

**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 JUNE 2021**



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**Mandate**

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the United Republic of Tanzania, 1977 and in Section 10(1) of the Public Audit Act, Cap. 418 [R.E 2021].

**Vision**

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

**Mission**

To provide high-quality audit services through modernization of functions that enhance accountability and transparency in the management of public resources.

**Motto:** “Modernizing External Audit for Stronger Public Confidence”

**Core values**

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

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results Oriented
- vi. Teamwork Spirit

**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 Public Service Social Security Fund 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.

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## **Abbreviations and Acronyms**

<b>ATE</b>	Association of Tanzanian Employers
<b>AU</b>	African Union
<b>BOT</b>	Bank of Tanzania
<b>CAG</b>	Controller and Auditor General
<b>CWT</b>	Chama Cha Walimu Tanzania
<b>EAC</b>	East African Cooperation
<b>ECASSA</b>	East and Central Africa Social Security Association
<b>GEPF</b>	Government Employees Provident Fund
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standard Board
<b>IBOR</b>	interbank offered rate
<b>IFRS</b>	International Financial Reporting Standards
<b>ISSA</b>	International Social Security Association
<b>KPI</b>	Key Performance Indicators
<b>LAPF</b>	Local Authority Pension Fund
<b>NHIF</b>	National Health Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>PPF</b>	Parastatal Pension Fund
<b>PSSSF</b>	Public Service Social Security Fund
<b>RAAWU</b>	Researchers Academician and Allied Workers Union
<b>SADC</b>	Southern African Development Community
<b>SLA</b>	Service Level Agreement
<b>TALGWU</b>	Tanzania Local Government Workers Union
<b>TCCIA</b>	Tanzania Chambers of Commerce, Industry and Trade
<b>TSSA</b>	Tanzania Social Security Association
<b>TUCTA</b>	Trade Union Congress of Tanzania
<b>TUGHE</b>	Tanzania Union of Government and Health Employees
<b>TUICO</b>	Tanzania Union of Industrial and Commercial Workers
<b>PSPF</b>	Public Service Pension 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:**

CRDB Bank Limited  
Plc,  
Head Office, Azikiwe  
Street,  
P.O. Box 268,  
Dar es Salaam,  
Tanzania.

NMB Bank Plc,  
Head Office, Ohio  
Street,  
P.O. Box 9213,  
Dar es Salaam,  
Tanzania

National Bank of  
Commerce Limited,  
Head Office, Sokoine  
Drive,  
P.O. Box 1225,  
Dar es Salaam,  
Tanzania.

**SECRETARY TO THE BOARD:**

The Director General,  
Public Service Social  
Security Fund,  
PSSSF House,  
Makole Road,  
P.O. Box 1501,  
Dodoma, Tanzania.

**PARENT MINISTRY:**

Prime Minister's  
Office,  
Labour, Youth,  
Employment and  
People with  
Disability,

Kazi Street,  
Government City,  
Mtumba,  
P.O. Box 1923,  
Dodoma, Tanzania.

**ULTIMATE CONTROLLING ENTITY:**

The Government of  
the United Republic  
of Tanzania.

**AUDITORS:**

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Tanzania.

## REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021

### 1.0 INTRODUCTION

The Trustees submit their Governance Report as per TFRS 1 together with Financial Statements for the period of 12 months from 01 July 2020 to 30 June 2021 with comparable report period of Financial Year 2019/20 and forward looking Information for Financial year 2021/22 as the standard requires the report to include prospective information. The Report provides information on future development, operations, financial position, and cash flows position and the governance systems and structure of the Fund.

The Governance report replaces Directors' Report that was issued by the NBAA on 01 January 2010; it becomes operative for financial statements covering accounting periods beginning on or after 01 January 2021. The Trustees decided for early adoption.

### 1.1 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 Sub Head Office in Dar es Salaam. The Fund has one office in Zanzibar and Ten Zonal offices serving twelve Operating regional offices in Mainland Tanzania. As part of strategies to ensure that services to members in the Dar es Salaam region remain effective, the Fund operates three zonal offices in the region.

### 1.2 VISION AND MISSION 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.

### **1.3 TRUSTEES GOVERNANCE STATEMENTS**

#### **(i) STATEMENT ON FAITHFULNESS AND VERIFICATION**

The Trustees confirm that the current and future development investments of the Fund have been made in good faith and in the best interest of the Fund.

The Trustees further confirm that the current development and performance of the Fund can be verified and where relevant the source of the information has been cited, except for future development performance objective where the Trustee believe cannot be objectively verified.

#### **(ii) STATEMENT ON OMISSION**

Presentation of Financial Statements that present a true and fair view of Funds' operation 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 accordingly.

The Trustees have in place a robust control environment and procedures for preparation of Financial Statements and are not aware of any intentional omission or misstatement that could materially affect Financial Statements.

#### **(iii) STATEMENT ON NEUTRALITY**

The Trustees consider the information contained in the operating and financial review to be free of all bias and retains balance, nothing has come to the Trustees attention to conclude that the information contained are not balanced and free of bias.

#### **(iv) CORPORATE GOVERNANCE STATEMENT**

The Trustees have complied with the principles and codes of best practice and applied them throughout the period under consideration, as such adopted the national objective on Good Governance that insist positive effect on various aspects of the government including compliance to policies and practices, procedures, service quality protocols and office conduct, role clarification and good working relationship.

#### **(v) STATEMENT ON CONTRACTUAL ARRANGEMENT**

The Trustees have computerized most of key processes as such has contractual arrangement with persons/entity owning those software, hardware and other intellectual properties. The Trustee believes that no material contractual or other arrangements which are essential to the operation of the entity that has not been disclosed.

#### **(vi) STATEMENT ON OTHER RELEVANT MATTERS**

The Fund has presented Key material issues that are relevant to the users understanding of Financial Statements, the Trustees have no other matters that are considered to be relevant for disclosure.



**(vii) STATEMENT ON KPI's MEASUREMENT**

The Fund uses KPI's to measure the progress of the planned activities on quarterly basis which forms the base for Trustees to set and communicate performance targets and to measure whether are achieving them, there has been no relevant KPI left unattended during the period.

**(viii) STATEMENT ON CONSISTENCY**

Unless otherwise stated, the Trustees believe they have been reporting consistently, the planned and actual service performance information in order to facilitate users' assessment of the effectiveness and efficiency utilization of resource.

**1.4 MATERIAL ISSUES**

These are the factors which the Trustees believe could materially impact Funds ability to implement the planned strategies in order to serve members and other stakeholders, therefore the analysis of these matters, nature and the actions taken by the Trustees to mitigate the issues are shown on the table below:

PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

Table 1: Material Issues

Issue	Targets	Mitigation/Response
People	People are the core of all Funds operations, in order to meet and deliver planned objectives.  Shortage of skilled personnel and failure to equip our staff with new technological development, could impact service delivery and achievement of long-term strategic objectives.	<ul style="list-style-type: none"> <li>The Trustees Conduct Culture change training to all staff to equip them with changing work environment</li> <li>To equip staff with new updates, targeted training program has been developed and approved by the Board</li> <li>The Trustee develop and retain staff by offering attractive fringe benefits including salary, funeral and medical support,</li> <li>Provide all staff with working tools, offices and alike</li> </ul>
Members Benefit payment	Members are the primary stakeholders of the Fund, their eligible payment are of paramount importance and reputation of the Fund  Failure or delay to pay members benefit on time may ruin reputation of the Fund and affect its ability to recruit new members	<ul style="list-style-type: none"> <li>The Fund has automated key process in order to fasten benefit processing,</li> <li>To bring service closure to members the Fund have regional offices in all regions in mainland Tanzania and one office in Zanzibar.</li> <li>Ten Zonal offices have the mandate to pay up to TZS 80 million member's claim.</li> </ul>
Information and communication Technology	Meeting members and others stakeholders needs with innovative solutions and superior experiences is critical to maintaining high-quality relationships with them.  A failure to recognize and adapt to change in information and communication technology on time could impact our reputation	<ul style="list-style-type: none"> <li>To brand the Fund, to implement Staff Charter (SLA) and Client Service Charter and to conduct Customer Satisfaction Survey by June 2022</li> <li>We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers are industry leading</li> <li>The Fund has automated critical key process and developed digital mobile application to bring the service close to members</li> </ul>
Regulatory compliance	The Fund regulatory compliance are fundamental to operation and member service delivery  The Fund operates under changing regulatory environment and reporting requirement, failure to comply with regulatory requirement could adversely affect Fund ability to attain set vision and mission	<p>Key regulators have been earmarked and their reporting requirements, pronouncements and policies are complied with either on quarterly semiannually or annually basis.</p> <ul style="list-style-type: none"> <li>The Trustees engage with Government for payment of pre-1999 contribution receivable of TZS 4.629 trillion in order to raise the current Funding rate of 22% to required 40%</li> </ul>
Government Loan	The Fund Support Government initiatives by engaging in construction of strategic projects like Bunge Projects, Hombolo local Government University and UDOM.  Non servicing of the Loan affect solvency and reduces the Fund ability to pay maturing benefit obligation, other statutory and administrative cost	<ul style="list-style-type: none"> <li>The Trustees engage with Government for payment of pre-1999 contribution receivable of TZS 4.629 trillion in order to raise the current Funding rate of 22% to required 40%</li> </ul>

## 1.5 RESOURCES

In pursuit of the Fund's objectives, the Trustees use resources both tangible and intangible to function and execute plans, which include Human resources, financial, intellectual, natural, social and relationship resources as described below:

### (i) Financial and Tangible resources

The Trustees maintain an optimal level portfolio of financial and other tangible resources to support its day-to-day operation obligations, the Fund's cash and cash equivalents as at 30 June 21 was TZS 282.94 billion (2019/20: TZS 191.47 billion), available for financing growth strategies, investment opportunities, and to meet regulatory requirements.

During the year under review, the Fund collected contribution amounting to TZS 3,597.61 billion to fund payment of benefit and additional investment, the Fund has invested on various Government securities, Unlisted Equities, Listed Equities, Deposit with financial institution and collective schemes. The income from investments during the year amounted to TZS 612.42 billion (2019/20: TZS 428.05 billion). For further details about the investment income, please refer to Table 7: item No. 13 on Operating and Financial Review.

Total assets of the Fund amounted to TZS 8,240.21 billion (2019/20: TZS 6,436.69 billion) representing an increase of 28.02%. For further details about the total Assets of the Fund refer to Table 12: item No. 13.

### (ii) Human Resources

People are the core of all our operations, as at 30 June 2021 the Fund had a total of 675 employees being 313 female (2019/20: 322) and 362 male (2019/20: 398)

The Trustees have established a relevant organizational structure in place and conduct rigorous staff performance management that forms baseline for promotion of staff, during the year 528 members of staff were promoted after demonstrating capacity to handle greater roles 233 being female and 295 male.

Trustees create conducive environment and enabling culture, during the year the Fund has incurred TZS 54.40 billion (2019/20: TZS 59.90 billion) on staff salary emoluments and TZS 1,601 million (2019/20: TZS 946 million) applied to staff capacity building.

Trustees are concerned with employee's health and their dependents, so have outsourced the function to NHIF covering employee health, insurance premium paid amount to TZS 332 million (2019/20: TZS 79.9 million).

During the year the Fund paid employee funeral expenses TZS 146.4 million (2019/20: TZS 141.3 million) as support for employee death or beneficiary, social security cost paid to defined contribution plan amount to TZS 332 million (2019/20: TZS 79.9 million).

**(iii) Natural Capital**

This includes all renewable and nonrenewable environmental resources and processes that provide service to members and other stakeholders; it includes air, water, land, minerals, oil or gas and forest.

The Fund comply with all environmental protection provision and safety requirement to preserve environment, the Trustees invested on Land for capital appreciation the value of land stood at TZS 64 billion (2019/20: TZS 57 billion) as at 30 June 2021; movement represent fair value adjustments.

**(iv) Social and Relationship Capital**

The Trustees believe that the Fund can only prosper if the communities that have given the social license to operate thrive. This is what forms the baseline of the social and relationship capital. In an effort to maintain Funds' reputation and brand Value during the year, the Fund continued to make targeted investments to boost brand value through sponsorships, stakeholder engagements and supporting Government initiative. The Fund spent TZS 142.98 million (2019/20: TZS 100.65 million) as donations to support the community in which the Fund operates.

**(v) Intellectual Capital**

This includes technical expertise, and the ability to be creative and innovative in provision of services and deployment of technologies, The Trustee have automated most of the functions, which improve employee's productivity and reduce operational cost.

Innovation has resulted in better customer experience and improved system efficiencies; The Trustees has innovated digital mobile service and are constantly challenged to adapt to digital trends with a view to meet our members' and other stakeholders needs.

Active member or retired member can download an Application (PSSSF Kiganjani) via android system on smart mobile phone, with such digital App, a member can read bio data, track logged claim, view and download contribution statement. Whenever there are new technologies that the Trustee feel will have a positive impact on Fund's operations, they gradually incorporate them into Fund's business processes.

The Fund pays license fees for various software also has incurred cost on acquisition of Human resource management system, Customer relation management system (CRM), Documents management system (Laser fiche), Financial management system (NAV) as well integrated with Government systems and other stakeholders' systems. As at 30 June 2021 intangibles assets stood at TZS 993.60 million (2019/20: TZS 1,402.00 million).

The greatest factor affecting the availability and quality of these resources are cost of acquisition and maintenance.

**OBJECTIVES AND STRATEGIES**

The Trustees have defined objectives in terms of financial performance as well objectives in Non-financial areas, which are aligned to the following key themes, Customer Services Excellence, Financial Sustainability and Operational Excellence.

**(vi) MAIN OBJECTIVES OF THE FUND****(a) Short-term Objectives**

The Trustees have the Annual Plan for Financial Year 2021/22 that break down the strategy into smaller components in order to make it actionable and implementing the Strategic activities spelt out in the current Corporate Plan, focus is on Retention rate of 95% and employees' level of satisfaction of a least 80% annually.

**(b) Medium-term Objectives**

The Trustees consider a Medium Term of three years to range between 2021/22 - 2023/24. The Fund developed three years' objectives which will be a focus of its performance from which annual targets are set to be achieved every year, mainly focus to Optimize Operational activities 100% Compliance to Laws, Regulations and Governance framework.

**(c) Long-term Objectives**

These are spelt out in the Five Years Corporate Plan 2019/20 - 2023/24 The Plan focuses on service delivery by ensuring that the Fund is Sustainable financially, members are served using competent and availability of motivated staff with proper technology.

**(d) Corporate Core Values**

Core values and culture establish beliefs and principles that guide employees to perform their work that aims to achieve vision of the Fund. In that context, employees of the Fund should possess the following core values.

**Table 2: Core Values**

Core values	Description
Customer focus	We value our customer by providing accurate, courteous, and timely services.
Integrity	We are honest, ethical, trustworthy, and consistent in our words and actions.
Teamwork	We achieve the best for our customers through effective teamwork.
Professionalism	We have workforce that is highly valued in specialized knowledge, skills, excellence, attitude, and accountability.
Efficiency	We work with focus yet fast, economical, flexible, and yet simple

**(vii) 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.

In the Financial Year 2020/21, the Fund collected TZS 2,520.92 billion (2019/20: TZS 2,396.83 billion) against the target of collecting TZS 2,562.78 billion equivalents to 98.37% of the set target.

The amount collected was spent in the planned activities of the Fund. The Fund spent TZS 2,434.45 billion (2019/20: TZS 2,365.12 billion) against the target of spending TZS 2,301.02 billion which is 106% of the set target.

The Trustees have prepared the forward budget estimate for the year 2021/22, the Fund has planned to collect TZS 2,562.73 billion from various sources and expect to spend TZS 2,226.60 billion on recurrent expenditures and TZS 573.45 billion on development.

Table 3 below shows financial, non-financial objectives and related strategic activities

PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

**Table: 3 OBJECTIVES, PERFORMANCE INDICATORS FINANCIAL & NON FINANCIAL**

Objectives	KPI / Measures	Targets	Strategic Activities
Enhance contributions collection	Amount of contributions collected	TZS 1,525.21 billion collected by June 2022	<ul style="list-style-type: none"> <li>To register 18,696 new members, to collect TZS 69.05 billion as outstanding contribution, to collect TZS 1,456.17 billion as contribution income by June 2022</li> <li>To collect return on investment by 8%, to make follow up on contributions by 95%, to collect TZS 24.79 billion from other sources by June 2022</li> </ul>
Enhance Growth of Revenue	Amount of Revenue collected	TZS 915.49 billion of Revenue collected by June 2022	<ul style="list-style-type: none"> <li>To collect TZS478.52 billion from investments, to collect TZS412.18 billion from Maturity monies by June 2022</li> <li>To develop mechanism to identify, register and collect contributions within 2 months from employment date on first appointment and to maintain operational expenditure at 5% of contribution by June 2022.</li> </ul>
Increase customer satisfaction level	% of customer satisfaction level increased	85% of level of customers satisfied by June 2022	<ul style="list-style-type: none"> <li>To brand the Fund, to implement Staff Charter (SLA) and Client Service Charter and to conduct Customer Satisfaction Survey by June 2022</li> </ul>
Enhance Performance Management System	% of Performance Management System enhanced	100% of performance Management System enhanced by June 2022	<ul style="list-style-type: none"> <li>To implement by 100% the PSSSF Performance management System, to monitor staff performance by using PSSSF Performance management System by June 2022</li> </ul>
Improve Quality of Services	% of quality of services improved	100% of services provided achieved by June 2022	<ul style="list-style-type: none"> <li>To provide quality services to external and internal customers by 100% by June 2022</li> </ul>
Enhance technology	% of technology enhanced	90 % of technology enhanced by June 2022	<ul style="list-style-type: none"> <li>To enable system availability all the time &amp; to manage all risks by 100% by June 2022</li> </ul>
Enhance Institutional Compliance	% of institutional standards Complied	100% Of institutional standards complied by June 2021	<ul style="list-style-type: none"> <li>To conduct risk assessments quarterly to determine compliance level &amp; to conduct risk assessment audit to determine level of compliance quarterly by June 2022</li> </ul>
Enhance staff competence, welfare, and productivity	% of staff competence & welfare level enhance	<ul style="list-style-type: none"> <li>95% of staff competence &amp; 100% welfare enhanced by June 2022</li> </ul>	<ul style="list-style-type: none"> <li>To conduct Culture change training to all staff &amp; to implement the approved 2021/22 training plan by June 2022</li> </ul>
Enhance Staff welfare	% of staff welfare enhanced	100% of staff welfare enhanced by June 2022	<ul style="list-style-type: none"> <li>To cover all staff by 100% on medication &amp; to provide all staff with working tools, offices and alike by June 2022</li> </ul>

PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

Objectives	KPI / Measures	Targets	Strategic Activities
			<ul style="list-style-type: none"> <li>To introduce sports and games in the Fund &amp; to design and develop staff incentive schemes by June 2022</li> </ul>

ENVIRONMENT SCAN

The Trustees carried out an analysis of the trends and factors that could affect Fund's operations in the future in order to identify the challenges and opportunities facing the Fund. PESTEL (Political, Economic, social, Technological Environmental and Legal) analysis was carried out to determine factors in the Macro environment that could affect the Fund operations. The outcomes of the PESTEL analysis were used to refine strategic issues depending on Strength, Weaknesses, Opportunities and Challenges. The Table below shows PESTEL analysis:

Table 4: PESTEL analysis and its impact on the Fund

Political Factors	Impact to the Fund
<ul style="list-style-type: none"> <li>Peace and tranquility will continue to prevail in the country during the plan period</li> <li>Corporations with associations and a member of ECASSA, ISSA and TSSA and the country being a member of EAC, SADC and AU.</li> <li>Continuous changes in policies and Government directives</li> </ul>	<ul style="list-style-type: none"> <li>Investments in Public Private Partnerships hence diversification on investments.</li> <li>Interactions with ECASSA/ ISSA to learn on experiences and new products.</li> <li>Impact on sustainability and ability of the Fund to predict its future.</li> <li>More members hence more contributions.</li> </ul>
Economic Factors	Impact to the Fund
<ul style="list-style-type: none"> <li>Government target by 2024:</li> <li>Real GDP growth rate of 10.0%, with per capita of US\$ 1500 current prices</li> <li>Inflation rate contained at 5%;</li> <li>Nominal Exchange Rate (TZS/USD 1), 2,185.62;</li> <li>Reducing lending interest rates to single digit;</li> </ul>	<ul style="list-style-type: none"> <li>The growth rate normally has a positive implication on the growth of employment from which the Fund obtains members.</li> <li>A single digit inflation rate will enable the Fund to obtain better real return from investments.</li> <li>Interest and exchange rates are expected to attract foreign direct investments and thereby increase opportunities for more investments and potential members to the Fund.</li> </ul>
<ul style="list-style-type: none"> <li>Five Years Development Plan on industries.</li> <li>Construction of 2,100 MW Rufiji Hydro Electric Plant (Stigler's gorge).</li> <li>Construction of 200km SGR Line from Dar-es-salaam to Morogoro and 226km from Morogoro to Dodoma.</li> </ul>	<ul style="list-style-type: none"> <li>Open up new avenue of investment opportunities especially in industrialization.</li> <li>Create employment that will expand the potential base of members to join the Fund, thus increases contributions.</li> </ul>



PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

<ul style="list-style-type: none"> <li>Revamping of Air Tanzania Corporation Limited and expansion of ports</li> </ul>	
<p><b>Social Factors</b></p> <p>Tanzania's labour force is growing at around 2.3 percent per annum and there were 25.8 million persons in the working age group in 2014 compared to 21.0 million persons in 2006. Of which, 87 percent are economically active<sup>6</sup>.</p>	<ul style="list-style-type: none"> <li>Sustainability of the Fund, as more member will be contributing as compared to exiting members.</li> <li>Create employment that will expand the potential base for members to join the Fund, thus increase its size.</li> </ul>
<p>Review of Tanzania's mortality and fertility data show that Tanzania is in the second stage of the demographic transition with falling mortality rates and persistently high birth rates.</p>	<ul style="list-style-type: none"> <li>Decrease in payment of premature retirement benefit for death cases hence the long-term liability to the fund to pay survivors pensions will decrease.</li> <li>Members will continue to contribute to their retirement age thus will create a cushion for matching the members' contribution and benefits obligations.</li> </ul>
<p><b>Technology Factors</b></p> <p>By 2024 Government targets are:</p> <ul style="list-style-type: none"> <li>E-Government Infrastructure -</li> <li>All public institutions connected to secure Government wide network.</li> <li>Government to connect all its public institutions to GePG</li> </ul>	<p><b>Impact to the Fund</b></p> <ul style="list-style-type: none"> <li>Enhance online and automation of various processes. (online payments of benefits)</li> <li>Improve productivity and service delivery through mobile apps, social media, toll free calls and bulk sms.</li> <li>Integration with banking systems, NIDA and TRA for easy identification of members.</li> </ul>
<p><b>Environment Factors</b></p> <ul style="list-style-type: none"> <li>Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer.</li> <li>Availability of different crops in the country</li> </ul>	<p>Establishment of potential industries in the Country hence increases members and contributions.</p>
<p><b>Legal Factors</b></p> <p>Registration of law and regulations that are passed by the Government</p>	<p><b>Impact to the Fund</b></p> <p>Establishment of new law and regulations that govern the Social Security Industry in the country will impact the Fund's day to day operation.</p>

Source: National Five years Development Plan II; [http://www.mof.go.tz/mofdocs/msemaqil/Five%202016\\_17\\_2020\\_21.pdf](http://www.mof.go.tz/mofdocs/msemaqil/Five%202016_17_2020_21.pdf)  
CorporatePlan2019/20-2021/22.and 2019/20-

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1.7 ENTITY'S OPERATING MODEL

The Fund's system of transforming inputs, through its operating activities, into outputs and outcomes that aims to fulfil the strategic objectives and create value over the short, medium and long term, is as follows:

Table 5: Entity Operating Model

INPUT	OPERATING ACTIVITIES	OUTPUT	OUTCOME
<ul style="list-style-type: none"> <li>Human capital</li> <li>Subvention from Government</li> <li>Contribution from members</li> </ul>	<ul style="list-style-type: none"> <li>Registration of Members and contributing employers;</li> <li>Collection of Members' contributions from employers;</li> <li>Investment of surplus funds in profitable investments;</li> <li>Disbursement of pension, gratuity and other benefits in accordance with the provisions of the Act;</li> <li>Advising the Minister responsible for Labour on matters relating to the administration of the Act; and</li> <li>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.</li> <li>Robust ICT infrastructures</li> </ul>	<ul style="list-style-type: none"> <li>Investment's income</li> <li>Fixed deposit TZS 15.37 billion</li> <li>Government Bonds TZS 381.51 billion</li> <li>Rent income TZS 33 billion</li> <li>Dividend from subsidiary and joint venture TZS 41 billion</li> <li>Payment of Benefits and other expenses TZS 2,273.75 billion</li> <li>People career development and advancement opportunities to ensure we attract and retain competent staff</li> <li>Loans -We extend loans to members and our staff TZS 3.86 billion</li> </ul>	<ul style="list-style-type: none"> <li>Employees: TZS 54.4 billion, paid as salaries and Benefits to employees</li> <li>Investments: Generate employment</li> <li>Regulators: payment of corporate tax expenses TZS 71.82 billion</li> <li>Members benefit processing time reduced due to computerization of processes and reduction of resource usage.</li> <li>Fund conducted 15 Corporate Social Responsibility initiatives worth TZS 142.98 million, granted on education and support of various governments initiative.</li> </ul>

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**1.7 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 30% 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, Central Government, Independent Government Departments, Corporations and Public Entities. As at 30 June 21, the Fund had 705,489 active Members.

**Table 6: Members of the Fund were as follows:**

Details	2019/20	2020/21	2021/22
Opening Members as at 1 July	616,483	697,677	705,489
Add: New and reactivated Members	69,686	27,120	18,696
Add: Members transferred from NSSF	33,638	8,873	-
Less: Paid Members	(17,112)	(14,543)	(21,144)
Less: Duplicate Members from ex-Funds	(5,018)	(248)	-
Total Members as at 30 June	697,677	705,489	703,041

**1.8 BENEFITS PAYABLE UNDER THE SCHEME**

The benefits payable under the Fund are Retirement, Death, Survivors, Invalidity, Maternity, Unemployment and Sickness. The Fund is also finalizing payments of the inherited education benefit to the respective beneficiaries up to form six. The details of the benefits are as illustrated here under: -

**(i) Retirement *Benefits***

The compulsory age of retirement is 60 years. A Member may opt to retire voluntarily from the age of 55 years. Members whose statutory terms of employment prescribe an age of retirement shorter or longer than the age of 55 to 60 years will retire in accordance with such prescribed terms. In addition to that, for a member to qualify for retirement benefit he must have a contributing period of at least 15 years.

Benefits are payable on retirement upon meeting the following conditions:

- (a) Upon attaining the age of 60 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;

- (f) Upon cessation to hold constitutional office pursuant to the provisions of Article 72 of the Constitution;
- (g) On termination of employment due to retrenchment;
- (h) On termination of employment due to appointment of political post where there is specific arrangement for retirement benefit; and
- (i) On termination of employment due to restructuring of office.

A special lump sum is payable to a member who attains the above listed conditions but has not contributed for a period of at least 15 years (180 months). Furthermore, special lump sum is also paid to a member who has emigrated from the United Republic of Tanzania.

**(ii) Maternity Benefits**

Under this category, members are entitled to cash benefit equivalent to a respective member's basic salary but not more than TZS 1,000,000.00.

Maternity benefit is payable to a Member who has contributed for at least 36 months upon receipt by the Director General of a medical certificate from an accredited medical provider certifying that the female member expects delivery of a child. Maternity benefit is also paid to a member who has still-birth as cash benefit at the rate of 33.3% of the respective member's basic salary which is not more than TZS 1,000,000.00

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

**(iii) Invalidity Benefits**

An invalidity benefit is payable to a member who is recommended by a competent authority that by reason of physical or mental disablement, the member cannot perform his duties provided that, the cause of his disability is not related to occupational diseases contracted out of work or in due cause of the Member's employment. The amount payable if contributed for at least 15 years will be paid the same as retirement benefit, and if less than 15 years would be paid special lump sum.

**(iv) Unemployment Benefits**

A member who ceases to be employed is entitled to unemployment benefit. Unemployment benefit is paid to a member who is terminated or ceased to be employed in the circumstances other than resignation, a citizen of the United Republic of Tanzania and is not pensionable.

**(v) Death Gratuity**

Where a member dies while in Service, the Director General shall grant the dependents a death gratuity of commuted pension gratuity (CPG) if the deceased contributed for a period

of at least 15 years and a special lump sum if the deceased member contributed for a period of less than 15 years.

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 dependents.

**(vi) Survivors Benefits**

Survivor's benefit is payable to the dependent of deceased member if he contributed to the scheme for a period of at least 15 years. Therefore, in addition to the commuted pension gratuity (CPG) 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 36.

**1.9 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 of 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 the United 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 of the following directorates/Unit:

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

## **1.10 OPERATING AND FINANCIAL REVIEW**

### **1.10.1 ANALYSIS OF STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

#### **(i) Additions to Net Asset**

##### **(a) Contributions**

As reflected in the Statement of Changes in Net Assets available for Benefits, contributions during the year amounted to TZS 3,597.61 billion (2019/20: TZS 1,364.33 billion), which represents an increase of 263.69%. The increase is due to recognition of contribution income in relation to pre 1999 contributions following the Government of the United Republic of Tanzania issuing non-cash special Government Bonds to honor the debt. If non-cash special Bond is not considered contribution would have been TZS 1,420.87 billion which represents an increase of 4.14%. The increase is attributed by salary increase due to promotions of public sector employees from June 2021.

##### **(b) Investment Income**

The income from investments during the year amounted to TZS 612.42 billion (2019/20: TZS 428.05 billion). The investment income earned during the year represents an increase of 43.07%. The overall increase is attributed by fair value gain from listed equities as most of share prices rose at DSE as compared with the previous year as well as fair value gains from unlisted equities resulted from valuation done in compliance with IFRS 13. Valuation of Unlisted Equities which had significant contribution to the gain in fair values are from investments in insurance companies specifically PTA Insurance and banks specifically TPB Bank and Akiba Commercial Bank due to improved performance in the sectors (Kindly refer to note 11 for details).

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The investment income category that has significant impact on the overall investment income are interest income from Treasury Bonds which contributes 62.08% of the total investment income (2019/20: 88.31%), dividend from listed equities 6.55% of the total investment income (2019/20: 3.96%) and rent income with a contribution of 5.11% of the total investment income (2019/20: 6.60%). Details of Investment income are shown in the table below:

Table 07: Details of the investment income

Interest Income	30 June 21	30 June 20	30 June 21	30 June 20
	TZS '000	TZS '000	% of the total	% of the total
Treasury Bonds	380,216,910	378,026,739	62.08%	88.31%
Treasury Bills	-	-	0.00%	0.00%
Other Loans	1,177,134	3,203,428	0.19%	0.75%
Corporate loans	2,689,346	1,294,037	0.44%	0.30%
Saccos Loan	421,314	963,513	0.07%	0.23%
Placement in banks	15,372,716	15,232,763	2.51%	3.56%
Corporate Bonds	1,372,753	3,997,001	0.22%	0.93%
Other Interest Income	8,151,577	6,673,867	1.33%	1.56%
<b>Sub total</b>	<b>409,401,750</b>	<b>409,391,348</b>	<b>66.85%</b>	<b>95.64%</b>
<b>Dividend and share of profits</b>				
Listed equities	40,109,557	16,939,288	6.55%	3.96%
Collective investments	173,553	-	0.03%	0.00%
Unlisted equities	784,663	2,534,053	0.13%	0.59%
<b>Sub total</b>	<b>41,067,773</b>	<b>19,473,341</b>	<b>6.71%</b>	<b>4.55%</b>
<b>Rental Income</b>				
Rent	31,324,464	28,243,432	5.11%	6.60%
Parking fees	1,233,587	1,276,000	0.20%	0.30%
Conference halls	698,717	386,140	0.11%	0.09%
Hire purchase - interest	-	2,250	0.00%	0.00%
<b>Sub total</b>	<b>33,256,768</b>	<b>29,907,822</b>	<b>5.43%</b>	<b>6.99%</b>
<b>Grand Total</b>	<b>483,726,291</b>	<b>458,772,511</b>	<b>78.99%</b>	<b>107.18%</b>
<b>Fair Values Changes</b>	<b>128,691,815</b>	<b>(30,721,123)</b>	<b>21.01%</b>	<b>-7.18%</b>
	<b>612,418,106</b>	<b>428,051,388</b>	<b>100.00%</b>	<b>100.00%</b>

## (c) Fair Value Changes

During the year, the Fund recorded in aggregate a fair value gain amounting to TZS 128.69 billion (2019/20: loss of TZS 30.72 billion).

Table 08: Changes in Fair Values

CHANGES IN FAIR VALUES	30 June 21	30 June 20
	TZS' 000	TZS' 000
Listed Equities	66,020,476	10,205,699
Unlisted Equities	11,073,867	11,246,390
Collective Schemes	55,911,779	13,416,144
Investment properties	(17,027,384)	19,191,093
Associates and Joint Ventures	20,709,140	(33,843,532)
Subsidiaries	(7,672,524)	(47,589,854)
Other fair values changes	(323,539)	(3,347,063)
<b>Total</b>	<b>128,691,815</b>	<b>(30,721,123)</b>

## (d) Other Income

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Other Income amounted to TZS 34.26 billion (2019/20: TZS 7.74 billion). The increase was mainly attributed by reversal of prior year over provided expenses especially on benefits amounting to TZS 6.60 billion and prior year adjustments amounting to TZS 22.22 billion made following reconciliation of Treasury Bonds records between the Fund's records and BOT.

(ii) Deductions from Net Assets

a) Benefit Expenditure

Benefit expenses amounted to TZS 2,187.05 billion (2019/20: TZS 1,554.43 billion) which represents an increase of 40.69%.

Benefit expenses that have significant impact on overall benefit expenditures are the retirement benefits which had 61.44% of the total benefits expenditure and the monthly pensions which had 30.28% (2019/20: 53.75%; 36.65% respectively) mainly attributed by increase of early retirement.

Table 09: Benefit Expenses

	30 June 21		30 June 20	
	TZS '000	%	TZS '000	%
Retirement Benefits	1,343,729,871	61.44%	835,463,235	53.75%
Monthly Pensions	660,678,884	30.21%	569,699,953	36.65%
Withdrawals	63,028,899	2.88%	75,223,160	4.84%
Death Benefits	96,182,246	4.40%	57,840,859	3.72%
Education Benefits	1,221,029	0.06%	1,095,058	0.07%
Invalidity Benefits	1,600,185	0.07%	2,039,786	0.13%
Maternity Benefits	8,894,804	0.41%	9,050,977	0.58%
Unemployment Benefits	1,831,482	0.08%	870,338	0.06%
Contribution Refunds	9,886,195	0.45%	3,143,037	0.20%
Grand Total	2,187,053,595	100%	1,554,426,403	100%

Table 10: The ratio of benefits to contributions

Year ended	Contributions	Benefits	Net Deficit/ Surplus	Benefits/ Contributions
	TZS billion	TZS billion	TZS billion	%
30 June 21	3,597,611,693	2,187,053,595	1,410,558,098	60.79%
30 June 20	1,364,325,183	1,554,426,403	(190,101,220)	113.93%

b) Administrative Expenses

During the year, total administrative expenses of the Fund amounted to TZS 68.83 billion (2019/20: TZS 73.87 billion). When measured against the previous year, the administration expenses decreased by 6.82% and was mainly due to reduction in staff costs following transfer of some of the staffs to other public entities.



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The ratio of the total administrative expenses to the total contributions was 1.91%. With increasing automation of the Fund's processes, we expect further administrative expenses reduction in the forthcoming years.

Further analysis of the administrative expenses is shown in Table 11 below.

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Table 11: Analysis of Administrative Expenses

Administrative Expenses	30 June 21	30 June 20	% Increase/ (Decrease)
	TZS' 000	TZS' 000	
Staff Costs*	54,406,044	59,903,047	-9.18%
Board of Trustees Fees	103,375	92,250	12.06%
Other Board Expenses	398,856	275,642	44.70%
Audit Fees	510,884	487,040	4.90%
Tender Board Expenses	318,970	149,613	113.20%
Legal Expenses	679,363	1,607,351	-57.73%
Insurance Expenses	395,067	513,707	-23.09%
Bank Charges and Commissions	241,326	88,130	173.83%
General Operational Expenses**	11,778,090	10,755,316	9.51%
<b>Total</b>	<b>68,831,975</b>	<b>73,872,096</b>	<b>-6.82%</b>

## Analysis of Staff Costs

*Analysis of Staff costs	30 June 21	30 June 20	% Increase/ (Decrease)
	TZS' 000	TZS' 000	
Staff Salaries	30,504,377	34,395,521	-11.31%
Staff Allowances	10,752,491	11,504,160	-6.53%
Extra duty	715,769	380,899	87.92%
Social Security Contributions	4,821,534	5,361,841	-10.08%
Skill and Development Levy	1,847,432	2,228,707	-17.11%
Medical Expenses	1,240,379	1,307,410	-5.13%
Leave Expenses	2,514,459	3,031,158	-17.05%
Staff Transfers	936,066	947,538	-1.21%
Staff Refreshments	393,374	393,412	-0.01%
Terminal Expenses	116,428	31,002	275.55%
Other Employee Expenses	563,735	321,399	75.40%
<b>Total</b>	<b>54,406,044</b>	<b>59,903,047</b>	<b>-9.18%</b>

## Analysis of General Expenses

General expenses	30 June 21	30 June 20	% Increase/ (Decrease)
	TZS' 000	TZS' 000	
Workers Council & Committees	280,405	164,156	70.82%
ICT Software Expenses	1,821,317	1,712,199	6.37%
Stationery and Consumables	1,122,703	1,066,662	5.25%
National Holiday and Sports	81,794	6,999	1068.65%
Repair and Maintenance Expenses	957,904	568,511	68.49%
Entertainment Expenses	73,741	21,247	247.07%
Travelling Expenses	3,442,692	2,998,153	14.83%
Fees and Subscription	132,816	77,265	71.90%
Office Cleaning	266,210	299,084	-10.99%
Security Expenses	421,366	614,156	-31.39%
Staff capacity building	1,601,374	946,552	69.18%
Office Electricity	263,232	240,083	9.64%
Office Rent	564,674	976,968	-42.20%
Telephone expenses	513,272	577,640	-11.14%
Postage and courier expenses	117,311	235,975	-50.29%
Other Office Expenses	117,279	249,666	-53.03%
<b>Total</b>	<b>11,778,090</b>	<b>10,755,316</b>	<b>9.51%</b>

**c) Statutory Expenses**

Statutory expenses of the Fund amounted to TZS 3.21 billion (2019/20: TZS 2.50 billion). Increase in Statutory expenses by 28.24% is mainly attributed by payment of subscription fees.

**d) Investment Management Expenses**

Investment management expenses of the Fund amounted to TZS 14.50 billion (2019/20: TZS 11.47 billion). Investment management expenses represent an increase of 26.44% due to repair and maintenance cost incurred during the year for major renovations of Fund's investment properties.

**e) Interest Expense on Leases**

Interest expense on leases of the Fund amounted to TZS 158.94 million (2019/20: TZS 108.79 million). Increase by 46.10% is due to consideration of extension when computing lease liabilities in accordance to IFRS 16. The Fund did not rent additional spaces for its offices during the year.

**1.10.2 ANALYSIS OF STATEMENTS OF CASH FLOWS**

The Fund's cash and cash equivalents as at 30 June 2021 was TZS 283.57 billion (2019/20: TZS 194.90 billion).

The net cash outflow from benefits payment was TZS 1,914.48 billion (2019/20: TZS 1,727.50 billion).

**1.10.3 ANALYSIS OF STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****(i) Total Assets**

Total assets of the Fund amounted to TZS 8,240.21 billion (2019/20: TZS 6,436.69 billion) representing an increase of 28.02%. The increase was due to issuing of Government non-cash Bond.

**Table 12: Total Assets of the Fund**

Description	30 June 21	% of total assets	30 June 20	% of total assets
	<b>TZS '000</b>		<b>TZS '000</b>	
Investments	7,443,425,796	90.33%	5,752,956,065	89.38%
Other Assets	796,779,457	9.67%	683,731,952	10.62%
<b>Total</b>	<b>8,240,205,253</b>	<b>100%</b>	<b>6,436,688,017</b>	<b>100%</b>

**a. 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 increased by 30.7% to TZS 7,518.92 billion (2019/20: TZS 5,752.96 billion). The increase is attributed by the Government decision to issue non-cash bond to

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finance pre 1999 service debts. The distribution of the investment portfolio of the Fund as at 30 June 2021 is as summarized in the table below:

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Table 13: Investments of the Fund

INVESTMENT CATEGORY	30 June 21		% of the Portfolio	30 June 20		Change during Year		% of Change
	TZS '000			TZS '000		TZS '000		
Deposits with Financial Institutions	183,739,651	2.47%	259,367,591	4.51%	(75,627,940)	-29.16%		
Collective Schemes	542,074,661	7.28%	462,453,217	8.04%	79,621,443	17.22%		
Equities	223,663,735	3.00%	-	0.00%	223,663,735	0.00%		
Government securities	4,700,205,797	63.15%	2,515,726,828	43.73%	2,184,478,969	86.83%		
Corporate bonds	3,041,338	0.04%	17,640,180	0.31%	(14,598,842)	-82.76%		
Loan investments	323,985,695	4.35%	856,636,491	14.89%	(532,650,796)	-62.18%		
Investment properties	1,167,163,180	15.68%	1,151,991,775	20.02%	15,171,405	1.32%		
Associates & Joint Ventures	41,786,375	0.56%	21,946,825	0.38%	19,839,550	90.40%		
Investments in subsidiaries	257,765,365	3.46%	467,193,158	8.12%	(209,427,793)	-44.83%		
Total Investments	7,443,425,797	100.00%	5,752,956,065	100.00%	(486,270,269)	-8.45%		

### Government Securities

Total Government Securities as at 30 June 21 was TZS 4,700.21 billion (2019/20: TZS 2,515.73 billion) representing an increase by 86.8%. New Investments during the year amounted to TZS 175.59 billion other than non-cash bond of TZS 2,176.74 trillion (2019/20: 219.73). The interest accrued during the year was TZS 380.22 billion (2019/20: TZS 378.03 billion).

### Corporate Bonds

The Corporate Bonds decreased from TZS 17.64 billion to TZS 3.04 billion due to maturing of NMB Bonds. New investment in corporate bonds during the year amounted to TZS 1.00 billion in TMRC Bonds. The interest accrued amounted to TZS 1.37 billion (2019/20: 3.99 billion).

### Deposits with Financial Institutions

Total fixed deposits amounted to 183.74, billion (2019/20: TZS 259.37 billion). The decrease in fixed deposits is mainly due to impairments made on deposits where significant amount come from TIB Development Bank defaulted fixed deposits. The Fund impaired total amount of TZS 97.75 billion where out of it TZS 93.47 billion is for TIB Development Bank defaulted deposits. The Fund has is currently in close follow up with the Ministry of Finance to intervene on recoverability of the FDR from TIB Bank (T) Ltd. New deposits during the year amounted to TZS 146.22 billion (2019/20: TZS 114.05 billion) with interest earned during the year amounting to TZS 15.37 billion (2019/20: TZS 15.23 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 499.55 billion (2019/20: TZS 429.50 billion). The increase in listed equity is due to the increase in share prices at DSE as compared with previous year. Total gain in share values during the year was TZS 66.02 billion (2019/20: TZS 10.21 billion).

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

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Table 14: Investments in Listed Equities

		30 June 21	Fair Value Change	Reclassification	30 June 20
Name	% Ownership	TZS '000	TZS '000		TZS '000
CRDB Bank Plc	13.30	102,294,503	52,014,151	-	50,280,352
Mwalimu Commercial Bank	16.20	5,000,000	-	-	5,000,000
National Investment Company Limited	15.00	1,275,004	340,003	-	935,000
NMB Bank Plc	1.60	18,229,655	-	-	18,229,655
Swissport Tanzania Ltd	4.20	1,675,432	(269,266)	-	1,944,697
Tanga Cement Company Limited	4.10	1,131,024	(544,567)	-	1,675,592
Tanzania Breweries Limited	5.50	175,290,639	-	-	175,290,639
Tanzania Cigarette Company	4.70	79,624,991	-	-	79,624,991
Tanzania Portland Cement Ltd	6.20	39,882,604	15,509,901	-	24,372,702
TCCIA		9,835,105	5,808,005	4,027,100	-
TOL Gases Limited	1.90	541,667	(108,333)	-	650,000
Vodacom Tanzania Plc	3.80	64,770,644	(6,729,418)	-	71,500,062
<b>Total Listed Equities</b>		<b>499,551,268</b>	<b>66,020,476</b>	<b>4,027,100</b>	<b>429,503,690</b>

## Investment in Unlisted Equity

Total value of investment in unlisted equities is TZS 42.52 billion (2019/20: TZS 32.95 billion). Accumulated fair value as at 30 June 20 was TZS 11.07 billion (2019/20: loss of TZS 10.42 billion).

The table below shows the investments in unlisted equities.

Table 15: Investments in Unlisted Equities

	% of ownership	30 June 21	Fair value changes	30 June 20
		TZS '000	TZS '000	TZS '000
TPB Bank Plc/Twiga Bancorp Ltd	2.35	1,965,317	1,304,916	660,401
Tanzania National Re-Insurance Corp Ltd	10	20,120,772	(4,063,637)	24,184,409
Tanzania Pharmaceuticals Industries	10	0	1,500,000-	1,500,000
Akiba Commercial Bank Plc	11.2	2,277,655	1,313,698	963,957
PTA Reinsurance Company	11.2	18,159,649	12,518,890	5,640,759
<b>Total</b>		<b>42,523,393</b>	<b>9,573,866.78</b>	<b>32,949,526</b>

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Investment in Subsidiaries

The Fund has 13 subsidiaries. As at 30 June 2021, investment in subsidiaries was TZS 257.77 billion (2019/20: TZS 467.19 billion). The decrease was mainly due to reclassification whereas Unit Trust of Tanzania (UTT) and Watumishi Real Estates (REITs) were reclassified to collective schemes, Nabongo Sumbawanga Project and APC Investments were reclassified to Joint Venture and International House Property reclassified to Investment Property, Kilimanjaro International Leather Industries partly reclassified to corporate loan. Notes to the accounts provide additional details with regard to movement in the subsidiaries.

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

Table 16: Investments in Subsidiaries

Entity	Holdings %	30 June 21 TZS '000'	Cumm. Values TZS '000'	Fair TZS '000'	Reclassification FV TZS '000'	Reclassification Cost TZS '000'	Adjustment TZS '000'	Additions TZS '000'	30 June 20 TZS '000'
APC Hotel and Conference Center		-	(7,587,273)		7,587,273	(9,982,336)	-	-	9,982,336
Azania Commercial Bank	51.95	97,082,827	(2,222,172)		-	-	(3,110,781)	-	97,415,780
International House Property	100.00	-	784,539	(784,539)	-	(29,974,461)	-	-	29,974,461
Kilimanjaro International: Leather Industries	90.00	63,821,643	3,861,542	-	-	(42,819,582)	1,334,622	36,057,959	65,387,101
Mamba Ginger Co. Ltd	60.00	6,700,000	-	-	-	-	5,700,000	-	1,000,000
**Msamvu Properties Company Ltd	72.70	10,192,390	(19,407,610)	-	-	-	-	-	29,600,000
Mwanza City Commercial Complex Company Ltd	92.80	83,966,983	16,202,268	-	-	-	(4,235,285)	-	72,000,000
*Wizima Properties Ltd		321,481	-	-	-	(1,122,249)	-	-	321,481
Nabongo Sumbawanga Project		-	-	-	-	-	-	-	1,122,249
Pension Properties Limited		6,500	-	-	-	-	-	-	6,500
Unit Trust of Tanzania (UTT)		-	-	-	-	(155,419,385)	-	-	155,419,385
Watumishi Housing Co. Ltd (Shares)	57.20	673,542	-	-	-	-	(326,458)	-	1,000,000
Watumishi Real Estate (REITs)		-	(26,764,866)	-	26,764,866	(39,097,438)	-	-	39,097,438
		257,765,365	35,133,572		33,567,600	(278,415,450)	637,902	36,057,959	502,326,730

The Government issued directives to transfer controlling powers and day to day activities of Msamvu Properties Ltd to Morogoro Municipal Council. As at June 2021 there were no formal arrangement in place between parties indicating settlement of the fund invested. However, ongoing discussion indicated a possibility of re-possessing the assets due to liquidity challenges on Government side.



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**Investments in Associates**

The Fund has investments in Associates. Investment in Associates amounted to TZS 22.43 billion (2019/20: TZS 12.47 billion). Increase is mainly associated with increase in fair values specifically in Tanzania Mercantile. An investment in TCCIA was reclassified to listed equities following the company listing its shares with DSE. Accumulated Changes in Fair Values as at 30 June 2021 was TZS 5.07 billion (2019/20: loss TZS 12.52 billion). The investments in Associates are as shown in Table 17 below:

**Table 17: Investments in Associates**

	% of ownership	Closing Balance	Fair Values	Addition or Reclassification	Opening Balance
NAME		TZS '000	TZS '000	TZS '000	TZS '000
TCCIA	40	-	-	(7,627,516)	7,627,516
NGURU RANCH	39	1,716,000	-	1,200	1,714,800
Tanzania Mercantile	44	6,002,679	5,002,679		1,000,000
Ubungo Plaza Limited	35	14,711,013	67,322		14,643,691
<b>Total</b>		<b>22,429,692</b>	<b>5,070,001</b>	<b>(7,626,316)</b>	<b>24,986,007</b>

**Investments in Joint Ventures**

Investments in Joint Ventures amounted to TZS 19.36 billion (2019/20: TZS 9.47 billion).

The investments in Joint Ventures are shown in Table 18 below:

**Table 18: Investments in Joint Ventures**

Entity	% of Share	Balance 30 June 2021	Additions	Cumm. Fair Values	Balance 30 Jun 2020
NHC/PPF IPS Building Company Limited	50	13,515,494	-	(4,946,520)	18,462,014
PPF/DCC Investment Company Limited	50	2,462,187	(295,000)	616,014	2,141,173
Mkulazi Holdings Limited *	50			(332,044)	332,044
APC investment Centre	54	2,322,753	9,982,336	(7,659,583)	-
Nambongo Sumbawanga		1,056,250	1,056,250	-	-
<b>Total</b>		<b>19,356,684</b>	<b>10,743,586</b>	<b>(12,322,133)</b>	<b>20,935,231</b>

**Investment Properties**

Total Investment properties increased to TZS 1,167.16 billion (2019/20: TZS 1,151.99 billion). The Fund's investment properties recorded valuation loss of TZS 17.03 billion due to wear and tear (2019/20: gain TZS 27.05 billion). The increase in investment properties was mainly due to reclassification of International House Property from Subsidiaries to Investment Properties following the Management decision of liquidating the company in order to reduce unnecessary operating costs and comply with company act.

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**Tradable Inventories**

Tradable inventories include stocks that are available for sale. These include houses and plots. As at 30 June 2021; the Fund had TZS 114.02 billion in tradable inventories (2019/20: TZS 118.11 billion). In the tradable inventory, houses had TZS 101.07 billion (2019/20: TZS 103.78 billion) and plots had TZS 12.99 billion (2019/20: TZS 14.33 billion). The decrease in tradable inventory was mainly due to sales of inventories during the year.

**Loans**

The Loans portfolio balance as at 30 June 2021 stood at TZS 323.99 billion (2019/20: TZS 876.64 billion), no new loans were issued. The Fund received TZS 324.87 for Loan recoveries of which TZS 300 billion was for Government loan repayments and TZS 24.87 billion from corporate, members and SACCOS loans. The Board expects that the Government will continue to honor its obligation under the guarantee. The breakdown of loan investments of the Fund as at 30 June 2021 is as listed in Table 19 below:

**Table 19: Loan Investments**

DETAILS	30 June 2021		30 June 2020
	TZS'000		TZS'000
Direct loan to the Government	231,402,698		778,715,910
Corporate Loans	55,196,262		16,685,910
Loans to corporative societies	13,996,933		22,974,822
Members Loans	23,389,801		38,259,849
	<b>323,985,694</b>		<b>856,636,491</b>

**b. Other Assets**

Other assets include receivables, cash and bank balances, prepayments, property and equipment, and inventories. A complete list of Other Assets is as shown in Table 20 below:

	30 June 21	% of total	30 June 20	% of total
Cash and cash equivalents	282,943,862	35.51%	191,467,225	28.00%
Prepayments	7,230,042	0.91%	32,020,795	4.68%
Receivables	88,350,864	11.09%	196,191,664	28.69%
VAT and WHT Recoverable	7,643,726	0.96%	8,523,144	1.25%
Stationery and Consumables	330,272	0.04%	290,659	0.04%
Tradable Inventories	114,022,146	14.31%	118,109,062	17.27%
Right-of-Use Asset	1,190,621	0.15%	652,194	0.10%
Intangible assets	993,555	0.12%	1,402,523	0.21%
Deferred tax	280,062,876	35.15%	114,398,332	16.73%

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Property and equipment	14,011,493	1.76%	20,676,354	3.02%
<b>Total other assets</b>	<b>796,779,457</b>	<b>100.00%</b>	<b>683,731,952</b>	<b>100%</b>

**(ii) Liabilities**

As at 30 June 2021, total amount of liability was TZS 898.50 billion (2018/19: TZS 692.75 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 increased by 62.11%, from TZS 430.26 billion as at 30 June 2020 to TZS 696.22 billion as at 30 June 2021. The increase is attributed by members early retirement. Benefits payable includes claims falling due in the financial year but remain unpaid at the year-end. Provision for the liability was made using the Fund's records extracted from the computerized Members Management System.

**Net Assets**

The increase in net assets before income tax for the year was TZS 1,448.77 billion (2019/20: TZS 97.77 billion) which represents an increase of 481.81% if compared with the result of previous year.

The Fund had an income tax credit of TZS 148.99 billion (2019/20: tax expense TZS 83.24 billion). The tax credit was mainly due to tax credit from deferred income tax amounting to TZS 165.66 billion. The Income tax expense for the current year was TZS 16.67 billion. Please refer to Note 18 of Financial Statements for details.

The increase in net assets after income tax stood at TZS 1,596.76 billion (2019/20: TZS 14.52 billion). The Net Assets of the Fund as at 30 June 2021 amounted to TZS 7,341.70 billion compared to TZS 5,743.94 billion for the year ended 30 June 2020. This represents an increase of 27.83%.

**Key financial performance indicators for the Fund**

**Table 21: Financial Performance Indicators**

Performance indicator/ratio	Definition and formula	Purpose	2020/21 Actual	2019/20 Actual
Investment ratios	(Total investments/Total assets) x 100	Showing impact of total investments to total assets	90.33%	89.38%
Income ratios	Return on Investment Income = (Investment income/ total investments) x 100	Showing impact of investment income from investments	8.23%	7.44%
	Return on total assets = (Investments income/Total assets) x 100	Showing impact of investment income to total assets	7.43%	6.65%
	(Investments income/net assets) x 100	Showing impact of investment income to net assets	8.34%	7.45%
Liquidity ratio	Current assets/Current liabilities	Showing the liquidity of the Fund	0.56	0.79
Benefits ratios	(Benefits /contributions) x 100	Showing impact of benefits paid out of contribution	60.79%	113.93%

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Performance indicator/ratio	Definition and formula	Purpose	2020/21 Actual	2019/20 Actual
		income		
	$(\text{Benefits} / \text{total income}) \times 100$	Showing impact of benefits paid to total income	51.53%	86.35%
	$(\text{Benefits} / \text{Total expenditure}) \times 100$	Showing impact of benefits paid to total expenditure	78.23%	86.35%
Expenditure Ratios	$(\text{Administrative expenses} / \text{contributions}) \times 100$	Showing impact of administrative expenses to total contributions	1.91%	5.41%
	$(\text{Investment Management} / \text{total rent income}) \times 100$	Showing impact of Inv Management expenses to total rent income	43.61%	38.35%
	$(\text{Administrative expenses} / \text{total Expenses}) \times 100$	Showing impact of administrative expenses to total Expenses	2.46%	4.34%
Funding Ratio	Net assets/Total benefits liability	Showing the extent to which, the Net Assets can cover all of the current liability	22.30%	N/A

### 1.11 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.

### 1.12 SOLVENCY EVALUATION

Based on the current Actuarial Valuation as at 30 June 2020 performed by Muhanna & Co, an independent firm of actuaries, the funding level is 22.30% against the required level of 40%. The Fund engaged the Government of United Republic of Tanzania to pay the liability associated with pre-1999 service which was inherited from PSPF amounting to TZS 4.629 trillion. The Government has issued (15 December 2021) non-cash special Bond amounting to TZS 2.177 trillion for payment of pre-1999 contributions and the remaining amount of TZS 2.452 trillion is expected to be concluded soon after verification.

This will increase the funding level to 40.24% which is acceptable level and signifying ability for existence of the Fund for a foreseeable future.

Information regarding to method, financial, demographic and other assumptions have been disclosed in Note 5 to the Financial Statements.

### 1.13 CURRENT AND FUTURE DEVELOPMENT PLANS

The current and future development plans centers around improved benefits and quality service delivery to Members of the Fund. 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, which include the establishment of a customer services lounge at Head office, opening 10 (Ten) Zones and 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

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**REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021  
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system and further integrating it to the Fund's financial reporting system and systems of other stakeholders.

Other initiatives that have been taken to improve service delivery include the use of ICT in internal operations and The Fund's investment portfolio performance as shown in the table below:

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Table 22: Current and Future Development Plans

SN	DESCRIPTION	CURRENT DEVELOPMENT	FUTURE DEVELOPMENT
1.	The use of ICT services in Funds day-to-day core and no-core functions	<ul style="list-style-type: none"> <li>Building of Local Area Network (LAN) to Funds Headquarter, sub-Headquarters, regions offices and remote offices;</li> <li>Development of Funds computer applications including Member administration system (MAS) and Human resources &amp; payroll system (HRPS);</li> <li>Adoption and Customization of Finance system (Microsoft Dynamics Navision) and Document Management System (Laserfiche);</li> <li>Acquisition of ICT software and hardware (computers, Network switches, routers, firewalls, UPS, scanners, printers and photocopiers.</li> </ul>	<ul style="list-style-type: none"> <li>Develop and Customize Fund official Website</li> <li>Develop and Enhance Mobile Applications</li> <li>Review of Fund's ICT system Applications</li> <li>Enhance integration among Funds internal applications (i.e., MAS Vs NAVISION)</li> <li>Enhance integration of internal ICT applications with external systems i.e., GePG System, Banks (NMB, CRDB)</li> <li>Implement and enhance System Virtualization</li> <li>Conduct user satisfaction survey on ICT service delivery</li> <li>Implement and review the PSSSF ICT Governance Framework</li> <li>Operationalize ICT Governance Framework and adopt COBIT Framework</li> </ul>
2.	Fund Investment Plan is to invest in low risk, high yield investment opportunities and to strengthen the Fund's asset base	<ul style="list-style-type: none"> <li>During the period under review the Fund invested TZS 322.83 billion in various investments compared to the planned target of investing TZS 259.89 billion equivalent to performance of 124% above target. This performance was a result of collecting TZS 300.00 billion from the Government for repayment of outstanding loans against the target of TZS 200.00 billion that was expected for the year.</li> </ul>	<ul style="list-style-type: none"> <li>For the year 2021/22, the Fund plan to invest TZS 317.14 billion in Treasury Bonds, fixed deposits, real estate's projects and industrial projects.</li> <li>The proposed investment plan has taken into consideration the past investment performance, projected investible funds, projected liabilities of the Fund and the economic operating environment with respect to Government focus of revamping the industrial sector.</li> </ul>

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1.15 STOCK EXCHANGE INFORMATION

The Fund has invested in selected equity and bonds traded in the Dar es Salaam Stock Exchange as per below table of distribution.

Table 23: Fund's equity investments listed at Dar es Salaam Stock Exchange

Entity	No of Shares	Price	Value 30 June 2021	No of Shares	Price	Value 30 June 2020
		30 June 21	TZS'000		30 June 20	TZS'000
CRDB Bank Plc	346,761,028	295	102,294,503	346,761,028	145	50,280,349
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	225	1,275,001	5,666,670	165	935,001
NMB Bank Plc	7,790,451	2,340	18,229,655	7,790,451	2,340	18,229,655
Swiss port (T) Ltd	1,495,921	1,120	1,675,432	1,495,921	1,300	1,944,697
Tanga Cement Co. Ltd	2,792,653	405	1,131,024	2,792,653	600	1,675,592
Tanzania Breweries Ltd	16,081,710	10,900	175,290,639	16,081,710	10,900	175,290,639
Tanzania Cigarette Company	4,683,823	17,000	79,624,991	4,683,823	17,000	79,624,991
Tanzania Portland Cement Plc	11,078,501	3,600	39,882,604	11,078,501	2,200	24,372,702
TOL Gases Limited	1,083,333	500	541,667	1,083,333	600	650,000
Vodacom Tanzania Plc	84,117,720	770	64,770,644	84,117,720	850	71,500,062
DCB Bank Plc	11	240	3	11	290	3
TCCIA	28,100,300	350	9,835,105	-	-	-
<b>Grand Total</b>			<b>499,551,268</b>			<b>429,503,691</b>

Source: www.dse.co.tz website

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**1.15 CAPITAL STRUCTURE, INVESTMENT AND TREASURY POLICY**

The Fund has no capital rather is guaranteed by the Government as the last resort in case Assets Available for Benefits falls short to meet maturing obligation.

The Fund's investment and treasury policies focuses on the need to maintain adequate liquidity, maximize returns with minimal risk and portfolio diversification. It also ensures reasonable security of the Fund's investments. The investment limits comply with the Investment Guidelines issued by the Bank of Tanzania (BoT). The policy is reviewed annually or as circumstances require, the Fund has the financial management system that help to predict the future cash flows with reasonable accuracy. Tables 24A and B shows the extent of compliance with investment and treasury policy:

**Table 24A: Compliance with BOT Investment Guidelines (2015)**

Investment Category	% Limit	Amount as at June 2021	% of Total Assets in 2020/21	Amount as at June 2020	% of Total Assets in 2019/20
Government securities	20-70	4,700,205,797	57.04%	2,515,726,828	39.08%
Direct Loan to the Government	10	231,402,697	2.81%	778,715,910	12.10%
Corporate Bonds (Listed)	15	3,041,338	0.04%	17,640,180	0.27%
Income Earning Investment Property	25	1,109,528,619	13.46%	1,087,594,094	16.90%
Non Income Earning Investment Properties	5	57,634,561	0.70%	64,397,681	1.00%
Equity Investments (Quoted)	15	499,551,267	6.06%	429,503,691	6.67%
Equity Investments (Unquoted)	5	331,561,263	4.02%	511,575,638	7.95%
Infrastructure Investments	25	10,513,871	0.13%	10,513,871	0.16%
Fixed Deposits	35	183,739,651	2.23%	259,367,591	4.03%
Collective Schemes	30	223,663,735	2.71%	0	0.00%
Loan to Corporate and Cooperative Societies	10	92,582,997	1.12%	77,920,581	1.21%
<b>Total Assets</b>		<b>8,240,205,253</b>		<b>6,436,688,018</b>	

Above limits were based on Bank of Tanzania Guideline issued 2015. However, on 21 June 2021 another guideline was issued to supersede the prevailing one which among other things allowed off-shore investments and omit loan investment category due to poor performance. Pegging compliance limits on new guideline, performance would be as detailed in the table below:



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**Table 24B: Compliance with BOT investment guideline (2021)**

Investment Category	% Limit	Amount as at June 2021	% of Total Investments in 2020/21	Amount as at June 2020	% of Total Investments in 2019/20
Cash and Demand Deposit in Banks	5	282,943,863	3.80%	191,467,225	3.64%
Government securities	20-100	4,700,205,797	63.15%	2,515,726,828	47.77%
Direct Loan to the Government	10	231,402,697	3.11%	778,715,910	14.79%
Corporate Bonds (Listed)	15	3,041,338	0.04%	17,640,180	0.33%
Income Earning Investment Property	25	1,109,528,619	14.91%	1,087,594,094	20.65%
Non Income Earning Investment Properties	5	57,634,561	0.77%	64,397,681	1.22%
Equity Investments (Quoted)	15	499,551,267	6.71%	429,503,691	8.16%
Equity Investments (Unquoted)	5	331,561,263	4.45%	511,575,638	9.71%
Infrastructure Investments	25	10,513,871	0.14%	10,513,871	0.20%
Fixed Deposits	35	183,739,651	2.47%	259,367,591	4.92%
Collective Schemes	30	223,663,735	3.00%	0	0.00%
Loan to Corporate and Cooperative Societies	10	92,582,997	1.24%	77,920,581	1.48%
<b>Total Investments</b>		<b>7,443,425,796</b>		<b>5,752,956,065</b>	

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 to ensure 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.

For the year 2021/22, the Fund plan to invest TZS 317.14 billion in Government securities (i.e., Treasury Bonds, fixed deposits, real estate's projects and industrial projects). The proposed investment plan has taken into consideration the past investment performance, projected investible funds, BoT guidelines, PSSSF Investment policy, projected liabilities of the Fund and the economic operating environment with respect to Government focus of investing/revamping the industrial sector.

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### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

#### **1.16 CASH FLOWS AND LIQUIDITY**

During the year, cash available increased to TZS 282.43 billion (2019/20: 191.47 billion), the plan set to apply such amount to meet benefit obligation and ongoing industrial projects, financing growth strategies, investment opportunities and meet regulatory requirements.

Several factors affected cash flows significantly during the year under review, including members early retirement. The Fund expects this to escalate next year and therefore affect current and prospective cash flows,

The Trustees took some efforts to curb the situation by suspending some category of investments and we expect the Government to continue honoring its obligations.

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.

#### **1.17 SERVICE PERFORMANCE INFORMATION**

The Trustees have opted to present service performance information as part of the governance report and they 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 and overall financial management.

The Trustees are aware that the acquisitions of the systems require 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 existing internal control systems are invariably complied with. This has resulted in smooth operations of the Fund. The Fund had 675 employees as at 30 June 2021, out of them, 313 are female and 362 are male (2019/20:715 employees, 322 female, 393 male,).

The Trustee have included both financial and non-financial indicators in the service performance information, to measure performance, targets has been compared to actual, and comparative has been included in order to make inter period comparison of service performance.

PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

Table 25: Service Performance Information

Perspectives	Strategic Objectives	KPI/Performance Objective	2021 - Performance Cost TZS '000'			2020 - Cost TZS '000'
			Budget	Actual	(%)	Actual
Customer	Enhance Customer Experience	Percentage of customer satisfaction rate /At least 80% of customer satisfaction achieved by 2023/24				
	Create Brand Awareness	Top of mind awareness score and brand image/At least score of 75% by year 2023/24	1,767,470	1,595,847	90%	1,404,347.67
Financial	Sustain in net worth above TZS 6.59 trillion	Amount in net worth/Above TZS 4.59 trillion by 2023/24	5,390,000,000	7,266,776,258	135%	5,743,942,224
	Percentage of contributions collected	Percentage of contributions collected/ 100% of contributions due collected.	1,553,530,000	3,597,611,693	232%	1,364,325,182
	Growth of Revenue	Percentage of average real Return on investments/At least 10% annual real return on investment.	549,470,000	612,418,107	111.46%	428,051,387
	Attain Value for Money for Fund's Expenditure	Rate of Growth of other Income /At least 5% by June 2024	29,430,000	35,119,190	119.33%	7,737,774
		Percentage of Admin cost over Total Contribution/At most 10% annually	5.38%	4.86%	90.33%	5.42%
Process	Automate and Streamline of Business Process	Actual uptime against planned time/At least 95% availability				
		Number of business processes automated/At least 90% of business process automated by 2023/24	1,108,789.00	987,372.00	89%	780,922.53
	Enhance Product and service development	Benefit processing time (days)/ 7 days after retirement	2,187,053,596	2,186,820,000	99%	1,554,426,403
		Number of products introduced/At least two products by June 2024				
Learning and Growth	Enhance Staff Welfare	Percentage of employees' satisfaction/At least 80% Staff Satisfaction achieved annually	34,551,304.00	30,504,377	88%	34,395,521
		Retention Rate/At least 90% retention rate achieved	12,851,871.00	10,752,492	83%	11,504,160
	Enhance Capacity Building	Percentage of staff trained 80% of staff trained annually in accordance with Training Plan/				
	Create Corporate Culture	Behavior Index Score /Behavior score of at least 60% attained annually	1,860,000.00	1,601,374	86%	946,552

## PUBLIC SERVICE SOCIAL SECURITY FUND

### REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

#### ASSUMPTIONS ABOUT KPI's

Performance measures are based on the following assumptions:

- i. It is anticipated that the Government will recruit about 10,000 employees per annum.
- ii. Contribution income will increase by 7 percent due to increase of salary, promotions and new recruitments.
- iii. Average Return on Investment is expected to be 8 percent p.a during the plan period.
- iv. Administrative expenditure is expected to be proportional with collected contributions throughout the plan period. The projected increase will be below the prescribed BoT standard of spending not more than 10 percent of contribution income for Pensions Fund. Therefore, the Fund intends to maintain administrative costs at a ratio of below 10 percent of contribution income.

#### Other relevant service performance information

The table below shows performance of contribution collection and benefits payment during the year under review:

**Table 26: Other relevant Service performance indicators information**

Description	Target 2020/21	Actual 2020/21	Percent	Actual 2019/20	Percent
Contributions (C)	1,553.53	3,597.61	232%	1,364.33	104.14%
Benefits Payments	2,187.05	2,186.82	99.99%	1,554.42	140.68%
Ratio A/C	5.38%	4.86%		5.50%	
Administrative cost (A)	83.63	68.83		73.87	92%

##### (i) Contributions

The Fund accounted a total of TZS 3,597.61 billion contribution against the target of collecting TZS 1,553.53 billion equivalents to 232 percent of the target. Collection for the year under review increased to TZS 3,597.61 billion (2019/20: TZS 1,364.33 billion) equivalent to 263.69%, details of the Fund's contribution collection in various sources are as indicated in Note 6 to the Financial Statements.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

#### **(ii) Benefit Expenses**

The Fund spent TZS 2,186.82 billion to pay various benefits against the target of spending TZS 2,187.05 billion which is 99.99 percent of the set target. Benefit expenses for the year under review increased to TZS 2,186.82 billion (2019/20: TZS 1,554.42 billion) equivalent to 140.68%, details of the Fund's spending in various activities are as indicated in Note 7 to the Financial Statements.

#### **(iii) Contributing Employers**

During the period, the total numbers of participating employers were 906. These include Local Government Authorities, Government Ministries, Independent Government Departments, Corporations and Private Sector. As at 30 June 2021, the Fund had 705,489 Members.

#### **(iv) Members**

The Fund managed to register 10,142 new members equivalent to 72.33% of the set target of registering 14,022 new members for the period.

#### **(v) Beneficiaries**

During the period, the Fund paid 56,677 beneficiaries (2019/20:71,152). As at 30 June 2021, the Fund had 136,423 pensioners. Education benefit is payable to schools and beneficiaries for continuing students under commitments made by the former Funds.

#### **(vi) Administrative/Benefits Expenses**

The Fund spent TZS 62.72 billion to pay various administrative cost/cost of service against the target of spending TZS 83.63 billion which is 82.25 percent of the set target. Benefits cost for the year under review increased to TZS 2,390.47 billion (2019/20: TZS 1,554.42 billion) equivalent to 153.79%, details of the Fund's spending in various activities are as indicated in Note 7 to the Financial Statements.

The ratio of administrative expenditure to contributions decreased to 4.84% (30 June 2020:5.41%) during the year, while the planned ratio is 5.38%.

#### **(vii) Compliance**

The Trustees achieved 100% of institutional standards compliance against the target of 100%, it includes compliance to PSSSF Act No. 2 of 2018, Guidelines provided by the Regulator and other applicable Laws and regulations.

The Trustees managed to improve Quality of Services by achieving 83% of customer satisfaction against a target of 85%, this was achieved by reducing benefit processing time to 60 days and customer served within 10 minutes.

## PUBLIC SERVICE SOCIAL SECURITY FUND

## REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 1.19 TRUSTEES

Table 27: Trustees of the Board who held office during the period was as follows:

S/N	Name	Position	Age	Qualification	Nationality	Appointment
1.	Eng. Musa I. Iyombe	Chairman	66	- Engineer/Administrator, Consulting Civil Engineer: Master of Engineering, Bachelor of Engineering.	Tanzanian	14 May 18
2.	Dr. Aggrey K. Mlimuka	Vice Chairman	63	- Lawyer: Dr. Juris, LL.M, Post Graduate Diploma in International Law, LL.B.	Tanzanian	31 July 18
3.	CPA. Stella E. Katende	Member	51	- Accountant: CPA (T), Master of Business Administration, Bachelor of Commerce-Accounting.	Tanzanian	31 July 18
4.	Ms. Susan B. Kabogo	Member	54	- Economist: Master of Business Administration, Bachelor of Arts - Economics.	Tanzanian	31 July 18
5.	Mr. Henry T. Katabwa	Member	57	- Administrator: Master's in Public Administration (HRM), Advanced Diploma in Public Administration.	Tanzanian	31 July 18
6.	Mr. Jacob C. Mwinula	Member	36	- Lawyer: LL.M - International Human Rights Laws, LL.B.	Tanzanian	31 July 18
7.	Mr. Thomas C. Manjati	Member	64	- Banker: Advanced Diploma in Business Administration, - Certificate in Accountancy, - Diploma in Business Administration - Marketing	Tanzanian	31 July 18
8.	Mr. Rashid M. Mtima	Member	50	- Land Planner: Bachelor of Science in Urban Planning Registered Town Planner.	Tanzanian	31 July 18
9.	Ms. Leah L. Ulaya	Member	51	- Teacher: Bachelor of Education, Diploma in Education.	Tanzanian	31 July 18
10.	Mr. Said A. Nzori	Member	58	- Lawyer: LL.M, LL.B and Diploma in Translation	Tanzanian	2 April 2020

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

#### **1.19 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.

#### **1.20 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 103.38 million. Other Board expenses include transport, subsistence or living costs for Board and Committee meetings, as well as Trustees' capacity building amounted to TZS 398.56 million.

#### **1.21 CORPORATE GOVERNANCE MATTERS**

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;

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021  
(CONTINUED)**

- (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.

**Board Meetings**

During the year ended 30 June 2021, the Board of Trustees held 7 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 June 20, 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 01 July 2020 to 30 June 2021.

**Table28: Trustees meeting attendance**

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

\* Ms Susan B. Kabogo could not attend all Meetings since she was on sick leave.

IC - Investment Committee; FC - Finance Committee; AC - Audit Committee; GC - Governance and Risk Committee; N/A - Not Applicable.

The composition of the Investment Committee during the period was as follows:

Name	Position	Nationality
Ms. Susan B. Kabogo	Chairperson	Tanzanian
CPA. Stella E. Katende	Member	Tanzanian
Dr. Aggrey K. Mlimuka	Member	Tanzanian
Mr. Said A. Nzori	Member	Tanzanian
Mr. Rashid M. Mtima	Member	Tanzanian



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021  
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The composition of the Audit Committee during the period was as follows:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>
CPA. Stella E. Katende	Chairman	Tanzanian
Mr. Thomas C. Manjati	Member	Tanzanian
Ms. Susan B. Kabogo	Member	Tanzanian
Mr. Rashid M. Mtima	Member	Tanzanian
Mr. Jacob C. Mwinula	Member	Tanzanian

The composition of the Finance and Planning Committee 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
Ms. Leah L. Ulaya	Member	Tanzanian
Mr. Thomas C. Manjati	Member	Tanzanian
Ms. Susan B. Kabogo	Member	Tanzanian

The composition of the Governance and Risk Committee 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
Ms. Leah L. Ulaya	Member	Tanzanian
Mr. Said A. Nzori	Member	Tanzanian

**Finance and Planning Committee**

The Finance and Planning Committee is made up of five 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.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

Name	Position	Nationality
Mr. Henry T. Katabwa	Chairman	Tanzanian
Mr. Jacob C. Mwinula	Member	Tanzanian
Ms. Leah L. Ulaya	Member	Tanzanian
Mr. Thomas C. Manjati	Member	Tanzanian
Ms. Susan B. Kabogo	Member	Tanzanian

#### Governance and Risk Committee

The Governance 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.

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

Name	Position	Nationality
Dr. Aggrey K. Mlimuka	Chairman	Tanzanian
Mr. Henry T. Katabwa	Member	Tanzanian
Ms. Leah L. Ulaya	Member	Tanzanian
Mr. Said A. Nzori	Member	Tanzanian

#### 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.

### 1.22 PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

#### Uncertainties and Opportunities

The Trustees consider uncertain economic growth to be the biggest threat to the Fund's operation, the environment in which the Fund operates has been previewed therefore opportunities has been earmarked as described below:

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

#### **Operating Environment**

The IMF estimates that Tanzania's GDP expanded by 1.0% in 2020 compared to a growth of 6.8% in 2019. The construction sector remained the main driver of this growth with flagship strategic projects such as the upgrade of central railway line to standard gauge (SGR), construction of the 2,115MW Julius Nyerere Hydropower plant, the crude oil pipeline project from Hoima in Uganda to Chongoleani in Tanga Tanzania, and the strengthening of Air Tanzania Company Ltd. The mining and information and telecommunication sectors also registered significant growth. The IMF projects the country's GDP to expand by 2.7% in 2021 and 4.6% in 2022.

The Trustees has spotted opportunities due to conducive operating environment aforementioned, The Fund looks for industries, which are characterized by a vast multipliers effect in the economy and will continue monitoring investment opportunities already earmarked such as revitalizing Morogoro Canvas Mills, Moproco Seed Oil Company, Ginneries and Mponde Tea Factory.

The Trustees Investment strategies in industrial projects are to invest in value chain industries that are one industry provides raw materials to others. Furthermore, the Fund own fleet of cars and other investment properties Uncertainties for these assets has been carefully planned for and mitigated against and outsourced by taking comprehensive insurance cover. Trustees have assessed operational uncertainties of the Fund and measured their effects on the balance sheet as well as day-to-day operations, and concluded that no material uncertainty that have come to their attention, which might pose threat to the fund from achieving planned objectives.

#### **Risk Management and Internal Control**

The Trustees accepts final responsibility for risk management and internal control system of the Fund. The Trustees ensures that adequate financial and operational control systems are maintained on ongoing basis. The objective is to provide reasonable assurance on the following: "uncertain economic growth" is considered the biggest threat to businesses.

- (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

## PUBLIC SERVICE SOCIAL SECURITY FUND

### REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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. The Principal risks of the Fund include 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. On page 69 to 76, you will find a detailed explanation of exposure for each risk.

The Fund's investment portfolio consists of 98.41% of the Fund's assets. These portfolios need to be safeguarded, monitored and properly managed. The Fund has identified risks affecting investment activities and put in place mitigation plans to manage and maintain these assets at acceptable/tolerable levels.

Table 28 below shows classification of risk and allocation of investible funds whereby class 1 is the category with the lowest risk and class four is the category of highest risk.

**Table 28: Classification of Risk and Allocation of Investible Fund - Internal limits**

Investment Category	% of total planned investment	Impact	Likelihood	Risk class
Government Securities	78.95%	M	R	1
Corporate Bonds	0.00%	M	R	1
Fixed Deposits	9.58%	H	M	3
Equities	3.81%	M	M	3
Real Estate	5.62%	H	M	3
Loans	0.47%	H	H	4

R= Rare, M= Moderate and H= High

**Table 29: Investment portfolio Risk and Mitigation Plan**

Risk Category	Characteristics	Risk Level	Mitigation Plan
Credit risk	Loss of funds or income due to debtor's inability/willingness to repay as a result of bankruptcy or insolvency	H	Effective investment policy
			Lending limits as per guidelines
			Regular monitoring
			Ensure existence of collateral or guarantees

## PUBLIC SERVICE SOCIAL SECURITY FUND

### REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

Risk Category	Characteristics	Risk Level	Mitigation Plan
Liquidity risk	Failure to meet maturing obligations like honouring of contractors certificates, benefit s payment, etc.	H	Comprehensive cash flow management
Market risk	Loss of value of investment due to market fluctuation	M	Diversification of investment portfolio
Interest rate risk	Possible loss of income due to interest rate fluctuation	M	Diversification of investment portfolio

In totality, the investment process is affected by credit, liquidity, market and interest rate risks. Mitigation plans for these risks are narrated below:

#### **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 have 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

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

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 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.

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.

#### **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).

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021  
(CONTINUED)**

### **1.23 RELATED PARTY TRANSACTIONS**

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

### **1.24 POLITICAL AND CHARITABLE DONATIONS**

PSSSF donations is guided by Corporate Social Investment policy (CSI) which focus in areas of Public Health, Sanitation, Environment, Poverty Eradication, Skills Development, Education, Job Creation, Orphaned and Vulnerable Children (OVC), Disadvantaged Groups, Sports Development, and in other areas of public interest.

In compliance with CSI, the Fund spent TZS 142.98 million (2019/20: TZS 100.65 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 those areas as mentioned in the foregoing paragraph.

The Fund did not make any political donations during the period (2020: NIL).

### **1.25 ENVIRONMENTAL MATTERS**

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.

The Trustee has computerized key processes and modernized records storage system by introducing paperless processing of benefits and other administrative documents as measures to preserve environment in which the Fund operate.

#### **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.

## PUBLIC SERVICE SOCIAL SECURITY FUND

### REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

#### 1.26 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. In addition, the Fund supports employees' own initiatives for both short and long-term training.

##### Medical Facilities

The Fund pays premium to the National Health Insurance Fund for them to provide medical insurance scheme to its employees and their immediate family dependents. Under the Act, the premium payable by an Employer is 6% of the employee's monthly salary constituting 3% deducted from the employee's salary and 3% contributed by the employer.

It also pays contribution to the Workers Compensation Fund to provide compensation to employees who may suffer occupational injuries or contract occupational diseases arising out of work and in the course of their employment. The contributions payable by an Employer is 0.5% of the employee's monthly salary.

**Table 30: Employees welfare**

S/No.	DETAILS	30 June 2021	30 June 2020
		TZS "000	TZS "000
1	Workers Compensation Fund	201,393.49	227,700
2	National Health Insurance Fund	1,240,379	1,307,410

##### Financial Assistance

The Fund operates a policy to assist in the event of death of an employee or immediate family dependent. During the year 41 employees/family dependents died (30 June 2020:35), The Fund incurred TZS 125m (30 June 2020:115m) to assist burial of the deceased employee and immediate dependents.

##### Retirement Benefits

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



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021  
(CONTINUED)**

**Table 31: Contribution distribution**

S/No.	DETAILS	30 June 2021	30 June 2020
		TZS “000	TZS “000
1	Employer’s contribution	1,014,867,153	1,003,792,903
2	Employee’s contribution	340,271,612	332,030,432

The Fund’s information is in par 2 above in summary. For detailed and complete information about the Fund, reference should be made to the PSSSF Act and Fund’s website [www.psssf.go.tz](http://www.psssf.go.tz)

**1.27 STAKEHOLDERS RELATIONSHIP**

The Fund engages with a number of stakeholders internal and external, which have various needs and expectations from the Fund;

**Relationship between Management and Employees**

A healthy relationship continues to exist between the Management and employees. Management liaises and communicates 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 2021, there were no unresolved grievances or disputes received by the Management from the employees.

**Relationship between Management and Other key Stakeholders**

The Fund has identified key stakeholders and has undertaken an assessment of their interests and the ways in which these interests affect the Fund’s operations. The purpose of the analysis was to determine the extent to which each stakeholder influences the achievement of the objectives of the Fund. The summary of Stakeholders’ analysis is as at Table 32.

PUBLIC SERVICE SOCIAL SECURITY FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

Table 32: Stakeholder Analysis

SN	Stakeholder	Needs/Expectations	Role	Stakeholders' Management Strategy
1	Government as sponsor and Employer(Central, Local, Agencies and Parastatals)	<ul style="list-style-type: none"> <li>• Effective and efficient administration and control of the Fund</li> <li>• Good service to Fund's members</li> <li>• Support Government initiatives</li> <li>• To receive information concerning the members' on registration, contribution and benefit payment status</li> <li>• Sustainability of the Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Guarantor and sponsor of the Fund</li> <li>• Develop and/or review social security Policy, Provide continued commitment and support to the Fund</li> <li>• Payment of Debts and adhere to the guidelines and regulations issued.</li> <li>• Remittance of Contributions</li> <li>• Submission of relevant documents.</li> <li>• Efficient running of the Fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely provision of reports regarding operations and performance of the Fund</li> <li>• Compliance of law, regulations, guidelines and directives</li> <li>• Engagement meetings</li> <li>• Improve employer's relations.</li> <li>• Improve communication and feedback mechanism.</li> <li>• Maximize return and effective cost control</li> </ul>
2.	Regulators <ul style="list-style-type: none"> <li>• Bot, PPRA, NBAA</li> <li>• TRA, OSHA, TCRA</li> </ul>	<ul style="list-style-type: none"> <li>• Adherence to relevant statutes, regulations, guidelines, circulars and directives.</li> </ul>	<ul style="list-style-type: none"> <li>• Regulate, control and supervise operations of the Fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with relevant statutes, regulations, guidelines, circulars and directives.</li> </ul>
3.	Trade Unions <ul style="list-style-type: none"> <li>• TUCTA, CWT</li> <li>• ATE, TUGHE</li> <li>• TALGWU, TUICO, RAAWU.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely &amp; quality service at minimal cost</li> <li>• Employees' right to form and join trade unions.</li> <li>• Compliance to labour laws.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote labour relations</li> <li>• Hands off, eyes on</li> <li>• Establish Workers Union at work place</li> <li>• Participatory decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Establish harmonious relations.</li> <li>• Efficient service delivery.</li> <li>• Increase productivity.</li> </ul>
4.	Members <ul style="list-style-type: none"> <li>• Pensioners &amp; survivors</li> <li>• Contributing members.</li> </ul>	<ul style="list-style-type: none"> <li>• Excellent service delivery and complaints management systems</li> <li>• Timely payment of benefits</li> <li>• Timely update of contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Owner of the Fund</li> <li>• Ensure Remittance of monthly Contributions</li> <li>• Submission of relevant documents</li> </ul>	<ul style="list-style-type: none"> <li>• Improve service delivery (online services).</li> <li>• Business processing reengineering.</li> <li>• Implement effectively client service charter.</li> </ul>
5.	Service providers & Financial Institutions <ul style="list-style-type: none"> <li>• Suppliers, Contractors</li> <li>• Media Houses, Social Media,</li> <li>• Banks and Social Security Associations</li> </ul>	<ul style="list-style-type: none"> <li>• Exercise fair and transparent tendering processes.</li> <li>• Implement effectively contracts management and agreements.</li> <li>• Timely payment of bills.</li> <li>• Promote compliance with international social security best practice and corporation</li> </ul>	<ul style="list-style-type: none"> <li>• To provide service according to agreement</li> <li>• To provide standards</li> <li>• Business relationship</li> <li>• Quality of service</li> <li>• Custodianship</li> </ul>	<ul style="list-style-type: none"> <li>• Implement Effectively contracts' management and agreements.</li> <li>• Initiate/consider business relationships</li> <li>• To provide accurate and appropriate information</li> </ul>

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

#### **1.28 DISABLED PERSONS AND GENDER BALANCE**

##### **Disabled persons**

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

##### **Gender parity**

In line with existing Employees and Labor Relation Act, 2004 The Fund is an equal opportunity employer, as it has no discriminatory policies or practices. As at 30<sup>th</sup> June 2021, the Fund had the following distribution of employees by gender:

<b>Gender</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
Female	313	322
Male	362	398
<b>Total</b>	<b>675</b>	<b>715</b>

#### **1.29 COMPLIANCE WITH LAWS AND REGULATIONS**

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.

#### **1.30 SERIOUS PREJUDICIAL MATTERS**

During the period ended 30 June 21, there were no serious prejudicial matters to report which were outside the control of the Fund in achieving its objectives, as required by the Tanzania Financial Reporting Standard No.1.

#### **1.31 PUBLICATIONS OF THE REPORT**

As per the requirements of the NBAA Technical Pronouncement No.1 of 2018, The Trustees will publish in the Funds' website, the Governance report along with financial statements within thirty days after been approved.

#### **1.32 STATEMENTS OF COMPLIANCE**

The Trustee's Governance Report has been prepared in full compliance with the provisions of Tanzania Financial Reporting Standards No. 1 and all other statutory legislations relevant to the Fund.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.33 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 and 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 judgments 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 have no reason to believe that this is likely to happen.

The Fund has also engaged the Government of United Republic of Tanzania to pay the liability associated with pre-1999 service which was inherited from PSPF amounting to TZS 4.629 trillion. The Government has agreed to pay the debt by issuing a non-cash special bond of TZS 2.177 trillion through the MoU signed by both parties effective from 15 December 2021. The special bond maturity shall range from 8 years to 25 years. The Trustees considered this as an adjusting event after the reporting date. The remained sum of TZS 2.452 trillion shall be recognized once verification and signing of another MoU is completed.

Furthermore, the Trustees believe that the Fund will be a going concern for the foreseeable future. The Trustees considered the issuance of Non Cash Special Bond amounting to TZS 2.17 trillion as an adjusted event after the reporting date. 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.

**1.34 AUDITORS**

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 through procurement procedure by the Controller and Auditor General to carry out the audit of Financial Statements of the Public Service Social Security Fund for the year ended 30 June 21. M/S Ernst and Young carried out the assignment jointly with the Controller and Auditor General, rotation of engagement normally is three years or as the Controller and Auditor General deem fit.

**BY THE ORDER OF THE BOARD**



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

Date: 16/02/2022



CPA. Hosea E. Kashimba  
Director General

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**REPORT BY THOSE CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**2. STATEMENT OF TRUSTEES RESPONSIBILITY**

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 judgments 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. Iyombe**  
Chairperson of the Board of Trustees



.....  
**CPA. Hosea E. Kashimba**  
Director General

Date: 16/02/2022

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2021**

**3. DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2021**

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**, the Director of Finance of Public Service Social Security Fund hereby acknowledges my responsibility of ensuring that Financial Statements for the year ended 30 June 21 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) and the Public Service Social Security Fund Act, Cap 371.

Thus, I 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.



NBAA Membership number: ACPA 2225

Date: 16/02/2022

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

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

##### **4.1 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 June 2021, 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 June 21 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.

###### **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 below section entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". 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 Note 5 to the Financial Statements which indicate that actuarial valuation for the Fund was performed during the year and the funding level was 22.30% which is below the recommended level of 40%. The Fund engaged the Government of United Republic of Tanzania to pay the liability associated with pre-1999 service which was inherited from PSPF amounting to TZS 4.629 trillion. The Government has issued Non-Cash Special Bond amounting to TZS 2.177 trillion and the remaining TZS 2.452 trillion will be issued soon after verification exercise is complete. This will increase the funding level to 40.24% which is acceptable level and signifying ability for existence of the Fund for a foreseeable future. My opinion is not modified in respect of this matter.

## Key Audit Matters

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.

S/No.	Key audit matter	How my audit addressed the key audit matter
1.	<b>Valuation of unquoted investments</b>  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.  My review learnt that the total value of unquoted investment as at 30 June 21 was TZS 257.77 billion (2020: TZS 467.19 billion) as disclosed under Note 32.  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.	I performed the following procedures: <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 June ,2021;</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>
S/No.	Key audit matter	How our audit addressed the key audit matter
2.	<b>Recoverability of the government loans</b>  Public Service Social Security Fund had issued various loans to finance Government projects. As at 30 June 2021 these loans stood at TZS 323.98 billion (2020: TZS 856.64 billion) as disclosed under Note 28. There is no agreed repayment schedule by	I performed the following procedures in response to the matter: <ul style="list-style-type: none"><li>• I reviewed the calculations for principal and interest amount for the loans issued</li></ul>



	<p>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>to Government;</p> <ul style="list-style-type: none"> <li>• In addition, I evaluated that the disclosures required 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 June 20 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 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 June 21, 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. I 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>

### 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 IPSASs, 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 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, Cap 418 [R.E. 2021] requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 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.

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

**Compliance with the Public Procurement Act, 2011 (as amended as by the Public Procurement (Amendment) Act, 2016)**

**Subject matter: Compliance audit on procurement of works, goods and services**

I performed a compliance audit on procurement of works, goods and services of Public Services Social Security Fund for the financial year 2020/21 as per the Public Procurement Laws in Tanzania.

#### **Conclusion**

Based on the audit work performed, I state that, except for the matter described below, procurement of works, goods and services of Public Services Social Security Fund is generally in compliance with the requirements of the Public Procurement Laws in Tanzania.

### **Absence of Minimum Insurance Covers for Four Tenders Worth TZS 2,964,693,120**

Clause No. 8 of Special Condition of Contract (SCC) and Clause No. 16.1 of General Condition stipulates that the Contractor shall provide, in the joint names of the Employer and the contractor, insurance covers from commencement date to the end of defects liability period for the following event; (a) loss of or damage to the works, plant and Material 2% of the value of work, plant and materials, (b) loss of or damage to equipment 2% of the value of equipment, (c) loss of or damage to property (except the Works, plant, materials and equipment) in connection with the contract 2% of the value of property and (d) personal injury or death shall be calculated based on the Workers Compensation Fund guideline.

However, I requested the submitted insurance covers for the four executed tenders and not been availed for, hence there is no evidence that terms and conditions were complied by the contractors as per the requirement.

  
Charles E. Kichere,  
Controller and Auditor General,  
Dodoma, United Republic of Tanzania.  
16 February 2022



## PUBLIC SERVICE SOCIAL SECURITY FUND

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2021

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2021

5.

		30 June 21 TZS '000'	30 June 20 TZS '000'
<b>Contributions and Benefits</b>	<b>NOTE</b>		
Members Contributions	6	3,597,611,693	1,364,325,182
Benefits expenses	7	(2,187,053,595)	(1,554,426,403)
<b>Net surplus/Deficit from dealings with members</b>		<b>1,410,558,098</b>	<b>(190,101,221)</b>
<b>Returns on investments</b>			
Interest income	8	409,401,750	409,391,347
Dividend income	9	41,067,773	19,473,341
Rent Income	10	33,256,768	29,907,822
Change in Fair Values	11	128,691,815	(30,721,123)
<b>Total returns on investments</b>		<b>612,418,106</b>	<b>428,051,387</b>
<b>Other Income</b>			
Other income	12	34,263,251	7,737,774
<b>Total Other Income</b>		<b>34,263,251</b>	<b>7,737,774</b>
<b>Net income before expenses</b>		<b>2,057,239,455</b>	<b>245,687,940</b>
<b>Expenses</b>			
Administrative expenses	13	68,831,975	73,872,090
Statutory Expenses	14	3,206,438	2,500,267
Investment Management Expenses	15	14,502,441	11,470,036
Depreciation & Amortization	16	8,625,958	13,611,933
Impairments	17	513,146,372	46,358,039
Interest Expense on Lease		158,937	108,789
<b>Total expenses</b>		<b>608,472,121</b>	<b>147,921,154</b>
<b>Increase in net assets for the year before income tax</b>		<b>1,448,767,334</b>	<b>97,766,786</b>
Income tax (credit)/charge	18	(148,995,358)	(83,243,195)
<b>Increase in net assets after income tax</b>		<b>1,597,762,692</b>	<b>14,523,591</b>
Net assets available for benefits at beginning of year		5,743,942,224	5,729,418,633
<b>Net assets available for benefits at the end of year</b>		<b>7,341,704,916</b>	<b>5,743,942,224</b>



Eng. Musa I. lyombe  
Chairperson 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 JUNE 2021

### STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 JUNE 2021

#### Assets

	NOTE	As at June 2021 TZS '000'	As at June 2020 TZS '000'
Cash at bank and in hand	19	282,943,863	191,467,226
Deposits with financial institutions	20	183,739,651	259,367,591
Equity investments	21	542,074,660	462,453,218
Mutual Funds' Investments	22	223,663,735	-
Government securities	23	4,700,205,797	2,515,726,827
Corporate bonds	24	3,041,338	17,640,180
Prepayments	25	7,230,041	32,020,795
Receivables	26	88,350,863	196,191,663
VAT and WHT Recoverable	27	7,643,726	8,523,144
Loan investments	28	323,985,694	856,636,491
Tradable inventories	29	114,022,146	118,109,061
Investment properties	30	1,167,163,180	1,151,991,776
Associates and Joint Ventures	31	41,786,376	21,946,825
Investment in subsidiaries	32	257,765,365	467,193,158
Stationery and consumables	33	330,271	290,660
Right-of-Use Asset	34	1,190,622	652,194
Intangible assets	35	993,555	1,402,523
Property and equipment	36	14,011,493	20,676,355
Deferred tax	37	280,062,876	114,398,332
<b>Total Assets</b>		<b>8,240,205,252</b>	<b>6,436,688,019</b>

#### Liabilities

Benefits payable	39	696,221,722	430,264,294
Lease Liabilities	38	1,188,973	862,800
Other payables	40	34,728,295	42,910,861
Provisions	41	5,367,997	7,029,929
Payables to Related parties	42	19,570,386	15,103,764
Corporate Tax Payable	43	141,422,963	196,574,147
<b>Total Liabilities</b>		<b>898,500,336</b>	<b>692,745,795</b>

<b>Total Net Assets</b>		<b>7,341,704,916</b>	<b>5,743,942,224</b>
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Eng. Musa I. Iyombe  
Chairperson-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 JUNE 2021**

**STATEMENT OF CASH FLOWS**

		June 2021	Restated June 2020
CASH FLOWS FROM OPERATING ACTIVITIES	Note	TZS"000"	TZS"000"
Receipts from contributions	26(a)	1,394,441,501	1,398,431,241
Receipts from penalties		4,960,480	3,534,682
Other income	26(c)	4,557,210	2,107,403
Benefit disbursements	39	(1,914,481,239)	(1,727,503,173)
Administrative expenses		(87,611,435)	(86,792,840)
Income Tax Paid	43	(71,820,370)	(157,628,044)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>(669,953,853)</b>	<b>(567,850,731)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received	26(d)	40,656,667	20,043,256
Rent received	26(e)	28,262,406	26,078,437
Investment in placements with banks	20	(146,220,356)	(114,051,673)
Redemption of placements with banks	20	139,010,574	113,286,721
Investment in government securities	23	(175,591,863)	(219,729,361)
Redemption of government securities	23	557,586,573	543,662,749
Investment in corporate debt instruments	24	(1,000,000)	-
Redemption of corporate debt instruments	24	17,068,261	8,482,615
Repayment of long-term loans	28	324,868,096	255,307,220
Purchase of Property, Plant and Equipment	36	(1,145,016)	(1,616,014)
Purchase of intangible assets		-	(1,339,115)
Payment for acquisition of investment property	30	(1,439,788)	(28,181,482)
Proceed from Associates and Joint Ventures	31	293,800	15,338,575
Investment in Subsidiaries	32	(36,057,959)	(56,085,321)
Receipts from sales of plots and houses		5,798,790	3,878,476
Proceeds from other receivables		3,411,716	6,673,867
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>755,501,901</b>	<b>571,748,950</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment for the principal portion of lease	38	(363,621)	(257,394)
Payment for the interest portion of lease	38	(158,938)	(112,506)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(522,559)</b>	<b>(369,900)</b>
<b>Net cash flows before adjustments for the effects of foreign exchange rates changes</b>		<b>85,025,489</b>	<b>3,528,319</b>
<b>Effect of exchange rate changes in cash and cash equivalent</b>		<b>3,646,351</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>88,671,840</b>	<b>3,528,319</b>
<b>Cash &amp; Cash Equivalents at beginning</b>		<b>194,902,929</b>	<b>191,374,610</b>
<b>Cash &amp; Cash Equivalents at closing</b>	<b>19</b>	<b>283,574,769</b>	<b>194,902,929</b>



Eng. Musa I. Iyombe  
Chairperson-of the Board of Trustees



CPA. Hosea E. Kashimba  
Director General

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

#### **NOTES TO THE FINANCIAL STATEMENTS**

##### **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**

###### *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.



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

The Financial Statements for the period ended 30 June 2021 were prepared for 12 months, and should be read in conjunction with the Financial Statements for the year ended 30 June 2020.

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

*(i) Historical Cost Conventions*

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

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

<b>Standard or amendment</b>	<b>Key requirement</b>
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Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.
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In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the Financial Statements as a whole, and
- the meaning of 'primary users of general-purpose Financial Statements' to whom those Financial Statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment had no impact on the Financial Statements of the Fund.

Definition of a Business - Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The amendment had no impact on the financial statements of the Fund
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**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**Standard or Key requirement amendment**

**Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39**

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The Fund does not have hedging accounting therefore adoption of the amendments did not have an impact to their financial statements.

**Revised Conceptual Framework for Financial Reporting**

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- i. Revising the definitions of an asset and a liability.
- ii. Removing the probability threshold for recognition and adding guidance on de-recognition.
- iii. Defining a reporting entity, which may be a legal entity, or a portion of an entity.
- iv. Reinstating prudence as a component of neutrality.
- v. Increasing the prominence of stewardship in the objective of financial reporting.
- vi. Adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the Financial Statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 01 July 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The revision had no impact on the Financial Statements of the Fund.

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Standard or amendment	Key requirement
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Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
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- |      |   |
|------|---|
| i.   | To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest; |
| ii.  | To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and   |
| iii. | To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.  |

These amendments had no impact on the Financial Statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16	<p>On 28 May 2020, the IASB issued Covid-19 - Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.</p> <p>The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.</p> <p>The amendment applies to annual reporting periods beginning on or after 01 April 2021.</p> <p>However, the Fund has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.</p>
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(iv) *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. However, for disclosure purposes, below are new standards/amendments with key requirement and effective dates:

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Standard or amendment	Key requirement	Effective Date
IFRS 17 - Insurance Contracts	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 - Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The Group is still assessing the impact of amendments to IFRS 17.	01 January 2023
Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	01 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	<p>The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	1 January 2023

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Standard or amendment	Key requirement	Effective Date
<i>Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16</i>	The amendment to IAS 16 <i>Property, Plant and Equipment</i> (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	01 January 2022
<i>Annual Improvements to IFRS Standards 2018-2020</i>	The following improvements were finalized in May 2020: <ul style="list-style-type: none"> <li>▪ IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.</li> <li>▪ IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.</li> <li>▪ IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.</li> </ul> IAS 41 Agriculture - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	01 January 2022

There are no other standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions. *The Fund will adopt all new standards and interpretations effecting its operations on their effective dates.*

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

#### **(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 at fair value through profit or loss in accordance with IFRS 10.

#### **(d) Revenue Recognition**

Revenue is recognized 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 recognized.

##### **(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.

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 recognized 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.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**(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.

**(e) *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.

**(f) *Contributions Receivable***

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

**(g) *Transfers***

Transfers are recognized 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.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**(h) Benefits Payable**

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

**(i) Cash and Cash Equivalents**

Cash and cash equivalents include 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.

**(J) 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.

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 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 derecognized. Changes in fair values are recognized in the statement of changes in net assets available for benefits in the year in which they arise. Investment properties are derecognized 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.



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 realizable 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 recognized, 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/ (loss), it is not accounted for.

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 recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 realize 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 recognized 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 recognized 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.

#### **(m) 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. 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.

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

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 derecognized 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 derecognized.

#### **(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.

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. 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) because of various office spaces occupied in different regions. Under IFRS 16, the determination of whether an arrangement is, or

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 re-measurement 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.

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.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

#### **(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.

#### **(p) 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 recognized 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.

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

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

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**(r) Financial Assets and Liabilities**

**(i) Classification**

Financial instruments are any contract that gives rise to the financial assets of one entity and financial liability or equity instruments of another entity. The Fund maintains a number of financial instruments in its portfolio.

**(ii) Initial Recognition**

Recognition of financial instruments are initially recognised on the date on which the Fund becomes into contractual commitments with the other party on financial instruments.

**(iii) Measurement**

Classification and subsequent measurement of financial assets depends on;

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Fund classifies its financial assets into one of the following measurement categories.

**Amortized cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'statement of changes in net assets using the effective interest rate method. Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. A gain or loss on financial instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of changes in net assets available for benefits within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are not held for trading.

**(iv) Classification**

The Fund classifies the financial instruments into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made with their hierarchies can be seen in the table below:

Financial Assets	IFRS 9 Classification	Hierarchy	Amount
Cash at bank and in hand	Amortized Cost	Level 3	282,943,862
Deposits with financial institutions	Amortized Cost	Level 3	183,739,651
Listed Equity Investments	FVPL	Level 1	499,551,267

## PUBLIC SERVICE SOCIAL SECURITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Unlisted Equity Investments	FVPL	Level 2	42,523,393
Mutual Fund's Investments	FVPL	Level 1	223,663,735
Government securities	Amortized Cost	Level 3	4,700,205,797
Corporate bonds	Amortized Cost	Level 3	3,041,338
Receivables	Amortized Cost	Level 3	88,350,864
Loan investments	Amortized Cost	Level 3	575,647,031
Associates and Joint Ventures	FVPL	Level 2	41,786,375
Investment in subsidiaries	FVPL	Level 2	257,765,365

Financial Liabilities	IFRS 9 Classification	Hierarchy	Amount
Benefits payable	Amortized Cost	Level 3	696,221,722
Lease Liabilities	Amortized Cost	Level 3	1,188,973
Other payables	Amortized Cost	Level 3	34,728,296
Payables to Related parties	Amortized Cost	Level 3	19,570,386
Corporate Tax Payable	Amortized Cost	Level 3	141,422,964

#### (v) Fair value measurement

The Fund measures financial instruments such as equity investments and debt instruments at FVPL or Amortized Cost. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

#### Level 1 Financial instruments:

Those financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on market prices or dealer price quotations. This includes listed equity securities and Mutual Funds.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Fund, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

offer spread or significant increase in the bid-offer spread or there are few recent transactions.

#### **Level 2 Financial instruments:**

Where the fair value of financial instruments is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example Market Multiples of earnings and price book value, latest available financial statements) existing at the balance sheet date.

#### **Level 3 Financial instruments:**

Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Fund's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate measures are in place to ensure its quality and adequacy. All new product initiatives including their valuation methodologies are subject to approvals by various functions of the Fund including Risk Department and Finance. The responsibility of ongoing measurement resides with Finance which reports to Director General.

The fair value estimates are being validated by:

- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters

Gains or losses on valuation are recognized in Statement of Changes in Net Assets.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include market approach which considers comparison to similar instruments for which market observable prices exist and other relevant valuation models.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### **(vi) Transfer of financial Assets**

Transfers between levels of the fair value hierarchy are recognized by the Fund at the end of the reporting period during which the change occurred.

When the Fund manages a Fund of financial assets and financial liabilities on the basis of its net exposure to either market risks or counterparty risks (as defined in IFRS 7), the Fund can opt to measure the fair value of that Fund on the basis of the net position (that is, the net position is the unit of account that is being measured at fair value, not the individual financial assets and liabilities).



(vii) **Financial assets and liabilities per financial statement line**

**Financial Assets Measured at FVPL**

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

**a. 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.

**b. Investment in Subsidiaries:**

The Fund meets the criteria as an investment entity in accordance with IFRS 10. Therefore, it is required to recognize 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 recognized 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.

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.

**c. 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 unrecognized assets and liabilities of the investee.

**d. 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 price earning or price to book value adjusted to reflect market prevailing price. In the Statement of Net Assets Available for Benefits, the investment is presented as part of investments at fair value through profit or loss.

**e. Interest Bearing securities**

Interest-bearing securities such as government securities, corporate bonds and bank placements are measured at amortized cost. 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.

**f. 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.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

The Fund evaluates the credit risk of the receivables by estimating the delay of the repayments and customers 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 Fund 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. The Fund's financial assets on this category includes loan investments and other investment balances, contribution and other receivables, short-term non-financing receivables and accrued income.

#### **g. 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 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

- **Lease Liability**

These are rent payables to the landlords by the Fund following the Fund leasing offices for its operations as assessed in accordance to IFRS 16. Lease liability is initially recorded at fair value and later at amortized cost. Interest is accrued at the special rate of corporate customer borrowing costs provided by the Fund's main banker.

- **Payable to related Parties**

These are contractual commitments entered by the Fund in relation to various investments with other parties. The fair values are initially recognized at fair value and later at amortized cost. These payables do not accrue interest over the period of their lifetime.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

#### **• Corporate Tax Payables**

The fund performs a number of investments and is exposed to taxes. The Corporate tax payable is financial liability which gives contractual commitments to the Fund to pay. The Fund records the corporate tax payable recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **• 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.

#### **(viii) Available for Sale Financial Assets**

The fund does not have any financial instruments as available for sale. The main purpose of acquiring financial instruments is for earning income and all financial instruments are expected to be held to maturity.

#### **(ix) Reclassification of financial assets and liabilities**

The Fund does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Fund acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

#### **(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.

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.

## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 reorganization 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.

#### **(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.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
(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 Governance and Risk 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 Governance and Risk 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.

#### 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 to establish viability. Day to day management of the Fund's credit risk is vested to the Director of Finance 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 21

30 June 20

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

<b>Financial Assets</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b>Investments:</b>		
Government securities	4,700,205,797	2,515,726,827
Corporate bonds	3,041,338	17,640,180
Loan Investments	323,985,695	856,636,491
<b>Other Assets:</b>		
Cash at bank	282,943,862	191,467,226
Deposits with financial institutions	183,739,651	259,367,591
Receivables excluding prepayments	95,994,590	204,714,808
	<b>5,589,910,932</b>	<b>4,045,553,124</b>
<b>Financial Liabilities</b>		
Benefit payable	696,221,722	430,264,294
Other payable and accrued expenses	202,278,616	255,451,571
	<b>898,500,337</b>	<b>685,715,865</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:

	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS'000</b>	<b>TZS '000</b>
Overdue for less than 31 days*	43,340,477	33,248,111
Overdue for more than 32 days but less than 61	2,408,454	1,847,616
Overdue for more than 62 but less than 92 days	3,680,874	2,823,737
Overdue for more than 93 but less than 122 days	2,192,230	1,681,742
Above 122 days	78,228,881	62,871,955
	<b>129,119,394</b>	<b>102,473,160</b>
Impairment	(98,013,500)	(15,809,962)
<b>Total Contribution Receivables</b>	<b>31,837,416</b>	<b>86,663,198</b>

Contribution's receivable is as a result of assessments of unremitted contributions for each employer during the year.

### **Loan Investments**

Total balance of loan investments as at year end is TZS 597 billion (2019/20: TZS 857 billion) net of accumulated impairment. All loans issued to government institutions are past due, however, the government has shown the commitment and Trustees are strongly believing will honor its obligations.

	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Past due but not impaired	-	-
Impaired	323,985,694	856,636,491
<b>Total</b>	<b>323,985,694</b>	<b>856,636,491</b>

### **Other Financial Assets.**

Other receivables excluding prepayments and contributions

Neither past due nor impaired	699,727	-
Impaired	63,457,447	204,714,808
<b>Total</b>	<b>64,157,174</b>	<b>204,714,808</b>



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**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.

	Less than 1 year TZS '000	More than 1 year TZS '000
<b>At 30 June 2021</b>		
Benefits payable	696,221,722	-
Other payables and accrued expenses	202,278,616	-
<b>Total liabilities</b>	<b>898,500,337</b>	<b>-</b>
<b>Assets held for managing liquidity risk</b>	<b>683,930,291</b>	<b>7,556,274,962</b>
<b>At 30 June 20</b>		
Benefits payable	430,264,294	-
Other payables and accrued expenses	262,481,501	-
<b>Total liabilities</b>	<b>692,745,794</b>	<b>-</b>
<b>Assets held for managing liquidity risk</b>	<b>655,549,625</b>	<b>3,390,003,499</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 Rate 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 2021, 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 4,094 million (2019/20: TZS 4,093 million).

**Interest Rate Risk Exposure**

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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 FOR THE YEAR ENDED 30 JUNE 2021

3.3 Market Risk (Continued)

3.3.1 Interest Rate Risk (Continued)									
		< 1 month	1 ≤ Maturity < 3 months	3 ≤ Maturity < 12 months	Maturity ≥ 12 Months	Non-interest bearing	Total		
As at 30 June 2021		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000		TZS '000	
Assets									
<b>Investments</b>									
Government securities		51,593,344	45,673,953	299,047,586	4,303,890,913	-		4,700,205,797	
Corporate bonds		-	-	-	3,041,338	-		3,041,338	
Quoted shares		-	-	-	-	499,551,267		499,551,267	
Unquoted shares		-	-	-	-	42,523,393		42,523,393	
Loan investments		106	1,327,400	6,145,305	568,174,219	-		575,647,031	
<b>Other assets</b>									
Cash in hand and at bank		-	-	-	-	-		-	
Deposits with financial institutions		6,305,866	30,671,659	124,366,479	23,595,742	282,943,862		282,943,862	
Receivables excluding prepayments		-	-	-	-	-		-	
<b>Total financial assets</b>		<b>57,899,316</b>	<b>77,673,012</b>	<b>429,559,371</b>	<b>4,898,702,212</b>	<b>889,175,697</b>		<b>64,157,174</b>	<b>6,353,009,608</b>
<b>Financial Liabilities</b>									
Benefit Payable		-	-	-	-	696,221,722		696,221,722	
Other payables and accruals		-	-	-	-	202,278,616		202,278,616	
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>898,500,337</b>		<b>898,500,337</b>	
<b>Interest sensitivity gap</b>		<b>57,899,316</b>	<b>77,673,012</b>	<b>429,559,371</b>	<b>4,898,702,212</b>	<b>(9,324,640)</b>		<b>5,454,509,271</b>	
As at 30 June 2020									
Total financial assets		21,801,428	54,441,077	442,787,090	3,130,341,493	858,635,251		4,508,006,339	
Total financial liabilities		-	-	-	-	692,745,794		692,745,794	
<b>Interest sensitivity gap</b>		<b>21,801,428</b>	<b>54,441,077</b>	<b>442,787,090</b>	<b>3,130,341,493</b>	<b>165,889,457</b>		<b>3,815,260,545</b>	

## PUBLIC SERVICE SOCIAL SECURITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 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).

30 June 21	<u>TZS</u>	<u>US\$</u>	<u>Total</u>
<b>Assets</b>			
<b>Investments</b>			
Government securities measured at fair value	4,700,205,797	-	4,700,205,797
Corporate bonds at fair value	3,041,338	-	3,041,338
Quoted shares	499,551,267	-	499,551,267
Unquoted shares	42,523,393	-	42,523,393
Loan investments at fair value	323,985,694	-	323,985,694
<b>Other assets</b>			
Cash and bank	276,271,560	6,672,302	282,943,862
Fixed deposits	133,027,507	50,712,144	183,739,651
Receivables excluding prepayments	95,994,589	-	95,994,589
<b>Total financial assets</b>	<b>6,074,601,145</b>	<b>57,384,446</b>	<b>6,131,985,591</b>
<b>Liabilities</b>			
Benefit Payable	696,221,722	-	696,221,722
Payables and accruals	202,278,616	-	202,278,616
<b>Total financial liabilities</b>	<b>898,500,337</b>		<b>898,500,337</b>
<b>Net Position</b>	<b>5,176,100,807</b>	<b>57,384,446</b>	<b>5,233,485,254</b>
<b>30 June 20</b>			
Total financial assets	4,413,317,212	94,689,128	4,508,006,340
Total financial liabilities	(692,745,794)	-	(692,745,794)
<b>Net Position</b>	<b>3,720,571,418</b>	<b>94,689,128</b>	<b>3,815,260,546</b>

At 30 June 2021, 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 2,869 million (2019/20: TZS 4,734 million).

The exchange rate as at 30 June 21 was TZS 2,349 per US\$.

**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 June 21, 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 9,991.03 million (2019/20: TZS 8,590.07 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 FOR THE YEAR ENDED 30 JUNE 2021

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Market Risk (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 June 2021	TZS'000	TZS'000	TZS'000	TZS'000
<b>Assets</b>				
Quoted investments	499,551,267			499,551,267
Unquoted investments		42,523,393		42,523,393
Government securities			4,700,205,797	4,700,205,797
	<b>499,551,267</b>	<b>42,523,393</b>	<b>4,700,205,797</b>	<b>5,242,280,457</b>
<b>30 June 20</b>				
<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>32,949,526</b>	<b>2,515,726,827</b>	<b>2,977,984,179</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	<b><u>2021/20</u></b>	<b><u>2020/19</u></b>
<b>Non-financial assets measured at fair value - Level 3</b>	<b>TZS'000</b>	<b>TZS'000</b>
Investment properties	1,167,163,180	1,151,991,776
Property and equipment	14,011,493	20,676,355
	<b>1,181,174,673</b>	<b>1,172,668,131</b>

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

The preparation of the Fund's Financial Statements requires management to make judgments, 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 judgment 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 Amortized Cost**

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

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



## **PUBLIC SERVICE SOCIAL SECURITY FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

determined by using appropriate valuation techniques. For unlisted equity instruments, the adjusted net asset method has been used.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment 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.

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 judgment is required in establishing fair values. The judgments 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

#### **(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

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

The Fund's actuarial assessment as at 30 June 2020 was completed by Muhanna & Co. Ltd, an independent firm of Actuaries and Consultants using projected unit cost method which is one amongst recommended method by the International Accounting Standard Board (IASB).

**Summary of core actuarial basis/assumptions**

**Financial assumptions**

• Discount rate	7.0 (up to 2030) - 6.0 per annum
• Earnings growth	4.0 per annum
• Pension increases	0.0 per annum
• Inflation rate	4.0 per annum

**Demographic and other assumptions**

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) and NBS.

- Voluntary/early retirement is at age of 55 years and compulsory at 60 years,
- Members over normal retirement age are deemed to have retired on valuation date,
- An allowance for withdrawal from service is based on average experience of other similar schemes in East Africa,
- On retirement, all members will elect to commute (25-50%) of their pension for a cash lumpsum, in accordance with the Fund Act
- No allowance has been made for any increase to pensions on the basis that no provision is made for explicit pension increases in the PSSSF Act.
- Administration Expenses were assumed to be 6% of contribution income.
- Allowance for future pension increases equal to 0%
- Unemployment rate is assumed to be 1%
- Invalidity rates is assumed 5% of Mortality

**Actuarial Position**

**Fund**

**2020**  
**TZS''000''**

**Accrued liabilities**

Value of accrued benefit liability 96,381,000,000 A

**Assets**

Value placed on Fund assets as at 30 June 5,744,000,000 B  
Present value of future contribution income 70,620,000,000 C

**Actuarial deficit**

Excess of accrued liabilities over assets {A-(B+C)} 20,017,000,000

**Funding level {B/(A-C)}**

22.30%

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

<b>6 MEMBERS CONTRIBUTIONS</b>	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>
Employer Contributions	1,014,867,152	1,003,792,904
Employee Contributions	340,271,612	332,030,432
Pre July 1999 Contributions	2,176,740,036	47,203
Voluntary Contributions	2,750,923	3,179,905
Other Contributions	62,981,970	25,274,739
<b>Total</b>	<b>3,597,611,693</b>	<b>1,364,325,183</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 numbers of participating employers were 906. These include Local Government Authorities, Government Ministries, Independent Government Departments, and Corporations. As at 30 June 2021, the Fund had 705,489 Members.

<b>7 BENEFIT EXPENSES</b>	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>
Retirement Benefits	1,343,729,871	835,463,235
Monthly Pensions	660,678,884	569,699,953
Withdrawals	63,028,899	75,223,160
Death Benefits	96,182,246	57,840,859
Education Benefits	1,221,029	1,095,058
Invalidity Benefits	1,600,185	2,039,786
Maternity Benefits	8,894,804	9,050,977
Unemployment Benefits	1,831,482	870,338
Contribution Refunds	9,886,195	3,143,037
<b>Grand Total</b>	<b>2,187,053,595</b>	<b>1,554,426,403</b>

During the period the Fund paid 56,677 beneficiaries. As at 30 June 2021, 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 FOR THE YEAR ENDED 30 JUNE 2021**

<b>8</b>	<b>INTEREST INCOME</b>	<b>30 June 21</b>	<b>30 June 20</b>
		<b>TZS' 000</b>	<b>TZS' 000</b>
	Treasury Bonds	380,216,910	378,026,739
	Treasury Bills	-	-
	Other Loans	1,177,134	3,203,428
	Corporate loans	2,689,346	1,294,037
	Saccos Loan	421,314	963,513
	Placement in banks	15,372,716	15,232,763
	Corporate Bonds	1,372,753	3,997,001
	Other Interest Income	8,151,577	6,673,866
	<b>Total</b>	<b>409,401,750</b>	<b>409,391,347</b>
<b>9</b>	<b>DIVIDEND INCOME</b>		
	Listed equities	40,109,557	16,939,288
	Collective investments scheme	173,553	-
	Unlisted equities	784,663	2,534,053
	<b>Total</b>	<b>41,067,773</b>	<b>19,473,341</b>
<b>10</b>	<b>RENTAL INCOME</b>		
	Rent	31,324,464	28,243,432
	Packing fees	1,233,587	1,276,000
	Conference halls	698,717	386,140
	Hire purchase - interest	-	2,250
	<b>Total</b>	<b>33,256,768</b>	<b>29,907,822</b>
<b>11</b>	<b>CHANGES IN FAIR VALUES</b>		
	Listed Equities	66,020,476	10,205,699
	Unlisted Equities	11,073,867	11,246,390
	Collective Schemes	55,911,779	13,416,144
	Investment properties	(17,027,384)	19,191,093
	Associates and Joint Ventures	20,709,140	(33,843,532)
	Subsidiaries	(7,672,524)	(47,589,854)
	Other fair values changes	(323,539)	(3,347,063)
	<b>Total</b>	<b>128,691,815</b>	<b>(30,721,123)</b>
<b>12</b>	<b>OTHER INCOME</b>		
	Gain/(loss) on foreign exchange	(681,435)	4,344,597
	*Sundry income	34,944,686	3,393,177
	<b>Total</b>	<b>34,263,251</b>	<b>7,737,774</b>

\*Increase in Sundry Income was mainly attributed to reversal of prior year over provided expenses especially on benefits payables amounting to TZS 6.60 billion and prior year adjustments of TZS 22.22 billion in Treasury Bonds made following reconciliation of Treasury Bonds records between the Fund's records and BOT.

<b>13</b>	<b>Administrative Expenses</b>	<b>30 June 21</b>	<b>30 June 20</b>
		<b>TZS' 000</b>	<b>TZS' 000</b>
	Staff Costs [Note 13(a)]	54,406,044	59,903,047
	Board of Trustees Fees	103,375	92,250
	Other Board Expenses	398,856	275,642
	Audit Fees	510,884	487,040

# **PUBLIC SERVICE SOCIAL SECURITY FUND**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Tender Board Expenses	318,970	149,613
Legal Expenses	679,363	1,607,351
Insurance Expenses	395,067	513,707
Bank Charges and Commissions	241,326	88,130
General Operational Expenses [Note 13(b)]	11,778,090	10,755,316
<b>Total</b>	<b>68,831,975</b>	<b>73,872,096</b>

During the year, insurance cost on investments properties has been reclassified to investment management expenses. Further finance cost on leases detached to form a separate line as guided by IFRS 16.

### **13(a) Analysis of Staff Costs**

Staff Salaries	30,504,377	34,395,521
Staff Allowances	10,752,491	11,504,160
Extra duty	715,769	380,899
Social Security Contributions	4,821,534	5,361,841
Skill and Development Levy	1,847,432	2,228,707
Medical Expenses	1,240,379	1,307,410
Leave Expenses	2,514,459	3,031,158
Staff Transfers	936,066	947,538
Staff Refreshments	393,374	393,412
Terminal Expenses	116,428	31,002
Other Employee Expenses	563,735	321,399
<b>Total</b>	<b>54,406,044</b>	<b>59,903,047</b>

### **13(b) Analysis of General Expenses**

Workers Council & Committees	280,405	164,156
ICT Software Expenses	1,821,317	1,712,199
Stationery and Consumables	1,122,703	1,066,662
National Holiday and Sports	81,794	6,999
Repair and Maintenance Expenses	957,904	568,511
Entertainment Expenses	73,741	21,247
Travelling Expenses	3,442,692	2,998,153
Fees and Subscription	132,816	77,265
Office Cleaning	266,210	299,084
Security Expenses	421,366	614,156
Staff capacity building	1,601,374	946,552
Office Electricity	263,232	240,083
Office Rent	564,674	976,968
Telephone expenses	513,272	577,640
Postage and courier expenses	117,311	235,975
Other Office Expenses	117,279	249,666
<b>Total</b>	<b>11,778,090</b>	<b>10,755,316</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**14 STATUTORY PAYMENTS**

Land Rent	482,791	327,981
Property Tax	46,088	133,138
Subscriptions and fees	1,534,579	938,498
Regulatory Levy	1,142,980	1,100,650
<b>Total</b>	<b>3,206,438</b>	<b>2,500,267</b>

**15 INVESTMENT MANAGEMENT EXPENSES**

**30 June 21**                      **30 June 20**  
**TZS' 000**                      **TZS' 000**

Cleaning & Sanitation	237,191	422,138
Utility Expenses	1,585,155	1,820,321
Repair and Maintenance Expenses	9,340,087	6,285,079
Security Expenses	493,139	593,896
Property management Fees	921,421	1,044,881
Other Investment Management Expenses	518,090	296,628
Insurance-Investment properties	1,407,358	1,007,093
<b>Total</b>	<b>14,502,441</b>	<b>11,470,036</b>

**16 DEPRECIATION & AMORTISATION**

Amortization of Intangible Assets (Note 34&35)	816,080	828,304
Property, Plant and Equipment's (Note 36)	7,809,878	12,783,629
<b>Total</b>	<b>8,625,958</b>	<b>13,611,933</b>

**17 IMPAIRMENTS**

**Financial Assets**

Cash and Cash Equivalents	(2,804,796)	810,077
Deposit with Financial Institutions	93,882,658	736,403
Government Securities	12,701,760	4,861,469
Corporate Bonds	(96,666)	43,263
Ex Staff Receivables	4,719,507	-
Contribution Receivables	115,670,711	(2,054,980)
Other Receivables	29,835,297	45,590,748
Loans	257,737,901	(3,960,986)
<b>Total Impairment of financial assets</b>	<b>511,646,372</b>	<b>46,025,994</b>

**Non-financial assets**

Associates, unlisted equity and Joint Ventures	1,500,000	332,045
<b>Total Impairment of Non -financial assets</b>	<b>1,500,000</b>	<b>332,044</b>
<b>Total</b>	<b>513,146,372</b>	<b>46,358,039</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**18(i) INCOME TAX EXPENSE**

Current income tax	-Current period	16,669,188	67,305,183
	-Prior periods	-	175,926,902
Deferred income tax	-Current period	(165,664,544)	(151,506,744)
	-Prior periods	-	(8,482,146)
		<b>(148,995,356)</b>	<b>83,243,195</b>

**18 (ii) RECONCILIATION OF INCOME TAX EXPENSES**

	30 June 21 TZS' 000	30 June 20 TZS' 000
Income before tax	1,448,767,334	97,766,786
Tax calculated at the statutory income tax rate of 30%	434,630,200	29,330,036
Tax effect on disallowed administrative expenses	21,560,095	82,287,081
Tax effect on disallowed depreciation charge	-	-
Tax effect on disallowed impairment	-	-
Tax effect on disallowed Benefit expenses	656,116,079	466,322,263
Adjustments for non-taxable income & Final WHT	(1,244,072,027)	(528,974,582)
Tax Amnesty under/ (over) provision of prior year	-	122,563,523
Prior year adjustments - current tax	(17,229,703)	53,363,379
Prior year adjustments - deferred tax	-	(8,482,146)
Prior year adjustments for opening balance	-	(133,166,359)
Income tax expense	<b>(148,995,356)</b>	<b>83,243,195</b>

**19(a) CASH AND CASH EQUIVALENTS**

Cash at Bank and on hand	283,574,769	194,902,929
Expected Credit Loss:		
Opening	3,435,702	2,625,625
Charge during the year	(2,804,796)	810,077
Expected credit loss at the end of the year	630,906	3,435,702
Cash as per Statement of Net Asset	<b>282,943,864</b>	<b>191,467,226</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.



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**19(b) ANALYSIS OF CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition

Cash as per statement of Net assets	282,943,863	191,467,226
Expected credit loss	630,906	3,435,703
<b>Gross Cash and cash equivalent</b>	<b>283,574,769</b>	<b>194,902,929</b>

<b>20 DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>30 June 21 TZS'000</b>	<b>30 June 20 TZS'000</b>
At the beginning	263,238,779	303,537,340
Additions	146,220,356	114,051,673
Interest	15,372,716	15,232,763
Currency revaluation/Adjustments	(4,327,780)	(56,296,276)
Repayments	(139,010,574)	(113,286,721)
	<b>281,493,497</b>	<b>263,238,779</b>
Expected credit loss	(97,753,846)	(3,871,188)
<b>At the end of year</b>	<b>183,739,651</b>	<b>259,367,591</b>

**Maturity Analysis**

	<b>30 June 21 TZS '000</b>	<b>30 June 20 TZS '000</b>
Maturing within 90 days	31,699,621	29,673,679
Maturing over 90 days	249,793,876	233,565,100
	<b>281,493,497</b>	<b>263,238,779</b>

**Movement in Expected Credit Loss**

Beginning balance	3,871,188	3,134,785
Additions	93,882,658	736,403
<b>Closing Balance</b>	<b>97,753,846</b>	<b>3,871,188</b>

<b>Details of Impairment</b>	<b>30 June 21 TZS'000'</b>	<b>Additions TZS'000'</b>	<b>30 June 20 TZS'000'</b>
Azania Bank Limited	1,988,973	1,367,583	621,390
CRDB Bank Plc	693,727	18,250	675,477
BOA BANK	5,819	5,819	-
DCB Commercial Bank Plc	44,291	32,288	12,003
Mwalimu Commercial Bank Plc	170,156	170,156	-
NBC Bank Ltd	169,733	(650,249)	819,982
NMB	799,436	799,436	-
PBZ	11,594	11,594	-
TPB Bank Plc	386,037	297,941	88,096
United Bank of Afrika	35,433	35,433	-
UTT Microfinance	1,320	(2,092)	3,412
TIB Corporate Bank Ltd	-	(36,476)	36,476
TIB Development Bank	93,447,327	91,832,975	1,614,352
	<b>97,753,846</b>	<b>93,882,658</b>	<b>3,871,188</b>

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

21 EQUITY INVESTMENTS

	Listed equity TZS '000	Unlisted equity TZS '000	Total TZS '000
<b>Year ended 30 June 21</b>			
As at 01 July 2020	429,503,691	32,949,526	462,453,218
Reclassification/Adjustment	4,027,100	-	4,027,100
Impairments	-	(1,500,000)	(1,500,000)
Fair value gain/(losses)	66,020,476	11,073,867	77,094,343
<b>As at 30 June 2021</b>	<b>499,551,267</b>	<b>42,523,393</b>	<b>542,074,660</b>
<b>Year ended 30 June 20</b>			
As at 01 July 2019	419,297,992	43,366,542	462,664,534
Impairments	-	-	-
Fair value gain/(losses)	10,205,699	(10,417,016)	(211,317)
<b>As at 30 June 2020</b>	<b>429,503,691</b>	<b>32,949,526</b>	<b>462,453,218</b>

Listed shares are measured at fair value obtained through prevailing prices on active market (DSE) at the balance sheet date.

Unlisted shares are measured by using average of market multiples and adjusted net asset methods. In case of an outlier, average of two remained methods used to conclude the fair value. Investments in listed equity by entity at the end of period:

LISTED EQUITIES		30/Jun/21	Fair Value Change	Reclassific ation	30/Jun/20
Name	% ownership	TZS '000	TZS '000		TZS '000
CRDB Bank Plc	13	102,294,503	52,014,151	-	50,280,352
Mwalimu Commercial Bank	16	5,000,000	-	-	5,000,000
NICOL	15	1,275,004	340,003	-	935,000
NMB Bank Plc	1	18,229,655	-	-	18,229,655
Swissport Tanzania Ltd	3	1,675,432	(269,266)	-	1,944,697
Tanga Cement Company Ltd	4	1,131,024	(544,567)	-	1,675,592
Tanzania Breweries Limited	5	175,290,639	-	-	175,290,639
Tanzania Cigarette Company	5	79,624,991	-	-	79,624,991
Tanzania Portland Cement Ltd	6	39,882,604	15,509,901	-	24,372,702
TCCIA		9,835,105	5,808,005	4,027,100	-
TOL Gases Limited	2	541,667	(108,333)	-	650,000
Vodacom Tanzania Plc	4	64,770,644	(6,729,418)	-	71,500,062
<b>Total Listed Equities</b>		<b>499,551,267</b>	<b>66,020,476</b>	<b>4,027,100</b>	<b>429,503,691</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**21 EQUITY INVESTMENTS (CONTINUED)**

Unlisted Entity	Shareholding (%)	30 June 21	Fair value changes	30 June 20
		<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
TPB Bank Plc/Twiga Bancorp Ltd	2.35	1,965,317	1,304,916	660,401
Tanzania National Re-Insurance Corporation Ltd	10	20,120,772	(4,063,637)	24,184,409
Tanzania Pharmaceuticals Industries	10	0	(1,500,000)	1,500,000
Akiba Commercial Bank Plc	11.2	2,277,655	1,313,698	963,957
PTA Reinsurance Company	11.2	18,159,649	12,518,890	5,640,759
<b>Total</b>		<b>42,523,393</b>	<b>9,573,867</b>	<b>32,949,526</b>

**22 MUTUAL FUNDS' INVESTMENTS**

Mutual Fund Investments 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 those 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 using scheme's net asset value (NAV) at the balance sheet date.

	<b>TZS '000</b>	<b>TZS '000</b>
	<b>30 June 21</b>	<b>30 June 20</b>
Balance as at July		
Additions		-
Reclassification	167,751,956	-
Fair Value Change	55,911,779	
	<b>223,663,735</b>	

MUTUAL FUNDS DETAILS	Closing Balance	Re-classification	FV Change	Opening Balance
Name	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Unit Trust of Tanzania (UTT)	209,616,662	155,419,385	54,197,277	-
Watumishi Real Estate (REITS)	14,047,073	12,332,571	1,714,502	-
<b>Total</b>	<b>223,663,735</b>	<b>167,751,956</b>	<b>55,911,779</b>	<b>-</b>

23 GOVERNMENT SECURITIES	Treasury Bonds	Non-Cash Special Bond	Total
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>Period ended 30 June 2021</b>			
Opening balance	2,525,726,854	-	2,525,726,854
Additions	175,591,863	*2,176,740,000	2,352,331,863
Interest	380,216,910	-	380,216,910
Proceeds	(557,586,573)	-	-557,586,573
Adjustment	22,218,530	-	22,218,530
	<b>2,546,167,584</b>	<b>2,176,740,000</b>	<b>4,722,907,584</b>
<b>IMPAIRMENT</b>			
Opening balance	(10,000,027)		(10,000,027)

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Charges for the year	(12,701,760)	(12,701,760)
	(22,701,787)	(22,701,787)
<b>Closing net book amount</b>	<b>2,523,465,797</b>	<b>4,700,205,797</b>

**Period Year ended 30 June 2020**

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)	(10,000,027)	(10,000,027)
<b>Closing net book amount</b>	<b>2,515,726,827</b>	<b>2,515,726,827</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 21</b>			
Treasury bonds	101,136,110	2,422,329,687	2,523,465,797
Non-Cash Special Bond	-	*2,176,740,000	2,176,740,000
<b>30 June 20</b>			
Treasury bonds	41,789,100	2,473,937,728	2,515,726,828

The Government of the united republic of Tanzania has agreed to sign the MOU for issuing special non-cash Government Bonds to honor the debt, in view of that TZS 2.176 trillion has been recognized in the financial statements the remaining TZS 2.452 trillion is yet to be signed after verification of the same, the Special Bond effective date commence on 15th day of December 2021.

<b>24 CORPORATE BONDS</b>	<b>30 June 21 TZS'000</b>	<b>30 June 20 TZS'000</b>
At the beginning of the year	17,904,212	22,389,826
Addition	1,000,000	-
Repayments	(17,068,261)	(8,482,615)
Amortized interest	1,372,753	3,997,001
	<b>3,208,704</b>	<b>17,904,212</b>
Accumulated Impairments	(167,366)	(264,032)
<b>At the end of the year</b>	<b>3,041,338</b>	<b>17,640,180</b>
<b>Maturity analysis</b>		
Maturing within 90 days	-	-
Maturing over 90 days	3,041,338	17,640,180
	<b>3,041,338</b>	<b>17,640,180</b>
<b>Impairments movement</b>		
Opening Balance	264,032	1,699,216
Addition during the year	(96,666)	(1,963,248)
<b>Closing Balance</b>	<b>167,366</b>	<b>264,032</b>

Investments in corporate bonds by entity at the end of period.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS'000</b>	<b>TZS'000</b>
TMRC (C-BOND)	3,041,338	2,144,026
NMB (C-BOND)	-	15,496,154
<b>Total</b>	<b>3,041,338</b>	<b>17,640,180</b>
<b>25 PREPAYMENTS</b>		
Prepayments	1,295,529	819,611
Deposits	48,542	69,603
Capital Expenditure Advances	3,292,833	11,155,062
Other Debtors	23,594,251	22,906,668
Accumulated Impairment- Other Debtors	(21,001,114)	(2,930,149)
<b>Total</b>	<b>7,230,041</b>	<b>32,020,795</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 21	30 June 20
<b>26 RECEIVABLES</b>	<b>TZS'000</b>	<b>TZS'000</b>
Contribution receivable (a)	31,837,416	87,418,913
Statutory penalties (b)	339,923	36,029,756
Other receivable (c)	39,596,235	55,747,189
Dividend receivable (d)	699,727	288,621
Rent and parking receivable (e)	15,877,562	16,707,184
<b>Total</b>	<b>88,350,863</b>	<b>196,191,663</b>
<b>(a) CONTRIBUTION RECEIVABLES</b>	<b>30 June 21</b>	<b>30 June 21</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Opening	288,982,120	286,004,332
Additions	1,420,871,658	1,364,325,182
Receipts	(1,394,441,501)	(1,398,431,241)
Pre-1999	(185,561,360)	37,083,847
Accumulated Impairment	(98,013,500)	(201,563,207)
<b>Closing</b>	<b>31,837,416</b>	<b>87,418,913</b>
<b>CONTRIBUTION RECEIVABLES BREAKDOWN</b>		
Statutory Contribution Debtors	128,927,546	102,473,160
Receivables from treasury	191,849	191,849
Pre-1999 Contribution's receivable	(0)	185,753,245
Receivable from Members	731,521	563,866
Impairment	(98,013,500)	(201,563,207)
<b>Total</b>	<b>31,837,416</b>	<b>87,418,913</b>
<b>IMPAIRMENT MOVEMENT</b>		
Opening	201,563,207	202,438,225
Addition	82,203,538	(875,018)
Reversal	(185,753,245)	-
<b>Total</b>	<b>98,013,500</b>	<b>201,563,207</b>
<b>(b) STATUTORY DEBTORS</b>		
Statutory Debtors-Penalties	57,246,137	59,276,948
Impairment	(56,906,214)	(23,247,192)
<b>Total</b>	<b>339,923</b>	<b>36,029,756</b>
<b>(c) OTHER RECEIVABLE</b>		
Opening	131,541,504	136,318,528
Additions	32,015,018	6,314,430
Deductions (Revenue Grant Receivable)	(75,342,236)	
Receipts	(4,557,210)	(2,107,403)
Adjustments	(40,760,938)	(8,984,051)
Impairments/Reversals	(3,299,904)	(75,794,315)
<b>Closing</b>	<b>39,596,235</b>	<b>55,747,189</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**OTHER RECEIVABLES BREAKDOWN**

Grant's receivable	(0.00)	75,342,236
Staff receivable	19,258,267	23,834,574
Diesel and Electricity	477,227	523,929
Low-cost houses and plots	23,689,402	32,369,522
Advance pension to constitution staff	(528,757)	(528,757)
Impairment	(3,299,904)	(75,794,315)
<b>Total</b>	<b>39,596,235</b>	<b>55,747,189</b>

**(d) DIVIDEND RECEIVABLE**

At start	288,621	858,537
New declaration	41,067,773	19,473,341
Dividend Received	(40,656,667)	(20,043,257)
<b>At closing</b>	<b>699,727</b>	<b>288,621</b>

**26 RECEIVABLES (CONTINUED)**

**(e) RENT AND PARKING RECEIVABLE**

	<b>Rent receivables</b>	<b>Parking</b>	<b>Total</b>
	<b>TZS '000</b>	<b>receivables</b>	<b>TZS '000</b>
		<b>TZS '000</b>	
<b>Year ended 30 June 21</b>			
Opening balance	30,302,440	1,008,435	31,310,874
Additions during the year	32,023,181	1,233,587	33,256,768
Receipts	(27,504,281)	(758,125)	(28,262,406)
<b>Total</b>	<b>34,821,339</b>	<b>1,483,897</b>	<b>36,305,236</b>
Impairment	(19,439,712)	(987,962)	(20,427,674)
<b>Closing net book amount</b>	<b>15,381,627</b>	<b>495,935</b>	<b>15,877,562</b>
<b>Year 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>

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 (2019/20: nil)

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

<b>IMPAIRMENT MOVEMENT</b>	<b>Contribution receivable</b>	<b>Statutory Penalties</b>	<b>Other receivables</b>	<b>Rent and Parking</b>	<b>Total</b>
01 July 2021	201,563,207	23,247,192	75,794,315	14,603,690	315,208,404
Addition	(178,891,943)	33,659,022	2,847,825	5,823,983	124,534,368
<b>30 June 2021</b>	<b>22,671,264</b>	<b>56,906,214</b>	<b>78,642,140</b>	<b>20,427,673</b>	<b>439,742,772</b>
01 July 2019	202,438,225	46,043,123	83,844,147	9,185,324	341,510,819
Addition	(875,018)	(22,795,931)	(8,049,832)	5,418,366	(26,302,415)
<b>30 June 2020</b>	<b>201,563,207</b>	<b>23,247,192</b>	<b>75,794,315</b>	<b>14,603,690</b>	<b>315,208,404</b>

**27 VAT AND WITHHOLDING TAX RECOVERABLE**

	<b>30 June 21 TZS'000</b>	<b>30 June 20 TZS'000</b>
VAT Receivable	313,951	-
Withholding tax Payable	7,329,775	8,523,144
<b>Total</b>	<b>7,643,726</b>	<b>*8,523,144</b>
<b>*Movement in VAT and withholding tax recoverable</b>		
At the beginning of the year	8,523,144	54,969,204
Tax claimable/(payable) during the year	(879,418)	(46,446,059)
At the end of the year	<b>7,643,726</b>	<b>8,523,144</b>

**28 LOAN INVESTMENTS**

**COST**

At the beginning of year	875,145,950	1,125,027,436
Additions/reclassification	42,819,582	-
Interest	4,287,793	5,460,979
Repayments	(324,868,096)	(255,307,220)
Reversal of fair value	-	(35,245)
	<b>597,385,229</b>	<b>875,145,950</b>
*Impairments	(273,399,535)	(18,509,459)
<b>At the end of year</b>	<b>323,985,694</b>	<b>856,636,491</b>

**LOANS BREAKDOWN**

	<b>30/06/2021 TZS'000</b>	<b>30/06/2020 TZS'000</b>
Direct loan to the Government	231,402,698	778,715,910
Corporate Loans	55,196,262	16,685,910
Loans to corporative societies	13,996,933	22,974,822
Members Loans	23,389,801	38,259,848
	<b>323,985,694</b>	<b>856,636,491</b>

**\*Impairment Allowance for Loan Investments**

Balance at 1 July	18,509,459	361,348,041
Additional Impairment	254,890,076	(2,301,098)
Release of provision	(0.10)	(340,537,484)
	<b>273,399,535</b>	<b>18,509,459</b>



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Loan investments are comprised of loans issued directly to the government, members, corporate and corporate societies. 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 231 billion as at 30 June 2021 (2020: TZS 790 billion).

**28 LOAN INVESTMENT**

	30 June 21 TZS '000'	30 June 20 TZS '000'
<b>Segmental Analysis - Industry</b>		
Agriculture	-	4,713,690
Real estate	122,965,289	84,326,954
Energy	933,384	7,314,874
Education	130,781,123	565,805,206
Personal	21,661,853	80,903,309
Others	47,644,046	113,572,460
	<b>323,985,694</b>	<b>856,636,492</b>

**29 TRADABLE INVENTORY**

	Houses TZS '000	Plots TZS '000	<u>Total</u> TZS '000
<b>Year ended 30 June 2021</b>			
Opening balance	104,638,355	14,326,644	118,964,999
Adjustments	-	-	-
Sold during the period	(4,467,077)	(1,331,713)	(5,798,790)
Impairment	855,937	-	855,937
<b>Closing net book amount</b>	<b>101,027,215</b>	<b>12,994,932</b>	<b>114,022,146</b>
<b>Year 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>

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

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**30 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**INVESTMENT PROPERTIES**

	Land	Work in Progress TZS'000	Rental Buildings TZS'000	Total TZS'000
<b>Year ended 30 June 21</b>				
At start of year	64,397,681		1,087,594,094	1,151,991,776
Additions during the year	-		1,439,788	1,439,788
Reclassifications	-		30,759,000	30,759,000
Fair value adjustments	(6,763,120)		(10,264,263)	(17,027,384)
	<b>57,634,561</b>	-	<b>1,109,528,619</b>	<b>1,167,163,180</b>
Accumulated impairment	-		-	-
<b>At end of the period</b>	<b>57,634,561</b>	-	<b>1,109,528,619</b>	<b>1,167,163,180</b>
<b>Year ended 30 Jun 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				
Work in progress		(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>1,087,594,094</b>	<b>1,151,991,776</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 realisability 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.

During the year, investment properties has changed due to management decision of liquidating International House Property limited. The Fund is aware of thirty-five (35) years lease contract with Southern Sun Tanzania Limited on plot no 217 and 218 situated on block 35 garden avenue Ilala. The lease contract started on 01 August 2000 and contains an extension option of fifteen 15 years.

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 Fund uses fair value to measure its investment properties. 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.

**30 INVESTMENT PROPERTIES (CONTINUED)**

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**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 21 TZS'000	30 June 20 TZS'000	Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
1,167,163,180	1,151,991,776	Level 3	Depreciated cost method	Construction cost per square meter	Direct relationship

The Fund had no investment properties that exceed 5% of the Fund's net assets as at 30<sup>th</sup> June 2021:  
The following are amounts recognized in profit or loss for investment properties:

	30 June 21 TZS' 000	30 June 20 TZS' 000
Rental Income	31,307,873	28,243,432
Direct operating expenses used to manage the properties	14,502,441	1,393,492
Fair value gain (losses)	(17,027,384)	19,191,093

**31 ASSOCIATES AND JOINT VENTURE**

	Associates TZS '000	Joint Ventures TZS '000	Total TZS '000
<b>Period ended 30 June 2021</b>			
Opening balance	24,986,007	20,603,187	45,589,194
Additions	1,200	-	1,200
Disposal/Reclassification	(7,627,516)	11,038,585	3,411,069
Proceeds	-	-295,000	-295,000
	<b>17,359,691</b>	<b>31,346,772</b>	<b>48,706,463</b>
Accumulated Fair Values	(12,512,682)	(11,129,687)	(23,642,369)
Increased/Released during the year	13,982,267	6,726,873	20,709,140
Reclassification	3,600,416	(7,587,274)	(3,986,858)
	5,070,001	(11,990,088)	(6,920,087)
	<b>22,429,692</b>	<b>19,356,684</b>	<b>41,786,376</b>
<b>Year ended 30 June 2020</b>			
Opening balance	26,391,022	35,941,762	62,332,784
Disposal/Reclassification	(421,505)	(15,338,575)	(16,743,590)
Accumulated Fair Values	(13,496,192)	(11,129,687)	(23,642,369)
Closing balance	<b>12,473,325</b>	<b>9,473,500</b>	<b>21,946,825</b>

**31 ASSOCIATES AND JOINT VENTURE (Continued)**

The Fund has three Associates (four: 2020) as a result of listing TCCIA into DSE and four Joint Ventures that are material to the Fund. Number of Joint Venture investments has increased relatively to last year due to reclassification of APC Investment centre and Nambongo Sumbawanga project.

As an investment entity, the Fund elected to measures 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 market approach through multiples of earning and price to book value methods.

As at 30 June 2021, 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 FOR THE YEAR ENDED 30 JUNE 2021

31 ASSOCIATES AND JOINT VENTURE(CONTINUED)

ASSOCIATES

Entity	% of ownership	30 June 21 TZS' 000	Additions/Reclassification TZS' 000	Accumulated FV TZS' 000	30 June 20 TZS' 000
TCCIA Investment Plc	40	-	(7,627,516)	-	7,627,516
Nguru Hills Ranch Limited	39	1,716,000	1,200	-	1,714,800
Ubungu Plaza Limited	35	19,646,369	-	5,002,679	14,643,691
Tanzania Mercantile Exchange Plc	44	1,067,322	-	67,322	1,000,000
<b>Total</b>		<b>22,429,692</b>	<b>(7,626,316)</b>	<b>5,070,001</b>	<b>24,986,007</b>

JOINT VENTURES

Entity	% of ownership	Balance as at 30 June 21 TZS' 000	Additions/Payments TZS' 000	Accumulated FV TZS' 000	Balance as at 30 June 20 TZS' 000
NHC/PPF IPS Building Company Limited	50	13,515,494	-	(4,946,520)	18,462,014
PPF/DCC Investment Company Limited	50	2,462,187	(295,000)	616,014	2,141,173
Mkulazi Holdings Limited *	50	0	0	(332,044)	332,044
APC investment Centre	54	2,322,753	9,982,336	(7,659,582)	-
Nambongo Sumbawanga		1,056,249	1,056,249	-	-
<b>Total</b>		<b>19,356,684</b>	<b>10,743,585</b>	<b>(12,322,133)</b>	<b>20,935,231</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2021**

**31 ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**DESCRIPTION OF THE ASSOCIATES**

<b>Details</b>	<b>Nguru Hills Ranch Limited</b>	<b>Ubungu Plaza Limited</b>	<b>Tanzania Mercantile Exchange Plc</b>
Nature of Business	Industry	Real Estate	Trade/Commerce
Nature of relationship with the Fund	Associate	Associate	Associate
Principal place of business	Morogoro	Dar es Salaam	Dar es Salaam
Reporting period		30-June	31 December
Ownership interest/rights held	39%	35%	44%

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR PERIOD ENDED 30 JUNE, 2021**  
**DESCRIPTION OF THE JOINT VENTURES**

Details	PPF/DCC Investment Company Limited	NHC/PPF IPS Building Company Limited	Mkulazi Holdings Limited	Nambongo Sumbawanga	APC Investment Company
Nature of Business	Car parking Block & Offices	Property Management	Establishment and management of sugar factories	Surveying and sales of plots	Hospitality Services
Nature of relationship with the Fund	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Joint Venture
Principal place of business	Dar es Salaam	Dar es Salaam	Morogoro	Sumbawanga	Dar es Salaam
Reporting period	30-June	30-June	30-June		30-June
Ownership interest/ rights held	50%	50%	50%		54%

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 location.

Both PPF/DCC Parking Ltd and PPF/NHC IPS Building Co. Ltd are structured as a separate vehicle and the Fund has a residual interest in their net assets. Accordingly, the Fund has classified its interest in these entities as Joint Ventures. Nambongo Sumbawanga was established for the purpose of surveying land and sell plots to citizen. No specific vehicle was established other than opening a bank account that requires both parties consent in case of withdrawal and other transactions.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE, 2021**

<b>32 INVESTMENT IN SUBSIDIARIES</b>	<b>30-Jun-21</b>	<b>30-Jun-20</b>
<b>COST</b>	<b>TZS '000</b>	<b>TZS '000</b>
At the beginning of year	502,326,730	389,517,451
Additions	36,057,959	56,085,321
Fair Value	(9,238,496)	(47,589,854)
Adjustments	7,034,622	12,883,964
Reclassification	(278,415,450)	56,296,276
	<b>257,765,365</b>	<b>467,193,158</b>
<b>Fair value movement</b>	<b>(35,133,572)</b>	<b>12,456,282</b>
At the beginning of year	25,895,076	(47,589,854)
Addition/reversal	<b>(9,238,496)</b>	<b>(35,133,572)</b>

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.

**Summary of unconsolidated subsidiaries**

<b>Entity</b>	<b>Principal place of business</b>	<b>Proportion of Ownership</b>	
		<b>30 June 21</b>	<b>30 June 20</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%
Karanga Leather Industries Company Limited	Kilimanjaro	90.00%	90.00%
Mwanza City Commercial Complex Company Limited	Mwanza	92.80%	92.80%
Watumishi Housing Company	Dar es salaam	57.20%	57.20%



PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021

32 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Investments in subsidiaries by entity at the end of period

Entity	30 June 2020 TZS '000'	Cumm. Fair Values TZS '000'	Reclassification ion FV TZS '000'	Reclassification Cost TZS '000'	Adjustment TZS '000'	Additions TZS '000'	30 June 2021 TZS '000'
APC Hotel and Conference Center	9,982,336	(7,587,273)	7,587,273	(9,982,336)	-	-	-
Azania Commercial Bank	97,415,780	(2,222,172)	-	-	(3,110,781)	-	92,082,827
International House Property	29,974,461	784,539	(784,539)	(29,974,461)	-	-	-
Kilimanjaro International Leather Industries	65,387,101	3,861,542	-	(42,819,582)	1,334,622	36,057,959	63,821,643
Mamba Ginger Co. Ltd	1,000,000	-	-	-	5,700,000	-	6,700,000
Msamvu Properties Company Ltd	29,600,000	(19,407,610)	-	-	-	-	10,192,390
Mwanza City Commercial Complex Company Ltd	72,000,000	16,202,268	-	-	-4,235,285	-	83,966,983
Mzizima Properties Ltd	321,481	-	-	-	-	-	321,481
Nambongo Sumbawanga Project	1,122,249	-	-	(1,122,249)	-	-	-
Pension Properties Limited	6,500	-	-	-	-	-	6,500
Unit Trust of Tanzania (UTT)	155,419,385	-	-	(155,419,385)	-	-	-
Watumishi Housing Co. Ltd (Shares)	1,000,000	-	-	-	(326,458)	-	673,542
Watumishi Real Estate (REITS)	39,097,438	(26,764,866)	26,764,866	(39,097,438)	-	-	-
	502,326,730	(35,133,572)	33,567,600	(278,415,450)	(637,902)	36,057,959	257,765,365

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**33 STATIONERY AND CONSUMABLES**

	Stationeries TZS '000	Other Consumables TZS '000	Total TZS '000
<b>Year ended 30 June 21</b>			
Opening balance	378,004	5,684	383,688
Purchased during the period	761,470	67,884	829,354
Utilised during the period	(721,819)	(67,924)	(789,743)
Impairments	(93,029)	-	(93,029)
<b>Closing net book amount</b>	<b>324,626</b>	<b>5,645</b>	<b>330,271</b>
<b>Year ended 30 June 20</b>			
Opening balance	514,901	7,567	522,468
Purchased during the year	583,445	6,056	589,502
Utilised during the year	(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>

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 1.10 billion (2020: TZS 1.07 billion) has been recognized as an expense during the year.

The Fund use FIFO method in accounting of its inventories. 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 789.74 million (2019/20: TZS 728.28 billion) has been recognized as an expense during the year. The Fund purchases stationeries and consumables for use within the next short period therefore did not write down any of its stationery and consumables during the year. The Fund also did not reverse any amount that was written off in previous years.

**34 RIGHT OF USE ASSET**

	Office Space TZS '000	Total TZS '000
<b>As at 01 July 2020 (Cost)</b>	<b>1,005,523</b>	<b>1,005,523</b>
Addition (exercising extension option)	956,110	956,110
	<b>1,961,633</b>	<b>1,961,633</b>
Accumulated amortization	353,328	353,328
Charge for the year	407,112	407,112
Adjustments	10,571	10,571
	771,011	771,011
<b>Closing Balance 30 June 2021</b>	<b>1,190,622</b>	<b>1,542,022</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**34 RIGHT OF USE ASSET**

As at 01 JULY 2019 (Cost)		
Addition	1,005,522	1,005,522.27
	1,005,522	1,005,522.27
Accumulated amortization	-	-
Charge for the year	353,328	353,328.10
	353,328	353,328.10
<b>Closing Balance 30 June 2020</b>	<b>652,194</b>	<b>652,194.17</b>

Right of use asset includes leases of office space for Fund's zonal and regional offices. During the year, there were no income earned as a result of sub-leasing right of use assets

**35 INTANGIBLE ASSET**

	30 June 21	30 June 20
	TZS '000	TZS '000
<b>COST</b>		
At beginning of year	5,979,948	5,649,600
Additions	-	330,348
<b>At the end of year</b>	<b>5,979,948</b>	<b>5,979,948</b>
<b>AMORTISATION</b>		
At the beginning of year	4,577,425	4,105,689
Charge for the year	408,968	471,736
<b>At the end of year</b>	<b>4,986,393</b>	<b>4,577,425</b>
<b>Net book value</b>	<b>993,555</b>	<b>1,402,523</b>

The useful lives of intangible assets are assessed as either finite or indefinite. All computers software has 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.

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.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**35 INTANGIBLE ASSET(Continued)**

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 (2020: nil) and none of the Fund's fully amortised intangible assets are still in use.

The Fund did not reclassify any of its intangible assets during the year as held for sale under IFRS 15.

The Fund has some fully amortized intangible assets which are old, merged Funds systems for data retrieving. The systems are not used for any of its active operations.

PUBLIC SERVICE SOCIAL SECURITY FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021

36 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 2021</b>						
At start of year	10,202,847	3,522,633	3,393,584	2,547,555	1,009,736	20,676,355
Additions	98,774	161,427	514,263.46	370,552	-	1,145,016
Depreciation	(2,486,244)	(1,290,626)	(1,914,712)	(2,100,794)	(17,503)	(7,809,878)
Revaluation adjustment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Year ended 30 June 2020</b>	<b>7,815,377</b>	<b>2,393,434</b>	<b>1,993,136</b>	<b>817,313</b>	<b>992,233</b>	<b>14,011,493</b>
At start of year	8,943,567	10,968,986	10,664,928	7,549,056	1,030,344	39,156,881
Additions	326,547	550	1,288,917	-	-	1,616,014
Reclassifications	-	-	-	-	-	-
Depreciations	(3,446,496)	(2,198,801)	(3,693,124)	(3,424,600)	(20,608)	(12,783,629)
Disposals	-	-	-	(518,100)	-	(518,100)
Impairments	-	-	-	-	-	-
Revaluation adjustments	4,379,229	(5,248,102)	(4,867,137)	(1,058,801)	-	(6,794,811)
<b>At end of the Year</b>	<b>10,202,847</b>	<b>3,522,633</b>	<b>3,393,584</b>	<b>2,547,555</b>	<b>1,009,736</b>	<b>20,676,355</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**36 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 and
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. Items of PPE are depreciated over useful life on straight line basis and the useful life is reviewed at each reporting date or when the need arises. Management considers that the NBV of its properties does not materially vary with fair values.

There is no item of property and equipment that was used as security for any loan. None of properties and equipment is fully depreciated but still in use.

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 contractual commitments to acquire computer hardware amounting to TZS 112 million as at 30 June 2021.

There is no compensation from third parties for item in property and equipment that were impaired, lost or given up that is included in profit or loss.

The Fund had no temporary idle items that are not in use and had no any restrictions in using its properties as at 30<sup>th</sup> June 2021.

The Fund had no any item of Property, plant and equipment classified as Held for Sale in accordance to IFRS 15 as at 30<sup>th</sup> June 2021.

**37 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:

	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS'000</b>	<b>TZS'000</b>
At start of year	(114,398,332)	37,108,412
Debited to statement of changes in net assets available for benefits	(165,664,544)	(151,506,744)
At end of period	<b>(280,062,876)</b>	<b>(114,398,332)</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 JUNE 2021

37 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

	30 June 21	(Credit)/Charge to statement of changes in net assets	30 June 20
	TZS'000	TZS'000	TZS'000
<b>Deferred income tax</b>			
Fair value gain/loss on investments	(194,161,856)	(171,418,439)	(22,743,417)
Accelerated capital deductions	(85,901,020)	5,753,895	(91,654,915)
<b>Net deferred income tax</b>	<b>(280,062,876)</b>	<b>(165,664,544)</b>	<b>(114,398,332)</b>

38 LEASE LIABILITY

The Fund leases various zonal and regional offices under non-cancellable lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. No arrangements have been entered into for contingent rental payments, and also no restrictions have been imposed by these lease arrangements.

The carrying amounts of lease liabilities and the movements during the year is shown below

	30 June 21	30 June 20
	TZS'000	TZS'000
Opening (As at July)	862,800	-
Additions (due to extension option)	941,481	1,123,911
Interest (Finance Cost)	277,151	108,789
Payments at the beginning	(369,900)	-
Payments during the year	(522,559)	(369,900)
<b>Closing</b>	<b>1,188,973</b>	<b>862,800</b>

<b>MATURITY ANALYSIS</b>	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Maturing within twelve months	443,134	152,925
Maturing over twelve months	745,839	709,875
<b>Total</b>	<b>1,188,973</b>	<b>862,800</b>

**Note:** Current and non-current liabilities agree with the above maturity analysis.

During the period, there were no expenses as a result of low value lease or shorter period leases. In addition, no expenses relating to lease payments not included in the measurement of lease liabilities.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**39 BENEFITS PAYABLES**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Opening	430,264,294	603,359,924
Additions during the year	2,187,053,595	1,554,426,403
Payments	(1,914,481,239)	(1,727,503,173)
Adjustments (Prior year)	(6,614,928)	(18,860)
Closing	<b>696,221,722</b>	<b>430,264,294</b>
<b>Payable Details</b>		
Retirement	593,302,022	348,443,501
Survivor	54,141,176	30,688,669
Invalidity	730,748	814,103
Withdrawal	23,798,247	24,804,198
Other Benefits	24,249,529	25,513,823
<b>Grand Total</b>	<b>696,221,722</b>	<b>430,264,294</b>

Benefits payable are comprised benefit claims due to Members and their dependents under the PSSSF Act at the year end.

**40 OTHER PAYABLES**

Creditors Goods and Services	1,794,065	2,486,815
Retention Money	19,000,431	19,000,431
VAT and Withholding Tax Payable	(6,410,722)	(7,471,125)
Rent Deposit and Advances	9,977,155	11,420,926
Other Creditors	10,367,366	17,473,814
<b>Grand Total</b>	<b>34,728,295</b>	<b>42,910,861</b>

**41 PROVISIONS**

Beginning Balance	7,029,929	2,614,521
Provision made during the year	6,467,263	7,656,254
Provision used during the year	(3,821,900)	(3,240,846)
Provision reversed during the year	(4,307,295)	-
<b>Ending Balance</b>	<b>5,367,997</b>	<b>7,029,929</b>

**Provision for Pending litigation**

As at year end, there were pending legal cases where the Fund was a defendant. No provision has been made due to professional advice on chances of losing the case but there can be no assurance that the scope of these matters will not be extended, nor will that material lawsuits, claims, legal proceedings or investigations not arise in the future.



**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**41 PROVISIONS (CONTINUED)**

**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 617 billion has been made (30 June 2020: TZS 341 billion).

**42 PAYABLE TO RELATED PARTIES**

	30 June 21	30 June 20
	TZS'000	TZS'000
MAMBA GINGER CO. LTD	5,282,396	816,331
MSAMVU PROPERTIES COMPANY LTD	14,287,990	14,287,433
<b>Grand Total</b>	<b>19,570,386</b>	<b>15,103,764</b>

**43 INCOME TAX LIABILITIES**

	30 June 21	30 June 20
	TZS'000	TZS'000
At the beginning of the year	196,574,147	110,970,106
Current tax for the year	16,669,186	67,305,183
Net Amnesty Deed Tax	-	122,563,523
Tax on Return of income 2018_19	-	38,107,851
Adjusted tax assessments-TRA audit-undisputed	-	15,255,527
Tax paid during the period	(71,820,370)	(157,628,044)
<b>At period end</b>	<b>141,422,963</b>	<b>196,574,147</b>

During the year the TRA carried out tax audit and issued assessments in which the Fund objected some of the assessments. The tax in dispute based on the objections lodged is disclosed as 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>

**44 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of transactions are entered into with related parties' i.e., trustees, key management staff, subsidiaries, associates, directors and their associates.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**44 RELATED PARTY TRANSACTIONS (CONTINUED)**

These include allowances, loans, trustees' fees, payments to and from associates and subsidiary. Apart from contributions above and loans disclosed in Note 28, the following are transactions and balances outstanding with related parties:

<b>i. Payments Made to Related Parties</b>	<b>30 June 21</b>	<b>30 June 20</b>
	<b>TZS,000</b>	<b>TZS,000</b>
Nguru Hills Ranch Limited	-	257,736
Mamba Ginger Growers Company Limited	101,762	990,641
Kilimanjaro International Leather Company	13,507,156	56,085,321
Staff loans	2,067,381	-
	<b>15,676,299</b>	<b>57,333,698</b>
<b>ii. Receipts from related parties</b>		
Azania Bank Limited	-	-
Repayments of staff loans	4,352,089	7,806,057
Sumbawanga municipal council	291,596	291,596
Members loans	39,693,348	39,693,348
	<b>44,337,033</b>	<b>47,791,001</b>
<b>iii. Outstanding balances due from related parties</b>		
Staff loans	18,728,341	23,321,627
Members' loans	21,661,853	38,259,848
	<b>40,390,194</b>	<b>61,581,475</b>
<b>iv. Outstanding balances due to related parties</b>		
MAMBA GINGER CO. LTD	5,282,396	816,331
MSAMVU PROPERTIES COMPANY LTD	14,287,990	14,287,433
<b>Grand Total</b>	<b>19,570,386</b>	<b>15,103,764</b>
<b>v. Interest income from related parties</b>		
Interest Members loans	1,177,134	3,168,183
	<b>1,177,134</b>	<b>3,168,183</b>

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.

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021  
RELATED PARTY TRANSACTIONS (CONTINUED)**

44

**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 21</u> TZS '000	<u>30 June 20</u> TZS '000
<b>i. Board of Trustees</b>		
Trustees' remuneration	103,375	92,250
Other board expenses	398,856	275,642
	<b>502,231</b>	<b>367,892</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:

**Key Management compensation**

Short-term employee benefits	1,358,424	1,274,660
Social security contributions - defined contribution plan	203,764	191,199
Employee health benefit expense	-	-
Other allowances	420,173	508,424
	<b>1,982,361</b>	<b>1,974,283</b>

**iii Loans to key Management Personnel**

Opening balance	419,409	1,195,540
Additions	1,191,758	
Repayment	(693,555)	-90,760
Transferred Directors	-	-685,371
<b>Ending Balance</b>	<b>917,612</b>	<b>419,409</b>

**45 COMMITMENTS**

**a) Capital Commitments**

As at 30 June 2021, the Fund had capital commitments of TZS 9.00 billion (2020: TZS 28.6 billion). The capital commitments are for purchase of shares and various investment projects as detailed below:

	<u>30 June 21</u> TZS'000	<u>30 June</u> TZS'000
Nguru Hills Ranch Limited		7,255,200
Mamba Ginger Growers Company Limited	1,417,605	820,000
PSSSF Commercial Complex - Sam Nujoma Road	3,101,000	20,509,912
Mamba Miamba rehabilitation	70,000	-
PSSSF Tower and Parking Arcade	3,665,236	-
PSSSF Dodoma	265,785	-
Golden Jubilee Tower	250,000	-
PSSSF Arusha Plaza	232,572	-
	<b>9,002,198</b>	<b>28,585,112</b>

**PUBLIC SERVICE SOCIAL SECURITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR PERIOD ENDED 30 JUNE 2021**

**b) Loan Commitments**

As at 30 June 2021, the Fund had a commitment amounting to TZS 26,405 million in favor of Kilimanjaro International Leather Ltd and MD consult for additional project costs and construction of college of informatics and virtual science at the university of Dodoma respectively (2020: Nil).

**46 CONTINGENT LIABILITIES**

**Litigation**

The Fund has 191 litigations in various courts with a total exposure of TZS 14.88 billion as a contingent liability. No provision has been made as the amount fails to meet the criteria required under IAS 37 (2020: TZS 1.044 billion).

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.

**47 ASSETS PLEDGED AS SECURITY FOR LIABILITIES**

As at June 2021, none of Fund's assets has been pledged as security for liabilities.

**48 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 and 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 judgments 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 have no reason to believe that this is likely to happen.

The Fund engaged the Government of United Republic of Tanzania to pay the liability associated with pre-1999 service which was inherited from PSPF amounting to TZS 4.629 trillion. The Government agreed to pay the debt by issuing a non-cash special bond of TZS 2.177 trillion through the MoU signed by both parties, the issuance of the bond was 15<sup>th</sup> December 2021. The special bond maturities ranges between 8 years to 25 years. The Trustees considered this as an adjusting event after the reporting date. The remained sum of TZS 2.452 trillion shall be recognized once verification and signing of another MoU is completed.

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.***