



SPEECH BY THE CHIEF EXECUTIVE OFFICER, URBRA TO OFFICIALLY OPEN TRUSTEE TRAINING ORGANIZED BY EVOLUTION PENSIONS AND BENEFITS SERVICES HELD ON 26TH NOVEMBER 2015 AT PROTEA HOTEL, KOLOLO KAMPALA.

The Organizers, Faridah Mugimba – Evolution Pensions & Benefits Services

Rosemary Nantambi Amiri – Principal Africa - Callund Consulting Ltd

Oskar Muhumuza – Actuary – Klarity Consulting Ltd

Distinguished Scheme Trustees

Senior Managers of institutions represented,

Service Providers Present

Ladies and Gentlemen

It is indeed my pleasure to be here today and participate in this important function organized by this distinguished institution represented by Faidah, Rosemary and Oskar. It is important because it is a training organized by local sector players. We need to all join hands and develop local skills and capacity to develop the retirement benefits sector in Uganda.

Capacity development in the sector constitutes part of our obligations as a supervisory agency. Initiatives from industry players which contribute towards capacity development in the sector is always most welcome by the Authority. It is the interest of the Authority to see that all players in the sector are well equipped and skilled to effectively govern pension funds. It is effective scheme governance, which helps secure member confidence and hence growth of the sector.

Ladies and Gentlemen,

The realization and growth of pension assets as insurance against poverty in retirement, the ever-increasing innovation of financial instruments for investment and changing demographics, which is manifest across the world, has informed the need for supervision of pension funds as a public policy. It is therefore important that those charged with the responsibility of managing these funds are well-informed in order to carry out their roles as expected, reduce personal legal risks and enable optimal performance of pension schemes.

This is only possible if we espouse effective pension governance systems in our schemes. Governance is critical because pension schemes are now exposed to a myriad of risks ranging from systemic risks, agency risks and funding risks. In order to be effective in our governance and operations, I will urge that we continue to invest in capacity building, systems and technology to improve governance standards of retirement benefits schemes.

Ladies and gentlemen, whereas there is sometimes different understanding of the concept of corporate governance, there is unilateral agreement that it creates better companies and better risk management. Pension governance like corporate governance is very important. As we carry out onsite pension inspection, we have noticed that it takes us few hours to inspect schemes with good governance practices as opposed with those

with bad governance structures. We reduce the cost of supervision by espousing good governance practices.

Ladies and gentlemen, improving governance is the first order of business for the pension sector, which has every so often failed to deliver on promises to its membership due to either mismanagement or sometimes-outright loss of pension assets. Pension governance involves –

- Increasing transparency,
- Understanding your fiduciary duties and discharging them,
- Introducing accountability,
- Managing risks,
- Developing internal controls and
- Most importantly protecting the rights of beneficiaries.

An important component of improving governance in the pension sector is to have clearly defined objectives, precise allocation of responsibilities to prevent undue interference from outside interests and the strengthening of regulatory agency, URBRA. Good governance is increasingly recognized as an important aspect of an efficient pension system, enhancing investment performance and benefit security.

Ladies and gentlemen,

Governance of pension funds involves managerial control of schemes. It includes systems and processes aimed at ensuring the objective of pension schemes is achieved. Governance of pension funds hinges around administration of pension funds, it involves discussion on investment of these funds and the funding requirements, transparency, checks and accountability. These issues are important in the day-to-day operations of pension funds.

As a fiduciary, a trustee is acting on behalf of plan members or the scheme entity itself depending on the legal structure of your scheme. You must act in their best interests. At the same time, trustees have an overriding responsibility to carry out the terms of the pension plan. They have legal ownership but may not have the beneficial ownership unless they too are scheme members.

What is your role as a fiduciary?

Trustees recognize that their duties emanate from common law obligations, the Pension Plan Rules as well as from other statutes that regulate the operation of pension plans generally. Such duties generally include the following:

A – Duty to comply with the trust’s terms

Because your powers, duties and responsibilities as trustees and fiduciaries are spelled out in the plan rules, statutes and other documents; trustees should be familiar with the scheme constitutive documents and other relevant documentation. Decisions made must be in compliance with plan rules and statutory requirements.

Whether or not trustees understand their responsibilities, they are charged with the responsibilities and are liable for the consequences of failing to fulfill those responsibilities. In short, ignorance of the information contained in scheme documents is not an acceptable defence for a trustee.

B – Due Care and Skill

It is a requirement of common law and URBRA Act for a fiduciary to act with due care, skill, diligence, good faith and prudence. Trustees or any other fiduciary, should not mislead or misrepresent or deceive those for who they act as a fiduciary.

C- Act in the Best interest

A fiduciary shall act in the best interest of scheme members and beneficiaries. While undertaking any duties, functions and responsibilities as a trustee must be loyal and considerate of plan members, former members and other plan beneficiaries. They cannot serve interests other than those of plan members, former plan members and other plan beneficiaries.

D – Act with Impartiality

As a fiduciary you are under judicial, legal and statutory obligations to act with impartiality in respect of all members and beneficiaries of the scheme.

Trustees represent all plan members, former members and plan beneficiaries and must use an even hand. They must apply the same rules and interpretations under the same circumstances within the plan rules. However, this does not mean that all groups within the plan have to be treated the same or will receive equal benefits from the trust. Whatever the difference, it must be provided in scheme rules or in the law.

When we act as fiduciaries, the governance of the scheme will improve and members have trust trustees. They are supposed trusted friends and that is why they were never paid for the trust services.

Ladies and gentlemen, our pension sector is still at nascent stage. All of us here desire to see it grow. There will be challenges as we strive to grow this sector together. Let us therefore join hands and tackle the challenges together. We believe that by adopting good governance practices in the pension sector the fruits of our efforts will yield development, stability and growth. That the potential risks faced by schemes will be minimized and promised benefits guaranteed. Good governance will assist Trustees and service providers carry out their mandate efficiently.

Ladies and Gentlemen,

Evolution Pension and Benefits services has come up with a quarterly paper called the PENSION FOCUS which is intended to cover topical subjects on pension in Uganda and East Africa. The paper will be useful in discussing new developments in the pension sector and contribute to the acquisition of required knowledge for the growth of this sector. I appreciate Evolution Pensions and Benefits Services for this initiative and invite us all to write quality papers, which will be considered for publication in the paper. Besides, you are urged to regularly buy a copy and read the contents therein when it comes out if we are to benefit from this initiative.

Ladies and Gentlemen,

URBRA has commenced full scope onsite inspection and in coming months will commence industry sensitization. Let us comply with the law and manage risks in our schemes to build confidence in the system. I look forward to future interactions with you in this area which remains of key interest to us all, the region and beyond.

Thank you.

David Nyakundi Bonyi

CEO, URBRA

26.11.2015