

**FACTORS INFLUENCING DELAY OF MEMBER'S BENEFITS  
PAYMENT: THE CASE OF NATIONAL SOCIAL SECURITY  
FUND AND PARASTATAL PENSION FUND**

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PAYMENT: THE CASE OF NATIONAL SOCIAL SECURITY  
FUND AND PARASTATAL PENSION FUND**

**By  
Upendo Harrison**

**A Dissertation Submitted in Partial Fulfillment of the Requirement for the  
Degree of Master of Science in Accounting and Finance (Msc. A&F) of Mzumbe  
University**

**2014**

## CERTIFICATION

We the undersigned certify that we have read and hereby recommend for acceptance by the Mzumbe University, dissertation entitled Factors Influencing Delay in Members Benefit Payments, the case of NSSF and PPF in fulfillments of the requirements for award of the degree of Masters of Science in Accounting and Finance of Mzumbe University.

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I, Upendo Harrison declared that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for similar or other degree awards.

Signature.....

Date .....

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My appreciation and thanks is due to my supervisor, Mr Maziku, A.P who devoted his tireless effort, repeated critical and positive comments and patient's assistance enabled me to come up with this report.

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And lastly my appreciation is to all my respondents for their great contribution in making this work successfully, I thank them all and almighty God bless u.

## **DEDICATION**

This study project dedicated to My Family Mr. and Mrs. Harrison Frank Moshi and My boss Eng. Thomas Uisso for their financial support, Tolerance and encouragement during my study. May God bless them

## **LIST OF ABBREVIATIONS**

APE	:	ANNUAL PENSIONABLE EMMOLMENTS
Msc.A&F	:	MASTERS OF SCIENCE IN ACCONTING AND FINANCE
MU	:	MZUMBE UNIVERSITY
HQ	:	HEAD QUARTERS
NPF	:	NATIONAL PROVIDENT FUND
NSSF	:	NATIONAL SOCIAL SECURITY FUND
PPF	:	PARASTATAL PENSION FUNDS
PSPF	:	PUBLIC SERVICE PENSION FUND
NHIF	:	NATIONAL HEALTH INSURANCE FUND.
LAGPF	:	LOCAL AUTHORITY GOVERNMENT PENSION FUND
ILO	:	INTERNATIONAL LABOUR ORGANIZATIONS'm
SHIB	:	SOCIAL HEALTH INSURANCE BENEFITS
WESTADI	:	WELFARE SCHEME FOR TANZANIAN IN THE DIASPORA

## **ABSTRACT**

The purpose of the study was to identify the factors which influence the delay in member's benefits payments in Pension's Scheme (social security schemes). The aim of the work was to provide and correctly identify factors that lead to delay in benefit payments and its effect to members and to the Pension schemes. The research sample comprises of 90 respondents from NSSF and PPF staffs, contributing employers and NSSF and PPF beneficiaries (Members).

The data was collected using documentary review, questionnaires, semi-structured and unstructured interviews. The data collected was analyzed and presented tables, narrative notes, numerical figures and percentages. The study found that the delay in benefit payment is mainly brought about by failure or inability of the organization to decentralize some of its decisions and functions, keep members records properly, computerize benefit payment functions, and evasion of contribution.

The delay in promptly benefit payment has been observed to have several side effects to the fund and the members. It has been revealed that members waste a lot of their economic resources to frequently follow up their benefits, they also loose income which could be earned, if their payment could be made earlier and get invested in profit making ventures. The organizations lose credibility to customers and the general public. This may lead to decline in future market share and high costs associated with follow ups and processing benefit at a later time.

In view of the findings, a number of recommendations were put forward. These are based on how to improve records management, customer care, delegate some decisions and functions in order to reduce and keep cost in line and ensure timely benefit payment to beneficiaries, findings and recommendations advanced may be used to improve the situation.

## TABLE OF CONTENTS

CERTIFICATION .....	i
DECLARATION AND COPYRIGHT .....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
LIST OF ABBREVIATIONS .....	v
ABSTRACT .....	vi
LIST OF TABLES .....	x
LIST OF FIGURE.....	xi
<b>CHAPTER ONE</b> .....	<b>1</b>
1.1 Introduction and Background to the Study. ....	1
1.2 Statement of the Problem. ....	2
1.2 Objectives of the Study. ....	3
1.3 Research Questions. ....	4
1.4 Significance of the Study. ....	4
1.5 Scope of the Study. ....	4
<b>CHAPTER TWO</b> .....	<b>5</b>
<b>LITERATURE REVIEW</b> .....	<b>5</b>
2.1 Introduction. ....	5
2.2 Theoretical literature. ....	6
2.2.1 The Concept of Social Security.....	6
2.2.2 Objectives of the Social Security Services.....	7
2.2.3 Establishments of NSSF and PPF. ....	8
2.2.4 Financing Social Security Schemes .....	10
2.2.5 Registration of Members.....	10
2.2.6 Benefits offered by these Schemes. ....	11
2.2.7 Procedures, formula and requirements of Benefits Payments. ....	12
2.2.8 The Need for Establishing Social Security Schemes .....	25
2.2.9 Financing Social Security Schemes. ....	26
2. 2.9 Some Possible Factors Influencing Delay in Benefits Payments. ....	26

2.2.10 Likely Effects of these Factors.....	27
2.3 Empirical Literature. ....	28
2.4 Conceptual Framework.....	30
2.5 Research Gap. ....	31
<b>CHAPTER THREE</b> .....	<b>32</b>
<b>RESEARCH METHODOLOGY</b> .....	<b>32</b>
3.1 Introduction.....	32
3.2 Research Design.....	32
3.3 Research Techniques.....	32
3.4 Targeted Population. ....	33
3.5 Sampling Techniques.....	33
3.6 Sample Size.....	33
3.7 Types of Data Collected.....	34
3.8 Data Collection Methods. ....	35
3.8.1 Interview Method.....	35
3.8.3 Questionnaires.....	37
3.9 Data Analysis Techniques.....	37
<b>CHAPTER FOUR</b> .....	<b>39</b>
<b>DATA PRESENTATION, ANALYSIS AND DISCUSSION</b> .....	<b>39</b>
4.1 Introductions .....	39
4.2 Factors influencing delay of members benefit payments caused by Pension Schemes.....	40
4.3 Factors influencing delay of members benefit payments caused by Contributing Employers. ....	47
4.4 Factors influencing delay of members benefit payments caused by members. ...	50
4.5 Effect of delay in payments to members.....	52
4.6 Effects to the Pension Schemes. ....	53
<b>CHAPTER FIVE</b> .....	<b>55</b>
<b>SUMMARY, RECOMMENDATIONS AND CONCLUSION</b> .....	<b>55</b>
5.1 Introduction.....	55

5.2 Summary. ....	55
5.3 Recommendations to the factors influencing delay in member benefits payments. ....	55
5.4 Recommendations for policy and decision makers. ....	60
5.5 Recommendations for further research. ....	60
5.6 Conclusion. ....	60
<b>REFERENCES</b> .....	62
<b>APPENDICES</b> .....	66

## LIST OF TABLES

Table 2.1 The current Grant ceilings sets.....	19
Table 2.2 Benefits Services Covered .....	20
Table 3.1: Documents reviewed and their percentage of availability.....	37
Table 4.1 Factors influencing delay of members benefit payments.....	40
Table 4.2: Factors influencing delay of members benefit payments caused by Pension Schemes. 41	
Table 4.3 Amounts of suspense (all figures in millions and in TSH).....	45
Table 4.4 Factors influencing delay in members benefits payments caused by ..... Contributing Employers.....	47
Table 4.5 Factors influencing delay in members benefits payments caused by ..... Contributing Employees. ....	50

## LIST OF FIGURE

Figure 2.1 Conceptual framework that shows relationship between the factors influence the delay in members benefits payments and their courses and likely effects.....	30
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## CHAPTER ONE

### 1.1 Introduction and Background to the Study.

The social security sector in Tanzania is mainly composed of formal contributing and non contributing schemes. The formal contributing schemes are the National Social Security Fund (NSSF), Public Service Pension Fund (PSPF), the Parastatal Pension Fund (PPF), the Local Authority Government Pension Fund (LGAPF) and the National Health Insurance competing for members and employers from private sector (Kidula, 2003). Social security in Tanzania covers a wider variety of public and private measures meant to provide benefits in the event of the individuals' earning power permanently ceasing, being interrupted, never developing, being unable to avoid poverty, or being exercised only at an acceptable social costs. Efforts by the government to provide social security protection in the country have brought about significant development. However, due to the absence of an elaborate social security policy to guide effective functioning of the industry, there are some structural, operational and policy weaknesses inherent in the social security system.

The major domains of social security are: poverty prevention, poverty alleviation, social compensation and income distribution. Many issues relating to social security are sensitive, as they touch on the material interests of organized workers and the unorganized poor as well as insurance industry and employer organizations NSSF as other social security schemes promise to pay benefits to members at some future date. Unless this promise is kept, the scheme will run to the risk of losing its credibility and hence the business might end up. (Gaya, 2002). In an effort to fulfill this promise of benefit payments, has been facing an operational problem which is delay in paying members benefits promptly. There are several factors that led to delay in prompt payment of members benefits which cause inconveniences to members of the fund and which if not solved, may also cause threat to the business in the future.

This research dealt with investigating factors that caused delay in paying members benefits promptly and the effects of the delay benefit payments to members. Some recommendations on how to deal with the factors to achieve the vision of the fund

are given in the thesis. Social security in Tanzania covers a wider variety of public and private measures meant to provide benefits in the event of the individuals' earning power permanently ceasing, being interrupted, never developing, being unable to avoid poverty, or being exercise only at an acceptable social costs. The major domains of social security are: poverty prevention, poverty alleviation, social compensation and income distribution. Many issues relating to social security are sensitive, as they touch on the material interests of organized workers and the unorganized poor as well as insurance industry and employer organizations.

## **1.2 Statement of the Problem**

Factors influencing delay of members' benefits payment and their effect is one of the major issues that disturb the mind of beneficiaries after they lost their employment in various private and public institutions. Most of the Pension Scheme members in Tanzania are low income earners, their saving in life is only contributions to the Pension Schemes and some of the employers do not have a policy to pay their retired staffs any other benefits apart from the contributions to the Pension Schemes (Kidula, 2003). Some members leave their employment due to summary dismissal or expulsion from employment with empty hands. Some employers close business due to bankruptcy caused by economic hardship with big arrears of employee's salaries; and other terminal benefits (Hinz et al. 2003). Because of this employees leave the organization with nothing other than their contributions. Some members may prefer to leave urban life and go to live in their home village. If their residence is far from Pension schemes offices beneficiaries will spend a lot of money to finance transportation and any other costs in follow-up their benefits if they will not get their claims on time.

Many researchers such as (Otieno (2003); Oripa (2005) and Mroi (2005)) has looked on the effects of the delaying in payments in members benefits and assessing their impact to the nations and to the organizations as whole and conclude that as the value of money today is not the same as the value of money tomorrow excessive delay of payments of members claim causes loss of income to members and to the

nation which could be earned if money could be obtained earlier and invested in profitable business such as purchases of shares in the market on any other business. Also (Gaya 2002) has looked on the factors influencing the evasion of member's contributions and its effects to Social Security Schemes in Tanzania and argue that members have future plans after leaving their employments and early payments of their benefits assists them in achieving their plans. Unfortunately no research that has identified and assessed the factors influencing delay of members benefits payments in Social Security Schemes. In this regard, delay of payment of member's benefits becomes a serious problem and a burden to them as it erodes their wealth and wastage of their time. The above named reasons called for the conduct of this study on factors influencing delay of member's benefits and their effects to organizations and their members.

## **1.2 Objectives of the Study**

The following were research objectives.

### **1.2.1 General Objective**

The general objective of the study was to investigate the factors influencing delay of member's benefits payment in Social Security Schemes.

### **1.2.2 Specific Objective**

The following were specific objectives.

- i. To identify the reasons for delay in member's benefits payments influenced by the pensions schemes.
- ii. To identify the reasons for delay in member's benefits payments influenced by the registered contributing employers.
- iii. To identify the reasons for delay in member's benefits influenced by registered contributing employees.

### **1.3 Research Questions**

The study was guided by the following major research questions.

- i. What are the reasons for delay in member's benefits payments influenced by pension schemes?
- ii. What are the reasons for delay in member's benefits payments influenced by registered contributing employers?
- iii. What are the reasons for delay in member's benefits payments influenced by registered contributing employees?

### **1.4 Significance of the Study**

The study is expected to be of great importance to the organization because at the end of the study, the researcher comes up with some recommendations, which might be helpful to the organization. Knowing the causes of delay of members benefits payment and some possible solutions, the fund will be in a position to fulfill its promise of promptly benefit payments. This will earn more credibility to the public and hence more market share. The findings may also help to set suggestions on how to control the delay of payment of membership contribution experienced in the organization and promptly and timely members benefit payment will benefit members by saving resources lost due to frequent follow-up of their benefit claims. The findings of this study may also be used as a corner stone for future studies.

### **1.5 Scope of the Study**

Kombo and tromp (2006) recommend that limitation of the study are expected to be time and financial constrains that may influence the scope of the study and data in accessibility. The study was focus on the factors influencing delay of members benefit payments and their effect to the members and to the organization itself. The NSSF and PPF schemes were the area of interest of the study. Due to shortage of time the researcher was not able to fulfill her to attain her targets hundred percentage, as the time allocated by the university to collect data was too short and many PPF and NSSF offices are allocated all over the country. Also due to shortage of time the study covers the year 2007 to 2012.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Social security in Tanzania covers a wider variety of public and private measures meant to provide benefits in the event of the individuals' earning power permanently ceasing, being interrupted, never developing, being unable to avoid poverty, or being exercised only at an acceptable social costs. The major domains of social security are: poverty prevention, poverty alleviation, social compensation and income distribution. Many issues relating to social security are sensitive, as they touch on the material interests of organized workers and the unorganized poor as well as insurance industry and employer organizations.

The social security system in Tanzania has the following key elements: Social assistance schemes which are non-contributory and income-tested, and provided by the state to groups such as people with disabilities, elderly people and unsupported parents and children who are unable to provide for their own minimum needs. In Tanzania social assistance also covers social relief, which is a short term measure to tide people over a particular individual or community crisis and Mandatory schemes, where people contribute through the employers to pension or provident funds, employers also contribute to these funds. Private savings, where people voluntarily save for retirement, working capital and insure themselves against events such as disability and loss of income and meet other social needs. Despite the existence of this framework, service delivery has not reached the majority of Tanzanians due to inadequate financing and fragmented institutional arrangements. This chapter presents the literature reviewed related to the study. The review covers different pension schemes in Tanzania but NSSF and PPF was selected as a sample. The presented literature is both theoretical and empirical. The related study was conducted and research gap was identified.

## **2.2 Theoretical literature**

### **2.2.1 The Concept of Social Security**

Social security means any kind of collective measures or activities designed to ensure that members of society meet their basic needs and are protected from the contingencies to enable them maintain a standard of living consistent with social norms. The social security concept has been changing with time from the traditional ways of security to modern ones. As societies became more industrialized as a result of industrial revolution in the 19<sup>th</sup> century and more people became dependent upon wage employment, it was no longer possible to rely upon the traditional system of social security.

The negative impact of industrialization and urbanization attracted the attention of policy makers to formalize social security system that addressed the emerged social issues. Social security is defined in its broadest meaning by the International Labour Organization (ILO) as: -"The protection measures which society provides for its members, through a series of public measures against economic and social distress that would otherwise be caused by the stoppages or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, disability, old age, death, the provision of medical care subsidies for families with children."

The ILO framework of social security is based on a three structure, which seeks to utilize various funding sources for provision of better protection to the country's population. This structure also seeks to address needs of different groups in the society with respect to income and degree of vulnerability. ( Hinz et al. 2003). The fund was established in order to provide benefits to workers who lost-regular income from employment due to cessation of gainful employment. Basically Social Security Schemes has three major functions that is registration of members, collection of contributions and payment of benefits to retired members of the scheme (Gaya, 2002). Social Security Schemes protects its members against economic and social distress which may be caused by substantial loss of income or reduction of earning as a result of invalidity, maternity, employment, injury, medical costs, old age or retirement, death of the bread winner and funeral expenses (Kidula, 2003).

Tanzania, like many other countries in the developing world has had strong informal and traditional social security systems built on family and/or community support. In times of contingencies such as famine, diseases, and old age; individuals have depended on family, clan members and members of the community for assistance in the form of cash or in kind. Currently, there are five major formal institutions that provide social security protection in Tanzania. These are the National Social Security Fund (NSSF) offering social security coverage to employees of private sector and non-pensionable parastatal and government employees, the Public Service Pension Fund (PSPF) providing social security protection to employees of central Government under pensionable terms, Parastatal Pension Fund (PPF) offering social security coverage to employees of the both private and parastatal organizations, the Local Authorities Provident Fund (LAPF) offering social security coverage to employees of the Local Government and the National Health Insurance Fund (NHIF) offering health insurance coverage to pensionable employees of central government.

### **2.2.2 Objectives of the Social Security Services**

Social security in Tanzania covers a wider variety of public and private measures meant to provide benefits in the event of the individuals' earning power permanently ceasing, being interrupted, never developing, being unable to avoid poverty, or being exercised only at an acceptable social costs. Efforts by the government to provide social security protection in the country have brought about significant development. However, due to the absence of an elaborate social security policy to guide effective functioning of the industry, there are some structural, operational and policy weaknesses inherent in the social security system. The major domains of social security are: poverty prevention, poverty alleviation, social compensation and income distribution. Many issues relating to social security are sensitive, as they touch on the material interests of organized workers and the unorganized poor as well as insurance industry and employer organizations (Leonesio, 1990).

The social security system in Tanzania has the following key elements: - Social assistance schemes which are non-contributory and income-tested, and provided by the state to groups such as people with disabilities, elderly people and unsupported

parents and children who are unable to provide for their own minimum needs. In Tanzania social assistance also covers social relief, which is a short term measure to tide people over a particular individual or community crisis; Mandatory schemes, where people contribute through the employers to pension or provident funds, employers also contribute to these funds; Private savings, where people voluntarily save for retirement, working capital and insure themselves against events such as disability and loss of income and meet other social needs. Despite the existence of this framework, service delivery has not reached the majority of Tanzanians due to inadequate financing and fragmented institutional arrangements.

The formulation of the National Social Security Policy came at a time when Social Security Providers are reorganizing their activities to respond to the market demand as related to free market economy. Since independence to-date, some few institutions have been enjoying monopolistic status of providing social security services in the country. However under this policy social security sector will be liberalized. The National Social Security policy is a product of a series of consultations with stakeholders which started in year 2001. The policy was adopted by the government early in year 2003. The aim of this policy is to realize the goals and objectives set out in the vision 2025 by extending social security services to the majority of the Tanzanians. The structure of the Policy document provides background information of social security, status and challenges of the sector in Tanzania, and the rationale for its formulation

### **2.2.3 Establishments of NSSF and PPF**

The National Social Security Fund (NSSF) as an internationally recognized and accepted comprehensive social security scheme was established in 1998 following enactment of NSSF Act of 1997. The fund was established in order to provide benefits to workers who lost-regular income from employment due to cessation of gainful employment. Basically Social Security Schemes has three major functions that is registration of members, collection of contributions and payment of benefits to retired members of the scheme (Gaya, 2002). Social Security Schemes protects its members against economic and social distress which may be caused by substantial

loss of income or reduction of earning as a result of invalidity, maternity, employment, injury, medical costs, old age or retirement, death of the bread winner and funeral expenses (Kidula, 2003).

The PPF (here in after referred to as 'the Fund') was established by the PPF Act [Cap 372 R.E. 2002], with the objective of providing pensions and other related benefits to all employees in the Parastatal and private sectors of the economy. The Fund is the first contributory Pensions Fund in the country operating under defined benefit system. The Fund provides social security coverage to all employees in private companies, Parastatal organizations and public institutions. Its coverage has been extended to self employed as well as labour force in the informal sector. Initially, the employees of Parastatal organizations and those in private companies were registered but with the consent of Minister of Finance. However, with the current Act i.e. the PPF Pensions Fund Act, the legal provision requiring the Minister's consent was removed which act giving the Fund's mandate to widen up coverage to all employees including those on contracts.

The Fund operates two Schemes (Traditional and Deposit Administration) both designed specifically to suit the diverse Fund clientele as well as ensuring maximum customer care satisfaction. Traditional Pension Scheme, this is a mandatory and basic scheme which operates under clearly defined criteria (terms, conditions and, procedures) for the guaranteeing and awarding of benefits to members as stipulated in the Act. The Deposit Administration Scheme, this Scheme is suitable for employees and anybody else who do not qualify for membership of schemes under pension or any other pension scheme under the current social security / pension Funds. It is a defined contribution scheme (i.e. money purchase scheme). Benefits are awarded as provided in the trust deed and rules/ management agreements of each member. This scheme has a dual purpose; it serves as a basic scheme for all employees who do not qualify for membership into the traditional pension scheme and as a supplementary scheme for all members who are covered under the traditional pension scheme, or any other mandatory scheme in any other social security Fund.

#### **2.2.4 Financing Social Security Schemes**

Any social security scheme requires finance to enable it to operate smoothly. The finances are used by security schemes to, among other things, run the schemes and pay out benefits to their members. (Chiduo, 1997) According to the NSSF Act of 1997, the day to day operations of the fund, the benefits payable to members and investments are financed by the contributions income and income from investments. Also, operations of other pension funds are financed by contributions income.

Redger (1976) advances a number of ways that social security schemes could be financed. According to him, trust funds are built up from the accumulated excess of income over outgoing funds (expenditure). Any excess funds not needed currently to pay benefits and administrative costs are invested. In some cases claimed that the general revenue financing to be the only feasible method of substantially increasing the social security programmers benefits. Gordon (1988) on the same issue provides chief sources of revenue for most social insurance programmers to be earning related to contributions paid by employers and employees (members). Despite of Pension Schemes in Tanzania supported by employment ordinance most of employers and employees seem to put low priority on the payment of contributions, therefore contribution evasion has been a major problem, which threaten the legitimacy of the social security schemes in Tanzania.

Gaya (2002) argue that the deduction at source by an employer of the workers' portion of contribution, employers are often found into arrears in the social security contributions in their place which in some cases run into several millions of uncollected money. While evasion is a serious problem in Tanzania, management of social security scheme pays little attention to it. The problem of evasion has been lowering periodical benefit payments during retirement, also individual workers bear the risk that their benefits found to be inadequate and not paid in

#### **2.2.5 Registration of Members**

##### **(a) Employers**

All employers are required to register with the Fund immediately after setting up an

establishment. Registration is completed by filling Form which is available at any NSSF/PPF office throughout Tanzania. Employers with branches or departments are not compelled by law to register the branches/departments separately but they can do so if they wish. However, it is advisable for such employers to register their branches/departments separately for ease of direct communication between the members and the local offices. Every registered contributing employer should notify the Fund of any change of particulars such as name of employer, address, telephone numbers/fax/E-mail, opening or closure of branches/departments or business location. Where a business of a registered contributing employer is handed over to another employer, the new employer, if not registered, must be registered with the Fund immediately. In case any employer closes down business, the employer is required to notify the nearest Office of the closure by letter so that the Fund can assess and adjust records in respect of the closed business.

**(b) Employees**

All employers registered with the Fund are required to register all their employees with fund by attaching two passport-size photographs and completing Form employee's registration form. Registration of Voluntary Members, any person, other than an insured individual employed by a contributing employer, may register with the Fund and make regular contributions on his/her own behalf as a voluntary member. Change of Insured Person's Particulars, any insured person is allowed to change particulars in the form, submitted at the time of registration with the Fund. Where a registered employee changes employment, he/she is required to continue using the same membership number in the new employment to avoid double registration.

**2.2.6 Benefits offered by these Schemes**

Benefits provided by PPF and NSSF some of the benefits do defer and some are the same, the following are the benefits which are offered these pension schemes. PPF operates two types of schemes, i.e., parastatal pension's scheme (Traditional scheme) and Deposit Administration scheme. Each scheme has different types of benefits to its members. Under the Traditional scheme PPF offers the following: Old age

benefit, Disability benefit, Death benefit, Survivors' benefit, Education benefit, Gratuity benefit, and Withdrawal benefit On the other hand, lump sum or lump sum with annuities is offered under Deposit Administration Scheme. NSSF provides the following benefits: old age pension, Invalid Pension, Survival, funeral grants, Maternity benefits, employment injury, social health insurance and WESTADI (Welfare Scheme for Tanzanians living in the Diaspora).

### **2.2.7 Procedures, formula and requirements of Benefits Payments**

Payments calculations differ from one benefits to another, the followings are benefits and their payments calculations:

#### **(A) By PPF**

##### **Old Age Benefits**

The following is the conditions is the qualifying conditions for Old age Benefits, when a member ceases employment with at least 120 months contributing period; and Cause of ceasing employment may be attaining retirement age (i.e., 55 - 60 years); retrenchment, retired in public interest, or removal from employment by a Presidential decree or any other relevant authority at retirement age. The mode of granting old age benefits is as follow Commuted pension gratuity (lump sum) granted immediately on ceasing employment; Monthly old-age-pension granted to a member who has above qualifying conditions. This is granted monthly to member (pensioner) for the rest of his or her life. Monthly old-age-pension is guaranteed for 36 months, i.e., if a pensioner dies within the first 36 months after granted lump sum, PPF will continue to remit this benefit to pensioner's survivors for remaining months to make total of 36 months.

However, if such pensioner dies after 36 months after being granted lump sum, this benefit ceases immediately. A member who ceases employment while below retirement age but with at least 120 months contributing period is granted commuted pension gratuity (lump sum) immediately upon ceasing employment; PPF starts granting monthly old-age-pension to such member upon attaining retirement age (55 years); If such member dies before attaining retirement age, PPF immediately starts

to grant monthly old-age-benefit to his or her survivors for 36 months. Documents required Benefit Claim form duly filled by the employer certified proof from the employer stating the decision to retrench, retire, or remove the member from employment two passport size photographs of the member Bank details Name and Account, for remitting monthly old-age-pension Old Age Benefit Formula:

Commutated Pension Gratuity (CPG) =  $APE \times PS \times PF \times CF \times 0.25$

Monthly old-age-pension =  $APE \times PS \times PF \times 0.75 \times 1/12$

Where:

APE = Average of the best five years salaries during member's contributing period.

PS = Number of months a member contributed to the Fund.

PF = 1/960 up to June 1988; and 1/600 from July 1988 to date

CF = 12.5

### **Survival Benefit**

Survival benefits is granted to a member who dies while in services with at least 120 months contributing period, the benefit is granted to the deceased members dependant That is Wife or husband; children below the age of 18 years; or deceased members parents who were wholly or substantially dependent on the deceased, this benefit is granted in the same way as monthly old-age- pension for 36 months. If the beneficiary is the wife, the benefit stops if she re-marries within 36 months. If the beneficiary is the husband, he must prove to the Board of Trustees that he was wholly or substantially dependent on his spouse and Legal document to prove dependence if the dependants are parents. The following documents are required, Benefit Claim form duly filled by the employer, Certified copies of birth certificates if dependants are children, Certified copy of marriage certificate if the dependant is wife or husband, Two passport-size photographs of the member, Bank details- Name and account for remitting survivors benefit pension

Formula

$APE \times PS \times PF \times 0.75 \times 1/12$

Where :

APE = Average of the best five years salaries during member's contributing period.

PS = Number of months a member contributed to the Fund.

PF = 1/960 up to June 1988; and 1/600 from July 1988 to date

CF = 12.5

### **Withdrawal Benefits**

This is granted when a member ceases employment through summary dismissal or termination. Mode of granting withdrawal benefit is that the benefit is granted as Lump sum immediately on ceasing employment and the following documents are required: Benefit Claim duly filled by the employer, Confirmation from the employer that the member has been dismissed or terminated from employment and Two passport-size photographs of the member.

### **Education Benefit**

Qualifying conditions for a member to be granted education benefits is when a member dies while in service, and the following is the mode of granting education benefits, is granted to not more than four (4) children of the deceased member, Education benefit is payable from nursery to ordinary secondary school level, Employer should immediately notify PPF whenever death of employee member occurs with Certified copy of death certificate and details of the deceased members children- full names and names of the Schools, Each child is granted an amount not exceeding 1/12 of the deceased members annual pensionable emolument (APE), PPF pays direct to the schools bank account at the beginning of each academic year. The following are the documents which are required, Duly filled Education Claim Form by the deceased members employer Certified copies of birth certificates for every child of the deceased Member, Duly filled PPF Members Child Particulars Form by respective member and Duly filled PPF School Confirmation Form by respective school.

### **Gratuity Benefit**

The following are the qualifying conditions for a member to be granted a gratuity benefit: when a member ceases employment with less than 120 months contributing period and Cause of ceasing employment may be retrenchment, retired in public interest, or removal from employment by a presidential decree or any other relevant

authority. Gratuity benefit is granted to a member as a lump sum immediately after ceasing of his/her employment. The following documents are required Benefit Claim form duly filled by the employer and Confirmation (e.g. Board/Management Resolution etc) from the employer on member's cessation of employment

### **Death Benefit**

Death benefit is granted to the members who dies while in service and the following is the mode of granting death benefit: the benefit is granted as a lump sum to the administrator of the deceased estates, it is either the deceased members annual pension or commuted pension gratuity whichever is greater and is granted through deceased members employer. Documents which are required are Benefit Claim form duly filled by the employer, Letter of appointment of the administrator of the deceased estates from the court, Two passport-size photographs of the administrator and Certified copy of certificate of death/ death certificate.

### **Disability Benefit**

Qualifying conditions for a member to be granted this benefit is when a member ceases employment on medical grounds based on Medical Boards recommendations and employers satisfaction and the mode of granting disability benefits is as follows, if the member has at least 120 months contributing period, Commuted Pension Gratuity (lump sum) immediately on ceasing employment and Monthly pension regardless of his or her age for the rest of his or her life and if such member has less than 120 months contributing period is granted gratuity immediately on ceasing employment. The following documents are required, Benefit Claim form duly filled by the employer, Certified proof (e.g. Board/Management Resolutions) from the employer stating the decision to retrench, retire, or remove the member from employment, Two passport-size photographs of the member and Bank details Name and Account, for remitting monthly old-age- pension.

**( b) By NSSF**

**Old Age Benefit**

The main objective of the Retirement Pension is to guarantee income security to elderly members by providing periodic payments. The following are the qualifying conditions for a member to be granted Old age Benefits: a member must attain compulsory pensionable age of 60 or early retirement at 55 – 59 years and Must have made at least 180 monthly contributions to the Fund. The ILO Social Security convention No 102 of 1952 (Minimum Standards Convention) stipulates a maximum qualifying period of 30 years of contributions. However, under the NSSF the qualifying period has been set at 15 years or 180 months.

**Conversion Formula**

NSSF applies the following conversion formula to convert the member's NPF balance as at June 1998 into NSSF credits.

$$N = 1.5 * B / C$$

Where: B = Member's Balance as at 30/6/1998

C = Last contribution before July 1998

1.5 = conversion factor

If N is greater than 108, (108 is the number of contributions since July 1989

when the rate of 20% started), then:-

$$N1 = 108 + \underline{(N - 108)}$$

2

Then add contributions after June 30, 1998

### **Purpose of the Conversion formula**

- To obtain pension credits for founder members of NSSF
- To adjust the variations of contribution rates
- Takes care of the effects of inflation by applying the 1.5 factor

### **Old Age/Retirement Pension Formula**

$$\text{Pension} = [1/600*180+0.015(N - 15)]*AIME$$

Where: N = complete years of service period (contribution period)  
AIME = Average Insurable Monthly Earning ( Average Monthly Earning/salary of the last best 5 years). The following are the benefits payable under the old Age Benefit for monthly pension for qualifying member Initial lump sum paid immediately before starting pension which is equal to the calculated monthly pension times 24 months, Old Age Special Lump sum for non qualifying members i.e. the last contribution times number of credits. Minimum pension is 80% of the statutory minimum wage and Maximum pension is 67.5% of the average insurable monthly earning.

### **Invalidity Benefits**

Invalidity Pension is paid to an insured person who has lost at least 2/3 of his/her earning capacity due to physical or mental inability as certified by the medical board. From the NSSF point of view, Invalidity can be defined in three different concepts that is, Certification by the Medical Board that the insured person has lost at least 2/3 of his or her earning capacity, Has made 180 monthly contributions or at least 36 contributions out of which 12 have been made to the Fund immediately before the occurrence of the invalidity and must be under pensionable age. The following are the benefits payable under this scheme, The determination of the amount payable is the same as for Old Age Pension but the additional percentage above 180 credits is 1.0%, The benefits payable are also the same as Old Age that is monthly pension, initial lump sum and Invalidity special lump sum for non qualifying members and Pension is payable when the member attains pensionable age, becomes incapacitated

or upon death.

### **Survival Benefits**

Survivors' Pension is paid to a spouse and/or children of the deceased insured person under 18 or 21 years if in full time education. If a deceased insured person had no surviving spouse and children, the pension shall be paid to parents and if all are not around a family member will be paid in accordance with the inheritance Law of Tanzania. Qualifying conditions for a member to be granted a survival pension are, the survivors' pension shall be paid to dependants if at the time of the death the insured person, had attained pensionable age and had filed a claim for which he/she had qualified for old age pension and was entitled to invalidity pension if he/she was suffering from invalidity. The benefits payable, the determination of the amount payable is the same as for Old Age pension but the additional percentage above 180 credits is 1.0%, the benefits payable are also the same as in the Old Age scheme, which are monthly pension, initial lump sum and survivors' special lump sum for no qualifying survivors.

Surviving Dependants for the purpose of this part, dependants include a spouse, children under 18 or 21 years if in full time education or parents in case there is no widow and orphans. The amount of pension payable shall be distributed to spouse (40%) and children (60%) or parents (100%), in case there are no spouses and children, when an insured person qualifies for retirement pension or invalidity pension he/she shall be entitled to initial lump sum payment and monthly pension, the amount of initial lump sum payable is equal to monthly pension times 24 and when an insured person dies while receiving retirement or invalidity pension the survivors shall be entitled to a lump sum grant equal to the monthly pension times 12.

### **Funeral Grant**

Funeral Grant is paid as reimbursement to a family member who incurred burial expenses (costs) for a deceased NSSF insured person. The following are the qualifying conditions for a member to be granted funeral grant, the deceased must have been an active insured person at the time of death, the deceased must have made at least one contribution to the Fund there must be an expense incurred for the

burial of an insured person and the claim for Funeral Grant must be made within 60 days from the date of death. For the purpose of Funeral Grant, burial expenses include; coffin for the burial or used to transport the body, grave preparation expenses, shroud, wood/timber, fire wood or oil (for cremation), transport costs to the cemetery within the locality and body Preservation costs. Reimbursement of funeral cost is made on the basis of actual costs incurred but does not exceed the ceiling set by the Board of Trustee from time to time as shown in the (Table 2.1).

**Table 2.1 The current Grant ceilings sets**

<b>Contributions up to (in Tshs)</b>	<b>Grant ceiling (in Tshs)</b>
15,000 per month	<b>75,000</b>
60,000 per month	<b>150,000</b>
80,000 per month	<b>200,000</b>
120,000 per month	<b>250.000</b>

After payment of funeral grant the member is also entitled to survivors' benefit.

### **Maternity Benefit**

Maternity benefits are payable to insured female members of the Fund who is expecting confinement. The following are the qualifying conditions for a member to be granted this benefit, a member must have made at least 36 contribution credits, of which 12 credits must be immediately or before the expected week of confinement , expects delivery of a child or has delivered a child, payable after every three years unless the pregnancy ended with a still birth or if the child died within the first 12 months and the claim for maternity benefit must be made within 90 days after confinement.

The following are the benefits payable; maternity cash benefit this is payable for a period of twelve (12) weeks at the rate of 100% of Average Insurable Daily Earnings determined from the last six months of insurable employment immediately prior to the 20th week of pregnancy and payment is made in one instalment if a claim is filed after delivery or two instalments if made before delivery and other benefit is maternity medical care this covers medical treatment costs for ailments directly

related to pregnancy. Treatment period begins from the 24th week of pregnancy and ends 48 hours after confinement or seven (7) days in case of a caesarean delivery. Treatments are made by accredited medical providers.

### Medical Benefits

Medical covers insured person, spouse and up to four children, children include biological and legally adopted below 18 or 21 years if in full time education. The following are the qualifying conditions for a member to be granted medical benefits, members must have at least 3 months contributions, 3 months access of service after stoppage of contributions and 6% deduction of pensions for pensioners willing to join after retirement. The benefits services covered are shown in the table below (Table 2.2.6).

**Table 2.2 Benefits Services Covered**

<b>OUT PATIENTS SERVICES</b>	<b>IN PATIENTS SERVICES</b>
<ul style="list-style-type: none"> <li>• Consultation with clinical/ medical officers, specialists or consultants</li> </ul>	<ul style="list-style-type: none"> <li>• Accommodations</li> </ul>
<ul style="list-style-type: none"> <li>• Basic specialist investigation</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation with clinical/ medical officers , specialists or consultants</li> </ul>
<ul style="list-style-type: none"> <li>• Minor surgeries</li> </ul>	<ul style="list-style-type: none"> <li>• Minor surgeries</li> </ul>
<ul style="list-style-type: none"> <li>• Dispensing of drugs in the essential drug list</li> </ul>	<ul style="list-style-type: none"> <li>• Dispensing of drugs in the essential drug list</li> </ul>
<ul style="list-style-type: none"> <li>• Referral to higher levels and special hospital</li> </ul>	<ul style="list-style-type: none"> <li>• Dispensing of drugs on discharge</li> </ul>
	<ul style="list-style-type: none"> <li>• Referral to higher levels and special hospital</li> </ul>
	<ul style="list-style-type: none"> <li>• Major surgeries</li> </ul>

The following medical services are not covered by SHIB; diseases or services covered under Maternity Benefits, free services/treatment provided by the Government such as immunization, Tuberculosis and Leprosy, Cancer, HIV/AIDS, Epidemics, Mental illness, Diabetes Mellitus, injuries where a third party is involved such as a road accident where the vehicle is covered by insurance, cosmetics and

cosmetic surgery , services/treatment for self-inflicted diseases/injuries like alcohol, drug and tobacco abuse, attempted suicide and criminal abortion, physiotherapy services at home, psychiatric diseases, except during acute illness within 7 day of care, medical examination for employment, schooling and travel purposes , treatment due to diseases/condition arising from participating in an experimental study, therapeutic trials, expensive specialized investigative procedures like DNA, services/treatment for injuries/conditions arising from active participation in riots, demonstration, unrest and civil strife. Emergency services for mobile members (traveling on duty) Outpatient not more than 4 times/year and Inpatient (48 hours) not more than 2 times a year and hospitalization for a maximum period of 42 days of inpatient care per family per year. Enrolment for SHIB beneficiaries is carried out through NSSF Field Offices. The insured person should submit properly filled enrolment form in triplicate together with marriage Certificate, birth Certificates for the children, 3 Passport size photographs for each, beneficiary and any other document as may be requested by the Fund.

### **Disability Benefits**

This benefit is paid to an insured person who sustains injury or contracts occupational diseases as a result of his/her employment. Qualifying Conditions, The member must have been registered by the Fund as an insured person even if no contribution was remitted and if the member is incapacitated or disabled as a result of his/her employment/in the cause of his/her employment. The benefits payable are as follows, Temporary Disablement Benefit under this benefit the amount payable is 60% of the Average Insurable Daily Earnings determined from the last six months' contributions prior to the month of accident/disease and is payable for a maximum period of 26 weeks from the date of the accident/disease. Payment does not include the first three days of any incapacity but starts from the fourth day.

Another benefits under Disability benefits is Permanent Disablement Benefit, this is payable after certification from the Medical Board that the member has suffered a permanent disability at the rate of 100%. The amount payable is 70% of the Average Insurable Monthly Earning determined from the last six months' of contribution prior

to the month of accident/disease and the payments of the PDB shall depend on the extent of disability as described in the Employment Injury Regulations. Another benefits is provision of artificial limb(s) in order to enable an insured person to resume work or gain improved rehabilitation the Fund provides artificial limbs if deemed necessary which are available in the country on the recommendation of an approved Medical Doctor. And the last benefits under disability benefits is death Benefits and this is payable when an insured person dies as a result of an employment injury before a claim for Employment Injury Benefit is filed, the disability will be assumed to have been 100% and survivors will be paid a pension equal to 60% of the deceased person's Average Insurable Monthly Earnings, and if the survivors are eligible to another survivors' benefit under the NSSF Act, they shall be entitled to receive a benefit that is higher of the two or more.

### **WESTADI**

NSSF has now ventured into extending its services to Tanzanians living abroad through special Diaspora coverage scheme called Welfare Scheme for Tanzanians in the Diaspora – WESTADI, aimed to cover all Tanzanians living abroad (Including Students) and 4 dependants selected by the insured person for Social Health Insurance Benefits (SHIB) in Tanzania. The Current payment of prescribed premium of USD 300 per person per annum. The main objective is to reduce a burden to Diaspora members of sending more money to cater for health expenses to their relatives back home, repatriation benefits with the aim of The main objective of curb the high demand for costs coverage to transfer deceased body to Tanzania.

### **Insurance Benefits**

The following are the insurance benefits covered by under insurance benefits.

#### **(a) Motor Insurance**

Under motor insurance NSSF insurance Agency offers three policies, which are ordinance policy which cover against bodily injury or death, third party only policy which cover against third party property damage, and third party injury, or death and third party fire and theft which cover against third party property damage and third party injury or death, Fire and theft and lastly is comprehensive insurance policy, this

policy covers a wide range of contingencies. Besides the risks mentioned above others are those which can cause damage to the motor vehicle itself such as overturning, head-on collision and malicious damage.

**(b) Fire Insurance**

Fire Insurance is of vital importance in our daily life an employee works for 20 years to afford building his / her own residential house which can be destroyed by fire in few hours. Taking fire Insurance will enable the owner to rebuild a new house or to reinstate the part destroyed by fire. Fire Insurance policy covers properties against the basic risks of fire and lightning. The following perils/risks may be included in the policy coverage by the Prospective Insured paying additional premium, Special perils, explosion, malicious damage, earth quake, riot and Strike and electrical Risks

**(c) Burglary**

This policy covers loss or damage by theft involving entry to or exit from a building by forcible and violent means of entry or any attempt threat, provided there are visible marks made on the premises at the place of such entry or exit by tools, explosives, electricity or chemicals. Outbuildings and open spaces are excluded. Damage to the premises caused by thieves is included if the insured is responsible for the repairs provided the sum insured is adequate.

**(c) Money in Transit**

This policy provides cover against loss of money in transit, by the Insured or Insured's authorized employee (s) caused by robbery, theft or any other fortuitous cause. Money consists of bank notes, treasury notes, cheques, postal orders, postage stamps and cash. This is an insurance that you can use as a protection in case the above named liabilities happen. We guarantee better future and prompt settlement of claim if any.

**(d) Electronic Equipments Insurance**

This is an accident Insurance. It covers losses which arise suddenly and unforeseen and materially affect the property insured. The Insurer repairs or replaces if the property is partially destroyed or totally lost by the following causes/risks: Explosion, crashing, aircraft, smoke, soot, corrosive gases, water, humidity, short circuit and other electrical causes, erection faults, workshop errors, bad workmanship, faulty operation, gross negligence, malicious acts of workmen, employees and third parties, burglary, hailstorm, frost.

**(e) Plate Glass Insurance**

The policy covers breakage of fixed glass in shops, commercial and industrial premises, public buildings and private dwellings. In the event of breakage of any item of glass specified in the policy schedule, the policy pays or makes good the intrinsic value of the glass plus the cost of any necessary boarding up pending its replacement. The maximum liability under the policy is the amount specified against the particular item as being the limit of value.

**(f) Public Liability**

This covers indemnifies the insured in respect of his Legal Liability to Third parties for accidental injury or loss of or damage to property happening during the currency of the policy caused in the course of the Insured's business within the territorial limits.

**(g) Personal Accident Insurance**

Personal Accident policy provides monetary compensation in the event of bodily injury sustained by an insured person. The injury must be caused solely and directly by an "accident" and must result in physical impairment or disablement, or in death within the period of 12 months specified from the date of the accident. The amount payable for the various benefits are agreed upon when the policy is taken out and are expressed either as a fixed specified sum or alternatively, in the case of collective policies, can be related to the Insured persons annual salary

### **2.2.8 The Need for Establishing Social Security Schemes**

Ahuja (1988) points out that the objective of Indian act for the establishment of Social Security Scheme is to make some financial provision for the future of industrial workers after their retirement or for their dependents in case of their early deaths. In that case the employees provident fund act was passed for creating provident fund for employees. He also points out that the quest for social security and freedom from want and distress has been the consistent urge of man through the ages. He says it is a device provided by society against insecurities arising out of natural, social and economic causes. Accordingly, social security is seen by (Ahuja,1988) as protection which the society gives to its members against calamities over which members do not have any control.

Another reason given as a driving force towards the establishment of or provision of social security services is to ensure that workers get at least minimum requirements of life during the period of contingency and that they are dependent upon their income when they are in need of assistance. Farley (2004) Point out that each country has the duty of ensuring that citizens do not only starve but also there is some redistribution of resources to ease a lot of those who are in strained circumstances. Reasonably adequate measures to fulfill this duty when provided for cash benefits are usually known as social security schemes. Another author Gordon (1988) argued that in an environment of retarded economic growth, and severe unemployment, the need for social security expenditure to mitigate the impact of unemployment and economic deprivation increases enormously. She argues for increased expenditure in social security so as to meet the increased needs of economic and social protection.

Despite the fact that social security schemes are formed so as to protect workers at their retirement, Ahuja (1988) argued that adequate and timely protection against certain risks and hazards to which industrial workforce is exposed, should be provided because the workforce is the one responsible for the country's prosperity and its economic growth.

### **2.2.9 Financing Social Security Schemes**

Any social security scheme requires finance to enable it operate smoothly. The finances are used by security schemes to, among other things, run the schemes and pay out benefits to their members. (Chiduo,1997) and Redger (1976) advances a number of ways that social security schemes could be financed. According to him, trust funds are built up from the accumulated excess of income over outgoing funds (expenditure). Any excess funds not needed currently for to paying benefits and administrative costs are invested.

Gaya (2002) argue that despite the law which provides inter alia, the deduction at source by an employer of the workers' portion of contribution, employers are often found into arrears in the social security contributions in their place which in some cases run into several millions of uncollected money. While evasion is a serious problem in Tanzania, management of social security scheme pays little attention to it. The problem constitutes one of the explanations of poor performance in social security schemes in terms of contributions collections and other related function areas. The problem of evasion has been lowering periodical benefit payments during retirement, also individual workers bear the risk that their benefits found to be inadequate and not paid in time.

### **2. 2.9 Some Possible Factors Influencing Delay in Benefits Payments**

#### **(a) Economic problems and evasion of contributions**

Gaya (2002) argued that one of the major problems of pension schemes in Tanzania is evasion of member's contribution funds. Also economic hardship made some firms to suffer from financial difficulties which could result into closure of business with arrears of member's contributions unpaid to the fund. Payment of member's benefits from these defunct companies becomes difficult, because an investigation has to be done before decision to pay is effected. One of the effects of evasion of member's contribution is also delay in payment of member's benefits caused by collection policy in force. This may include frequent follow up of contributions to an employer or legal action which needs time and hence delay to pay benefits to

members.

(b) Mtunda (2003) argued that one of the common benefit payment audit queries is a long unattended benefit payment files. The main Reason which led to take long time in attending the files are evasion /arrears of contributions, incomplete registration incomplete claims details, underpayment claims due to arrears of contributions, laxity and irresponsibility.

(c) **Inaccuracy of past records (suspense cases)**

Benefit paid today is contributions received in previous years. The fund has developed a system that provides its members with their current balances of credits on annual basis. This system assumes that all contributions were received and credited to respective members accounts from which benefit payments are debited. (Mroi, V 2008.) However in some incidences it may be found that, either part or all of contributions credits were not received. Part of the insured person's contribution was not captured by contribution system because of lack of proper details like invalid member number or unregistered member, this money is posted into suspense account. Benefit paid were not posted or posted to wrong accounts. These problems may lead to members' complains on underpayments, funds loss through overpayments and delay in members benefit process payment.

(d) **Loss of benefit files**

Loss of benefit payment files either within the office or while on transit to other offices or head office may lead to critical problem during payment of member's benefits. The files movement procedures may be weak to the extent of causing misplacement, some of which are intentional on one's interest (Masika, E. 2008.)

**2.2.10 Likely Effects of these Factors**

The above named factors together with many others not mentioned may cause a number of effects to the operations of the fund and general welfare of the insured person/members. Some of these include underpayment of member's benefits because of poor records of his contributions, nonpayment to some beneficiaries because of lack of proper information, delayed benefits payments because of lack of

records to support the claim. (Masika, E 2008)

### **2.3 Empirical Literature**

Extensive studies have been conducted on the delay of member's benefits payments and their effects to the members, organizations and the public as a whole. Gaya (2002) argue that despite the law which provides inter alia, the deduction at source by an employer of the workers' portion of contribution, employers are often found into arrears in the social security contributions in their place which in some cases run into several millions of uncollected money. While evasion is a serious problem in Tanzania, management of social security scheme pays little attention to it.

The problem constitutes one of the explanations of poor performance in social security schemes in terms of contributions collections and other related function areas. The problem of evasion has been lowering periodical benefit payments during retirement, also individual workers bear the risk that their benefits found to be inadequate and not paid in time. According to Perren (2000) argued that there is relationship between employers evasion from submission of members contribution to the required related office and the delay in members benefits payments during the end of their employments. The evasion of contribution is sometimes caused by economic hardships made some firms to suffer financial difficulties which may result into closure of business with arrears of member's contributions unpaid to the pension fund schemes.

John and Sita (2005) "Delaying Social Security is equivalent to purchasing a real annuity," the authors write. "Individuals who delay for more benefits in the current year in exchange for a higher monthly benefit for the rest of their lives." They argue that some of the delay in members benefit payments is economic reasons that is the pension scheme will just provide the safe custodian place for their contribution and said if the amount is delay today it will be the benefit tomorrow as he/she will earn some interests and other benefit such as medical and maternity benefits. Andrews (1996) noted that the existing social security system has many shortcomings that include low coverage of the Tanzanian Society, fragmentation of legislation, lack of regulatory framework, lack of a mechanism for portability of benefits and

inadequacy of benefits provided. (Otieno.2003) In his research argue that the need for a well-articulated national social security policy is more eminent now than ever. In view of the foregoing, there is a need for having a comprehensive national social security policy that shall address the needs of employed people in the formal sector, self employed population in the informal sector, the elderly, people with disabilities and children in need of special protection.

Therefore the social security policy is expected to widen the scope and coverage of social security services to all the citizens; Harmonize social security schemes in the country so as to eliminate fragmentation and rationalize contribution rates and benefit structures; Reduce poverty through improved quality and quantity of benefits offered and also the system of payments to beneficiary. Institute a mechanism for good governance and sustainability of social security institutions through establishment of a regulatory body; Establish a social security structure that is consistent with the ILO standards but with due regard to the socio-economic situation in the country; and Ensure more transparency and involvement of social partners in the decision making with respect to social security.

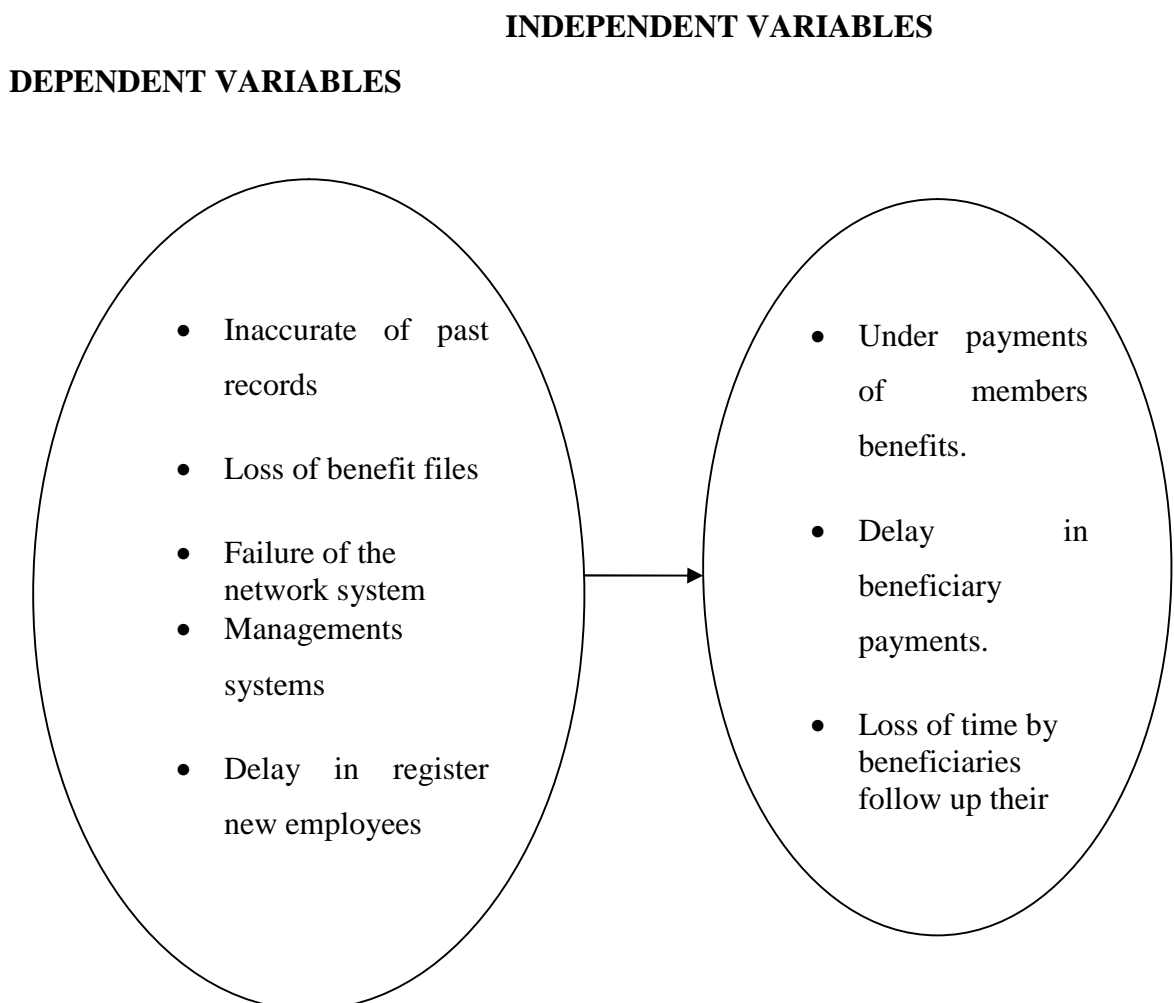
Rweyemamu et al. (2003) conducted a research on factors influence a delay in old age benefit payments and argued that most workers will one day be eligible for multiple entitlement programs. One of the most critical retirement decisions a soon-to-be-retired worker needs to make is when to collect Social Security benefits. Having dependable income as early as possible certainly relieves a lot of the anxiety about suddenly losing a regular paycheck, but you can't ignore the huge increase in benefits if you delay collecting Social Security by many years. The best age to claim Social Security will be based on each person's circumstances. But, in general, delaying Social Security is going to be the better choice as the biggest retirement risk is longevity, and delaying Social Security will substantially reduce the risk of running out of money. Retirement planning would be much simpler if the beneficiary knew how long they are going to live. Estimating how long they might live adds a bit of uncertainty to their retirement plans. By delaying their Social Security benefits, they will get a bigger check every month. That means more stable income they can count on even if they miscalculated their retirement planning and spend every penny

of their savings and investments.

## 2.4 Conceptual Framework

The study was guided by context of independent variables, dependent variables and the intervene variables. The model used in this study since it evaluate materials, personnel, members program and the organizations in a range of displine so as to improve the payments of member's benefits on time. (Sturfflebeam 2000) conceptual framework enables researchers to asses needs, problems and the opportunities within the defined environments. It also assists to examine whether the existing goals and priorities are familiar to the targeted group. The study focus on the factors influence the delay in members benefits payments.

**Figure 2.1 Conceptual framework that show relationship between the factors influence the delay in members benefits payments and their courses and likely effects.**



The conceptual framework shows the relationship between the variables, inaccurate of past records may result to under payments of members benefit as the records will not be clear and will not show what exactly the members has contribute to the pension scheme. Loss of benefit files as increases resulted to increase in delay of payments to beneficiary and also loss of time by beneficiary following their claims because pension scheme offices cannot pay the members without fine their files and also failure of the network systems and other electronic problems increases the number of days to beneficiary following their claims.

### **2.5 Research Gap**

Many researchers have look on the effects of the delay in member's benefits to the benefic and from the above mentioned literature review there is no evidence on the study that have been conducted in Tanzania which look on the factors that influence the delay in members benefits payments Studies it is evident that extensive studies related to the study have been done. However, there is no documented study which shows that the same researches have been done where this research is expected to be done. Therefore, findings from this research cover the gap

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explains the methods which were applied by the researcher in conducting the practical research programmed. It covers the following items; Research Design, Research Techniques, Target Population, Sampling Techniques, Sample Size, Data Collection Methods, Interview, Observation, Documentation, Types of Data to be collected and Data Analysis Techniques that will be used.

#### **3.2 Research Design**

During the study Case Study design was used. It enabled the researcher to secure all the required data within a short period of three calendar months, by attaching to a single unit. According to Franklin (1998), Case Study Design is a design which deals with analysis and interpretation of few cases in the environment.

This type of research design was used because: First, it enables the researcher to deeply study the issue and reveal reasons/causes that underpins the issue. Secondly, case Study Design enables the researcher to employ different data collection methods. In this study, the researcher used different research methods such as interviews, observations and documentary analysis: and third, data which are collected from employment of case study are valid and comprehensive Research Design is a blue print that enables the investigator to come up with solutions to the problems and guide him/ her in various stages of the research.

#### **3.3 Research Techniques**

The researcher adopted qualitative approaches. Qualitative research approach was the approach which involves an interpretive and deep gathering of information in order to achieve the objective of the study. The main objective was to find out the factor influencing delay on payment of member's benefits and their effects. This approach was used because it is flexible in research and data collection and also enabled the researcher to get larger descriptive data, which help the researcher to come up with enough data for her research problem.

### **3.4 Targeted Population**

Basically the population of the study was comprised of six (6) Pension Schemes operating in Tanzania which are Parastatal Pensions Fund (PPF), National Social Security Fund (NSSF), the Public Service Pension Fund (PSPF), Local Authorities Provident Fund (LAPF) National Health Insurance Fund (NHIF) and Government Employees Provident Fund (GEPF).

### **3.5 Sampling Techniques**

The researcher uses purposive sampling technique in both main and small sample because respondents chosen meet the purpose of the study which was to identify factors influencing delay of member's benefits payment. The researcher uses this technique because it was reasonable for the purpose of the study. Also the researcher uses purposive sampling technique because this technique gives room for her to judge who was to be included and excluded in the sample. In most cases, samples drawn by this type of technique consists of specific people with specific information. Fraenkel & walen (2003) as well as Cohen, Manion & Morrison (2007) pinpoint out that purposive sampling is not only good for consideration representativeness but also good for those subjects who possess necessary information about the population and enables the researcher to handpick the case to be included in the sample on the basis of their typicality. A random sampling technique was also used. The sample of NSSF and PPF staffs comprises managers, compliance and benefits staffs were purposefully selected because they are the key people who are rich in information concerning the study. A random sampling technique was employed to select NSSF and PPF members (beneficiaries) and contributing employers to be included in the study, this was selected due to the fact that NSSF and PPF members and contributing employers are too many for all to be included in the study.

### **3.6 Sample Size**

Simply "sample" means a selected unit from the population or universe. The sample size is the number of respondent selected from the population carefully to be representative of the whole population with the relevant characteristics. Sanga (1985). Define sample as a small part of the larger population. In this case the

researcher in the main sample used sample size of 2 pension schemes out of 6 Pension Schemes which involves National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF) and from the main sample the researcher picked a small sample with the sample size of 90 people which involved, 2 managers, 28 other staff of NSSF and PPF, 30 Retired NSSF and PPF members, 20 registered contributing employers, and 10 other NSSF and PPF members who are still in employment. Sample size for secondary data (see table 3.1)

### **3.7 Types of Data Collected**

Primary source of data and secondary source of data was used in this study.

#### **Primary Data**

Primary data refers to the information a researcher obtains from the field, i.e. from the subject in the sample. These types of data obtained by the first hand collection of data by the researcher where he / she goes out to the field and uses various methods of data collection to ensure that the information they are getting is truthful and valid. These data was collected direct from the selected sample. Data collection techniques used was questionnaire and interview

#### **Secondary Data**

Secondary data refers to the information that a researcher obtains from research articles, books or magazines. The researcher uses library and the internet as the appropriate secondary data sources reflecting the nature of the problem. These sources enabled the researcher to understand more about the study. So secondary data, which are relevant to the study objectives, was reviewed and deployed. This was obtained from various documents found within the organization. The researcher collected secondary data from the following records and documents as shown in the table. (Table 3.1)

**Table 3.1: Documents reviewed**

<b>S/N</b>	<b>DOCUMENTS REVIEWED</b>	<b>PERIODS</b>
1	Annual reports	2007-2011
2	NSSF AND PPF acts	
3	Unpublished papers presented in the seminars	2009-2011
4	Register book files	2010-2012
5	Internal memos	2009-2012
6	Benefits claims registers	2009-2011
7	Statistical bulleting	2009-2011
8	Standing orders	2010-2012
9	Benefit processing registers	2009-2011
10	NSSF and PPF Corporate plan	2007
11	Newspapers and periodicals	2008-2012
12	Benefits stale cheque registers	2008-2012
13	Registers for file sent to other offices for further processes	2007-2011
14	Other documents	2008-2012

Source: Field data (2013)

### **3.8 Data Collection Methods**

These are techniques, which will be used by the researcher for collecting data in the organization. It will include interview, questionnaires and documentation.

#### **3.8.1 Interview Method**

The interviews was conducted to region manager, operation officers who are heads of department, senior officers from benefit and compliance (inspections) department, benefit and inspection (compliance) department staff, NSSF/PPF members (beneficiaries) and contributing employers who are the one who pay members contribution money to the fund. The interview was in form of both formal using interview guide questions (see appendix 2) and informal (unstructured). the respondent rate to the interview guided to various respondent were as follows:-85% of the NSSF and PPF staffs responded, 80% of the NSSF and PPF beneficiaries (Members) responded and 79% of NSSF contributing employers issued with

interview guide question responded. Therefore the responses were good and enough for researcher.

### **Documentary Review**

The researcher collected data from the following records and documents: Benefit claims register books, benefit processing register books, benefit payments stale cheques register books, annual reports, Statistical bulletin, Unpublished papers presented in various seminars, standing orders and internal memos, Register books for files sent to other offices for further action, Register for members files and cheques received from head office and other field offices, Register for cheques issued to members, Newspapers and periodicals and other relevant document. These documents gives the overall picture with regard to members benefit payments, since they contained organization's policies, financial regulation, final accounts reports, long and short term plans and the strategies for achieving the plans of the organization. The table below shows the percentages of documents which were available during the field work. The availability of documents was good for researcher. Table (3.2)

**Table 3.2: Documents reviewed and their percentage of availability**

S/N	DOCUMENTS REVIEWED	PERIODS	AVAILABLE DOCUMENTS
1	Annual reports	2007-2011	100%
2	NSSF AND PPF acts		100%
3	Unpublished papers presented in the seminars	2009-2011	98%
4	Register book files	2010-2012	80%
5	Internal memos	2009-2012	75%
6	Benefits claims registers	2009-2011	98%
7	Statistical bulleting	2009-2011	100%
8	Standing orders	2010-2012	98%
9	Benefit processing registers	2009-2011	90%
10	NSSF and PPF Corporate plan	2007	100%
11	Newspapers and periodicals	2008-2012	100%
12	Benefits stale cheque registers	2008-2012	80%
13	Registers for file sent to other offices for further processes	2007-2011	75%
14	Other documents	2008-2012	85%

Source: Field data (2013)

### **3.8.3 Questionnaires**

Precise questionnaires were prepared in obtaining data about the research problem the responses was good for research and the responses in total average was 88%. (Appendix 1)

### **3.9 Data Analysis Techniques**

Data analysis is an important step towards finding solution of a problem understudy. (Guba and Lincholin 1994) describe data analysis as being a systematic process involving working with data, organizing them and dividing them into small manageable parts which enable a better understanding of research finding by the reader. Data collected in the study was analyzed and presented in a way that enables

to answer research questions and meet the objectives of the study. According to the nature of the data to be collected qualitative method of data analysis was used in showing relationship between variables investigated under the study. Data were analysed using six steps proposed by Creswell (2005) i.e. preparing and organizing the data for analysis , reading through all transcribed data in order to get general information, exploring and coding the data base, describing findings and forming themes, presenting and reporting findings, interpreting the meaning of findings and validating the accuracy of the findings. This process was done manually but also computer application where by narrative percentages were used with relevant quotation and tables to presents some study findings.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **4.1 Introductions**

In this chapter, collected data is presented, analyzed and discussed. The chapter provides analysis and discussions based on research objectives and research questions which were formulated in chapter one of this thesis. The discussion of data is empirically supported by review of documents and literature reviewed and presented in chapter two in this thesis. The study was conducted in two Pension Schemes in Tanzania (NSSF and PPF) Data were collected through interview, questionnaire, and Documentary reviews.

Delay in processing and paying of members benefit is one of the major operational problems facing pension funds. As discussed payments in pension schemes undergo various processes and also benefit files move from one department to another to finalize the payments channel. The extent of delay varies from one process to another and also from one department to another. It may be observed that a file can take about two months in benefit department, the same file may take one to three days in audit departments while in accounts it may take about one to two days. There are several factors influencing delay of members benefit payments caused by Pension schemes, Contributing employers and members themselves as summarized in the Table 4.1 below.

**Table 4.1 Factors influencing delay of members benefit payments**

Factors	Categories of respondents					
	Managers n=2	Other staffs n=28	Retired members n=30	Contributing employers n=20	Contributing employees n=10	Total n=90
Factors caused by Pension Schemes	2 (100%)	25 (89%)	29 (97%)	17 (85%)	7 (70%)	80 (89%)
Factors caused by Contributing Employers	2 (100) %	20 (71%)	20 (67%)	10 (50%)	5 (50%)	57 (63%)
Factors caused by Contributing Employees	1 (50%)	20 (71%)	10 (33%)	7 (35%)	2 (20%)	40 (44%)

**Source: Field Data (2013)**

The findings of this task showed that factors influencing delay in members benefits payments caused by Pension Scheme was mentioned by many respondents (89%) followed by the factors caused contributing employers (63%) and lastly was the factors caused by the Contributing employees (44%). All respondents explain that all the delay in member’s benefits payments sometimes is causes by all the three categories of factors as shown in the table 4.1

#### **4.2 Factors influencing delay of members benefit payments caused by Pension Schemes**

The table below (table 4.2) indicates the factors influencing delay of members benefit payments caused by Pension Schemes. Interviews was conducted and the responses was as shown below

**Table 4.2: Factors influencing delay of members benefit payments caused by Pension Schemes.**

Factors	Number of Response	Percentages
Long benefits processing and payments systems	30	34%
Lack of access to members records	20	22%
Customer care services problems	10	11%
Inaccurate past records(suspense cases)	25	28%
Delay in processing members files by the staffs	15	16%

**Source:** Researcher Data, 2013

According to the findings in the table 4.2 above, 30 respondents (34%) indicated that the delay in members benefits payments is caused by the long benefits processing and payments systems . the researcher conducted interviews with staffs, contributing employers and employees one of the retired beneficiary respondent argue that..*This people have a lot of procedures, we cannot tolerate this we are old now. We deposit our money when we were young , now we become old they told us to move from one office to another to file the forms, why can't they give us our money on spot like what commercial banks are doing?..* According to these claims the researcher decided to go and conducted interview with staffs of PPF and NSSF about the procedures which the beneficiary needs to follow until they get their claims.

One of the staff responded that ..... *These procedures are too boring even to us staffs because we are not feel good when we see our customers move from one office to another or visiting our office daily following their claims especial pregnant mothers and old age people... but we cannot do anything these are the procedures prepared by the managements .* After getting those findings the researcher go in detail and asked the staffs give in brief the procedures that

beneficiary need to follow until they can be issued with the payments. The staffs mentioned that there are about major six steps to be followed by members before the cheque is ready to be issued to a member as shown below. These processes have created delay of member's benefits.

### **Long benefit processing and payments system**

It has been found that under the present benefit processing system, a claim by NSSF/PPF members can be opened at any NSSF/PPF offices country wide. The process and payments system followed by this Pension scheme when members are open their claim is very long and time consuming. 80% of the respondent in this research argued that the first thing that resulted to the delay in payments of members benefit payments is the long processing system of payments used by the pension scheme to pay the members and also the respondent recommended that Pension scheme should find other system of payments such as the systems which are used by bank in serving their customers. There are about major six steps to be followed by members before the cheque is ready to be issued to a member as shown below from step one to six. These processes have created delay of member's benefits.

### **Lodging claim at the counter**

During the filling of the claims members are required to go to their nearest specific offices with a valid supporting documents ( this depends on the nature of claims) from his/her employer with his/her registration identification card and submit them at the benefit counter. After the benefit counters staff is satisfied with the documents from the member, then he/she issue the member with the form, these form are sent to the employer of the claimant to be verified by the employer that the claimant is the correct members and he is no longer working with his company. Also he proves that he/she was paying contribution of the said members by filling form with the most current contributions paid for the said member. After employer verified the claimant is the correct one by filling the forms, the members sent the form to the office , then the form will be revised and assessed by the staff and if found correct a member will be issued with another form for filling in the required blank spaces correctly, there after the forms returned to the officers /staffs who will record the

claims in a register and open a members claim where copies of forms are filed together with members identification card for further process.

### **Determination of amount of benefit payable from members contribution records**

The amount of benefit payable to a member depends on contribution remitted to the Pension Offices by his/her employer. This is determined through contribution records like computer print out or manual checking in members records files maintained at the Pension Schemes offices or by visiting the contributing employer of the respective member and inquire for his records for verification of the amount paid in each month for the whole period the member was in employment, casting for the total amount and interest payable each year. This duty of payment process require staff dealing with it be diligent understandable and trust worth and of sound minded to overcome underpayments or overpayments which may create complications to members or to the Pension Fund. This process may take about a week or more depends on the number of staffs and work loaded to the concerned staffs.

### **Member's contribution checking process**

Member's contribution records are maintained in a computer sometimes lag behind the members date of termination from employment, hence difficult to determine the actual amount of benefit to be paid to the members, then manual checking is done to update member's records before is affected. This necessitated member's file to move from one field officer to another or from one office to another for completion of the manual checking and other information.

### **Voucher writing**

After determined the amount payable through the relevant sources , benefits processing staff write vouchers for the respective files and records them in the register ready to be sent for audit in the auditing department the Officers pass through the documents in each benefit files and verify for the amount payable. If satisfied they signed the benefit payment voucher and sent them in audit department for pre audit.

### **Auditing process**

Internal Auditors pass through all the files to test for existence and accuracy of the amount payable, to ensure adherence of laid down procedures and financial regulation. After get satisfied he stamped the file and signed them and indicate the date, after that the Internal Auditor records them in a respective register and sent them in accounts departments for cheque writing.

### **Cheque writing and issuing to members**

Accounts departments numbered the benefit vouchers serially, cancel them and write cheques. Signatories who are normally principle accountants, chief accountants and senior operation officers sign the cheque after get satisfaction that a payment is genuine. After that process, proper records are kept by accounts staff and benefit department for future references and statistics purposes. These after the cheque are kept under safe custody in accounts departments or issued to members on demand.

All these processes are manually done and they are time consuming and hence facilitate delay in payment of member's benefits on time.

### **Access to member's records**

Interview was conducted with staffs, Contributing employers and also questionnaire was given to retired members one of the respondents responded that ..... *Now am tired I have been given fake promises for long time now it is forth times, the staffs told me that some of my forms are not seen.* It was found that Member's particulars are safe custody and updating member's records is a centralized function. Examination of the accuracy or completeness of members contributions records necessary to effect payment is only possible where computer print out from head office are available where the members open his/her claim. In the existing payment set up of using regional offices as benefit payment centre, the transfer of files from the claiming offices to another office created a considerable delay in process of paying members prompt.

Poor record keeping at the region particularly custody of employers files where members monthly contribution records can be found created difficulties in accessing members contribution particulars and hence time consuming in following the same to employers premises by the Pension Scheme Officers, some employers have been reluctant to give their contribution records to the inspectors for accessing amount of benefit payable to members. In some cases records from employer are missing due to lack of knowledge on how to maintain them or poor storage facilities or have been destroyed because of lapse of time and high cost of storing them. This has created delay and complication in processing members claim.

#### **Inaccuracy of past records (suspense cases)**

According to the study findings another factor caused by the Pension scheme was inaccurate past records (suspense cases) during the study various documents was reviews which shows the trend of suspense cases, annual reports from 2006/7-2010/2011 were reviewed. As shown from the table 4.2.1 there is an increasing trend of suspense cases, something which indicates that managements are not paying attention on the problem despite of its very adverse effect to the fund and its members. The table below show the amount of employers' remittances received without details, pending allocation to various heads of accounts including member accounts.

**Table 4.2.1 Amounts of suspense (all figures in millions and in TSH)**

PERIODS	AMOUNTS OF SUSPESES IN NSSF	AMOUNTS OF SUSPESES IN PPF
2007	97,842,000	75,352,000
2008	76,834,000	62,852,000
2009	251,652,000	76,258,000
2010	276,321,000	89,850,000
2011	198,652,000	98,852,000
2012	101,852,000	86,892,000

**Source: Annual Reports**

It was found from the study that benefit paid depends on contribution received in past years. There is a system of provide to members with current balance of credits in their account on annual basis. And this system is not practice by many Pension Schemes until the members themselves requested for their statements which show the balances in their accounts. It has been found that either part or all contributions credits were not received or not entered into members accounts and some contributions paid were posted to the wrong accounts hence leaving good balances or debited non paid account and hence these attract suspense clearance task before decision to pay is affected. These process of suspense clearance is tough job and very slow to meet processing time because of poor record keeping and huge volume of transaction.

**Delay in processing members files by the staffs.**

It was reviled from the study findings that there is delay in attending files due to improper records keeping and lack of record this creates a problem to staffs during the process of verifying the contribution paid to the fund by the employer in order to determine the amount payable to members. Improper records discourage the staffs to verify member's contribution and determine amount payable timely and hence delay in payments. There is also loss/misplace of some files while in transfer from one office to another. When the fund does not have enough records about the members contribution due to one reasons to another, some documents are sent to the employer for verification of the amount paid to the Pension scheme and see whether the said members contributions have been paid up to the time of his/her termination of his employment. Some of the employers fail to understand why the scheme doesn't have records for member's contribution and become reluctant to give their records, and also some do not have such records because they do not know the significant and also some destroy them because of lapse of time. This has created dilemma and serious problem to the schemes staffs in determining how much to be paid to the respective member, and hence delay in processing benefit payment to the concerned member.

### **4.3 Factors influencing delay of members benefit payments caused by Contributing Employers.**

According to the study findings in table 4.1 shows that 63% of the respondent explained that there are factors which are caused by the Contributing employers and these factors have been summarized in the table 4.3 below

**Table 4.3 Factors influencing delay in members benefits payments caused by Contributing Employers.**

<b>Factors</b>	<b>Number of Response</b>	<b>Percentages</b>
Areas/ evasion of contribution	14	24%
Refuse to register new employers on time	10	18%
Payments without analysis sheets	28	49%
Delay in submission of monthly contributions	5	9%

**Source:** Researcher Data, 2013.

According to the findings in the above table, 14 respondents (24%) indicated evasion of contribution by employers resulted to delay. Similarly, 10 respondents (18%) mentioned that some of the employers refuse to register new employers on time. Table 4.3 also indicates that 28 respondents (49%) said that employers do submit monthly contribution without an analysis sheets and 5 respondents (9%) mentioned the issue of delay by the pension schemes to submit monthly contribution by the employers

#### **Arrears/ Evasion of contributions**

One of the Managing staff explain that amount of benefit payable to members is found by verifying amount of contribution paid by his/her employer in respect of members each month for the period he/she was in employment. Evasion of contribution is serious problem which affect the operational efficiency of Pension

Schemes including NSSF and PPF. Contributing employers to the fund have been observed to have big arrears of unremitted member's contribution to the fund.

When members from an employer with arrears of contribution open a claim, the Pension scheme officials take initiative to recover the arrears of contribution from the employers in respect of the concerned member. The procedures used to recover the same are physical follow up by Pension Fund officers or reminder by letter informing the employer to submit the arrears of unpaid contribution for smooth operations of the fund activities or legal action for reluctant employers. This process of recovering arrears of contributions to effect benefit payment are hard and time consuming and thus causing delay in processing members benefit claim on time.

#### **Refuse to register new workers on time**

According to the study finding other factors caused delay in member's benefits payments is that some of the contributing employers refuse to register some /new employers on time so as to avoid paying their contribution while in their salary they deduct the amount to be sent to the Pension Schemes. One of the retired beneficiaries responded that .... *When I was employed i stayed in the work for one year without get registered by my employer in any of the pension schemes, I decided to go myself in NSSF and collect the forms for registration and file the form and return to the NSSF, then three year later I got pregnant I went to NSSF to collect the maternity benefit, but the NSSF staffs inform me that my contributions have not yet reach thirty six contributions therefore I am not qualified to maternity benefits, from there I decided to make follow up it take me long time but i thanks God got my benefits.* Also it was found from the study that when members open their claim and get their statement in their account they found amount is less than what they expect, there for if they return to the offices for claim, pension scheme officers may visit his/her employer or they may write a letter first to request him to pay all the amount which he/she is suppose to pay to the pension scheme and if he /she is not trustful a legal action will take place between the employer and the Pension scheme organization. Therefore this process resulted to delay in payments of members benefit payments.

### **Payment of monthly contribution without analysis sheet**

The interview was conducted with the staffs of NSSF they revealed that one out of ten contributing employers in NSSF submit their monthly contribution without analysis sheet and the interview was also conducted with PPF staffs they also revealed that out of 10 monthly contributions are submitted in their offices two of them are submitted without the analysis sheet. It was found that there are some employers who intentional or unintentional pay their monthly contribution without the analysis sheet which shows the distribution of the total amount to each employee, there become difficult to Pension Scheme office to know the distribution of the total amount, as the salary of the employee may differs each month depends on the duties and police of the organization.

During the study it was found that when the employer pays their contribution without the analysis sheet the whole amount will be credited to suspense account until the analysis sheet will be provided. And when a members open a claim to the Pension Scheme and pension scheme officers found that their amount was credited to the suspense account, she/he will be issued with a form and he/she should sent the form to his/her employer where the employers can fill the form to show the required amount that belongs to him/her and then after that he/she will return the form to the offices for further processes.

From the findings, it was concluded that this process also resulted to delay in payments of members benefit as it required the claimant to move more than one office several times, which also it is time cost full and time consuming to the claimant.

### **Delay in submission of monthly contribution**

Some of the employers are not paid their month contribution on time to the Pension Scheme, these also resulted to delay in members benefit payments, because when the claimant open a claim they found that their last few month contribution are not yet submission to the Pension Scheme office, there for they should wait until his/her employer will paid the same. This process will require more time because the

Pension scheme will remind him/her and wait for until their employer will submit the required amounts. One of the retired beneficiaries responded that..... *I come here to take my pension because my contract ended since last year on January and up to now (July 2013) I haven't yet secure another job, so I decided to collect my money, so that at least I can try to find any kind of business to do with them, but surprised enough the money was not yet submitted to the PPF at the time when I opened up my claims.* The implication is that this make the beneficiary to follow up claims several times to look if their employer have submitted their contributions, 9% of the respondents mention the delay in members benefits payments as the factors that resulted to delay in members benefits payments.

#### **4.4 Factors influencing delay of members benefit payments caused by members**

According to the study findings in table 4.2 shows that 63% of the respondent explained that there are factors which are caused by the Contributing employees and these factors have been summarized in the table 4.4 below

**Table 4.4 Factors influencing delay in members benefits payments caused by Contributing Employees.**

<b>Factors</b>	<b>Number of Response</b>	<b>Percentages</b>
Members give incorrect records	12	27%
Loss of members identification cards	17	39%
Failure of members to follow instruction given	15	34%

**Source:** Researcher Data, 2013.

According to the findings in the above table, 12 respondents (27%) shows that members give incorrect records resulted to delay. Similarly, 17 respondents (39%) explained that some of the members loss their identification cards. Table 4.3 also indicates that 15 respondents (34%) explained that failure of employers to follow instruction given at the Pension schemes offices resulted to delay in their payments.

### **Members give incorrect or incomplete records**

When a members lodge for a claim he/she required to fill in the forms after filling the forms he/she required to submit them to Pension Fund office, where staffs recorded the claim at the register and issuing with a serial number. Before the claims are processed the offices requested copy of Members Confidential record for the purposes of verifying the information provided by the claimant is correct one. It has been found that members give incorrect and incomplete records when filling the forms example different or incorrect names for their mother, father or member because of marriage or Baptist. Most of the claimants especial the old ones do forget their year of birth due to different reasons when register for claiming their benefits. Any differences in member's records create suspicious and identification difficult to the staffs and hinder faster movements of processing members benefits file.

### **Loss of membership identification card.**

As shown in the table 4.4 below 39% of the respondent mentioned that loss of members identification cards as one of the factors resulted to delay in processing of members payments. It was found from the study that Membership card may be stolen or misplaced by member him/herself due to negligence or a membership card may be destroyed by fire accident or floods and before a claim is accepted a member is identified by his/her card. A lost of membership card is replaced by a member submitting a police loss report to the offices and he/she will be issued with a form to fill and pay a fees for issuing a duplicated car, therefore the form for claims will be attached with a duplicated card for claiming processes. Therefore all these processes take long time to issue the duplicated card and hence delay in processing of benefit payments. One of the old beneficiaries responded that.. *I don't know what to do because for a long time i lost my card and now I want my money they told me to bring police loss report I don't know when i lost my cars*

### **Failure to follow instruction given**

Interview with NSSF and PPF staffs reviled that some of the beneficiaries are less serious when they are given instructions. One of the staff from NSSF said the following..... *“Some of the pension scheme members are cruel and sometimes*

*they used to ignore some of the staffs at the office when they come to open their claim they thought they know much than the pension scheme offices”*. This statement shows that later on some complications are created on procedures to be followed before the claim is honored and errors in filling the form which the ultimate result is delay in promptly payments. Also some members do not receive sufficient information and education about the claim they intend to lodge for and exactly procedures required pretending they know them. This resulted to the delay in issuing their payment because there is no shortcut in processing the claims, all procedures must be followed correctly.

#### **4.5 Effect of delay in payments to members**

Some of the members stay far from the Pension Scheme offices especial in rural areas therefore require members to spent some money in following their claims for transport, food and accommodation when following their claims at the office where he or she open the claims and accommodation and transport cost vary from one member to another depends on where he/she used to live, hence frequent follow up of the claim erodes the economic resources of members such as time and money which could be spent more economically in somewhere else.

From the facts that value for money today is not the same as the value of money tomorrow excessive delay of payment of members benefit reduce the purchasing power of their money they received later, also this delay causes the loss of income to members which could be earned if the money could be received early and invested in profitable business such as purchases of shares in Dar es salaam stock exchange market or any other economically sound venture. Members if received their money also could use them to invest in other sectors such as in building schools or hotels which also could benefit others example by providing employment and hence reduces the number of unemployment which is now a problem in Tanzania and hence improving the living standards of other people also Some members especially those who lodged their claim while their sick or very old died before enjoying their benefit claimed, most serious especially those affected by HIV/AIDS victims may die before they received their claims due to long delay in issuing their claims. When they die

before receiving their claims, the claims is converted to survivals benefit. The process of the claiming the same is prolonged and thus much time is wasted, cost for the follow up and processing the same increases from the family(survivors) which could be avoided if payments were made promptly and timely.

Too much delay of members benefit process and payments may attract corruption as members may bribe some of the staffs on the ground of get their payments early , as members become bored in following the same claim several times without any success. Excessive delay may lead to insolvency to claimant in which they fail to collect their cheques after payment is due. This has been proven by presence of so many stale cheque at the Pension Schemes offices each month which expires after stay for six months or more, because of failure of members to collect the cheque for payment when it is ready.

Excessive delay in payment of members benefits may lead to members to become bored which also may rise members emotions by becoming angry and furious, which is sometimes dangerous to their health specials those with high blood pressures. Most of the members have future plans after leaving their employments and only what they depends on for their plans after employments is their pensions. Therefore early payments of their pension assist them to achieve their plans and make their dreams to become true, but delays of their benefits payment become an obstacle towards achievements of their plans and budget.

#### **4.6 Effects to the Pension Schemes**

Delay in promptly payments of members benefit is a weakness to the operational activities of the fund. If competitors like PSPF or GPF realizes about the above weakness, they may capitalizes it by offering superior customer services to their members and capture larger market shares. Something which might threaten NSSF and PPF since its market share will be taken by its competitors who deliver superior customer care /services.

Delay in promptly payments of members benefit payments has lead to loose of their credibility and integrity to its members and to the general public and this make some members become reluctant in joining to the pension schemes, and make some employees especial those in private sectors conversing their employers to find the way for them they use so as to avoid being registered with Pension Scheme. Too much delay of members benefit process and payments attracts fraudulent practices and corruption in their fund. The pension scheme may loose a lot of money by fraud acts and corruption practiced by untrustworthy staffs and fund members to fasten their claims process and avoid delay. Excessive delay in payment of members benefits may lead to members to become bored which also may rise members emotions by becoming angry and furious, which is sometimes dangerous to the Pension Scheme officers and the properties as members may start a strikes and start to harm staffs and the properties of the offices which is very dangerous especial to staffs.

## **CHAPTER FIVE**

### **SUMMARY, RECOMMENDATIONS AND CONCLUSION**

#### **5.1 Introduction**

This chapter presents a summary of the study, recommendations and conclusion.

#### **5.2 Summary**

The purpose of the study was to identify factors influencing delay in member's benefits payments in Pension Schemes. Three research questions and objectives guided the study, the reviewed literature revealed that in spite of different initiatives taken by many pensions scheme, delay in promptly payments of members benefits payments is the major problems in many pension schemes and this is associated by long processing and payment system, customer care problems, suspense cases, evasion of payments of contributions, members identification difficulties, suspense cases, loss of membership cards and provision of wrong information by members among other many factors are the main reasons for the delay in processing and payments of members benefits.

The study employed qualitative research and a case study design. It was conducted in National Social Security Fund and Parastatal Pension Fund which involved, 2 managers, 28 other staff of NSSF and PPF, 30 Retired NSSF and PPF members, 20 registered contributing employers, and 10 other NSSF and PPF members who are still in employment which make a total of 90 respondents. The data were collected through questionnaire, interviews and documentary review and were presented basing on research tasks.

#### **5.3 Recommendations to the factors influencing delay in member benefits payments.**

The following are the recommendations regarding factors influencing delay in members to the Pension Schemes, Contributing Employers and the members themselves.

**i. Long benefit processing and payments**

The managements should decentralize benefit payment decision and processes which are done at the head offices to shortening processing and payment on time. Computerizing of some of processing functions such as computation of the amount payable to members and member's contribution records to shortening the payment timely. Also the Pension Schemes should have well trained and competent personnel who will be able to attend customer claims and process it at fast and correct way.

**ii. Member's identification difficulties**

The company's staffs and registration officers have important role to play in the registration process and proper maintenance of members particularly for identification purposes. A good record keeping program will enable the fund to account for decision and actions by providing essential evidence in the form of records and ensure the preservation of the collective memory of the fund. Staffs members have to handle records sensibly and with care and respect so as to avoid damage to the records and prolong their life span. Managers should allocate highly trained, dedicated and committed staffs to manage record centers. If the trained staffs equipped with necessary facilities, study tours, seminars and workshops on record management they will be motivated and committed to manage records and records centers, confident on records issues and morally at the work will increases as well.

Short and long term training programmers in record management should be offered to staff in order to enhance record structure and function in the fund. The exercise will speed up the establishment of modern record center and formation of modern record management policy through experiences that will be gained in training. Management should seek donors and external expertise from developed countries to establish record management program and policy. It is also recommended that computer department to speed up computerizing the functions so as to go hand in hand with changes in the world, the fund should computerize its records and record management tasks. Record centers

also should also be established in any office to increase efficiency in benefit process and payments.

**iii. Loss of membership cards**

Members should be educated on the significance of proper and safe keeping of their membership identification cards. They should be advised to keep it free from dirt and away from children. They should be aware of pickpocket while travel with it. Rare animals like rates may eat it so it should be kept away from those animals. Staffs that used to falsify and embezzled duplicated cards fees should be taken disciplinary action and severe punishments should be given also anyone who will report such staffs with a proof should be awarded so as to minimize such practices. Also duplicated cards may be issued by any officer authorized on behalf of head office. Also the schemes should find other means of issuing members identification cards in case a members lost the card and at that time he/she is entitled to receive some benefits without wait until the new card is issued. This will minimize the delay of member's benefits payments because the beneficiary will get the benefits at the same time the new membership identification card is being processed.

**iv. Areas contributions and verifications of the contribution paid through manual checking.**

Employers should be educated on the important of remittance of member's contribution to the fund monthly. Close follow up and proper management of records to employers who do not want to comply with Pension Scheme regulations and become reluctant to submit contribution to the fund on regular basis. Setting proper collection policy to collect areas of contributions from non complying employers these should include reminding them on the significant of paying contributions promptly, selling them to debtors collection agency for those with big areas of contribution, legal actions and frequency inspect and follow up by use fund inspectors to enhance collections of contribution from employers.

Proper record keeping will facilitate efficiency verification of contribution to determine amount payable to claimant during manual checking. It will easy establish of employers with contribution arrears and proper setting of collection policy. Computerization of contribution functions will also facilitate proper benefit payments. Supply of transport equipment to the inspectors of the fund to enable them to visit and collect contributions to remote employers.

Motivation to staffs is very essential since staffs are customer number one. Staffs are the one to be used to deliver services to outside customers, so management should set proper pay packages and other fringe benefits to motivate staffs to work hard and avoid bribery and fraudulent activities. Task force operations to be conducted each time to collect areas of member's contributions, clear suspense cases and proper registration of members to easy benefit payment activities at the fund. Special attention should be paid in follow ups of employers under receivership and those who want to close businesses with areas of contributions, management should ensure debts from these employers are collected in favor of members and future business of the fund.

#### **v. Suspense cases**

Task force operations should be conducted to clear suspense cases ensure that member's contributions are entered in correct members account. Employers should be insisted to remit members contributions with proper account number filled in the contribution forms where they face the problem they should consult nearby office for clarification before contributions are paid. Pension scheme should not receive contributions for members without account number to minimize the suspense cases, and if it happens, then correction of the account number should be done with immediate effects. Management of the fund should establish computer programme which will facilitate clearance of suspense cases electronically.

Emphasis and due care should be taken during registration activities by assigning the duty to competent and well trained personnel to minimize errors in members account number and avoid double registration. Pension schemes should provide the account statements of every individual with their balances when the employers submit monthly contributions this will enable the employee to be familiar with their balances in their accounts and if the problem occurs in their accounts they will inform the pension schemes officers earlier than waiting until the time of opening the claims. Therefore the pension schemes should find the system to ensure that every employee get his/her statements in every month this system will minimize the delay in payments of members benefits.

**vi. Customer care services**

Employee is the customer number one, management of the fund is getting him/her services and products delivered and sold to the external customers through employees. Superior customer care services delivered to employees will guarantee the same to the external customers of the fund. It is the duty of management of the fund to ensure that her customers are well served starting with employees. Employees of the fund should be well motivated by having good pay package and other fringe benefits to motivate them to deliver superior customer care to members of the fund and assist fund to expand its market share.

The pension schemes should employ many officers as much as the can so that they can be used to provide educations to the employers and their employees on the important of having the pension and when a member will be entitled with the benefits, the qualifying conditions for a person to be a member, the benefits which are offered by the scheme and how the members can file a claims and when the members should file the claims and the documents which are required for filling the claims. This will facilitate promptly payment of benefits to beneficiaries.

#### **5.4 Recommendations for policy and decision makers**

Many efforts should be put in future to ensure timely benefits payments by ensuring that areas of contributions are collected, decentralized some of the benefit related functions, computerization of the functions and proper record management and registration functions. Employees are customer number one of the Pension Scheme, the Pension Schemes employees should be properly motivated to ensure that superior customer services to their customers. In this regard timely members benefit payments may be achieved to safe guard the interest of the fund and its members

#### **5.5 Recommendations for further research.**

This study gives only general picture of the factors influencing delay in promptly payments of member's benefits and its effects to the Pension Funds and their beneficiaries. The study advances that this problem is attributed by failure of the Pension scheme to keep proper records of the contributing members collect contributions and lack of well structured computerization of members benefit payment functions. The study should be conducted in analyzing on how to improve and keep members records and design a payment system to their members which will enable them to get their benefits on spot like bank customers who want to withdraw their funds. If this will be successful more will be attracted to join to the Pension Schemes which will enables them to capture more market share and have confidence on her survivals. Due to the shortage of time the study was conducted only in two pensions schemes in Tanzania i.e. National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF), the same research should be conducted to other pension schemes in Tanzania so as to come up with more concrete reasons for the delay in payments of members benefits payments in social security in Tanzania and come up with recommendation on how to overcome the problem.

#### **5.6 Conclusion.**

Delay in members benefits process and payments are one of operational problem in benefit administration of many of the Pension Scheme including NSSF and PPF. The main reasons for long time in attending members benefit claim files are contributions evasion by employers or arrears of the contribution by employers, poor record

keeping for the contributing members, incomplete claims details, and member's identification difficulties. This has caused members to waste a lot of their resources which could be otherwise spent in a more economic way in following their claims, some members even die before collecting their claims. The Pension Schemes also incur a lot of risks and cost to account for, store and process uncollected stale cheques, they also loses credibility and future market share by failing to deliver its services timely to members.

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**APPENDICES**  
**APENDIX 1: QUESTIONAIRES.**

1. What are the reasons for delay in member's benefits payments influenced by the pension's schemes? (Research question number one).

i. Please provide the kind of benefits you are claiming for?

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.....

ii. How many times member have's used to visit the office following the same claims, Tick one.

- a) More than a day
- b) More than a week
- c) More than a month.

If more than a month why

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iii. How do you find the customer care of this organization?

- a. Good.
- b. Moderate.
- c. Bad.

If bad provide the reasons

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iv. What kind of problems do the member's encounter during the period of following up their claims? Mention them

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v. What do you think may be the causes of the delay in payments of members benefits payments caused by the organizations? Mention them

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vi. Does the organization used to pay the beneficiary promptly/ timely?( YES/ NO ) if NO give reasons

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2. What are the reasons for delay in member's benefits payments influenced by the registered contributing employers? (Research question number two).

i. Does the workers being registered by the pension schemes on time /as soon as they are employer? (YES/NO) if no give reasons

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ii. Do the employers deduct from the employee's salary their contributions according to the laws and regulations of the Pension schemes in Tanzania? (YES/NO) if NO give reasons

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iii. Does the employer submit the monthly contributions to the pension's scheme on time as required? (YES/NO) If No give reasons

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iv. Is there any delay in member's benefits payments influenced by employers? (YES/NO) If YES give reasons

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v. Is there any problem does member's encounters during the follow up of their claims after they are retired. ( YES/NO) If YES give reasons

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vi. Do the employers keep proper records of their staffs regarding their pensions? (YES/NO) If NO give reasons

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3. What are the reasons for delay in member's benefits payments influenced by the registered contributing employees? (Research question number three).

i. Does the member's provide good cooperation with the staffs of the pension schemes during the period of open up their claims? (YES/NO) If NO give reasons  
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ii. Is there any delay in payments of member's benefits caused by members themselves? (YES/NO) If YES give mention them.  
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iii. Does the member's follow up their claims as soon as it is required? (YES/NO) If NO give reasons.  
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iv. Does the customers/ member's have clear records regards of their contributions? (YES/ NO) If NO give reasons.  
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v. During the opening up their claims does the member's visited the office (pension schemes offices) with all their required documents and in formations which are required by the pension schemes officers? (YES/ NO) If NO give reasons.

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vi. Does the member's have knowledge regarding their benefits and how to claim their benefits and how to claims their benefits (YES/ NO) If NO give reasons.

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**1. AN INTERVIEW GUIDETO MANAGERS**

1. Please kindly provide the following information:

- (i) Name of your department/district .....
- (ii) The period you have been working as a Chief Manager, district head or head of department .....
- (iii) The period you have been working with the organization/fund .....
- (iv) Your education level.

2. (A) Do you pay benefits promptly/timely to your member?

(b) If not why?

3. What reasons do you think may be the cause of delay in payment of member's benefits? Mention them.

4. What do you think are the impacts/consequences of delay in payment of member's benefits promptly?

5. What do you think should your management do in order to combat the delay in payment of members benefit problem?

## **2. AN INTERVIEW GUIDETO RETIRED NSSF MEMBERS**

1. Kindly please provide the following information:
  - (i) Name of your organization you are coming from.
  - (ii) For how long have you been working with the organization?
  - (iii) What is your level of education
  - (iv) What is your profession/occupation
  
2. What kind of benefits do you claim from NSSF/PPF office?
  - (a) Maternity benefit
  - (b) Withdrawal benefit
  - (c) Old age pension
  - (d) Funeral grant
  - (e) Health care
  - (f) Survivor's benefit
  - (g) Invalidity benefit

Please put (V) in one of the above.

3. How many times have you visited the office in following the same? In a week or in a month.
4. How do you find the benefit payments system? Is it good or bad? Or is it efficient or inefficient.
5. Is there a delay in processing your benefit payment?
6. Did you encounter any difficulties in opening your claim?
7. How were you assisted by benefit staff/or any other staff?
8. What do you think are the effect of delay in process of your benefits?
9. What do you think should do to alleviate the delay situation?
10. Did your employer pay your contributions properly?
11. Did he/she maintain proper records for your contributions payments?

**3. INTERVIEW GUIDETO BENEFIT DEPARTMENT OFFICERS AND OTHER STAFFS**

1. Please kindly provide the following information:
  - (I) Name of your department/section in which you belong
  - (ii) Your job title
  - (iii) For how long have you been working with the fund in that department?
  - (iv) What is your profession?
  - (v) What is your level of education
  - (vi) How many members do you attend in a day?
2. What are the procedures to be followed by retired member(s) need to follow in order to open a claim for his benefits?
3. What are the documents involved?
4. What are the procedures and processes involved in processing payment of members' benefits?
5. How long will it take for member to get his/her payment from the moment he opened his/claim.
6. Do you meet the deadline/promise of payment to member's benefits?
7. If not what do you think are the possible reasons for delay in payment of members benefits?
8. What problems do you suffer when a member of is not paid in time?
9. What do you think will be the impact of delay in member's benefits payment?

**4. AN INTERVIEW GUIDETO CONTRIBUTING EMPLOYERS**

*Name of the company/employer* .....

Registration no. ....

NSSF/PPF registration number .....

Date of registration with NSSF/ PPF company registrar .....

1. How many members do you have in your company?
2. Do you pay their contributions promptly according to the Pension Scheme Act?
3. If not; Why?
4. Do you keep proper records for member's contribution payment?

5. Is there delay in payments of benefits to retired members from your organization?
6. What do you think are the possible reasons that led to the cause of the problem?
7. What do you think are the consequences of delay in member's benefits?
8. What do you think should be done by pension schemes to overcome the problem?

## 5. MASWALI KWA WANACHAMA WA NSSF/ PPF

1. Tafadhali toa maelezo yafuatayo:

- (i) Jina la Kampuni unayofanyia kazi au ulikokuwa unafanyia kazi
- (ii) Umefanya kazi Kwa muda gani?
- (iii) Una kiwango gani cha Elimu?
- (iv) Unafanya kazi gani?

2. Unadai mafao gani katika ofisi ya NSSF/ PPF

- (a) Uzazi
- (b) Kuacha uanachama
- (c) Uzee
- (d) Msaada wa mazishi
- (e) Matibabu
- (f) Urithi
- (g) Ulemavu

Tafadhali weka alama (V) katika moja ya yaliyotajwa hapo juu.

3. Umekuja katika ofisi za NSSF/PPF mara ngapi ukifuatilia mafao yako? Ni wiki ngapi au miezi mingapi imepita tangu ulipoahidiwa kuja kuchukua mafao yako.

4. Unauonaje utaratibu wa NSSF/PPF wa ulipaji mafao ya wanachama?

- (a) Mzuri
- (b) Mbaya [ ]

Kwa nini?

5. Unafikiri kuna ucheleweshaji katika ulipaji mafao ya wanachama?

6. Unafikiri ni sababu zipi zinazochangia ucheleweshaji?

7. Je? Umepata matatizo yeyote katika ufunguaji wa madi yako? Umesaidiwa vipi Na wafanyakazi wa NSSF/PPF?

8. Ni athari gani zinazoweza kutokea kutokana na ucheleweshaji wa ulipaji wa mafao yako.

9. Unafikiri NSSF/PPF wafanye nini katika kuboresha ulipaji wa mafao ya wanachama.?

10. Je mwajiri wako anakulipia michango yako ya uanachama sawasawa?