicly administered pension plan on a mandatory basis. Employees contribute 5% of the basic salary and the Fund contributes 15% of employees basic salary to the scheme. The contributions are recognised as an employee benefits expenses when they are due. The Fund's contributions to the defined contribution schemes are charged to the statement of changes in net assets available for benefits in the year in which they fall due. The Fund has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

##### **(p) Other Employees' Entitlements**

The estimated monetary liability for employees accrued leave entitlement as at the reporting date is recognised as an expense accrual. Provision is made for estimated liability in respect of annual leave accrued on reporting date.

##### **(q) Financial Assets and Liabilities**

###### **(i) Classification**

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

###### **(ii) Financial Assets**

The Fund classifies its financial assets as subsequently measured at fair value through profit or loss or measured at amortised cost on the basis of both: the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

##### **Financial Assets Measured at Fair Value Through Profit or Loss (FVPL)**

A financial asset is measured at fair value through profit or loss if:

- (i) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- (ii) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or at initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

**Financial Assets Measured at Fair Value Through Profit or Loss (FVPL)(continued)**

The Fund includes in this category:

***Equity Instruments:***

This category includes investments in unlisted shares and those are acquired principally for the purpose of generating a profit from short-term fluctuations in price. The Fund does not have any equity instrument measured at fair value through other comprehensive income. Therefore, the policy above does not further discuss such classification.

***Investment in Subsidiaries:***

The Fund meets the criteria as an investment entity in accordance with IFRS 10. Therefore, it is required to recognise subsidiaries at fair value through profit or loss. It does not consolidate the investment entities it controls.

Subsidiaries that provide investment related services, such as advisory, management or employment services, are not accounted for at fair value through profit and loss and continue to be consolidated unless they are deemed investment entities, in which case they are recognised at fair value.

Subsidiaries are entities controlled by the Fund. Control, as defined by IFRS 10, is achieved when the Fund has all of the following:

- (i) Power over the relevant activities of the investee;
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to affect those returns through its power over the investee.

The Fund is required to determine the degree of control or influence the Fund exercises and the form of any control to ensure that the financial treatment is accurate.

Subsidiaries are fully consolidated from the date on which the Fund effectively obtains control. All intra-Fund balances and transactions with subsidiaries are eliminated upon consolidation. Subsidiaries are de-consolidated from the date that control ceases.

The Fund comprises several different types of subsidiaries. The Fund re-assesses the function performed by each type of subsidiary to determine its treatment under the IFRS 10 exception from consolidation on an annual basis.

The fair value of investments in subsidiaries is determined using the adjusted net asset method. It involved directly measuring the fair value of the recognised and unrecognised assets and liabilities of the investee.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **(r) Financial Assets and Liabilities (Continued)**

##### **(ii) Financial Assets (continued)**

##### **Financial Assets Measured at Fair Value Through Profit or Loss (FVPL) (continued)**

###### ***Investment in Associates:***

Associate is an entity over which the Fund has significant influence but not control, generally accompanying a shareholding of 20% or more of the voting rights. In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Fund does not account for its investments in associates using the equity method. Instead, the Fund has elected to measure its investments in associates at FVPL.

The Fund considers this to give more meaningful information about the real value of investments and to better describe, the Fund's way of reviewing its investments and making decisions relating to them. In the Statement of Net Assets Available for Benefits, the investment is presented as part of investments at fair value through profit or loss.

The fair value of investments in associates and joint ventures is determined using the adjusted net asset method. It involved directly measuring the fair value of the recognised and unrecognised assets and liabilities of the investee.

###### ***Investments in Joint Ventures***

The Fund has assessed the nature of some of its investments and classified them as joint ventures since, based on contractual agreements, the Fund has right to net assets of the arrangement. The investment is made through several separate instruments and their values are codependent. As an investment entity, the Fund measures its investment in the joint venture at fair value through profit or loss.

The fair value of investments in associates and joint ventures is determined using the adjusted net asset method. In the Statement of Net Assets Available for Benefits, the investment is presented as part of investments at fair value through profit or loss.

###### ***Interest Bearing securities***

Interest-bearing securities such as government securities, corporate bonds and bank placements are measured at fair values. The fair values are based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty.

##### **Financial Assets Measured at Amortised Cost**

Financial assets at amortised cost mainly include non-interest bearing receivables and other loans. These financial assets are held solely in order to collect contractual cash flows, and whose payments are fixed or determinable and which are not quoted in an active market.

The Fund evaluates the credit risk of the borrowers by estimating the delay of the repayments and borrower's future economic development. Depending on the estimated credit risk, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **(r) Financial Assets and Liabilities (Continued)**

##### **(ii) Financial Assets (continued)**

###### **Financial Assets Measured at Amortised Cost (continued)**

Inputs used for the measurement of expected credit losses include, among others, available statistics on default risk based on credit risk rating grades and the historical credit losses the Fund has incurred.

Credit risk of a loan or receivable is assumed low on initial recognition in case the contractual payments of principal and interest are dependent on the cash proceeds the borrower receives from the underlying investments. In these cases, the borrower is considered to have a strong capacity to meet its contractual cash flow obligations in the near term. It is considered that there has been a significant increase in the credit risk, if the contractual payments have become more than 30 days past due, and a default event has occurred, if the payment is more than 90 days past due, unless resulting from an administrative oversight.

The Fund includes in this category: loan investments and other investment balances; contribution and other receivables; short-term non-financing receivables and accrued income.

##### **(iii) Financial Liabilities**

Financial liabilities largely consist of benefit and other payables. Financial liabilities are initially recognised at fair value. Financial liabilities are subsequently carried at amortized cost using the effective interest method.

###### **Financial Liabilities Measured at Fair Value Through Profit Or Loss (FVPL)**

A financial liability is measured at FVPL if it meets the definition of held for trading. The Fund does not have a financial liability in this category.

###### **a. Financial Liabilities Measured at Amortised Cost**

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category benefit and other payables.

###### **Benefits Payables**

Benefit payables are obligations to pay for the benefits of the Members. Benefit payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(r) Financial Assets and Liabilities (Continued)**

##### **(iii) Financial Liabilities (continued)**

##### **Financial Liabilities Measured at Amortised Cost (continued)**

##### **Other Payables**

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **Provisions**

Provisions are recognised when the Fund has a legal or constructive obligation arising from a past event, and it is probable that an outflow of the Fund's financial resources will be required to settle the obligation. Provisions are measured as Management's best estimate of the amount with which the liability is expected to be settled.

##### **Available for Sale Financial Assets**

Available for sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the available for sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Available for sale investments are initially recognised at fair value plus transaction costs and subsequently measured at fair value except for investments whose fair value cannot be reliably measured. Investments for which fair value cannot be reliably measured are measured at cost plus transaction costs and are also subjected to impairment losses. Gains and losses arising from changes in fair value in respect of available-for-sale investments are included in the statement of changes in net assets available for benefits for the year.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Financial Assets and Liabilities (Continued)**

**Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Fund has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of changes in net benefits at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of assets available for benefits

**Loans and Receivables**

This category is the most relevant to the Fund as loans compose more than 50% of the Fund assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of assets available for benefits.

Contributions receivable, loan investments and corporate bonds measured at amortised cost, all other receivables and deposits with financial institutions and cash and cash equivalents in the statement of net assets available for benefits fall in this category.

The Fund's investments in government securities are measured at fair value. The fair value is determined by price of similar instruments in an observable market. Changes in fair value are recorded in the statement of changes in net assets available for benefits.

Loans and receivables are recognised on the day the funds are advanced or when the fund becomes a party to the contract which is normally when an invoice is raised. Loans and receivables are initially recognised at fair value which is the cash consideration and subsequently measured at amortized cost using the effective interest method.

**(s) Impairment of Financial Assets**

The Fund evaluates the credit risk of the borrowers by estimating the delay of the repayments and borrower's future economic development. Depending on the estimated credit risk, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses.

Inputs used for the measurement of expected credit losses include, among others, available statistics on default risk based on credit risk rating grades and the historical credit losses the Fund has incurred.

Credit risk of a loan or receivable is assumed low on initial recognition in case the contractual payments of principal and interest are dependent on the cash proceeds the borrower receives from the underlying investments.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(s) Impairment of Financial Assets (Continued)**

In these cases, the borrower is considered to have a strong capacity to meet its contractual cash flow obligations in the near term. It is considered that there has been a significant increase in the credit risk, if the contractual payments have become more than 30 days past due, and a default event has occurred, if the payment is more than 90 days past due, unless resulting from an administrative oversight.

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to the credit loss expense. Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**(t) Impairment of Non-Financial Assets**

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Funds of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Derecognition**

An asset is eligible for derecognition and removed from the balance sheet when the Fund has transferred the contractual rights to receive the cash flows or when it has substantially transferred all of the risks and rewards of ownership of the asset outside the Fund. Financial assets are classified as current if they have been acquired for trading purposes or fall due within 12 months.

**(v) Renegotiated Loans**

Loans that are subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they are considered impaired or past due.

**(w) Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

**3 FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rates and price risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the Fund does not hedge any risks.

Risk management is carried out by the Actuarial Statistics and Risk Management Department under the supervision of the Risk and Audit Committee which is guided by the policies approved by the Board of Trustees.

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of governance structure, the Board of Trustees has established a comprehensive risk management framework for measuring, monitoring, controlling and mitigating the Fund's risks. This includes, the provision of written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The Fund's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Risk and Audit Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Fund.

The notes below provide detailed information on each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

**3.1 Credit Risk**

Credit risk is the risk that the counterparty to any financial transaction may not be able to fulfil its obligation on due date. The Fund's credit risk arises from government securities, corporate debt securities, loan receivables as well as bank placements and balances. In order to minimize credit risk, the Fund has set limits on different categories of investments and has also set exposure limits for each bank where it makes placements of funds.

Before granting any loan which may involve obtaining a guarantee where necessary, the Fund would normally carry out an in-depth credit analysis of the project to establish viability. Day to day management of the Fund's credit risk is vested to the Director of Planning and Investments under the supervision of the management Investment Committee which is chaired by the Director General. Regular audits of credit under processes and management are undertaken by the internal audit directorate. For banks only reputable banks are used by the Fund for banking services.

**Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements**

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking into account any collateral held and other credit enhancements are disclosed as follows:

	30 June 20 TZS'000	30 June 19 TZS'000
<b>Financial Assets</b>		
<i>Investments:</i>		
Government securities	2,515,726,82	2,866,544,508
Corporate bonds	17,640,180	24,089,042
Loan Investments	856,636,491	763,679,395
<i>Other Assets:</i>		
Cash at bank	191,467,226	187,938,906
Deposits with financial institutions	259,367,591	300,402,555
Receivables excluding prepayments	204,714,808	226,800,660
	<b>4,045,553,1</b>	<b>4,369,455,066</b>
<b>Financial Liabilities</b>		
Benefit payable	430,264,294	603,359,924
Other payable and accrued expenses	255,451,571	182,236,582
	<b>685,715,865</b>	<b>785,596,506</b>

The Trustees are confident in the Fund's ability to continue controlling and sustaining minimal exposure resulting from both government securities and loans issued. All credit exposures arise in Tanzania.

**Contributions Receivable**

The aging analysis of contributions receivable is as follows:

	30-Jun-20 TZS'000	30-Jun-19 TZS'000
Neither past due nor impaired*		
Less than 30 days-current	-	14,232,849
Past due but not impaired:		
Less than 60 days but greater than 30 days	-	9,116,827
Above 60 days	-	4,909,061
		<b>28,258,737</b>

# PUBLIC SERVICE SOCIAL SECURITY FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit Risk (Continued)

	30-Jun-20	30-Jun-19
	TZS'000	TZS'000
Impaired	102,473,160	71,428,484
<b>Total Contribution Receivables</b>	<b>102,473,160</b>	<b>99,687,221</b>

\*All receivable on the above category are of high quality.

Contributions receivable are as a result of assessments of unremitted contributions for each employer during the year.

Total balance of loan investments as at year end is TZS 857 billion (2018/19: TZS 763.7 billion) net of accumulated impairment. All loans issued to government institutions are past due, however, the Trustees believe that the government will honor its obligations.

	30 <sup>th</sup> June, 2020 TZS'000	30 <sup>th</sup> June, 2019 TZS'000
Past due but not impaired	-	-
Impaired	856,636,491	763,679,395
<b>Total</b>	<b>856,636,491</b>	<b>763,679,395</b>
<b>Other Financial Assets.</b>		

Other receivables excluding prepayments and contributions

Neither past due nor impaired	-	922,978
Impaired	204,714,808	225,877,682
<b>Total</b>	<b>204,714,808</b>	<b>226,800,660</b>

#### 3.2 Liquidity Risk

Liquidity risk is the risk of failing to meet obligations when they fall due. The consequences may be the failure to meet obligations to pay benefit expenses to the Members. The Fund is exposed to daily calls on its cash obligations for benefits payments and other administrative expenses. The Fund manages liquidity risk by maintaining a pool of short term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenditures. The Fund carries out weekly cash flow projection which is discussed by Management Investment Committee for investment decisions. Main sources of the Fund income include monthly pension contributions and investment income.

The table below analyses financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of net assets available for benefits date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

# PUBLIC SERVICE SOCIAL SECURITY FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Liquidity Risk (Continued)

	<u>Less than 1 year</u> TZS '000	<u>Between 1 and 2 years</u> TZS '000	<u>Between 2 and 5 years</u> TZS '000	<u>Over 5 years</u> TZS '000
<b>At 30 June 2020</b>				
Benefits payable	430,264,294	-	-	-
Other payables and accrued expenses	262,481,501	-	-	-
<b>Total liabilities</b>	<b>692,745,794</b>	-	-	-
<b>Assets held for managing liquidity risk</b>	<b>519,029,595</b>	<b>725,514,200</b>	<b>727,441,100</b>	<b>2,554,769,483</b>
<b>At 30<sup>th</sup> June, 2019</b>				
Benefits payable	603,359,924	-	-	-
Other payables and accrued expenses	221,959,514	-	-	-
<b>Total liabilities</b>	<b>825,319,438</b>	-	-	-
<b>Assets held for managing liquidity risk</b>	<b>488,341,461</b>	<b>597,397,944</b>	<b>859,963,352</b>	<b>2,855,555,915</b>

#### 3.3 Market Risk

Market risk is the risk of changes in value of net assets of the Fund as a result of adverse price movement for investments held by the Fund. The Fund is exposed to market risk on its investments resulting from movement in interest rates. The Fund is also exposed to market risk on equity as a result of movement in market prices. The Fund holds such assets for income generation, hence mitigating the effect of short term price movement.

##### 3.3.1 Interest Risk

The Fund invests in long term instruments when interest rates are considered to be high temporarily so as to take advantage of high interest rate for a long period. The Fund does not have borrowings. Interest rate exposure mainly arise from investments made. Government securities are measured at fair valuation which takes into account the current market interest risk. Other investments of the Fund are short term instruments where interest rate exposure is considered to be low.

At 30 June 2020, an increase/decrease in interest rates by 100 basis points with all other variables held constant would have resulted in an increase/decrease in the net assets available for benefits by TZS 4,104 million (2018/19: TZS 3,703 million).

#### Interest Rate Risk Exposure

The table below summarizes the exposure to interest rate risk. Included are the Fund's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3 Market Risk**

**3.3.1 Interest Risk (continued)**

	<u>Up to 1 Month</u> <u>TZS '000</u>	<u>1 - 3 months</u> <u>TZS '000</u>	<u>3 - 12 Months</u> <u>TZS '000</u>	<u>over 12 months</u> <u>TZS '000</u>	<u>Non-interest bearing</u> <u>TZS '000</u>	<u>Total</u> <u>TZS '000</u>
<b>30 June 2020</b>						
<b>Assets</b>						
<b>Investments</b>						
Government securities	-	17,830,000	105,870,300	2,392,026,527	-	2,515,726,827
Corporate bonds	-	-	15,770,610	1,869,570	-	17,640,180
Quoted shares	-	-	-	-	429,503,691	429,503,691
Unquoted shares	-	-	-	-	32,949,526	32,949,526
Loan investments	3,159,428	7,753,077	109,278,589	736,445,396	-	856,636,491
<b>Other assets</b>						
Cash in hand and at bank	-	-	-	-	191,467,226	191,467,226
Deposits with financial institutions	18,642,000	28,858,000	211,867,591	-	-	259,367,591
Receivables excluding prepayments	-	-	-	-	204,714,808	204,714,808
<b>Total financial assets</b>	<b>21,801,428</b>	<b>54,441,077</b>	<b>442,787,090</b>	<b>740,706,993</b>	<b>858,635,251</b>	<b>4,508,006,340</b>
<b>Liabilities</b>						
Payable and accruals	-	-	-	-	692,745,794	692,745,794
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>692,745,794</b>	<b>692,745,794</b>
<b>Interest sensitivity gap</b>	<b>21,801,428</b>	<b>54,441,077</b>	<b>442,787,090</b>	<b>442,787,090</b>	<b>165,889,457</b>	<b>3,815,260,546</b>
<b>30<sup>th</sup> June, 2019</b>						
Total assets	302,973,365	34,239,347	260,005,014	3,357,497,774	846,543,172	4,801,258,672
Total liabilities	-	-	-	-	785,596,506	785,596,506
<b>Interest sensitivity gap</b>	<b>575,231,777</b>	<b>34,712,636</b>	<b>263,599,052</b>	<b>3,405,636,853</b>	<b>60,946,666</b>	<b>4,015,662,166</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020****3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.3 Market Risk (continued)****3.3.2 Foreign Exchange Risk**

The foreign exchange risk (or currency risk) is the risk arising from changes in the value of foreign currencies. However, the Fund has no significant foreign currency transactions and therefore the effects of foreign exchange risk are minimal.

The various currencies to which the Fund is exposed are summarized in the table below (All amounts expressed in thousands of Tanzania Shillings).

<b>30<sup>th</sup> June, 2020</b>	<b>TZS</b>	<b>US\$</b>	<b>Total</b>
<b>Assets</b>			
<b>Investments</b>			
Government securities measured	2,515,726,827	-	2,515,726,827
Corporate bonds at fair value	17,640,180	-	17,640,180
Quoted shares	429,503,691	-	429,503,691
Unquoted shares	32,949,526	-	32,949,526
Loan investments at fair value	856,636,491	-	856,636,491
<b>Other assets</b>			
Cash and bank	188,593,597	2,873,629	191,467,226
Fixed deposits	170,558,506	88,809,085	259,367,591
Receivables excluding prepayments	201,708,394	3,006,414	204,714,808
<b>Total financial assets</b>	<b>4,413,317,212</b>	<b>94,689,128</b>	<b>4,508,006,34</b>
<b>Liabilities</b>			
Benefit Payable	(430,264,294)		(430,264,294)
Payables and accruals	(262,481,501)		(262,481,501)
<b>Total financial liabilities</b>	<b>(692,745,794)</b>		<b>(692,745,794)</b>
<b>Net Position</b>	<b>3,720,571,418</b>	<b>94,689,128</b>	<b>3,815,260,54</b>
<b>30<sup>th</sup> June, 2019</b>			
Total financial assets	4,599,010,401	202,248,271	4,801,258,672
Total financial liabilities	(785,596,506)	-	(785,596,506)
<b>Net Position</b>	<b>3,813,413,895</b>	<b>202,248,27</b>	<b>4,015,662,16</b>

At 30<sup>th</sup> June, 2020, if the foreign exchange had increased or decreased by 5%, with all other variables held constant, the increase or decrease in the Fund's net assets available for benefits would have been TZS 4,734 million (2018/19: TZS 10,112 million).

The exchange rate as at 30<sup>th</sup> June, 2020 was TZS 2,349 per US\$

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3 Market Risk (continued)**

**3.3.3 Price Risk**

The Fund is also exposed to price risk arising from investments in equity securities classified in the statements of net assets available for benefits as available for sale as a result of movement in market prices. The exposure to price risk is managed primarily by diversifying the Fund investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the Fund.

At 30<sup>th</sup> June, 2020, if the prices of all quoted equity investments had increased or decreased by 2%, with all other variables held constant, the increase or decrease in net assets available for benefits for the financial year would have been TZS 8,590.07 million (2018/19: TZS 8,385.96 million).

**Fair Value of Financial Assets and Liabilities**

**Financial Instruments not Measured at Fair Value**

The carrying amount of financial assets and liabilities not presented on the Fund's and Funds statement of net assets available for benefits at their fair values approximates their fair value.

The fair value for financial assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

*Deposits with Financial Institutions*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount receivable on demand.

The fair values of deposits with financial institutions approximate their carrying values at the reporting date.

*Loans and Receivables*

The fair value of term loans is the present value of the estimated future cash flows. The estimated amounts to be recovered are discounted at the effective interest rate after taking into account the timing of recovery. The amounts to be recovered are established using the historical data or agreed repayment plans.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**3.3.3 Price Risk (continued)**

**Financial Instruments Measured at Fair Value**

**Fair Value Hierarchy**

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

**Financial Assets and Liabilities Measured at Fair Value**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 <sup>th</sup> June, 2020	TZS'000	TZS'000	TZS'000	TZS'000
<b>Assets</b>				
Quoted investments	429,307,826			429,307,826
Unquoted investments			32,949,526	32,949,526
Government securities		2,515,726,827		2,515,726,827
	<b>429,307,826</b>	<b>2,515,726,827</b>	<b>32,949,526</b>	<b>2,977,984,179</b>
<b>30<sup>th</sup> June, 2019</b>				
<b>Assets</b>				
Quoted investments	419,297,993			419,297,993
Unquoted investments			20,203,135	20,203,135
Government securities		2,866,544,508		2,866,544,508
	<b>419,297,993</b>	<b>2,866,544,508</b>	<b>20,203,135</b>	<b>3,306,045,636</b>
			<u>2019/20</u>	<u>2018/19</u>
<b>Non-financial assets measured at fair value - Level 3</b>			<b>TZS'000</b>	<b>TZS'000</b>
Investment properties		1,151,991,776		1,109,835,575
Property and equipment		20,676,355		39,156,885
		<b>1,172,668,131</b>		<b>1,148,992,460</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Fund's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(i) Investment Entity Basis**

The Management has determined that the Fund qualifies as an investment entity as defined by IFRS 10. The Fund's business purpose is to collect funds from the plan's participants and engage in investment business to gain both capital appreciation and investment income and pay benefits to the participants as and when they become due.

Further, the Fund obtains funds from other external schemes for investment management purpose. Each investment is fair valued and such fair value information is provided to the Plan's participants and to management for decisions making.

As an investment entity, the Fund classifies its subsidiaries either as operating subsidiaries, that are considered to be an extension of the Fund's operations, providing services that relate to the Fund's investment activities and as such, they are to be consolidated or investment entity subsidiaries, that are fair valued through profit or loss. The Fund does not have operating subsidiaries. Therefore, all its subsidiaries are fair valued through profit or loss.

**(ii) Impairment of Financial Assets at Amortised Cost**

The Fund follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement.

The Fund assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the recoverable amount. The carrying amount of the financial instrument is reduced through use of an allowance account. The amount of the loss is recognized in the statement of changes in net assets available for benefits.

**(iii) Fair Value Measurement of Financial Instruments**

The fair value of financial assets traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques. For unlisted equity instruments, the adjusted net asset method has been used.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(iii) Fair Value Measurement of Financial Instruments (continued)**

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The fair values of these financial instruments are determined using appropriate assumptions on liquidity risk, credit risk and market volatility.

**(iv) Estimation of Fair Value of Investment Property**

The valuation of investment properties was determined principally using discounted cash flow projections based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has assumed constant cash flow from rental income based on existing short term contracts (3-5 years) that the Fund has with existing tenants.

**(v) Useful Lives of Property and Equipment**

Critical estimates are made by the Trustees in determining depreciation rates for properties and equipment and their residual values. The rates applied are set out in Note 2 (m). Internal staff in collaboration with independent valuer from the Ministry of Land performed an independent valuation of the Fund's motor vehicles and equipment to determine the fair value of the motor vehicles and equipment on 2018/19. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions on arm's length terms. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

**(vi) Expected Credit Losses**

The Fund uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for the employers. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**(vii) Fair Value of Financial Instruments**

Where the fair value recorded or disclosed in the Financial Statements cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 5 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The effective commencement date of the Fund was 1<sup>st</sup> August, 2018. With effect from the commencement date, the Fund took over all the assets and liabilities which, immediately before the commencement date, were exercisable in accordance with the provisions of the Acts that governed the merged Funds.

Provision of section 57 of the Public Service Social Security Fund Act, Cap 371 requires the Board to cause actuarial valuation to be carried out at an interval of three years.

Below is a summary of the funding levels and actuarial deficits or surpluses of the individual merged Funds based on the most recent actuarial valuation reports for the actuarial valuation carried by independent firms of actuaries.

Fund	Date		Funding Level	Surplus/ (Deficit) TZS Million
LAPF	30 June 2016	Alexander Forbes Financial Services (EA) Limited	43.5%	(1,519,100)
PPF	30 June 2017	Argen Actuarial Solutions	71.2%	(981,902)
PSPF	30 June 2014	Muhanna & Co	10.5%	(11,153,511)
GEPP	30 June 2015	Muhanna & Co	62.7%	(199,877)

#### Summary of Core Actuarial Basis Used by the Former LAPF

The financial assumptions that were used in the 2016 actuarial valuation are set out below:

Financial Assumptions	Rate (% p.a)
• Discount rate	10.0 per annum
• Earnings growth	7.5 per annum
• Pension increases	0.0 per annum
• Inflation rate	5.5 per annum

#### Demographic and Other Assumptions

Voluntary/early retirement is at age 55 and compulsory is at age 60;

Any Member over the normal retirement age is deemed to have retired on the valuation date;

An allowance for withdrawal from service is based on the average experience of other similar schemes in East Africa; and

On retirement it was assumed that 100% of the Members will elect to commute 50% of their pension for a cash lump sum, in accordance with the Fund's Act.

#### Summary of Core Actuarial Basis Used by Former PSPF

Financial assumptions	Rate (% p.a)
• Discount rate	8.0 per annum
• Earnings growth	8.0 per annum
• Pension increases	0.0 per annum
• Inflation rate	6.5 per annum
• Salary increases	8.0 per annum

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

#### **5 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (CONTINUED)**

##### **Summary of Core Actuarial Basis Used by the Former PSPF (Continued)**

###### **Demographic and Other Assumptions**

The Fund used Projected Unit method to value the actuarial liabilities of the Fund.

No allowance has been made for any increase to pensions on the basis that no provision is made for explicit pension increases in the PSPF Act.

The principal demographic assumption on mortality is based on standard tables. In-service employees' mortality is based on the adjusted mortality rates of the World Health Organization (WHO). The population projection for males is based on 65% of the adjusted WHO rates and 75% of the corresponding adjusted rates for staff.

##### **Summary of Core Actuarial Basis Used by the Former PPF**

###### **Financial assumptions**

• Investment returns	10	per annum
• Pension increases	0.0	per annum
• Inflation rate	6.0	per annum
• Salary increases	8.0	per annum

###### **Demographic and Other Assumptions**

Allowance for future pension increases equal to 0%, since the Fund does not have a history of granting general pension increases. (2013: 0%)

Pre-retirement mortality is assumed to be in line with the A1949/52 Ultimate mortality table (2013; A1949/52 Ultimate mortality table)

Post-retirement mortality is assumed to be in line with the a(55) Ultimate mortality table (2013; a(55) Ultimate mortality table)

All Members were assumed to retire on attaining their normal retirement age. (2013; normal retirement age)

On average a husband will be 5 years older than his wife. For purposes of the valuation it was assumed that 90% of all Members have a qualifying spouse (2013; 90% of all Members have a qualifying spouse)

##### **Summary of Core Actuarial Basis Used by the Former GEPF**

###### **Financial assumptions**

###### **Rate (% p.a)**

• Discount rate	8.0	per annum
• Investment return	13.6	per annum
• Salary increases	8.0	per annum
• Administrative expenses	13.6	per annum

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**5 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (CONTINUED)**

The principal demographic assumption on mortality rates assumption is based on the adjustments made on the World Health Organisation (WHO) mortality rates.

We assumed heavier mortality rates and therefore higher probabilities of death. In particular, we assumed that the GEPF Members experience the same mortality as the ones of the WHO assumed for Tanzania i.e. we have not applied any loadings to the WHO. Higher mortality rates cause higher number of exits from the Fund causing increases in the expected benefit outgo as a result of pension and gratuity payments.

Therefore, the year in which the Fund is expected to be depleted is 1 year earlier when compared to the BASE Scenario results. Under Scenario 8, the Fund is expected to be depleted in year 2072. As far as the GAP is concerned, this is expected to be 19.2%, 0.1 percentage unit lower than under the BASE Scenario.

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

<b>6 MEMBERS CONTRIBUTIONS</b>	<b>30 June 20</b>	<b>30 June 19</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>
Employer Contributions	1,003,792,903	949,120,504
Employee Contributions	332,030,432	365,809,245
Per July 1999 Contributions	47,203	-
Voluntary Contributions	3,179,905	3,026,704
Other Contributions	25,274,739	4,911,616
<b>Total</b>	<b>1,364,325,182</b>	<b>1,322,868,069</b>

<b>Contributing Employers by Category:</b>	<b><u>Number of Employers</u></b>
Local government authorities	191
Government ministries and independent departments	148
Regional secretariats	27
Parastatal organizations	396
Other government agencies	144
<b>Total</b>	<b>906</b>

During the period, the total number of participating employers were 906. These include Local Government Authorities, Government Ministries, Independent Government Departments, Corporations and Private Sector. As at 30 June 2020, the Fund had 697,677 Members.

<b>7 BENEFIT EXPENSES</b>	<b>30 June 20</b>	<b>30 June 19</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>
Retirement Benefits	835,463,235	939,485,611
Monthly Pensions	569,699,953	457,360,950
Withdrawals	75,223,160	46,885,025
Death Benefits	57,840,859	45,352,835
Education Benefits	1,095,058	1,189,937
Invalidity Benefits	2,039,786	773,034
Maternity Benefits	9,050,977	4,898,620
Unemployment Benefits	870,338	186,028
Contribution Refunds	3,143,037	4,765,659
<b>Grand Total</b>	<b>1,554,426,403</b>	<b>1,500,897,699</b>

During the period the Fund paid 71,152 beneficiaries. As at 30 June 2020, the Fund had a total of 136,423 pensioners. Contribution refunds relates to refunds of amounts erroneously contributed to Public Service Social Security Fund.

Education benefit is payable to schools and beneficiaries for continuing students under commitments made by the former Funds.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

<b>8</b>	<b>INTEREST INCOME</b>	<b>30 June 20</b>	<b>30 June 19</b>
		<b>TZS' 000</b>	<b>TZS' 000</b>
	Treasury Bonds	378,026,739	340,046,638
	Treasury Bills	-	1,899,797
	Other Loans	3,203,428	8,752,729
	Corporate loans	1,294,037	
	Saccos Loan	963,513	
	Placement in banks	15,232,763	11,808,737
	Corporate Bonds	3,997,001	3,669,673
	Other Interest Income	6,673,866	4,101,388
	<b>Total</b>	<b>409,391,347</b>	<b>370,278,962</b>
<b>9</b>	<b>DIVIDEND INCOME</b>		
	Listed equities	16,939,288	15,575,050
	Unlisted equities	2,534,053	1,582,141
	<b>Total</b>	<b>19,473,341</b>	<b>17,157,191</b>
<b>10</b>	<b>RENTAL INCOME</b>		
	Rent	28,243,432	25,115,017
	Packing fees	1,276,000	996,863
	Conference halls	386,140	403,359
	Hire purchase - commission	-	129,316
	Hire purchase - insurance	-	129,316
	Hire purchaes - interest	2,250	1,163,848
	<b>Total</b>	<b>29,907,822</b>	<b>27,937,719</b>
<b>11</b>	<b>CHANGES IN FAIR VALUES</b>		
	Government securities	-	(28,801,184)
	Equity securities	21,452,089	(116,454,730)
	Investment properties	19,191,093	76,641,435
	Corporate Bonds	-	-
	Investment in Associates and Joint Ventures	(33,843,532)	9,217,652
	Investment in Subsidiaries	(47,589,854)	12,456,282
	Property and Equipment	-	27,044,165
	Other fair values changes	(3,347,063)	34,425,841
	Units in Mutual Funds	13,416,144	-
	<b>Total</b>	<b>(30,721,123)</b>	<b>14,529,462</b>
<b>12</b>	<b>OTHER INCOME</b>		
	Gain/(loss) on foreign exchange	4,344,597	2,423,523
	Sundry income	3,393,177	47,207,983
	<b>Total</b>	<b>7,737,774</b>	<b>49,631,506</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

<b>13</b>	<b>Administrative Expenses</b>	<b>30 June 20</b>	<b>30 June 19</b>
		<b>TZS' 000</b>	<b>TZS' 000</b>
	Staff Costs [Note 13(a)]	59,903,045	68,609,831
	Board of Trustees Fees	92,250	204,392
	Other Board Expenses	275,642	1,103,582
	Audit Fees	487,040	505,000
	Tender Board Expenses	149,613	207,052
	Legal Expenses	1,607,350	1,170,534
	Insurance Expenses	1,520,800	1,346,889
	Bank Charges and Commissions	196,919	270,264
	General Operational Expenses [Note 13(b)]	10,755,313	11,652,638
	<b>Total</b>	<b>74,987,972</b>	<b>85,070,182</b>
<b>13(a)</b>	<b>Analysis of Staff Costs</b>		
	Staff Salaries	34,395,521	34,633,066
	Staff Allowances	11,504,160	13,547,918
	Social Security Contributions	5,361,841	5,340,760
	Medical Expenses	1,307,410	1,807,069
	Leave Expenses	3,031,158	2,957,092
	Other Employee Expenses	4,302,955	10,323,926
	<b>Total</b>	<b>59,903,045</b>	<b>68,609,831</b>
<b>13(b)</b>	<b>Analysis of General Expenses</b>		
	Workers Council & Committees	164,156	210,495
	ICT Software Expenses	1,712,198	2,132,295
	Stationery and Consumables	1,066,662	1,591,767
	National Holiday and Sports	6,999.00	6,188
	Repair and Maintenance Expenses	568,511	2,140,039
	Entertainment Expenses	21,247	76,922
	Travelling Expenses	2,998,153	3,192,421
	Fees and Subscription	77,264	2,488
	Office rent	976,968	1,130,974
	Staff capacity building	946,552	514,506
	Office utilities	543,722	572,472
	Security Services	614,156	339,306
	Telephone and Postage Expenses	813,615	811,326
	Other Office Expenses	245,110	157,631
	<b>Total</b>	<b>10,755,313</b>	<b>11,652,638</b>
<b>14</b>	<b>STATUTORY PAYMENTS</b>		
	Land Rent	327,981	1,062,291
	Property Tax	133,138	11,807
	Subscriptions, fees and taxes	938,498	4,181,736
	Contribution to Government	1,000,000	-
	Donation	100,650	86,874
	Regulatory Levy	-	4,618,590
	<b>Total</b>	<b>2,500,267</b>	<b>9,961,298</b>



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

<b>15</b>	<b>INVESTMENT MANAGEMENT EXPENSES</b>	<b>30 June 20</b>	<b>30 June 19</b>
		<b>TZS' 000</b>	<b>TZS' 000</b>
	Cleaning & Sanitation	422,138	403,450
	Utility Expenses	1,820,322	1,653,579
	Maintenance Expenses	6,285,079	1,566,379
	Security Expenses	593,896	537,557
	Property management Fees	1,044,881	763,359
	Other Investment Management Expenses	296,627	903,227
	<b>Total</b>	<b>10,462,943</b>	<b>5,827,551</b>
<b>16</b>	<b>DEPRECIATION &amp; AMORTISATION</b>		
	Amortization of Intangible Assets	828,304	824,154
	Property and Equipment	12,783,629	4,763,682
	<b>Total</b>	<b>13,611,933</b>	<b>5,587,836</b>
<b>17</b>	<b>IMPAIRMENTS</b>		
	<b>Financial Assets</b>		
	Investments	9,604,798	19,111,149
	Other assets	38,060,333	73,095,313
	Contributions and Penalty	(2,054,980)	17,447,326
	Cash and Bank Balances	810,077	2,625,625
	Staff Loans	(62,191)	3,255,725
	<b>Total Impairment of financial assets</b>	<b>46,358,039</b>	<b>115,535,138</b>
	<b>Non-financial assets</b>		
	Inventories - Stationery and Consumables	-	61,204
	Property, and Equipment	-	219,812
	<b>Total Impairment of Non -financial assets</b>	<b>-</b>	<b>281,016</b>
	<b>Total</b>	<b>46,358,039</b>	<b>115,816,154</b>
<b>18</b>	<b>INCOME TAX EXPENSE</b>		
	Current income tax		
	-current period	67,305,183	17,172,974
	-prior period	175,926,902	221,998,395
	Deferred income tax		
	-current period	(151,506,744)	(63,192,000)
	-prior period	(8,482,146)	
		<b>83,243,195</b>	<b>175,979,369</b>

**18 INCOME TAX EXPENSES (CONTINUED)**

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

\*Details

	30 June 20 TZS' 000	30 June 19 TZS' 000
Income before tax	97,766,786	79,242,187
Tax calculated at the statutory income tax rate of 30%	29,330,036	23,772,656
Tax effect on disallowed administrative expenses	82,287,081	23,607,898
Tax effect on disallowed depreciation charge	-	1,676,351
Tax effect on disallowed impairment	-	34,744,846
Tax effect on disallowed Benefit expenses	466,322,263	450,269,310
Adjustments for non-taxable income & Final WHT	(528,974,582)	(517,865,741)
Tax Amnesty under/(over) provision of prior year taxes	122,563,523	221,998,395
Prior year adjustments - current tax	53,363,379	(62,224,347)
Prior year adjustments - deferred tax	(8,482,146)	-
Prior year adjustments for opening balance	(133,166,359)	
Income tax expense	<b>83,243,195</b>	<b>175,979,368</b>

**19 CASH AND CASH EQUIVALENTS**

Cash at Bank and on hand	194,902,929	190,564,531
Impairment	(3,435,703)	(2,625,625)
Total	<b>191,467,226</b>	<b>187,938,906</b>

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates. The Fund does not have any restriction on the use of available cash.

**20 DEPOSITS WITH FINANCIAL INSTITUTIONS**

At the beginning of year	303,537,340	367,513,050
Additions	114,051,673	183,940,773
Interest	15,232,763	11,808,737
Reclassification	(56,296,276)	-
Repayments	(113,286,721)	(259,725,220)
	<b>263,238,779</b>	<b>303,537,340</b>
Expected credit loss	(3,871,188)	(3,134,785)
At the end of year	<b>259,367,591</b>	<b>300,402,555</b>

Fixed deposits are made for varying periods of between three months and one year, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates. The Fund deposits funds with all bank tiers depending on performance of the bank.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**20 DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)**

**Maturity Analysis**

	<b>30 June 20</b>	<b>30 June 19</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Maturing within 90 days	29,237,298	67,955,385
Maturing over 90 days	230,130,293	232,447,170
	<b>259,367,591</b>	<b>300,402,555</b>

**Movement in Expected Credit Loss**

Beginning balance	3,134,785	5,462,961
Additions	736,403	(2,328,176)
Closing Balance	<b>3,871,188</b>	<b>3,134,785</b>

<b>Details of Impairment</b>	<b>30 June 20</b>	<b>Additions</b>	<b>30 June 19</b>
Azania Bank Limited	621,390	337,300	9,164
Bank M (T) Plc	-	(1,656,994)	-
CRDB Bank Plc	675,477	590,127	284,090
DCB Commercial Bank Plc	12,003	(2,714)	1,656,994
National Bank of Commerce	819,982	(64,378)	85,350
Stanbic Bank (T) Limited	-	(47)	14,717
TIB Corporate Bank Ltd	36,476	27,312	884,360
TIB Development Bank	1,614,352	1,416,557	47
TPB Bank Plc	88,096	85,828	2,268
UTT Microfinance Plc	3,412	3,412	197,795
	<b>3,871,188</b>	<b>736,403</b>	<b>3,134,785</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

21	RIGHT OF USE ASSET	Office Space TZS'000	Total TZS'000
	At 01 July 19	-	-
	Additions	1,005,522	1,005,522
		<b>1,005,522</b>	<b>1,005,522</b>
	Accumulated depreciation	(353,328)	(353,328)
	At 30 June 20	<b>652,194</b>	<b>652,194</b>

22	EQUITY INVESTMENTS	Listed equity TZS '000	Unlisted equity TZS '000	Total TZS '000
	Year ended 30 <sup>th</sup> June 20			
	As at 01 July 2019	419,297,992	20,203,136	439,501,128
	Impairments reversal	-	1,500,000	1,500,000
	Fair value gain/(losses)	10,205,699	11,246,390	21,452,089
	As at 30 June 2020	<b>429,503,691</b>	<b>32,949,526</b>	<b>462,453,218</b>
	Year ended 30 June 19			
	As at 01 August 2018	526,047,350	31,408,508	557,455,858
	Impairments	-	(1,500,000)	(1,500,000)
	Fair value gain/(losses)	(106,749,358)	(9,705,372)	(116,454,730)
	As at 30 June 2019	<b>419,297,992</b>	<b>20,203,136</b>	<b>439,501,128</b>

Listed shares are measured at fair value by on active markets as at the balance sheet date. Unlisted shares are measured using adjusted net asset method and value of identical transaction. Adjusted net asset used to value entities that have little financial history such as Karanga and identical transaction method valued entities with comparative listed companies to compare the book value of equities.

Investments in listed equity by entity at the end of period:

Listed Entity	% of own ersh ip	30 June 20 TZS '000	Fair value gain/(losses) TZS '000	30 June 19 TZS '000
Tanzania Cigarette Company	4.7	79,624,991	63,240	79,561,751
Tanzania Breweries Limited	5.15	175,290,640	(8,005,876)	183,296,516
Tanga Cement Company Ltd	3.7	1,675,592	118,115	1,557,476
Tanzania Portland Cement Ltd	5.98	24,372,702	2,215,700	22,157,002
CRDB Bank Plc	13.3	50,280,349	12,136,689	38,143,660
NMB Bank Plc	1.0	18,229,655	(3,367)	18,233,022
National Investment Company Ltd	15	935,000	(56,667)	991,667
Vodacom Tanzania Plc	3.8	71,500,062	4,205,881	67,294,181
Swissport Tanzania Ltd	3.0	1,944,697	(468,020)	2,412,717
Mwalimu Commercial Bank	16.2	5,000,000		5,000,000
TOL Gases Limited	1.9	650,000		650,000
DCB Bank Plc		3	3	
<b>Total</b>		<b>429,503,691</b>	<b>10,205,699</b>	<b>419,297,992</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**22 EQUITY INVESTMENTS (CONTINUED)**

Unlisted Entity	% of ownership	30 June 20 TZS '000	Fair value changes TZS '000	Impairment TZS '000	30 June 19 TZS '000
TPB Bank Plc/Twiga Bancorp Ltd	2.35	660,401	(9,374,019)	-	10,034,420
Tanzania National Re-Insurance Corporation Ltd	10	24,184,409	20,620,409	1,500,000	2,064,000
Tanzania Pharmaceuticals Industries	10	1,500,000	-	-	1,500,000
Akiba Commercial Bank Plc	11.2	963,957	-	-	963,957
PTA Reinsurance Company	11.2	5,640,759	-	-	5,640,759
<b>Total</b>		<b>32,949,526</b>	<b>11,246,390</b>	<b>1,500,000</b>	<b>20,203,136</b>

**23 GOVERNMENT SECURITIES**

	Treasury Bonds TZS '000	Treasury Bills TZS '000	<u>Total</u> TZS '000
<b>Period ended 30 June 2020</b>			
Opening balance	2,471,633,503	-	2,471,633,503
Additions	219,729,361	-	219,729,361
Interest	378,026,739	-	378,026,739
Proceeds	(543,662,749)	-	(543,662,749)
	<b>2,525,726,854</b>		<b>2,525,726,854</b>
Fair value gain/(losses)	(10,000,026)	-	(10,000,026)
<b>Closing net book amount</b>	<b>2,515,726,827</b>	<b>-</b>	<b>2,515,726,827</b>
<b>30 June 19</b>			
Opening balance	2,554,044,476	81,999,084	2,636,043,560
Interest	340,046,637	1,899,797	341,946,434
Proceeds	(422,457,612)	(110,238,620)	(532,696,232)
Prior year adjustments	-	26,339,739	26,339,739
	<b>2,471,633,501</b>	<b>-</b>	<b>2,471,633,501</b>
Fair value gain/(losses)	394,911,006	-	394,911,006
<b>Closing net book amount</b>	<b>2,866,544,508</b>	<b>-</b>	<b>2,866,544,508</b>
<b>Maturity Analysis</b>	<b>Within 90 days TZS '000</b>	<b>&gt; 90 days TZS '000</b>	<b>Total TZS '000</b>
<b>30 June 20</b>			
Treasury bonds	41,789,100	2,473,937,727	2,515,726,827
Treasury bills	-	-	-
<b>30 June 19</b>			
Treasury bonds	61,813,460	2,804,731,048	2,866,544,508
Treasury bills	-	-	-

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

<b>24 CORPORATE BONDS</b>	<b>30 June 20</b>	<b>30 June 19</b>
	<b>TZS'000</b>	<b>TZS'000</b>
At the beginning of the year	22,389,826	32,471,960
Addition	-	-
Repayments	(8,482,615)	(13,751,807)
Amortized interest	3,997,001	3,669,673
	<b>17,904,212</b>	<b>22,389,826</b>
Accumulated Impairments	(264,032)	1,699,216
<b>At the end of the year</b>	<b>17,640,180</b>	<b>24,089,042</b>
<b>Maturity analysis</b>		
Maturing within 90 days	-	204,261
Maturing over 90 days	17,640,180	23,884,781
	<b>17,640,180</b>	<b>24,089,042</b>
<b>Impairments movement</b>		
Opening Balance	<b>1,699,216</b>	1,919,985
Addition during the year	(1,963,248)	(220,769)
<b>Closing Balance</b>	<b>264,032</b>	<b>1,699,216</b>
 Investments in corporate bonds by entity at the end of period		
PTA Reinsurance Company	-	1,776,548
Tanzania Mortgage Refinance Company (TMRC)	2,144,026	2,101,416
NMB Bank Plc	15,760,186	15,495,752
Stanbic Bank Tanzania Ltd	-	3,016,110
<b>Total</b>	<b>17,904,212</b>	<b>22,389,826</b>
<b>25 PREPAYMENTS</b>		
Prepayments	819,611	245,236
Deposits	69,603	65,452
Capital Expenditure Advances	11,155,062	483,167
Advance Payment to Projects	-	6,068,807
Other Debtors	22,906,668	8,280,440
Accumulated Impairment- Other Debtors	(2,930,149)	(818,100)
<b>Total</b>	<b>32,020,795</b>	<b>14,325,004</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

	<b>30 June 20</b>	<b>30 June 19</b>
	<b>TZS'000</b>	<b>TZS'000</b>
<b>26 RECEIVABLES</b>		
Contribution receivable (a)	87,418,913	83,757,955
Statutory penalties (b)	36,029,756	15,345,164
Other receivable (c )	55,747,189	53,573,635
Dividend receivable (d)	288,621	858,537
Rent and parking receivable (e)	16,707,184	18,296,165
<b>Total</b>	<b>196,191,663</b>	<b>171,831,456</b>
<b>(a) CONTRIBUTION RECEIVABLES</b>		
Statutory Contribution Debtors	102,473,160	99,687,221
Receivables from treasury	191,849	191,849
Pre-1999 Contributions receivable	185,753,245	185,753,245
Receivable from Members	563,866	563,866
Impairment	(201,563,207)	(202,438,225)
<b>Total</b>	<b>87,418,912</b>	<b>83,757,955</b>
<b>(b) STATUTORY DEBTORS</b>		
Statutory Debtors-Penalties	59,276,949	61,388,287
Impairment	(23,247,192)	(46,043,123)
<b>Total</b>	<b>36,029,756</b>	<b>15,345,164</b>
<b>(c) OTHER RECEIVABLES</b>		
Grants receivable	74,813,479	75,307,775
Staff receivable	23,834,574	32,051,451
Low cost houses and plots	32,893,451	28,959,302
Dishonored checks	-	6,100
Accumulated forex difference	-	1,093,154
Impairment	(75,794,315)	(83,844,147)
<b>Total</b>	<b>55,747,189</b>	<b>53,573,635</b>
<b>(d) DIVIDEND RECEIVABLE</b>		
	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>TZS'000</b>	<b>TZS'000</b>
At start	858,537	2,336,940
New declaration	19,473,341	17,157,191
Dividend Received	(20,043,257)	(18,635,594)
<b>At closing</b>	<b>288,621</b>	<b>858,537</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**26 RECEIVABLES (CONTINUED)**

**(e) RENT AND PARKING RECEIVABLE**

	<b>Rent receivables TZS '000</b>	<b>Parking receivables TZS '000</b>	<b><u>Total</u> TZS '000</b>
<b>Period ended 30 June 20</b>			
Opening balance	26,983,380	498,110	27,481,489
Additions during the year	28,631,822	1,276,000	29,907,822
Receipts	(25,312,762)	(765,675)	(26,078,437)
<b>Total</b>	<b>30,302,440</b>	<b>1,008,435</b>	<b>31,310,874</b>
Impairment	(14,603,691)		(14,603,691)
<b>Closing net book amount</b>	<b>15,698,749</b>	<b>1,008,435</b>	<b>16,707,184</b>
<b>Year ended 30 June 19</b>			
Opening balance	22,668,112	243,673	22,911,785
Additions during the year	26,940,857	996,863	27,937,719
Receipts	(22,625,589)	(742,426)	(23,368,015)
<b>Total</b>	<b>26,983,380</b>	<b>498,110</b>	<b>27,481,489</b>
Impairment	(9,185,324)	-	(9,185,324)
<b>Closing net book amount</b>	<b>17,798,055</b>	<b>498,110</b>	<b>18,296,165</b>

Other receivables include grants, staff and plots/houses receivable

The receivables are initially measured at the amount which the Fund expects to be entitled, being the amount expected to be received at the end of the contractual period or the period provided in the statute.

There were no restrictions on the use of balances due from debtors (2018/19: nil)

Set out below is the movements in the allowance for expected credit losses of receivables.



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**27 VAT AND WITHHOLDING TAX RECOVERABLE**

	30 June 20 TZS'000	30 June 19 TZS'000
VAT Receivable	-	23,076,539
Withholding tax Payable	8,523,144	31,892,665
<b>Total</b>	<b>*8,523,144</b>	<b>54,969,204</b>

**\*Movement in VAT and withholding tax recoverable**

At the beginning of the year	54,969,204	20,019,014
Tax claimable/(payable) during the year	(46,446,059)	34,950,190
At the end of the year	<b>8,523,144</b>	<b>54,969,204</b>

**28 LOAN INVESTMENTS**

**COST**

At the beginning of year	1,125,027,436	1,171,994,518
Additions	-	-
Interest	5,425,734	8,752,729
Repayments	(255,307,220)	(55,719,811)
	<b>875,145,950</b>	<b>1,125,027,436</b>

*Impairments	(18,509,459)	(361,348,041)
<b>At the end of year</b>	<b>856,636,491</b>	<b>763,679,395</b>

**\*Impairment Allowance for Loan Investments**

Balance at 1 July	(361,348,041)	(352,178,554)
Additional Impairment	2,301,098	(9,169,487)
Release of provision	340,537,484	-
	<b>(18,509,459)</b>	<b>(361,348,041)</b>

Loans are re-payable monthly or semi-annually with interest ranging from 9% to 17% p.a.

The loans are secured against Members' retirement benefits in the case of loans to Members, property and equipment as well as government guarantees in the case of corporate entities.

Loans outstanding from Government related entities totalled TZS 790 billion as at 30 June 2020 (2019: TZS 661 billion).

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**28 LOAN INVESTMENT (continued)**

	30 June 20 TZS '000'	30 June 19 TZS '000'
<b>Segmental Analysis - Industry</b>		
Agriculture	4,713,690	4,202,188
Real estate	84,326,954	75,176,295
Energy	7,314,874	6,521,107
Education	565,805,206	504,407,391
Personal	80,903,309	72,124,163
Others	113,572,460	101,248,251
	<b>856,636,492</b>	<b>763,679,395</b>

**29 TRADABLE INVENTORY**

	Houses TZS '000	Plots TZS '000	<u>Total</u> TZS '000
<b>Period ended 30 June 20</b>			
Opening balance	108,048,720	15,780,905	123,829,625
Reclassification from Investment Properties	-	6,119,000	6,119,000
Adjustments	-	-	-
Sold during the period	(4,266,302)	(7,573,261)	(11,839,564)
Impairment	-	-	-
<b>Closing net book amount</b>	<b>103,782,417</b>	<b>14,326,644</b>	<b>118,109,061</b>
<b>Year ended 30 June 19</b>			
Opening balance	98,524,362	5,371,864	103,896,226
Reclassification from Investment Properties	14,963,048	12,275,000	27,238,048
Adjustments	(4,582,753)	(1,414,327)	(5,997,080)
Sold during the period	-	(451,632)	(451,632)
Impairment	(855,937)	-	(855,937)
<b>Closing net book amount</b>	<b>108,048,720</b>	<b>15,780,905</b>	<b>123,829,625</b>

Tradable inventories are physically verified. Any inventory write-down is determined by reference to specific items of house or plot.

Reclassifications include land which was investment properties to tradable inventory in Arusha, Mwanza and Mtwara.

**30 INVESTMENT PROPERTIES**

	Land	Work in Progress TZS'000	Rental Buildings TZS'000	Total TZS'000
<b>Year ended 30 June 20</b>				
At start of year	77,474,600	188,366,675	843,994,300	1,109,835,575
Additions	-	23,512,873	4,668,609	28,181,482
Reclassifications to/from W.I.P		(211,879,548)	211,879,548	-
Reclassification to Tradable Inventory	(4,521,000)		(1,598,000)	(6,119,000)
Fair value adjustments	(8,555,919)	-	27,747,011	19,191,093
Prior year adjustment			902,626	902,626
<b>At end of period</b>	<b>64,397,681</b>	<b>-</b>	<b>1,087,594,094</b>	<b>1,151,991,776</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**30 INVESTMENT PROPERTIES (CONTINUED)**

Year ended 30 June 19		TZS'000	TZS'000	TZS'000
At start of year	113,988,931	163,545,245	729,469,721	1,007,003,896
Additions		40,727,772	4,867,397	45,595,169
Reclassifications	(14,561,000)	(15,906,342)	11,062,416	(19,404,925)
Fair value adjustments	(21,953,331)	-	98,594,766	76,641,435
<b>At end of the Year</b>	<b>77,474,600</b>	<b>188,366,675</b>	<b>843,994,300</b>	<b>1,109,835,575</b>

Investment property comprises of a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 5 years, with fixed annual rents with landlord review rights at the end of the lease period. Subsequent renewals are negotiated with the lessee and the average renewal period is five years. No contingent rents are charged.

There are no restrictions on realizability of investment property or remittance of income and proceeds from disposal. None of the Fund Investment property has been pledged as collateral. Work in progress is measured at cost as fair value cannot be established reliably.

Changes in fair values are recognized as gains in the statements of changes in net assets available for benefits and included in 'investment income. All gains are unrealized.

**Measurement of Fair Values**

The fair value of investment property was determined by an independent, external property valuer who has appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provides the fair value information of the Fund's investment properties every year.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

**Valuation Technique and Significant Unobservable Inputs**

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Fair value at 30 June 20 TZS'000	Fair value at 30 June 19 TZS'000	Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
1,151,991,776	1,109,835,575	Level 3	Depreciated cost method	Construction cost per square meter	Direct relationship

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020

#### 30 INVESTMENT PROPERTIES (CONTINUED)

The Fund had no investment properties which exceed 5% of the Fund's net assets as at 30<sup>th</sup> June 2020:

The following are amounts recognized in profit or loss for investment properties:

	30 June 20 TZS' 000	30 June 19 TZS' 000
Rental Income	28,243,432	25,115,017
Direct operating expenses used to manage the properties	1,393,492	4,601,359
Fair value gain (losses)	(19,191,093)	76,641,435

#### 31 ASSOCIATES AND JOINT VENTURE

	Associates TZS '000	Joint Ventures TZS '000	Total TZS '000
<b>Period ended 30 June 20</b>			
Opening balance	26,391,022	35,941,762	62,332,784
Disposal/Reclassification	(421,505)	(10,932,130)	(11,353,635)
Accumulated Fair Values	(13,496,192)	(15,536,132)	(29,032,324)
<b>Closing balance</b>	<b>12,473,325</b>	<b>9,473,500</b>	<b>21,946,825</b>
<b>Year ended 30 June 19</b>			
Opening balance	26,391,022	35,958,187	62,349,209
Additions	-	38,575	38,575
Disposal/Reclassification		(55,000)	(55,000)
Accumulated Fair Values	12,280,372	(7,469,164)	4,811,207
<b>Closing balance</b>	<b>38,671,394</b>	<b>28,472,598</b>	<b>67,143,991</b>

The Fund has four Associates and three Joint Ventures that are material to the Fund.

As an investment entity, the Fund elected to measure its investments in Associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 and IAS 28.

The fair value of investments in associates and joint ventures is determined using the adjusted net asset method which involves directly measuring the fair value of the recognised and unrecognised assets and liabilities of the investee. The method is more appropriate as the entities are in their early stages or have little financial history.

As at 30 June 2020, there were no contingent liabilities in relation to our interest in the Associates and Joint Ventures.

The Fund receives income in the form of dividends and interest from its investments in the Associate and Joint Ventures. There are no restrictions in the ability of Associate or Joint Ventures to transfer funds to the Fund in the form of cash dividends or to repay loan and advances.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

**31 ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**ASSOCIATES**

Entity	% of ownership	30 June 20 TZS' 000	Additions/ Reclassification TZS' 000	Fair value changes TZS' 000	30 June 19 TZS' 000
TCCIA Investment Plc	40	4,027,100	(421,505)	(6,791,515)	11,240,120
Nguru Hills Ranch Limited	39	1,714,800	-	0	1,714,800
Ubungu Plaza Limited	35	5,731,425	-	(18,837,575)	24,569,000
Tanzania Mercantile Exchange Plc	44	1,000,000	-	(147,474)	1,147,474
<b>Total</b>		<b>12,473,325</b>	<b>-</b>	<b>(25,776,564)</b>	<b>38,671,394</b>

**JOINT VENTURES**

Entity	% of ownership	Balance as at 1 August 18 TZS' 000	Additions/ disposal TZS' 000	Fair value changes TZS' 000	Balance as at 30 June 19 TZS' 000
NHC/PPF IPS Building Company Limited	50	6,512,250	4,406,446	(8,887,045)	10,992,850
PPF/DCC Investment Company Limited	50	2,961,250	-	820,077	2,141,173
Mkulazi Holdings Limited *	50	-	(15,338,575)	-	15,338,575
<b>Total</b>		<b>9,473,500</b>	<b>(10,932,129)</b>	<b>(8,066,968)</b>	<b>28,472,598</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR PERIOD ENDED 30 JUNE, 2020**

**31 ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**DESCRIPTION OF THE ASSOCIATES**

Details	TCCIA Investment Plc	Nguru Hills Ranch Limited	Ubungu Plaza Limited	Tanzania Mercantile Exchange Plc
Nature of Business	Investment entity	Industry	Real Estate	Trade/Commerce
Nature of relationship with the Fund	Associate	Associate	Associate	Associate
Principal place of business	Dar es Salaam	Morogoro	Dar es Salaam	Dar es Salaam
Reporting period	31 December		30-June	31 December
Ownership interest/rights held	40%	39%	35%	44%

The following are summarised financial information of the Associates based on their respective Financial Statements prepared in accordance with IFRS.

30 June 20	Assets TZS '000	Liabilities TZS '000	Revenues TZS '000	Profit/(Loss) TZS '000
TCCIA Investment Plc	29,249,032	3,054,007	814,275	(1,096,829)
Ubungu Plaza Limited	81,348,693	1,359,549	2,614,178	847,311
Tanzania Mercantile Exchange Plc	5,163,631	726,154	171,909	(389,758)
30 June 19	Assets TZS '000	Liabilities TZS '000	Revenues TZS '000	Profit/(Loss) TZS '000
TCCIA Investment Plc	27,593,953	279,046	847,581	381,620
Ubungu Plaza Limited	80,185,175	1,394,664	1,790,216	877,243
Tanzania Mercantile Exchange Plc	5,163,631	726,154	171,909	(389,758)

**DESCRIPTION OF THE JOINT VENTURES**

Details	PPF/DCC Investment Company Limited	NHC/PPF IPS Building Company Limited	Mkulazi Holdings Limited
Nature of Business	Car parking Block & Offices	Property Management	Establishment and management of sugar factories
Nature of relationship with the Fund	Joint Venture	Joint Venture	Joint Venture
Principal place of business	Dar es Salaam	Dar es Salaam	Morogoro
Reporting period	30-June	30-June	30-June
Ownership interest/rights held	50%	50%	

PPF/DCC Parking Ltd and PPF/NHC IPS Building Co. Ltd are unlisted joint arrangements in which the Fund has joint control and a 50% ownership interest. PPF/DCC Parking Ltd was founded by the Fund and Dar es Salaam City Council. The Fund has joint control with NHC in PPF/NHC IPS Building Co. Ltd. These are Fund's strategic partners, principally engaged in real estate investments in a strategic locations.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2020**

**31 ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**DESCRIPTION OF THE JOINT VENTURES (CONTINUED)**

Both PPF/DCC Parking Ltd and PPF/NHC IPS Building Co. Ltd are structured as a separate vehicles and the Fund has a residual interest in their net assets. Accordingly, the Fund has classified its interest in these entities as Joint Ventures.

Mkulazi was established by the Fund and the Prison for purpose of manufacturing and selling sugar. The entity is also structured as a separate vehicle and the Fund has a residual interest in their net assets. The investment was disposed during the year.

The following are summarised financial information of the Joint Ventures based on their respective Financial Statements prepared in accordance with IFRS.

<b>30 June 20</b>	<b>Assets TZS '000</b>	<b>Liabilities TZS '000</b>	<b>Revenues TZS '000</b>	<b>Profit/(Loss) TZS '000</b>
PPF/DCC Investment Company Limited	10,922,738	3,715,596	232,390	(589,914)
NHC/PPF IPS Building Company Limited	31,965,089	267,053	(310,068)	(1,107,571)

<b>31 July 2018</b>	<b>Assets TZS '000</b>	<b>Liabilities TZS '000</b>	<b>Revenues TZS '000</b>	<b>Profit/(Loss) TZS '000</b>
PPF/DCC Investment Company Limited	10,285,574	3,715,596	177,920	81,127
NHC/PPF IPS Building Company Limited	35,280,539	2,388,139	(221,175)	(1,035,561)

**32 INVESTMENT IN SUBSIDIARIES**

	<b>30 June 20 TZS '000</b>	<b>30 June 19 TZS '000</b>
<b>COST</b>		
At the beginning of year	389,517,451	372,082,537
Additions	56,085,321	291,596
Adjustments	12,883,964	-
Fair value changes	(47,589,854)	12,456,282
Reclassification	56,296,276	4,687,036
<b>At the end of year</b>	<b>467,193,158</b>	<b>389,517,451</b>
<b>Fair value movement</b>		
At the beginning of year	12,456,282	-
Addition during the year	(47,589,854)	12,456,282
<b>At the end of year</b>	<b>(35,133,572)</b>	<b>12,456,282</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2020**

**32 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The Fund meets the definition of an investment entity. In accordance with the exception under IFRS 10, the Fund does not consolidate subsidiaries in the Financial Statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Fund's investment activities. Accordingly, the subsidiaries are recognised as investments at fair value through profit or loss.

Included in subsidiaries are investments in Collective Schemes (CIS) wherein persons come together to pool their funds for investing in a particular asset(s) and for sharing the returns arising from that investments. These collective schemes are Unit Trust and Watumishi Housing REITs. All investments in collective schemes are measured at fair values. The fair value of the investments is determined as the scheme's net asset value at the balance sheet date.

**Summary of unconsolidated subsidiaries**

<b>Entity</b>	<b>Principal place of business</b>	<b>Proportion of Ownership</b>	
		<b>30 June 20</b>	<b>30 June 19</b>
Azania Bank Limited	Dar es salaam	51.95%	51.95%
Msamvu Properties Company (T) Ltd	Morogoro	72.70%	72.70%
Mamba Ginger Growers Company Limited	Kilimanjaro	60.00%	60.00%
Nambogo Sumbawanga Project	Rukwa	60.00%	60.00%
Karanga Leather Industries Company Limited	Kilimanjaro	90.00%	90.00%
APC Hotel and Conference Centre	Dar es salaam	55.20%	55.20%
Mwanza City Commercial Complex Company Limited	Mwanza	92.80%	92.80%
Watumishi Housing Company	Dar es salaam	57.20%	57.20%
International House Property Limited	Dar es salaam	100%	100%
Unit Trust of Tanzania	Dar es salaam	66.20%	66.20%
Watumishi REITs	Dar es salaam	57.20%	57.20%



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2020**

**32 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Investments in subsidiaries by entity at the end of period

	30 June 20	Additions	Reclassification/ Adjustments	Fair value changes	30 June 19
Entity	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Azania Bank Limited	95,193,609	-	56,296,276	(2,222,172)	41,119,505
Msamvu Properties Company (T) Ltd	10,192,390	-	-	(23,445,610)	33,638,000
Mamba Ginger Growers Company Limited	1,000,000	-	-	-	1,000,000
Nambogo Sumbawanga Project	1,224,755	-	(291,596)	-	1,516,351
Karanga Leather Industries Company Limited	69,036,578	56,085,321	(212,065)	4,728,398	8,434,924
APC Hotel and Conference Centre	2,395,060	-	-	(7,032,872)	9,427,932
Mwanza City Commercial Complex	88,202,268	-	-	13,021,268	75,181,000
International House Property Limited	30,759,001	-	-	(5,874,000)	36,633,001
Watumishi Housing Company	1,000,000	-	250,000	-	750,000
Unit Trust of Tanzania	155,285,444	-	11,413,265	-	143,872,179
Mzizima Project	321,481	-	(278,519)	-	600,000
Watumishi REITs	12,582,572	-	2,002,879	(26,764,866)	37,344,559
<b>Total</b>	<b>467,193,158</b>	<b>56,085,321</b>	<b>69,180,240</b>	<b>(47,589,854)</b>	<b>389,517,451</b>

None of the above subsidiaries control any further subsidiaries.

The Fund receives income in the form of dividends and interest from its investments in unconsolidated subsidiaries, and there are no restrictions on the transfer of funds from these entities to the Fund.

The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiaries.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2020**

**33 STATIONERY AND CONSUMABLES**

	Stationeries TZS '000	Other Consumables TZS '000	Total TZS '000
<b>Year ended 30 June 20</b>			
Opening balance	514,901	7,567	522,468
Purchased during the period	583,445	6,056	589,502
Utilised during the period	(720,343)	(7,939)	(728,281)
Impairments	(93,029)	-	(93,029)
<b>Closing net book amount</b>	<b>284,976</b>	<b>5,684</b>	<b>290,660</b>
<b>Year ended 30 June 19</b>			
Opening balance	442,222	7,402	449,624
Purchased during the year	862,548	416,489	1,279,037
Utilised during the year	(789,868)	(416,325)	(1,206,193)
Impairments	(93,029)	-	-93,029
<b>Closing net book amount</b>	<b>421,873</b>	<b>7,566</b>	<b>429,439</b>

Provision for obsolescence is determined by reference to specific items of stationery or consumable. A regular review is undertaken to determine the extent of any provision for obsolescence. None of the Fund's inventory was pledged as security for liability during the year. Inventories amounting to TZS 0.73 billion (2019: TZS 1.20 billion) has been recognized as an expense during the year.

**34 INTANGIBLE ASSET**

	Application Software TZS '000	Total TZS'000
<b>COST</b>		
<b>At the beginning of year</b>	<b>5,649,600</b>	<b>7,932,900</b>
Additions	330,348	751,090
Impairments		(3,034,390)
<b>At the end of year</b>	<b>5,979,948</b>	<b>5,649,600</b>
<b>AMORTISATION</b>		
<b>At the beginning of year</b>	<b>4,105,694</b>	<b>5,814,758</b>
Charge for the year	471,737	935,269
Impairments	(6)	(2,644,333)
<b>At the end of year</b>	<b>4,577,425</b>	<b>4,105,694</b>
<b>Net book value</b>	<b>1,402,523</b>	<b>1,543,906</b>

**INTANGIBLE ASSET (CONTINUED)**

The useful lives of intangible assets are assessed as either finite or indefinite. All computer software have finite lives and are amortised over their useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30 JUNE, 2020**

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense of the intangible assets with finite lives is recognised in the statement of changes in net assets available for benefits in the expense category. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of changes in net assets when the asset is derecognised.

The amortisation expense on intangible assets with finite lives is recognised in the statement of changes in Net Asset Available for Benefits in the expense category.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment of intangible assets.

The Fund has internally generated software that supports its operations. This has not been recognised as part of intangible assets as there are no costs relating to the development of the internally generated software that can be differentiated from the ordinary operating costs of the Fund. The related expenditure is recognised in the Statement of Changes in Net Assets Available for Benefits in the period in which the expenditure is incurred.

The Fund has no contractual commitments for development costs (2019: nil) and none of the Fund's fully amortised intangible assets are still in use.

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30<sup>TH</sup> JUNE,2020

35 PROPERTY AND EQUIPMENT

	Office Equipment TZS '000	Furniture and Fittings TZS '000	Computer Hardware TZS '000	Motor Vehicles TZS '000	Buildings TZS '000	Total TZS '000
<b>Year ended 30 June 2020</b>						
At start of year	8,943,567	10,968,986	10,664,928	7,549,056	1,030,344	39,156,885
Additions	326,547	550	1,288,917	-	-	1,616,015
Depreciation	(3,446,496)	(2,198,801)	(3,693,124)	(3,424,600)	(20,608)	(12,783,629)
Revaluation adjustment	4,379,229	(5,248,102)	(4,867,137)	(1,058,801)		(6,794,811)
Disposals	-	-	-	(518,099.92)		(518,099.92)
	<b>10,202,847</b>	<b>3,522,634</b>	<b>3,393,583</b>	<b>2,547,555</b>	<b>1,009,736</b>	<b>20,676,355</b>
<b>Year ended 30 June 2019</b>						
At start of year	3,560,775	4,796,300	4,618,771	3,363,544	9,695,694	26,035,084
Additions	2,325	-	134,339	147,907	5,200	289,771
Reclassifications	-	-	-	-	(9,115,416)	(9,115,416)
Depreciations	(991,360)	(876,966)	(1,519,591)	(1,187,650)	(188,115)	(4,763,682)
Disposals				(113,226)	-	(113,226)
Impairments	(27,546)	(109,631)	(78,585)	-	-	(215,762)
Revaluation adjustments	6,399,183	7,162,777	7,510,745	5,334,431	632,980	27,040,116
<b>At end of the Year</b>	<b>8,943,377</b>	<b>10,972,480</b>	<b>10,665,679</b>	<b>7,545,006</b>	<b>1,030,343</b>	<b>39,156,885</b>

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020

#### 35 PROPERTY AND EQUIPMENT (CONTINUED)

The useful lives of the assets are estimated as follows buildings, 50 years; office equipment, 10 years; motor vehicles, 5 years; furniture & fittings, 10 years; computer hardware, 5 years.

Cash outflow for the purchase of items of property and equipment are equivalent to the amount of additions.

Property and equipment are recognized when it is probable that the future economic benefits associated with the asset will flow to the entity and its cost can be measured reliably. The cost includes cost incurred initially to acquire or construct an item and cost incurred subsequently to add to, replace part of or service it.

There is no item of property and equipment that was used as security for any loan and no contractual commitment for the acquisition of property and equipment.

The net carrying amount of property and equipment does not include any finance lease as the Fund does not have property and equipment that are held under finance lease.

The Fund had no contractual commitments to acquire property and equipment as at 30 June 2020.

An independent valuation of the Property and Equipment was performed by the an independent valuer to determine their fair values on 30 June 2019. The valuation, which conforms to the International Valuation Standards, was determined by reference to recent market transactions on arm's length terms. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

#### 36 DEFERRED TAX LIABILITIES/(ASSETS)

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	30 June 20 TZS'000	30 June 19 TZS'000
At start of year	37,108,412	100,300,411
Debited to statement of changes in net assets available for benefits	(151,506,744)	(63,191,999)
<b>At end of period</b>	<b>(114,398,332)</b>	<b>37,108,412</b>

Deferred income tax assets and liabilities, deferred income tax charge/ (credit) in the statement of changes in net assets available for benefits is attributed to the following items:

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

**36 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)**

	30 June 20	(Credit)/Charge to statement of changes <u>in net assets</u>	30 June 19
	TZS'000	TZS'000	TZS'000
<b>Deferred income tax</b>			
Fair value gain/loss on investments	(22,743,416)	(44,330,362)	21,586,946
Accelerated capital deductions	(91,654,916)	(103,957,611)	12,302,695
Other timing differences	-	2,450,900	(2,450,900)
Prior year adjustment	-	(5,669,671)	5,669,671
<b>Net deferred income tax</b>	<b>(114,398,332)</b>	<b>(151,506,744)</b>	<b>37,108,412</b>

	30 June 20	30 June 19
	TZS'000	TZS'000
<b>37 LEASE LIABILITY</b>		
Current liabilities	152,925	-
Non-current liabilities	709,875	-
	<b>862,800</b>	<b>-</b>

**38 BENEFITS PAYABLES**

Retirement	348,443,501	550,741,178
Survivor	30,688,669	16,959,315
Invalidity	814,102	242,410
Withdrawal	24,804,198	15,283,500
Other Benefits	25,513,822	20,133,521
<b>Grand Total</b>	<b>430,264,293</b>	<b>603,359,924</b>

Benefit payable comprise benefit claims due to Members and their dependants under the PSSSF Act at the year end.

**39 OTHER PAYABLES**

Creditors Goods and Services	2,486,815	2,022,385
Retention Money	19,000,431	18,186,951
VAT and Withholding Tax Payable	(7,471,125)	-
Rent Deposit and Advances	11,420,926	10,205,235
Other Creditors	17,473,814	28,000,212
<b>Grand Total</b>	<b>42,910,861</b>	<b>58,414,783</b>

**40 PROVISIONS**

Beginning Balance	2,614,521	20,962,205
Provision made during the year	7,656,254	4,780,064
Provision used during the year	(3,240,846)	(252,915)
Provision reversed during the year	-	(22,874,833)
<b>Ending Balance</b>	<b>7,029,929</b>	<b>2,614,521</b>

Controller and Auditor General

AR/PA/PSSSF/2019/20

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020 PROVISIONS (CONTINUED)

#### Provisions for Pending Litigation.

The Management makes assessments of provisions and contingent liabilities, including the probable outcome of pending and possible future litigations, which are inherently subject to uncertain future events. The major uncertainties are the cost that will be incurred and the time the liability will be activated. Accordingly, provision of TZS 1.044 billion has been made (30 June 2019: TZS 1.044 billion).

Based on information available, the Management believes that adequate provisions have been made for pending litigations, but there can be no assurance that the scope of these matters will not be extended, nor that material lawsuits, claims, legal proceedings or investigations will not arise in the future.

#### Provision for Retirement Benefit Obligations

The Fund made a provision for retirement benefits in respect of the Fund's obligation to the retirees. The timing of submission by the employers of the retirement claims and the potential changes in salary information and exit dates create uncertainties over the eventual amount of benefit payable and the timing of the payments.

The Fund has estimated the liability using an estimate of existing salary information, the start and the exit dates of the Member. Accordingly, provision of TZS 3.73 billion has been made (31 June 2019: TZS 11.06 billion).

#### 41 PAYABLE TO RELATED PARTIES

	30 June 20 TZS'000	RE-CLASS	REFUND	30 June 19 TZS'000
MAMBA GINGER CO. LTD	(816,331)	2,200	-	(818,531)
MSAMVU PROPERTIES COMPANY LTD	(14,287,433)	-	-	(14,287,433)
MWANZA COMMERCIAL COMPLEX LTD	-	(1,632,791)	(500,000)	2,132,791
MZIZIMA PROPERTIES LTD	-	-	(121,481)	121,481
Grand Total	(15,103,764)	(1,632,791)	(621,481)	(12,851,692)

#### 42 INCOME TAX LIABILITIES

	30 June 20 TZS'000	30 June 19 TZS'000
At the beginning of the year	110,970,106	(36,214,058)
Current tax for the year	67,305,183	17,172,974
Net Amnesty Deed Tax	122,563,523	221,998,395
Tax on Return of income 2018_19	38,107,851	-
Adjusted tax assessments-TRA audit-undisputed	15,255,526	-
Tax paid during the period	(157,628,044)	(91,987,205)
At period end	196,574,146	110,970,106

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020

During the year the TRA carried out tax audit and issued assessments in which the Fund objected on some of the assessments. The tax in dispute based on the objections lodged is disclosed below:

	TZS'000
Tax assessment under dispute - Ex PPF	150,783,007
Tax assessment under dispute - Ex LAPF	143,091,168
Tax assessment under dispute Ex-PSPF	6,097,034
<b>TOTAL</b>	<b>299,971,209</b>

#### 43 RELATED PARTY TRANSACTIONS

Apart from contributions above and loans disclosed in Note 28, the following are transactions and balances outstanding with related parties:

##### i. Payments Made to Related Parties

	30 June 20 TZS,000	30 June 19 TZS,000
Msamvu Properties Company Limited	-	249,706
Nguru Hills Ranch Limited	257,736	1,889,788
Mamba Ginger Growers Company Limited	990,641	59,264
Karanga Leather Industries Company Limited	56,085,321	3,687,036
Azania Bank Limited	-	15,433,987
Nambogo Sumbawanga Project	-	291,596
Staff loans	-	428,500
Members loans	-	27,113
	<b>57,333,698</b>	<b>22,066,990</b>

##### ii. Receipts from related parties

Azania Bank Limited	-	6,455,438
Repayments of staff loans	7,806,057	11,757,095
Sumbawanga municipal council	291,596	
Members loans	39,693,348	35,519,584
	<b>47,791,001</b>	<b>53,732,117</b>

##### iii. Outstanding balances due from related parties

Staff loans	23,321,627	30,953,539
Members' loans	38,259,848	73,285,604
	<b>61,581,475</b>	<b>104,239,143</b>

##### iv. Outstanding balances due to related parties

NGURU HILL RANCH	-	12,033,161
Mamba Ginger Growers Company Limited	(816,331)	818,531
Msamvu Properties Company Limited	(14,287,433)	-
	<b>(15,103,764)</b>	<b>12,851,692</b>

##### v. Interest income from related parties

Interest Members loans	3,168,183	5,472,000
	<b>3,168,183</b>	<b>5,472,000</b>



## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020

#### 43 RELATED PARTY TRANSACTIONS (CONTINUED))

The amounts due from subsidiaries are unsecured. Members' loans are granted at age 55 and are secured by benefits vested in the Fund while staff loans are secured by motor vehicle registration cards or title deeds for car loans and house loans respectively. All amounts are settled in cash.

#### Remuneration of Trustees and Key Management Personnel

The remuneration of the Board of Trustees, the Governing Board of the Fund, is set out below:

	<u>30 June 20</u> <u>TZS '000</u>	<u>30 June 19</u> <u>TZS '000</u>
<b>i. Board of Trustees</b>		
Trustees' remuneration	92,250	204,392
Other board expenses	275,642	1,103,582
	<b>367,892</b>	<b>1,307,974</b>

The remuneration, allowances and loans of the key management personnel, those persons having authority and responsibility for planning, directing and controlling the Fund, are as set below:

<b>ii. Key Management compensation</b>		
Short-term employee benefits	1,274,660	1,002,593
Social security contributions - defined contribution plan	191,199	150,389
Employee health benefit expense	-	30,078
Other allowances	508,424	455,787
	<b>1,974,283</b>	<b>1,638,847</b>

#### iii. Loans to key Management Personnel

Movement in loans to key management personnel:

Opening balance	1,195,540	1,645,063
Repayment	(90,760)	(449,523)
Transferred Directors	(685,371)	-
<b>Ending Balance</b>	<b>419,409</b>	<b>1,195,540</b>

#### 44 COMMITMENTS

##### a) Capital Commitments

As at 30 June 2020, the Fund had capital commitments of TZS 28.6 billion (2019: TZS 89.9 billion) in respect of the Fund subsidiaries. The capital commitment is for purchase of shares in various investment projects as follows:

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020

#### 44 COMMITMENTS (CONTINUED)

##### b) *Capital Commitments (Continued)*

	30 June 20	30 June 19
	TZS'000	TZS'000
Karanga Leather Industries Company Limited	-	51,780,000
Nguru Hills Ranch Limited	7,255,200	670,000
Mamba Ginger Growers Company Limited	820,000	1,200,000
Arusha Hotel Building	-	1,100,000
PSSSF Commercial Complex - Sam Nujoma Road	20,509,912	27,160
Mponde Tea Factory - Tanga	-	2,000,000
	<b>28,585,112</b>	<b>56,777,160</b>

##### c) *Loan Commitments*

As at 30 June 2020, the Fund had no loan contractual commitment.

##### d) *Finance Lease Commitments*

The Fund had no finance lease commitments as at 30 June 2020 (2019: Nil)

#### 45 CONTINGENT LIABILITIES

##### **Litigation**

The Fund has various litigations in court with a total exposure of TZS 17.0 billion. Provision of TZS 1.044 billion has been made (2019: TZS 1.044 billion). The amount is in respect of the suits in which legal analysis ranked the winning possibility as medium.

In other suits, the Fund vigorously denies that it was at fault and is defending itself against any action. Legal advice received from lawyers supports the Fund's belief that the claims are frivolous and without merit.

#### 46 ASSETS PLEDGED AS SECURITY FOR LIABILITIES

None of the Fund's assets has been pledged as security for liabilities.

#### 47 EVENTS AFTER REPORTING PERIOD

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these Financial Statements. The risks arising from this pandemic could include market, services and supply chain disruptions, increased credit risk, unavailability of key people resources, locations being quarantined, among others. The Trustees have assessed that, at the time of issuing these Financial Statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Fund.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require

Controller and Auditor General

AR/PA/PSSSF/2019/20

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

material adjustments to the carrying amounts of the assets or liabilities reported in the Financial Statements. At the time of issuing the Financial Statements, the Trustees have no reason to believe that this is likely to happen. Furthermore, the Trustees believe that the Fund will be a going concern for the foreseeable future.

The Trustees are not aware of other matters or circumstances arising after the reporting period that requires adjustment to or disclosure in the Financial Statements.

