

ABSTRACT

Pension can be defined as long term periodical cash benefits that Social Security System (SSSs) pay in case of invalidity in old age and on the death of the bread winner. Pension Fund is a pool of assets forming an independent legal entity that are bought with the contribution to a pension plan for the exclusive purpose of financing pension plan benefit. The main objective of social insurance scheme such as pension fund is to ensure economic security and protection for its members. Based on this objective there is a need for prudent investment of the funds collected to ensure long term sustainability of the fund. This role carries with it an implied responsibility for the pension fund managers to select an investment strategy that balances risks and returns appropriately for the members on whose behalf they are investing. Therefore various board of trustee of PPF pension fund have designed and implemented different investment programmes for more than twenty years of the fund. This study was designed to analyse the investment performance of Pension Funds in Tanzania. The study used both primary and secondary data with a comparative case study orientation. Published financial statements and other desk materials were collected principally from case public pension funds. In addition, Interviews were also conducted with responsible managers and officials from planning and investment departments of the Funds. The statistical results show that the Funds in Tanzania significantly do not comply with their own asset allocation policies, and their assets are biased towards government securities, real estates and fixed deposits. They also show that the levels of administration costs for the Funds were significantly high. Also, the Returns on Investment (ROI) of the funds are not significantly different from the yields of the risk-free securities (i.e. the Treasury Bills). Comparison of Funds' ROIs and other investment vehicles (e.g. Fixed deposits) reveal mixed results. Results further show that the government pressurized some of the investment decisions of the fund. However, there is no evidence if such government pressures are behind political motives. Again, no evidence shows that such social-developmental projects and pressurized investments lower the Funds' investments returns. Conclusively, the study identified the investment portfolio mix of pension funds, and the impact of inflation on the returns from such investments. It is therefore, recommended that the Fund should put more weight on the investment with high return, and also government should set a social security regulatory body or authority to which all pension funds report.

LIBRARY
INSTITUTE OF