GOVERNANCE: RATIONALE FOR FIT AND PROPER TESTS

The Authority is mandated in Schedule 3 (11) of the URBRA Act, 2011, to determine the fitness and propriety of persons for purposes of establishing a Retirement Benefits Scheme or rendering any of the segregated scheme services.

Fitness tests seek to assess the competence of licensed entities and persons, and their capacity to fulfill the responsibilities of their positions while propriety tests seek to assess their integrity and suitability.

To determine competence, formal qualifications, previous experience and track record are some of the elements focused on by the Authority.

To assess integrity and suitability, elements considered include: criminal records, financial position, civil actions against individuals to pursue personal debts, refusal of admission to, or expulsion from, professional bodies, sanctions applied by regulators of other similar industries, and previous questionable business practices.

Fit and proper testing is a gatekeeping function of the Authority. The Authority works to ensure that it prevents individuals who would pose a risk to the sector's correct functioning from either being appointed, or from continuing in their function if a serious issue arises.

Fiduciaries must therefore be capable of taking decisions that safeguard the safety and soundness of their scheme, but possibly also of the wider sector. The Table below provides a summary criterion for fit and proper assessment.

Five criteria for fit and proper assessment

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<th>Knowledge, skills and experience</th>
<th>Does the candidate have the theoretical and practical capabilities to assume a specific role in the sector/scheme?</th>
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<td>Reputation</td>
<td>Does the candidate have a criminal record or a history of administrative or tax irregularities? Is the candidate involved in pending legal proceedings?</td>
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<td>Conflicts of interest</td>
<td>Trustees must be able to act independently when taking decisions. Does the candidate have any conflicting interests that may adversely affect the scheme?</td>
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<td>Time commitment</td>
<td>Can the candidate devote sufficient time to the proposed function within the scheme?</td>
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<tr>
<td>Collective suitability of the board</td>
<td>Looking at the added value of a particular candidate for the whole board of trustees, how does the candidate fit within the overall composition of the board?</td>
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For details refer to the Uganda Retirement Benefits Regulatory Authority (Fit and Proper Criteria for Trustees, Fund managers, Custodians and Administrators of Retirement Benefits Schemes) Guideline No. 1 of 2018.
In line with URBRA’s second strategic objective of Improving Understanding and Promoting Development of the Sector, the Authority conducted an informal sector retirement seminar.

The seminar (informal sector training) was held on Thursday 31st January 2019 at Bulange, Mengo. CBS PEWOSA members were the targeted and attracted audience for the event.

The main objective for the seminar was to create awareness about; URBRA’s Mandate and activities, importance of long term saving, and available informal sector tailored retirement saving arrangements. Attendees were also equipped with information pertaining how to establish a Retirement Benefits Schemes, and pre-requisites of joining the existing licensed Retirement Benefits Schemes. From the seminar, the attendees’ appreciation of saving for retirement and willingness to establish or enroll under already exiting licensed Retirement Benefit Schemes was enhanced.

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The Authority in collaboration with the Makerere Actuarial Society conducted a University Students’ Retirement Seminar. “Planned Retirement: The Gold of Old Age” dubbed seminar was held in Makerere University’s main hall on Tuesday the 19th February, 2019.

The day’s presentations and discussions were focused on; Mandate of URBRA, Opportunities in the Sector, Role of Actuaries in the Retirement Benefits Sector, Challenges of old age poverty and on emphasis that No one is too poor to plan for retirement.

The seminar aimed at initiating early positive perception towards retirement planning, and triggering students’ interest in to conducting scholarly research pertaining to the Retirement Benefits Sector. Attendees were as well equipped with career guidance, particularly on career prospects in the Retirement Benefits Sector and how their lecture learnt theory can practically contribute to the development of the Sector.
NSSF monthly contributions are supposed to be remitted to the Fund by employers on behalf their employees by the 15th day of the subsequent month, and in correct amounts. Delayed contributions attract additional costs to the non-compliant employers. These costs in addition to the accumulated arrears of the gross monthly 15% standard contributions include a monthly 10% penalty, and interest charges in case of any delayed contributions falling in prior financial year(s).

At the end of the 2017 reporting period, the Fund’s membership activity rate stood at 32.1% with only 574,628 out of the total registered 1,788,876 members’ (Including 6,148 voluntary members) accounts actively receiving contributions. Non-compliance of employers by defaulting on their monthly mandates directly impacts on membership activity rates negatively.

In avoidance of litigation against defaulting employers, the Fund has this month opened a 90 days' amnesty window for all defaulting employers. Upon satisfying the set conditions, defaulting employers that will benefit from the amnesty will have up to a 95% waiver of the total penalty amount payable. To benefit from the amnesty, defaulting members will be subjected to an assessment or audit, negotiate a payment plan and sign a deed of settlement.
What are the responsibilities of scheme fiduciaries?
Fiduciaries have important responsibilities, and are subject to certain standards of conduct because they act on behalf of the members in the scheme. These responsibilities include:

- Acting solely in the interest of scheme members and their beneficiaries, with the exclusive purpose of providing benefits to them;
- Carrying out their duties with skill, prudence, and diligence;
- Complying with the scheme documents (eg. Trust Deed and Rules);
- Diversifying scheme investments;
- Paying only reasonable expenses of administering the scheme and investing its assets; and
- Avoiding conflicts of interest.

What happens if a scheme fiduciary fails to carry out its responsibilities?
Fiduciaries that do not follow the required standards of conduct may be personally liable. If the scheme lost money because of a breach of their duties, fiduciaries would have to restore those losses, or any profits received through their improper actions. For example, if an employer did not forward members’ contributions to the scheme, they would have to pay back the contributions to the scheme as well as any lost earnings, and return any profits they improperly received. Fiduciaries can also be removed from their positions as fiduciaries if they fail to follow the standards of conduct.

When does the employer need to deposit employee contributions in the scheme?
If you contribute to your scheme through deductions from your paycheck, then the employer must make sure that it deposits the contributions in a timely manner. The law says that the employer must deposit member contributions as soon as it is reasonably possible to separate them from the company’s assets, but no later than the 15th business day of the month following the payday.

What are the scheme fiduciaries’ obligations regarding the fees and expenses paid by the scheme?
Scheme fiduciaries have a specific obligation to consider the fees and expenses paid by your scheme for its operations. URBRA’s fiduciary standards, discussed above, mean that fiduciaries must establish a prudent process for selecting investment alternatives and service providers to the scheme; ensure that fees paid to service providers and other expenses of the scheme are reasonable in light of the level and quality of services provided; select investment alternatives that are prudent and adequately diversified; and monitor investment alternatives and service providers once selected to see that they continue to make appropriate choices.

In an event that an employer goes bankrupt, are the scheme funds safe?
Generally, your retirement assets should not be at risk if your employer declares bankruptcy. The law requires that a scheme’s fund promised, benefits adequately and keeps the scheme’s assets separate from the employer’s business assets. The employers’ creditors cannot make a claim on scheme funds.
This Monthly Publication is meant to keep stakeholders informed about the work of the Authority, best practice in Scheme governance, administration and sector developments. It also provides a Platform for the Chief Executive Officer to respond to stakeholders’ questions and concerns.