

Tanzania

Social Security (Regulatory Authority) Act, 2008

Social Security Schemes (Pension Benefits Harmonization) Rules, 2017

Government Notice 439 of 2017

Legislation as at 27 October 2017

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Social Security Schemes (Pension Benefits Harmonization) Rules, 2017 (Government Notice 439 of 2017)

Contents

- Part I – Preliminary provisions 1
 - Rule 1. – Citation 1
 - Rule 2. – Application 1
 - Rule 3. – Interpretation 1
 - Rule 4. – Objectives 2
 - Paragraph (a) 2
 - Paragraph (b) 2
 - Paragraph (c) 2
 - Paragraph (d) 2
- Part II – Qualifying conditions and pension benefits calculations 2
 - Rule 5. – Qualifying conditions 2
 - Subrule (1) 2
 - Paragraph (a) 2
 - Paragraph (b) 2
 - Rule 6. – Retirement age 2
 - Subrule (1) 2
 - Subrule (2) 2
 - Subrule (3) 2
 - Rule 7. – Pension formula 3
 - Subrule (1) 3
 - Paragraph (a) 3
 - Paragraph (b) 3
 - Paragraph (c) 3
 - Subrule (2) 3
 - Rule 8. – Pension formula 3
 - Subrule (1) 3
 - Paragraph (a) 3
 - Paragraph (b) 3
 - Paragraph (c) 3
 - Subrule (2) 3
 - Subrule (3) 3
 - Subrule (4) 3
 - Rule 9. – Benefits factors 3

| | |
|---|---|
| Paragraph (a) | 3 |
| Paragraph (b) | 3 |
| Paragraph (c) | 3 |
| Rule 10. – Annual pensionable emolument | 3 |
| Rule 11. – Minimum pension | 4 |
| Rule 12. – Pension Benefit Indexation | 4 |
| Rule 13. – Reduction factor | 4 |
| Subrule (1) | 4 |
| Subrule (2) | 4 |
| Paragraph (a) | 4 |
| Paragraph (b) | 4 |
| Subrule (3) | 4 |
| Part III – Short term benefits | 4 |
| Rule 14. – Short term benefits | 4 |
| Subrule (1) | 4 |
| Subrule (2) | 4 |
| Part V – General provisions | 4 |
| Rule 15. – Compliance order | 4 |
| Rule 16. – Revocation and savings | 4 |
| Subrule (1) | 4 |
| Subrule (2) | 4 |

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Social Security (Regulatory Authority) Act, 2008

Social Security Schemes (Pension Benefits Harmonization) Rules, 2017

Government Notice 439 of 2017

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[Made under section 6, 25 and 36]

Part I – Preliminary provisions

1. Citation

These Rules may be cited as the Social Security Schemes (Pension Benefits Harmonization) Rules, 2017.

2. Application

These Rules shall apply to all mandatory defined benefit schemes operating in Mainland Tanzania.

3. Interpretation

In these Rules, unless the context otherwise requires:

"**Act**" means the Social Security (Regulatory Authority) Act;

"**commutation**" means a process of converting part of pension amount payable in the future income stream to present value terms to be paid to a pensioner as a lump sum;

"**commutation factor**" means the actuarial neutral factor used to calculate pension lump sums at retirement;

"**defined benefit scheme**" means a type of a retirement scheme in which benefits are pre-determined in the instrument of establishment of the scheme, where individual contributions are matched with the required resources to meet the benefit cost for a specific time;

"**early retirement**" means retirement after reaching pensionable age and before attaining compulsory retirement age;

"**sectoral minimum wage**" means the minimum wage prescribed by the respective sectoral minimum wage boards;

"**mandatory defined benefit schemes**" includes:

- (a) the National Social Security Fund established by the National Social Security Act;

[Cap. 50]

- (b) the PPF Pensions Fund established by the PPF Pension Fund Act;
[Cap. 372]
- (c) the GEPF Retirement Benefits Fund established by the GEPF Retirement Benefit Fund Act;
[Cap. 51]
- (d) the LAPF Pensions Fund established of the LAPF Pensions Fund Act; and
[Cap. 304]
- (e) the Public Service Pensions Fund established by the Public Service Retirement Benefits Act.
[Cap. 371]

"**pensionable age**" means fifty five years or the specific age declared by law or relevant employment authorities to be a qualification for retirement at liberty of employee or employer for voluntary retirement or mandatory retirement specified by law;

"**replacement rate**" means the relationship between amount payable as pension and the amount of reference earnings which a member was enjoying during his working life;

"**Scheme**" means the mandatory Pension Schemes existing in Mainland Tanzania; and

"**salary**" has a meaning ascribed to it under the respective social security schemes laws.

[Cap. 135]

4. Objectives

Objectives of these Rules shall be to—

- (a) provide equity on the benefit structure of the Schemes;
- (b) provide the legal framework for standards regarding pension benefits;
- (c) improve pension benefits to members; and
- (d) protect members' interest.

Part II – Qualifying conditions and pension benefits calculations

5. Qualifying conditions

- (1) The qualifying period for a member to receive pension benefits shall be fifteen years of contributing periods provided that the member:
 - (a) has met other conditions set in the enabling legislation of the respective Scheme, and
 - (b) has attained the retirement age.

6. Retirement age

- (1) The age of voluntary retirement shall be fifty five years.
- (2) A member who attains the age of fifty five years may at any time thereafter opt to retire but if he does not so opt he shall continue to be a member until he attains the age of sixty years.
- (3) Members whose statutory terms of employment prescribe a shorter age of retirement contrary to the requirements of sub-rule (2) shall retire in accordance with such prescribed terms.

7. Pension formula

- (1) Pension benefits shall be calculated as follows:
 - (a) in the case of full pension, $1/580 \times$ number of months contributed \times annual pensionable emoluments;
 - (b) in the case of commuted pension, $(1/580 \times$ number of months contributed \times annual pensionable emoluments) $\times 12.5 \times 25\%$; or full pension $\times 12.5 \times 25\%$;
 - (c) in the case of monthly pension, $1/580 \times$ Number of months contributed \times Annual Pensionable Emoluments) $\times 75\% \times 1/12$; or full pension $\times 75\% \times 1/12$.
- (2) For purpose of this rule:

“special lump sum at retirement age”: means an amount equal to the sum of monthly contributions paid to the mandatory defined benefit scheme plus an interest determined by the Board of Trustees of the respective Scheme.

8. Pension formula

- (1) The new formula shall be applicable to:
 - (a) any new member whose first contribution to a mandatory defined benefit scheme is received on or after the date of commencement of these Rules;
 - (b) all existing members of the National Social Security Fund and PPF Pensions Fund; and
 - (c) all retirees of the Schemes specified in sub-rule (1)(b) who retired on or after the 1st day of July, 2014.
- (2) The provisions prescribed in sub-rule (1) shall not apply to the existing members of LAPF Pensions Fund and GEPF Retirement Benefits Fund and Public Service Pensions Fund up to 30th day of June, 2014.
- (3) New members joining LAPF Pensions, GEPF Retirement Benefits Fund and Public Service Pensions Fund on or after the date of commencement of these Rules shall be entitled to pension benefits rights in accordance with sub-rule (1)(a).
- (4) Separate accounts shall be established for new members joining LAPF Pensions Fund, GEPF Retirement Benefits Fund and Public Service Pensions Fund on or after the commencement of these Rules.

9. Benefits factors

The social security benefits factors to be used in the formula shall be as follows:

- (a) the annual accrual factor shall be 2.07 *per centum* or $1/580$ per month;
- (b) the commutation factor shall be 12.5;
- (c) the commutation rate shall be 25 per-centum of the annual full amount of the pension.

10. Annual pensionable emolument

Annual pensionable emoluments for purposes of calculating pension shall base on the average three years highest salaries which a member received during the last ten years preceding his retirement.

11. Minimum pension

Notwithstanding the provisions of rule 7, the minimum monthly retirement pension payable to a member shall not be less than 40 *per centum* of the current prescribed sectoral minimum wage of cadre for which the pensioner saved before his retirement.

12. Pension Benefit Indexation

Every mandatory pension Scheme shall, in every three years, index pension benefits at the rate actuarially determined and approved by the Authority.

13. Reduction factor

- (1) A reduction factor of 0.3 per-centum shall be applied on any monthly pension of a member who opts for early retirement.
- (2) For avoidance of doubt, a reduction factor under sub-rule (1) shall not apply to:
 - (a) a commuted pension of a member who opts for early retirement; and
 - (b) a commuted pension of a member whose retirement or exit from employment was not voluntary.
- (3) Notwithstanding sub-rule (1), the provisions of this rule shall come into effect on the date to be appointed by the Authority.

Part III – Short term benefits**14. Short term benefits**

- (1) Short term benefits shall continue to be offered by defined benefits mandatory Schemes as prescribed in the respective enabling legislation.
- (2) Any new short term benefits to be offered by any Scheme shall be prescribed in accordance with section 25 of the Act.

Part V – General provisions**15. Compliance order**

The Authority may impose Compliance Order in addition to monetary penalties on the scheme in accordance with the Act.

16. Revocation and savings

- (1) The Social Security Schemes (Pension Benefits Harmonization) Rules, 2017 are hereby revoked.
- (2) The revocation of the Social Security Schemes (Pension Benefits Harmonization) Rules, 2017, shall not affect any transaction, claim or directive made or issued prior to the commencement of these Rules.