Mr. Martin Anthony Nsubuga (URBRA CEO) was re-elected to the IOPS Executive Committee.

The Executive Committee has powers necessary to achieve the objectives and purposes of the Organisation, including the appointing of Chairpersons and Vice-Chairpersons, the consideration of membership applications and the setting of membership fees, the oversight of the Secretariat and the establishing of agenda for the Annual General Meeting and Conferences. The Committee prepares the biannual Programme of Work, the Annual Budget and the Annual Report of the Organisation, and is the main liaison body with other international organisations.

The International Organisation of Pension Supervisors (IOPS) was formed in July 2004 by the Organisation for Economic Co-operation and Development (OECD) and the International Network of Pension Regulators and Supervisors (INPRS). IOPS’ major goal is to improve the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many countries as possible.

Mr. Nsubuga’s re-election happened during the recently concluded 2019 IOPS Technical Committee and Annual General Meetings held between 6-7 November 2019.

This year’s OECD/IOPS Global Forum on Private Pensions focused on developing and supervising occupational pension arrangements. The forum was jointly organized by the OECD, the International Organisation of Pension Supervisors (IOPS) and the Albanian Financial Supervisory Authority (AFSA), and was hosted in Tirana, Albania.
PRUDENCE AND REASONABLE CARE:
WHAT IT MEANS TO TRUSTEES

Prudence and reasonable care imply cautiousness, skill, as well as good judgement in the management of schemes. Effective trustees will exhibit the care and prudence necessary to meet their obligations to Scheme members and beneficiaries. The exercise of prudence requires acting with the appropriate levels of care, skill, and diligence that a person acting in a similar capacity and familiar with such matters would use under the same circumstances.

In the case of Retirement Benefits Sector Trustees, prudence requires;
• Acting in a judicious manner to avoid harming scheme members and beneficiaries;
• Acting in good faith, without improper motive or purpose;
• Exercising power and discretion consistently;
• Following the investment parameters set forth by the scheme documents and applicable regulation;
• Having appropriate knowledge and skill in balancing risk and return by seeking appropriate levels of diversification.

Section 33 of the URBRA Act requires that every scheme segregates its duties. As such, Trustees can rely on external third-parties or service providers. In this case however, the Trustees ought to have made reasonable and diligent effort to;
• Determine that the service providers act with appropriate skill, competence, and diligence;
• Determine that such co-opted professionals are independent and free of conflicts of interest and have the proper incentives to act in the best interests of Scheme participants;
• Ensure that all decisions have a reasonable and adequate basis; and
• that the decision process is adequately documented.

It is however important that Trustees appreciate that although the delegation of some of their responsibilities to experts is a prudent option, they (Trustees) retain the ultimate fiduciary duty and responsibility to monitor the experts (service providers), and to ensure that the delegated responsibilities are carried out appropriately.
World over, since 1924, every 31st day of October is celebrated as a World Savings Day. In Uganda the National Celebrations were held at the Constitutional Square. The 2019 celebrations were guided by a theme “Save More, Achieve More”, and involved a weeklong Financial Services Expo that run for the period October 28th – November 1st, 2019. Through the expo, the public was able to access services, and interact with financial sector players including Financial sector regulators, commercial banks, microfinance institutions, credit institutions, insurance companies, among others.

Findings from the FinScope 2018 survey revealed that 54% of Ugandan adults claim to save or put money away with the intention to continue doing so to ensure that the amount increases over time. However, as regards saving for retirement, the immediate challenge facing the Retirement Benefits Sector in Uganda is coverage that will enable workers to have old age security. Currently, the proportion of Uganda’s workforce under some form of retirement benefit arrangement is estimated at only about 14%.

The majority of those covered are in formal employment. To address the coverage gap, sector reforms with a view of lifting the eligibility criteria and permitting coverage of all workers is key. As such, the Authority has embarked on development of a strategy for extending coverage to the self-employed and the informal sector workers. The strategy will among others seek to:

- Establish a sound regulatory framework for micro pensions;
- Introduce appropriate products for different income groups;
- Intensify targeted publicity and education campaigns;
- Improve accessibility and convenience of retirement planning services;
- Rationalize and actualize a robust Centralized System for efficient operation, record keeping and data management;
- Introduce non-financial incentives (flexibility of contributions, access to certain benefits like healthcare, and to public services due to membership, notifications upon making a payment, etc).
FINTECH has registered substantial update around the world. What role do you think technology will play in Uganda’s Retirement Benefits industry?

From the Authority’s perspective, technology has capacity to strengthen our ability to proactively identify, assess and respond to a broad range of risks in a coordinated way. The Authority has leveraged on technology to introduce an online licensing and reporting system, and in conjunction with the Capital Markets Authority, to develop an online investment reporting and analysis tool.

Further in our digitalization journey, we have adopted and initiated the implementation of a Risk-Based Supervision Framework aimed at promoting transparency, providing early warning signals and encouraging regulated entities to self-evaluate at regular intervals.

Given existence of a positive risk-return relationship, what should Trustees do to ensure that Scheme Risks are minimized?

Trustees must pay attention to risks on the horizon. They must be proactive if they are to fulfil their duties. Too often, trustees are not sufficiently aware of their obligations. They are obliged to fulfil the terms of the trust deed and scheme rules. In doing so, they must make operational and investment decisions that ensure the best outcomes for scheme members. Trustees should embrace diversification of scheme funds as a measure to mitigate risk of their portfolio without sacrificing potential returns.

Given that they are entrusted with scheme’s assets, they owe fiduciary duties to members. As fiduciaries, they have the duty to act honestly and in good faith, act with due care, skill and diligence, avoid conflicts of interests, and not to profit from the scheme.
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.