

GOVERNMENT EMPLOYEES PROVIDENT FUND (GEPF)



ANNUAL REPORT FOR THE YEAR 2007/2008

April 2009

Our Vision

“A leading Professional Provident Fund in Tanzania in terms of widest coverage and customer oriented services”.

Our Mission

“To provide quality and timely social security benefits under Provident Fund System to non-pension, contractual employee sand self employed person in Tanzania through the use of competent, well motivated staff and modern information and communication technology”.

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LETTER OF TRASMITION

Mr. Ramadhan Khijah,
Permanent Secretary,
Ministry of Finance and Economic Affairs,
P.O Box 9111,
DAR ES SALAAM.

Permanent Secretary,

In accordance with Section 3 of the Provident Fund (Government Employees) Act, Chapter 51 RE 2002, I here by submit on behalf of the Directors of the Fund, the Annual Report of the Fund for the year ended 30th June 2008.

The report contains Chairpersons statement, Report of the Chief Executive Officer, the Annual Accounts and the Auditors Independent Report.

I hereby submit.

Monica L. Mwamunyange
CHAIRPERSON
April, 2009

THE CHAIRPERSON'S STATEMENT

It is my pleasure once again to release to you the Annual Report and Audited Accounts of the Fund for the financial year ended 30th June 2008.

For another year in succession, I am pleased to report that the Fund has recorded an impressive performance not only in terms of growth in number of members registered but also in terms of growth in contributions, investment income and the overall assets of the Fund.



These achievements are a result of the right policies and strategies put in place by the Fund, internal efforts by staff and good policies that are being pursued by the government. The year 2007/08 witnessed economic performance with real GDP growing at 7.3% which had a positive effect on the Fund's investments.

Interest rates have continued to be market determined with Treasury bill rates providing an anchor. During the year the Central Bank reduced the auctions from weekly basis to fortnight basis, as a result the overall Treasury bill rate dropped from 16.42% in October to 11.40% in December 2007 and further down to 7.05% in April 2008. Although the drop in Treasury bill rates has been an important policy measure it had a negative impact on the Fund's investment income.

The year saw an important reform of the social security sector leading to the enactment of the Social Security (Regulatory Authority) Act 2008 which was passed by the Parliament in April 2008 and assented by the President of the United Republic of Tanzania in June 2008. We welcome the establishment of regulatory authority as it is in our belief that a well coordinated sector requires an oversight of a regulator.

During the period under review membership increased from 27,333 recorded in June 2007 to 29,554 in June 2008. Total collection from contributions increased from TZS 9,022.88 million recorded in June 2007 to TZS 10,396.03 million in June 2008. This increase is equivalent to 15.22% when compared to the previous year. Total investment income increased from TZS 3,096.64 million to TZS 4,863.60 million equivalents to 57.06% increase. At the end of the year total assets of the Fund increased from 41,489.24 million to TZS 55,910.40 equivalent to 34.76% increase. Consequently, Net Assets available for benefit payment increased by 34.38% from TZS 41,438.11 million at the end of June 2007

to TZS 55,683.54 million at the end of June 2008. In the light of this performance the Fund credited members' account with 6% interest for year 2007/08.

Our drive to continue to improve service delivery has continued to produce expected results. Timely payment of member's benefits is no longer an issue as actual payment is now fixed at within seven days. Administrative expenses have dropped to 20.8% of the income from investment which is below our limit set currently at 30%. This signifies our quest for ever increasing efficient application of member's contributions.

These achievements are a result of hard work by our committed staff and fellow members of the Board. Had it not been for the joint commitment by the two parties, the good results we have continued to witness would not be possible. Members have been very instrumental especially for their trust and support that they have continued to show. To them all I wish to say thank you so much.

On behalf of the Board of Directors, I once again wish to register my sincere gratitude to the Government, member of staff, fellow directors, and other stakeholders for their continued support during the year under review. Finally I wish to assure our distinguished members of our continued endeavour to provide them with exemplary services.

Monica L. Mwamunyange
CHAIRPERSON

THE BOARD OF TRUSTEES



Mr. E. M. Nkuku
Vice Chairperson

He joined the Board in May 2003 as Non Executive Director and became Deputy Chairperson in May 2006. He is a lawyer and holder of Post Graduate Diploma in Human Resources Management. Currently he is the Commissioner of Prisons responsible for Finance and Administration Division in Tanzania Prisons Service.



Mrs. M. L. Mwamunyange
Chairperson

She joined the Board in May 2006. She is a planner with over 20 years of public service. She is currently serving as commissioner for budget, Ministry of Finance and Non-Executive Director, Mwalimu Nyerere Memorial Academy.



Eng.

Ladislaus M. Salema
Member

He joined the Board in May 2006. A Former Manager of National Engineering Company and Divisional Director in Tanzania Social Action Fund has over 30 years in techno-managerial experience in public service. He is currently the CEO of MKURABITA.



Mr. Laston T. Msongole
Member

He joined the Board in May 2005. He is a statistician with over 30 years of public service and is currently working as Director of Macro economy in Planning Commission.



Dr. Mariam I. Nchimbi
Member

She joined the Board in May 2006. She is a senior Lecturer with the University of Dar es Salaam department of Accounting and also a Non Executive Director of the Governing Boards of the Tanzania Investment (TIC) and Arusha International Conference Centre (AICC)



Mr. Wolfgang G. Gumbo
Member

He joined the Board in May 2006. He has over 35 years of service with the Police Force. Currently he is Senior Assistant Commissioner of Police and serving as Chief of Human Resources Management Officer.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER



I am pleased to report that like in the case of 2006/07, this year is yet another strong year for the Fund. We have been able to record 74% growth hence surpassing last year's growth which 56.2%. Like I have always said, this growth has a lot to do with the level of staff engagement throughout the organization.

Efficiency and quality service delivery was further emphasized during the year, as a result operational costs as a percentage of income from investments further reduced to 20.8% compared to 23.3% the previous year. In the same way benefit processing, attendance to members and information delivery received the maximum of our attention. It is in our conviction that sharing information and prompt attendance are among the critical things that members seek to be guaranteed of when they choose to save with GEPF.

Our performance has been good in all fields including member registration, members' contribution and investment incomes. A total of 3,047 new members joined the Fund during the year and member's contribution increased by 17.4% compared to previous year while investment income hit a record growth of 36.3%. A lot more people continue to show interest on the Fund and we expect even better results during 2008/09.

The enactment of the Social Security Regulatory Authority Act of 2008 opens new front for us at GEPF as we can now register non-traditional members. The law gives the new entrants a room to register with Funds of their choice. Inevitably this widens up membership to GEPF to include the private sector and

the widely unregistered informal sector. It is good news to the Fund as we are prepared to take up private sector employees working on contract terms.

As I conclude my statement I wish to re-assure our members of our strong commitment to build their better future. Our investments are carefully studied and risk weighed to ensure they generate sound returns. It is through good returns that we are able to credit members' accounts with high interest rates.

In the same manner and with our intention to see that members prepare their future while still at work the loan portfolio increased further by 29.93 % compared to the previous year. I encourage members to use this portfolio for their better future.

All the achievements cited above are a result of sound leadership by the Board, fully engagement of our staff, good policies by the government and, above all critical support and loyalty of our members.

I therefore wish to conclude by thanking the government, the members, the Board and the entire staff for making year 2007/08 yet another successful year.

Daud M. Msangi
CHIEF EXECUTIVE OFFICER

THE MANAGEMENT TEAM



Philemon P. Minga
Manager - Finance and Administration

He joined the Fund in April 2004 as Manager responsible for finance and administration. He is a professional accountant who previously worked with TTCL as manager responsible for customer accounting and later responsible for financial accounting.



Daud M. Msangi
Chief Executive Officer

He joined the Fund in June 2004 as Chief Executive Officer. He is economist with over 15 years in the field and has held various positions in the public sector including the post of Deputy National Authorizing Officer and Coordinator of European Development Fund in Tanzania.

Mr.



Mr. Festo F. Fute
Manager – Operations and Investment Planning

He joined the Fund in June 2004 as Manager responsible for operations and investments. He is economist and has previously worked with the National Social Security Fund (NSSF) as principal planning and finance officer for over ten years before joining the Fund.



Mr. Hussein I. Kinduu
Chief Internal Auditor

He joined the Fund in 2003 as senior accountant and later promoted to Chief Internal Auditor in 2007. He is a professional accountant who previously worked with Ministry of Finance and Public Services Pensions Fund holding various accounting positions.



Mr. Edgar Shumbusho
Chief ICT Officer

He joined the Fund in September 2004 as Information Technology Officer and later promoted to Chief Information Technology officer in Jan 2007. He is a Computer Scientist and has previously worked with the University of DSM Computing Centre as head of Consultancy Unit before joining the Fund.

SUMMARY OF THE FUND'S RESULTS

Goals of the year

Major goals for year 2007/08 were registration of 3225 new members, increasing investment income by 20%, reducing administrative costs to 26% of income from investments and returning to the Fund all statutory contributions that were erroneously contributed to other Funds.

Resource allocation

Resource allocation for the year was based on the implementation of the Fund's core functions. Generally the main considerations were the Fund's objectives as stated in the Five Year Corporate Plan which extends 2005/06 – 2009/10.

General performance

In 2007/08, net assets stood at TZS 55,683.35 million, an increase of TZS 14,245.44, or 34.78% compared to TZS 41,438.11 million in 2006/07. The increase in net assets is attributed to increase in investment income by TZS 4,863.6 million, or 57.06% compared to TZS 3,096.64 million in 2006/07 and increase in members' contributions to TZS 10,396.03 million from TZS 9,022.88 million.

Continued growth in earnings

The overall income grew by 45.1% hence bypassing the Fund's target of increasing income from investment by 20% yearly. Our strategies to improve work environment, the quality of human resource, customer service and engagement of all staff have contributed to such growth.

Service improvement

Service provision to members continued to be improvement year after year. Number of days used to process benefits has now been maintained at a maximum of seven days considered adequate at the moment. Information on

member's accounts is issued every year and on request while responsiveness to members' queries is on prompt basis.

Excellent cost control

Efficiency use of the Fund's resources has resulted in excellent cost performance whereby during the year the Fund had its operating costs reduced to 20.8 compared to 23.3% during the previous year. This level of operational costs is far below the strategic target set at a maximum of 30.0% of the revenue from investments.

Human resource development

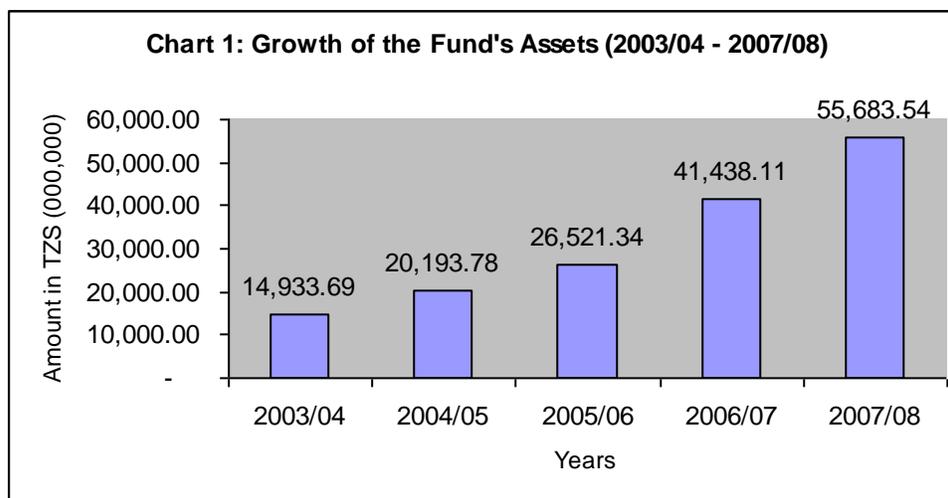
Improving the quality of our staff especially their competencies remains the priority. This was done through technical seminars, short trainings, long term studies and conferences.

Membership to international institutions

The Fund has full membership to the International Social Security Association (ISSA) and East and Central Africa Social Security Association (ECASSA). Such membership has opened up the Fund's access to materials and technical issues relating to social security in the region and the global at large.

DETAILED PERFORMANCE REVIEW

During the year 2007/08 the Net Asset Value of the Fund stood at TZS 55,910.40 million equivalent to a 34.76% increase compared to TZS 41,489.24 million realised in 2006/07. Such remarkable performance is due to an increase of member's contributions and growth in income from investments. Total assets of the Fund have continued to grow throughout the last five years as shown in Chart 1 below.



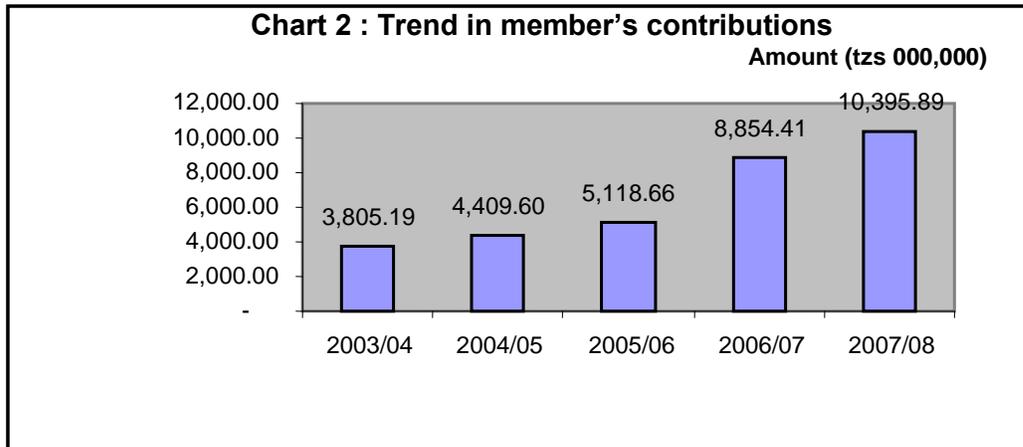
Registration of members

During the period under review a total of 3,047 new members were registered from various organisations. Such registration increased the total number of members from 27,333 in June 2007 to 29,779 in June 2008 hence representing a growth of 8.95%. During the same period a total of 601 members left the Fund due to retirement and graduating to pension terms of employment.

Members Contribution

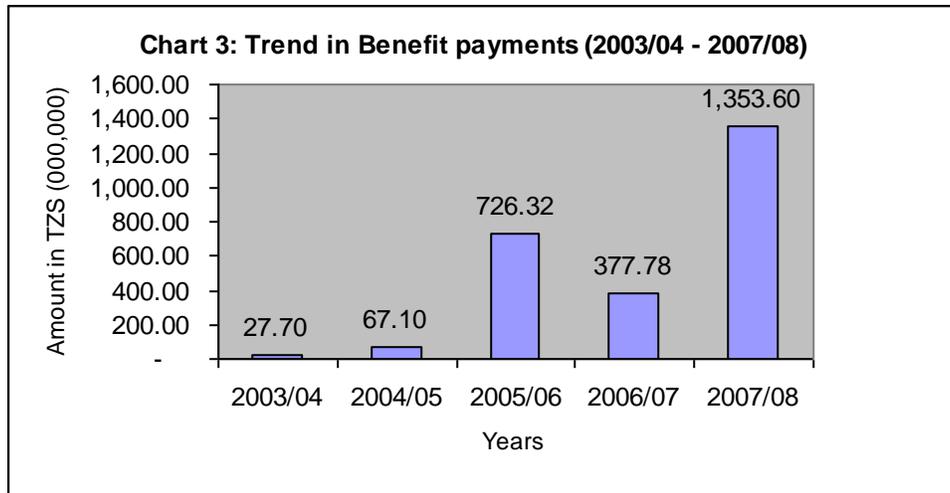
The amount of members' contributions has continued to grow through out the last five years as new members join the Fund and as salaries increases gradually. Contribution collected during 2007/2008 reached a total of TZS 10,395.89 million

compared to 8,854.98 million received during the year ended June 2007. The noted increase is equivalent to 17.40% over the previous year. Chart 2 shows contributions received during the last five years.



Benefit Payments

During the year a total of TZS 1,353.60 million were paid to members. The amount of benefits paid out increased three fold during the year compared to last the year. Such increase is attributed to the noted large number of members who were transferred to the Public Service Pension Fund (PSPF) as they changed employment status and get confirmed to pension terms. The amount transferred to PSPF alone accounted for 57.16% of total benefit paid during the year. A total of TZS 579.82 million was paid to those who retired or terminated their contracts during the year. This amount includes TZS 70.75 million paid to retirees of the central government who did not contribute to the Fund. Such payment is made under agency arrangement in which the ministry of finance refunds the same once paid out. Chart 3 shows five years trend in benefits paid out.



INVESTMENTS AND INVESTMENT INCOMES

Investment Portfolio

Investment operations are one of the important functions of the Fund. Through investments the Fund realized revenue and hence increases its ability amongst others to pay improved and meaningful benefits to its members. Income paid to members in the form of interest safeguards members' contributions against possible loss of value due to inflation and other causes of rising cost of living.

During the financial year 2007/08 the Fund continued to invest in its traditional areas including government securities, fixed deposits, loans, equities and corporate bonds. Plans are underway to expand investment areas to include real estate.

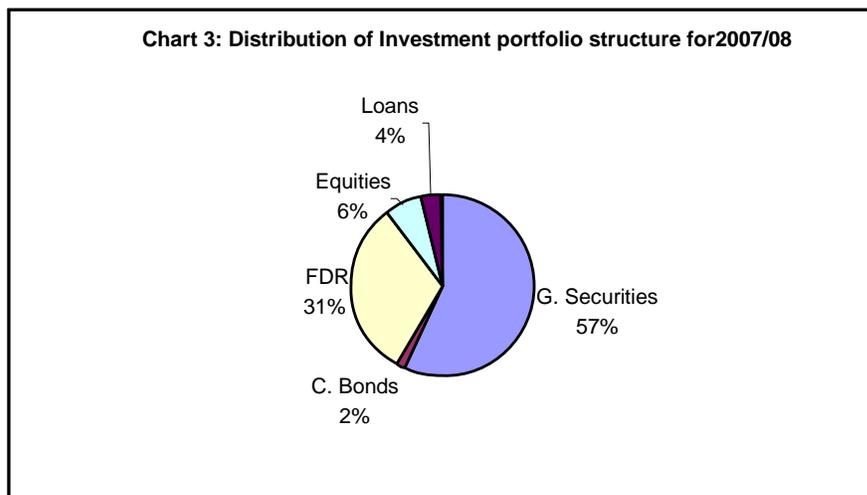
Total investment portfolio for the year 2007/08 increased from TZS 37,326.32 million in June 2007 to TZS 50,282.29 million. The portfolio structure remained dominated by the government securities and fixed deposit as they produced attractive yields. A loan portfolio was introduced through participation in the TANESCO Syndication loan aimed at restructuring its operations. A number of

Commercial banks and Social Security Funds participated in this loan syndication. Table 1 below shows the status of investments as at 30th June 2008.

Table 1: Five years Investments Portfolio Structure (TZS Mill.)

Type of Investment	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Treasury Bills	7,940.00	6,882.70	9,082.73	12,365.55	11,845.49
Treasury Bond	2,300.00	5,401.70	7,183.13	10,974.80	16,727.45
Govt. Stocks	78.35	78.35	78.35	78.35	4.40
Fixed Deposits	2,400.00	3,830.00	4,915.00	10,030.00	15,790.00
Equity/shares	705.00	788.10	941.14	2,077.63	2,314.96
Corporate Bond	0.00	1,000.00	1,000.00	1,000.00	800.00
Loans	0.00	0.00	0.00	0.00	2,000.00
UTT	0.00	0.00	1,000.00	799.99	799.99
Total	13,423.35	17,980.85	24,200.35	37,326.32	50,282.29

The structure of the investment portfolio for year 2007/08 is shown in Chart 4 where it can be seen that government securities accounts for 57% of the portfolio followed by fixed deposits which accounts for 31%. Equities, loans and corporation bonds when taken together accounts for only 12% while other investments accounts for 6%.



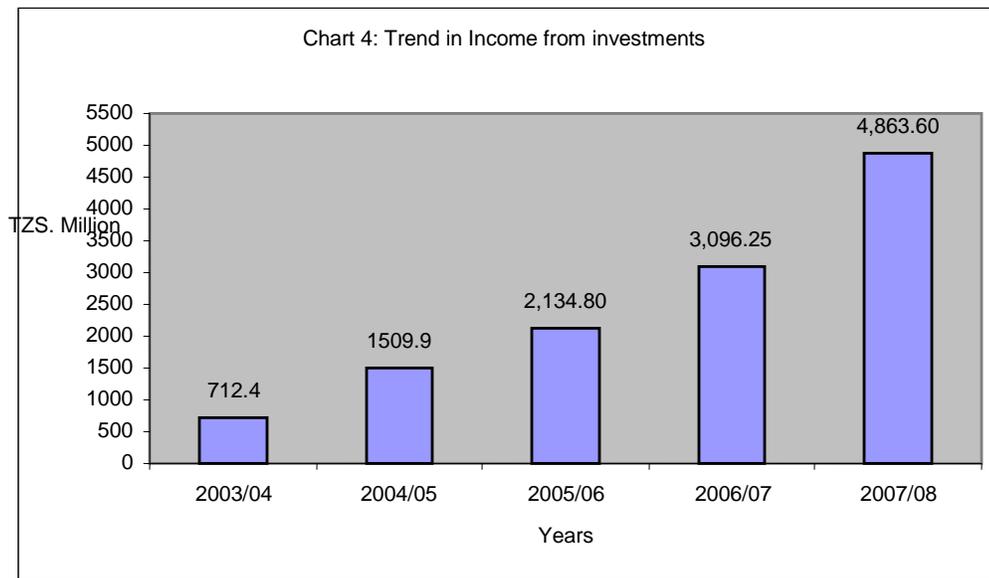
Income from Investments

Income from investment reached TZS 4,863.60 million in June 2008 equivalent to an increase of 63.7% compared to TZS 3,096.64 million collected during the year 2006/07. Such increase is a result of high interest rate received from government securities and fixed deposits. Another contributing factor is the general growth in members joining the Fund which had a corresponding impact on contributions received. Table 1 shows five years income collected from each portfolio.

Table 2 Income from Investments (TZS Million)

Portfolio	2003/2004	2004/2005	2005/2006	2006/07	2007/08
Treasury bills	475.8	798.3	968.7	994.41	1,702.55
Treasury Bonds	119.8	313.2	519.2	890.81	1,510.25
Gvt. Stocks	14.8	6.80	13.7	13.7	15.42
Fixed deposits	97.70	319.10	437.5	717.49	1,337.17
Dividends/C. Gain	4.30	72.50	68.70	119.76	177.23
EADB Bond	-	-	127.00	126.65	120.98
UTT	-	-	-	233.47	-
Total	712.4	1509.9	2,134.8	3096.29	4,863.60

During the period under review the Bank of Tanzania reduced the number of auctions of the Government Securities from weekly to every fortnight, the move that has resulted into falling interest rates. Such a fall is expected to have huge impact on income to be collected during the next financial year as a big proportion of investments in securities will mature during the year 2008/09.

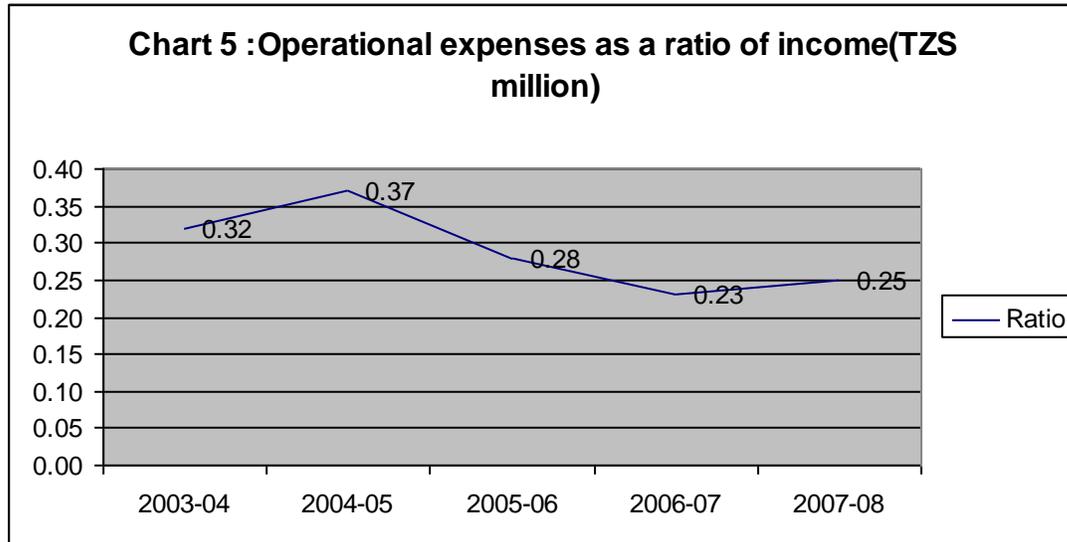


OPERATIONAL AND ADMINISTRATIVE EXPENSES

The Fund's operational expenses are financed through income from investments and are set at a maximum of 30% of such income. This ceiling is in accordance with the corporate plan extending to year 2011.

During the year operational and administrative expenses amounted to TZS 1,383.82 million equivalent to 20.8% of the income from investment. It can be observed that the Fund has maintained a very low operational expense ratio compared to the set ceiling. During the previous year the Fund's operational expense was at 23.3% thus the year in question has recorded further deduction by 3.3%.

The reduction in operational costs is a demonstration of increased efficiency demonstrated by the reduction in number of days required to process members' benefits.



SERVICE AND CORPORATE RESPONSIBILITY

Services to members

During the period under review, the Fund prepared the Client Service Charter (CSC) which sets out the standards to be observed while serving the members. The Charter sets out two types of standards namely quality standards and timeliness standards to be observed all the time staff of the Fund interacts with members and the general public. The Charter will be officiated on the 30th April 2009 at the accession of the Annual General Conference..

Overall the year saw the Fund's services to members further improved with benefits processing maintained at a maximum of seven days and provision of information to members made as and when required. Another milestone is prompt response to member's queries.

Staff Development

Staff training continued to be among important aspects in human resource development. During the year 17 member of staff participated in a tailor made computer training to improve their computer use. In addition, 14 other staff attended various other short courses in the filed of social security, accounting, office management and customer care. Three other staff continued with their long term training leading to higher diplomas. Selected members of the management and the Board attended a week long seminar on managing pension funds and pension investments.

Staff Recruitment

In an effort to improve the Fund's performance, the Fund recruited five personnel to fill vacancies that existed in the department of finance and administration, department of operations and investments and information technology unit. The recruited staffs are senior accountant, senior human resource development officer, information technology officer and a marketing officer. During the same period two employees, both accountants, left the Fund for other employments.

Industrial Relations

During the period under review members of staff continued to enjoy harmonious relationship. Departmental and staff meeting were conducted on monthly and after every two months respectively. During these meetings matters relating to staff were discussed and resolved. Departmental meetings dwelt on issues relating to efficiency improvement.

Corporate and Social Responsibility

The Fund recognises that in addition to its basic responsibility of providing social security protection to its members it has a social responsibility that covers the public at large. During each financial year the Fund sets aside some funds to support different community based activities by way of donations to the needy

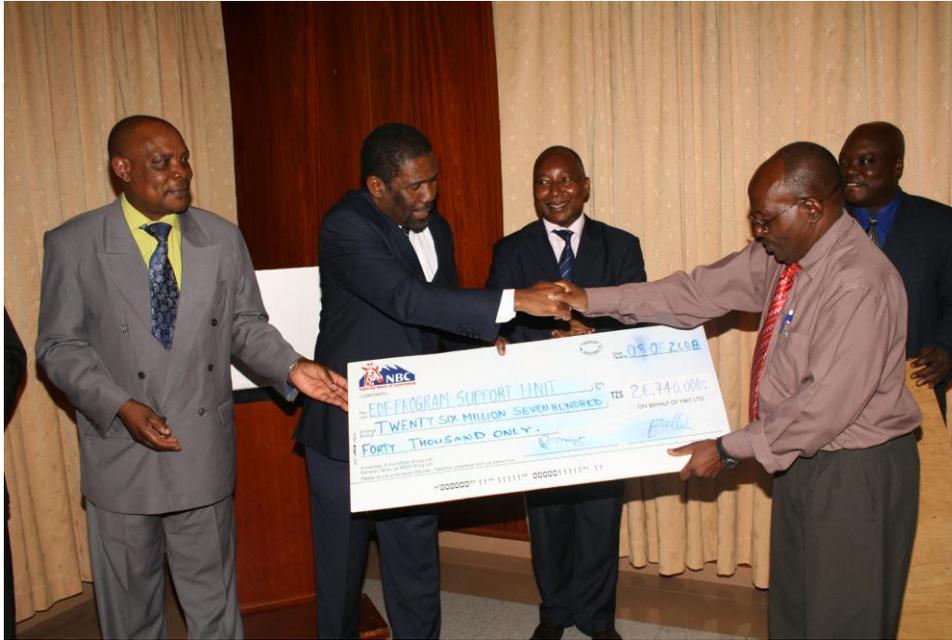
and special groups. A total of TZS 7.08 millions was spent at assisting various needy groups in their endeavours to attain decent life.



GEPF staff donating food materials to Yatima Group at Chamazi in Dar Es Salaam

Attending to members needs

In an effort to improving members' welfare during their working period, the Fund continued to provide loans to members of the Fund to cater for different activities such as education, construction and for business related activities.



Above: The deputy minister for Finance and Economic Affairs Hon Omary Yusuph Mzee presenting a dummy cheque for a loan to members at PSU Hazina

PUBLIC AND INTERNATIONAL RELATIONS

Public awareness

The Fund continued to provide public education to members and the public at large. During the year public education were conducted through seminars, advertisements in media outlets and distribution of promotional materials such as leaflets and brochures. The Fund also participated at various exhibitions such the Dar Es Salaam International Trade Fair and National Agricultural show in Arusha.



Deputy Minister for Finance and Economic Affairs Hon. Omar Yusufu Mzee (MP), members of the Board and participants to the seminar for the media houses.

Corporate and International Relations

The Fund continued to maintain good relations with other Social Security Institutions in the country and outside Tanzania. Currently the Fund has membership to East and Central African Social Security Association (ECASSA), International Social Security Association (ISSA) and Tanzania Social Security Association (TSSA). Membership to such associations has made it possible for the Fund to access various publications and attend to important technical meetings that have added value to service provisions.