URBRA
UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

MONTHLY SECTOR BULLETIN

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DUTY OF TRUSTEES: ACT IN GOOD FAITH AND IN THE BEST INTEREST OF SCHEME MEMBERS AND BENEFICIARIES

A trustee is an individual person or body corporate licensed as such by the Authority. Trustees are expected to act for the benefit of members, with fiduciary and legal responsibilities to control, administer or manage a scheme.

Over the years, the role of retirement benefit scheme trustees in managing private and institutional scheme assets and investment landscape for the benefit of participating members and beneficiaries has increasingly gained importance.

Trustees have a primary duty to act in good faith and in the best interest of the scheme members and beneficiaries. It is therefore expected that Trustees' ought to safeguard and grow the assets of their respective schemes, and to provide maximum returns to members and beneficiaries.

To deliver on their primary duty and ensure they are act in the members' and beneficiaries' best interest, effective trustees should:

- Often engage in a delicate balancing act of taking sufficient risk to generate adequate long-term returns. The returns should be high enough to support real benefit increases for active members while avoiding a level of risk that jeopardizes the safety of the payments to existing/ qualifying beneficiaries;
- Place the benefit of the scheme members and beneficiaries above that of the sponsor of the Retirement Benefits Scheme irrespective of whether member or sponsor nominated to the Board of Trustees; and
- Consider whether the position of the scheme is enhanced by their actions or decisions. Influence arising out of the interests of the scheme sponsor or other external institutions (e.g., trade unions or political parties) ought to be deterred.

It is however important to note that trustees who exclusively seek to enhance the position of members and beneficiaries cannot discount additional considerations. For instance, the effect of the trustees' decisions on the financial health and viability of the scheme sponsor or their impact on scheme investments should be reasonable. Therefore, in addition to these considerations, trustees should;

- Consider the additional objectives of ensuring an adequate match between scheme assets and liabilities, maintaining stable funding costs over time, keeping management costs down, and paying benefits upon qualification of members and beneficiaries.
- Safeguard the interests of scheme members and execute the activities of the scheme in a way that does not impose an unnecessary or excessive financial burden on the scheme sponsor.
- Consider the position of other stakeholders when carrying out their duties. It's important to consider how the decisions made (even for the benefit of members and beneficiaries) will affect the rest of the public, government, other industry participants, inter alia.

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"URBRA Protecting Your Retirement Benefits"

- Consider all relevant risk and value factors deemed appropriate when designing the scheme's investment strategy, such as environmental, social, and corporate governance issues.

The conduct of trustees, as fiduciaries of Retirement Benefit Schemes significantly impacts the lives of scheme members, especially during old age when dependence on retirement savings sets in. As such, Trustees need to adhere to high standards of professional conduct in accordance with fundamental ethical principles of honesty, integrity, independence, fairness, openness, and competence. The required high standards of ethical conduct go beyond the minimum requirements of the law, and are the most effective and efficient form of market regulation.

His Excellency the Vice President of Uganda, Mr. Edward Ssekandi hands over some of the URBRA donations to the older persons

20TH INTERNATIONAL DAY FOR OLDER PERSONS COMMEMORATED

On December 14th, 1990, the United Nations General Assembly under resolution 45/106 designated October 1st as the International Day of Older Persons.

The day aims to appreciate contributions made by older persons, to create awareness among the public on the rights and needs of older persons, and to celebrate the older persons' contribution to society inform of leadership, caretaking and being protectors of heritage, among others.

According to the voice of older persons at European Union level, the theme for the 2019 commemoration was "The Journey to Age Equality" – which is aligned with the Sustainable Development Goal (SDG) 10 that focuses on coping with existing and averting future old age inequality. SDG 10 aims to reduce inequality within and among countries, hence ensure equal opportunity and reduction of inequality of outcomes. Among others, measures to eliminate discrimination, empower and promote social, economic and political inclusion with no specific regard to age, sex, race, ethnicity, region or status are priority for this SDG 10.

The sub themes for this year aim to focus on the care sector- as a contributor of decent work, lifelong learning and proactive and adaptive labour policies, universal health coverage, and social protective measures.

In Uganda, the National Celebrations of older persons were held in Kumi District at the Boma grounds, with His Excellency the Vice President of Uganda, Mr. Edward Ssekandi as Chief Guest. As is the International norm, commemoration of the day was in view of standing against ageism and promotion of the development of a society that is hospitable to all irrespective of their ages.

During the celebrations, appreciation was extended to the Senior Citizens Grant under the Social Assistance Grants for Empowerment (SAGE) program. Under this arrangement, qualifying senior citizens receive a monthly stipend of 25,000 shillings, with sponsorship from Government and Development Partners. The program has been in existence for the past 9 years. Its rollout has grown from the initial 15 pilot

URBRA staff (left hand side 4) led by Mr. Dan Badebye - Director Finance and Administration, and a cross-section of the older persons to whom the donations were advanced

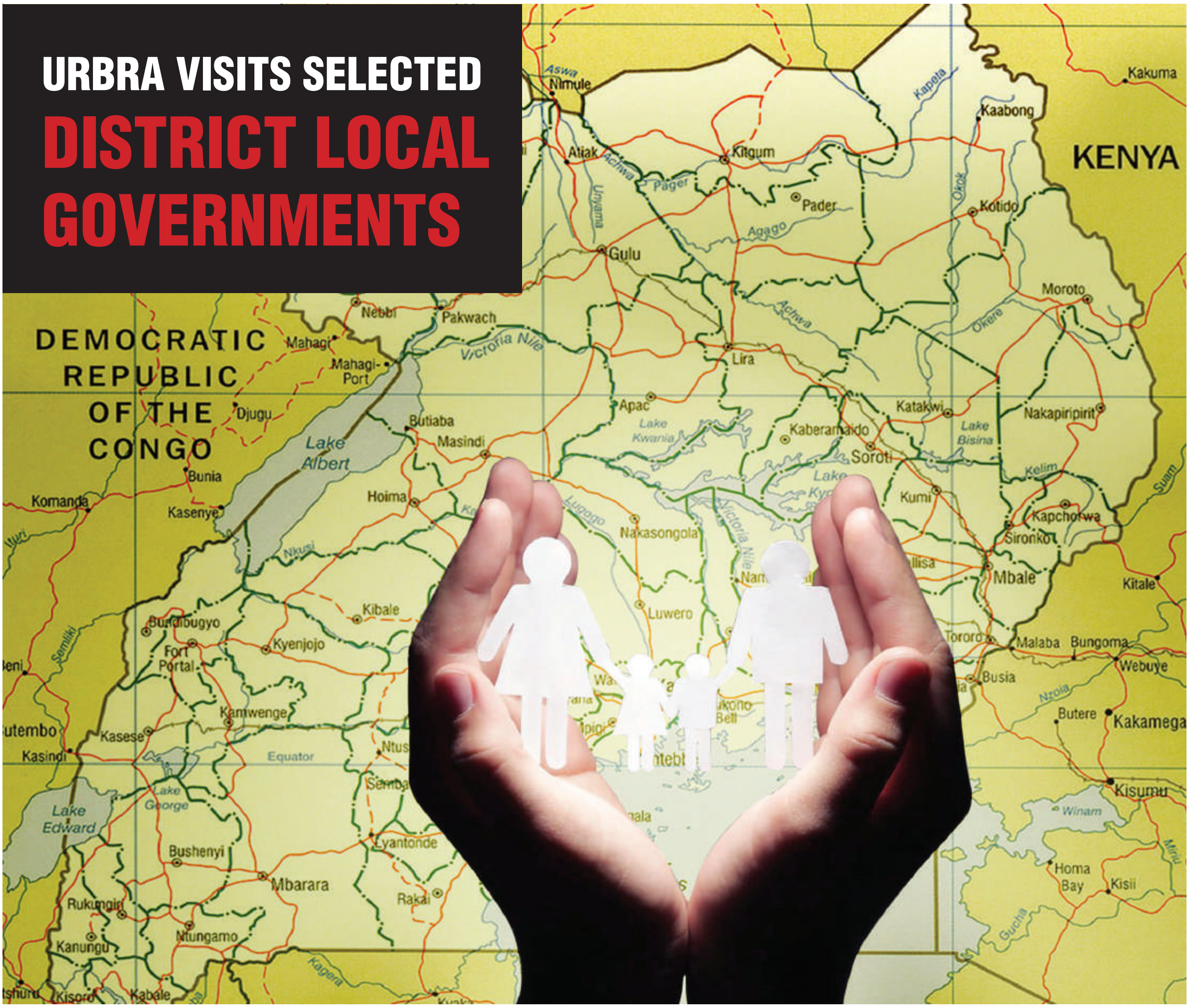
districts to over 61 districts, covering over 160,000 elderly persons.

As a key stakeholder in facilitating the delivery of quality life to older persons, URBRA crowned the day with a donation of blankets and mattresses to the vulnerable older persons.

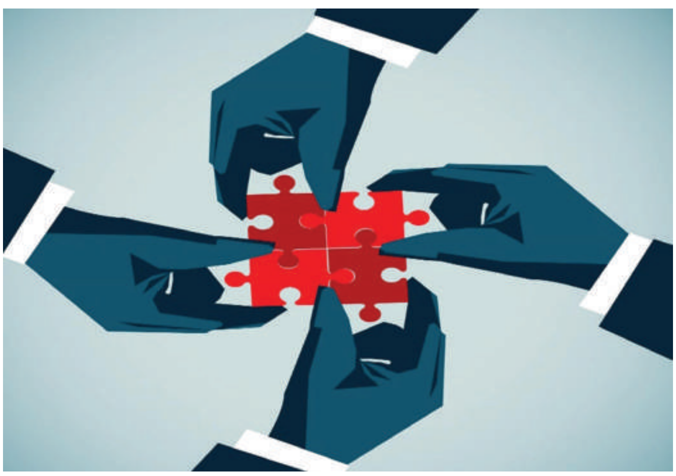
The population in Uganda is young, with more than 65% of the population under the age of 25. However, given the increasing life expectancy in the country (currently at about 63.3 years at birth), the number of older persons is gradually increasing. While the 2014 Population Census indicated that the percentage of adults who were 65 and older represented only 2.7% of the population, projections suggest that by 2050, this age group will grow to 5% of Uganda's projected population (101,872,980). Thus, in 2050 there will be more than 5.2 million people aged 65 and older, four times the 950,000 living in Uganda in 2014.

Old age is characterized by numerous needs, especially in relation to healthcare, which are often only realized at a cost. Inadequate retirement planning predisposes workers to old age abject poverty. Early formulation of retirement plans, with consideration of participating in the licensed formal retirement benefit schemes, should be prioritized by the current working population.

URBRA VISITS SELECTED DISTRICT LOCAL GOVERNMENTS



URBRA is mandated to regulate the establishment, management and operation of retirement benefits schemes in Uganda in both the private and public sectors; and to protect the interests of members and beneficiaries of retirement benefits schemes.



In ensuring protection of members' interests, the Authority handles complaints from discontented members all over the country. As such, during this bulletin's period, the Authority visited selected District Local Government Headquarters to sensitize district pension handling personnel on the mandate and functions of the Authority, facilitate liaison and create synergies between the different districts and the Authority, and share information relevant for resolution of complaints related to public service pension processing.

Districts visited included Budaka, Bukedea, Kumi, Mbale and Tororo. Collaboration between the Authority and the District officials is expected to facilitate resolution of pending and future complaints.

TRUSTEE TRAINING ON INVESTMENT IN REAL ESTATE CONDUCTED

A section of the Retirement Benefits Sector Trustees that attended the Training >>

Scheme members must get the best possible return. Trustees therefore ought to prudently allocate scheme funds in permissible asset classes with a view of realizing the best possible return. Scheme level Investment Policy Statements which ought to comply with the Uganda Retirement Benefits Regulatory Authority (Investments of Scheme Funds) Regulations, 2014 provide guidance on the permissible scheme asset classes for investment.

The two (2) main classes of investment in the Retirement Benefits Sector are (i) Fixed income investments such as bonds, fixed deposits, preference shares, and (ii) Variable income investment such as business ownership (equities), or property ownership. Notwithstanding the existing investment regulatory framework, quality decision making regarding the preferred asset allocation for any individual scheme requires some level of expertise amongst Trustees as Fiduciaries.

In effort to enhance capacity of sector entities and service providers, so as to improve management of schemes and better protect members' benefits, the Authority conducted a Trustee Training. The training, which was held on Wednesday October 16th, 2019 at Imperial Royale Hotel, was guided by the theme "Investment in Real Estate and its underlying factors". The scope of the training was designed to ensure enhanced capacity amongst Fiduciaries pertaining to investment in real estate. As such, the training topics covered a detailed scope which among others included:

- Developments in Uganda's Capital Markets: Developments in Real Estate Sector, Impact of Macro-economic trends, Regulations on Real Estate Investment Trusts (REITs)
- Current Regulatory Trend in Real Estate Investments: Roles of Trustees, Focus on Alternative Investments, Growth in allocation of scheme funds to real estate
- Understanding Property Investments: Real estate characteristics, Sector of Real Estate, Avenues for Real Estate Investments.

Mr. Peter Kiwanuka - a Sector Trustee receiving a Certificate of Attendance from Mr. Martin A. Nsubuga - the URBRA CEO, upon successful completion of the Training

CEO's Corner

Questions from Stakeholders

URBRA Chief Exective Officer
MR. MARTIN A. NSUBUGA

Some people say that if NSSF were to get into serious trouble, the entire pension sector in Uganda would collapse?

The Fund is explicitly dominant in the Retirement Benefits Sector and the Financial Sector as a whole. If it were to fail, there would be significant public policy implications, along with an explicit and an implicit fiscal liability for government. This is precisely why the Authority is mandated to ensure that the Fund is sound. We consider market discipline to be insufficient on its own, and require strong safeguards with intensive supervision by the Authority, for member and state interests.

Why is every scheme required to possess an Investment Policy Statement yet the existing Investment of Scheme Funds' Regulations are clear?

An Investment policy statement (IPS) is a document, between Trustees and the assisting investment manager – Fund Manager, recording the agreements the two parties come to with regards to issues relating to how scheme assets are to be managed. Every scheme IPS borrows from the URBRA Investment of Scheme Funds Regulations to ensure required compliance. The IPS aims to ensure that the Fund Manager selection and mandate implemented will be consistent with the objectives of the scheme. Broadly, the statement:

- Highlights the scheme's investment policy and clarifies the investment goals and objectives;
- Defines and assigns responsibilities to all parties involved in the investment decision making process;
- Provides a framework for effective implementation and review of the components of the Scheme's investment strategy;
- Provides guidance and parameters to the Fund Manager regarding the investment of the assets;
- Sets clear investment performance deliverables and benchmarks to compliment the objectives to the scheme; and
- Assists stakeholders in understanding the investment policy of the scheme.

Across the continent, governance has been highlighted as a key concern in the management of pension funds. As a regulator, what measures have you put in place to mitigate governance related issues?

Governance is a key driver of sector performance. High cost of operation (investment and administration) is one of the issues that the Authority is committed to address. We have put emphasis on proactive supervision focusing on fund governance, internal controls and risk management considering that many schemes are still in their infancy.

There has been a move by Government to decentralize the pension management system. What is the motive behind this development?

Amongst the numerous reforms of the Public Service Pension Scheme, decentralization of Pension Processing and Payments has been at the center stage. To date, over 67 votes (including districts and Ministries) have been fully decentralized. With the full decentralization, it implies that all processes right from initiation to payment of Pension and Gratuity will be done at the decentralized administrative units.

The objectives of full decentralization are to among others: Facilitate timely access to pension payroll; Bring services closer to the people, hence reduce need to travel for pension processing; Quickly resolve pension complaints; and Reduce middlemen, in the pension payment process.

What are the Scheme Trustees' obligations regarding the fees and expenses paid by the scheme?

Scheme Trustees as fiduciaries have a specific obligation to consider the fees and expenses paid by their respective scheme for its operations. Fiduciaries are obligated to 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 ensure that they continue to make appropriate choices.

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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.