Finance rejects withdrawal of Retirement Benefits Bill

By Moses Mulondo

Nyakundi (left), Byarugaba and Bahati appearing before the Finance Committee of Parliament yesterday. Photo by Roderick Ahimbazwe

The finance ministry has rejected a proposal by the public service ministry to withdraw the Retirement Benefits Bill, which seeks to liberalise the pension sector.

Appearing before Parliament's finance committee with a delegation of technocrats, including the National Social Security Fund (NSSF) executive director, Richard Byarugaba; the state minister for finance, David Bahati, said: "We are not withdrawing this Bill because it is necessary. It will help us reform the pension sector and open it up to new players."

A delegation from the public service ministry appeared before the same committee last week and opposed the Bill.

"Liberalisation is risky for us. People can save their money with a private scheme and the owner runs away with their money. Countries that liberalised their pension sector are regretting and are going back to a government-dominated sector," the public service minister, Muruli Mukasa, told the committee last week before calling for the withdrawal of the Bill.

However, Bahati yesterday countered Muruli's argument, saying the Uganda Retirement Benefits Regulatory Authority (URBRA) will exercise sufficient controls and regulations, which will safeguard the savings.

Moses Bekabye, the finance ministry technical advisor and former executive director of URBRA, said the Bill contains a provision which will ensure savings in the private sector schemes are not invested outside East Africa.

He said the law will make saving mandatory for all citizens, including compelling employers to contribute savings for their housegirls.

Clause 12 of the Bill also provides for mandatory contributions and benefits for all employees and employers in both formal and informal employment to licensed retirement benefits schemes.

The NSSF Act restricts the payment of pension savings for employees to employers who have more than five employees.

Byarugaba said the Bill has constraints that need to be amended such as ensuring that the private saving schemes are not allowed to compete for the savings.

However, the committee chairperson, Henry Musasizi, said: "Citizens saving with NSSF are in the private sector and the majority of these are against monopoly. They want competition so that they can save with a scheme which can give them better returns."

Byarugaba explained that with the new law, they would be able to provide new products such as mid-term access, which allows members to get part of their savings for investments, medical expenses and loans.

He, however, clarified that members will only use their savings as collateral for acquiring loans in banks.

Nakaseke South MP Paul Kasana Luttamaguzi proposed that NSSF members should be free to borrow from their money at low interest rates as is the case with Parliament's saving scheme, which was recently amended to allow members to borrow from the scheme at low interest rates.

However, the URBRA CEO, David Bonyi Nyakundi, warned against the mid-term products, arguing they could jeopardise the cardinal pension objective of making people save for their old age.

Bahati promised that the finance ministry, which drafted the Bill, would soon present to the committee several new amendments to cater for various concerns.

BETWEEN THE LINES:

The public service minister, Muruli Mukasa, said liberalisation is risky because people can save their money with a private scheme and the owner runs away with their money.