URBRA

UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

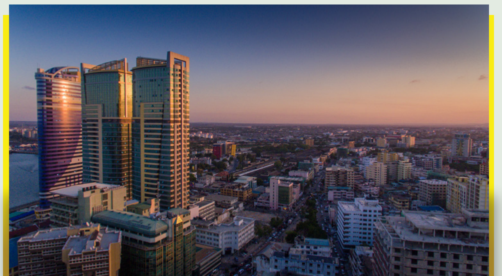
Protecting your retirement benefits

Newsletter

Quarter-1, FY 2024/25

THE VALUE OF SCHEME AGMs: AN INFORMED MEMBER IS AN EMPOWERED MEMBER

Government launches national policy for older persons



Consider Investing in East Africa for regional development

The Two-Port Saving System: an unexplored alternative to midterm access

The Newsletter is a product of;
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Ag.Chief Executive Officer's Foreword

Dear Reader,

Welcome to yet another edition of the URBRA Quarterly Newsletter. This marks the end of the first quarter in the financial year, but also the start of the last quarter in the calendar year. On both fronts, it is a good time to pause and reflect. The financial year has just started and has far to go; have we already started pursuing our goals and action plans? The calendar year is coming to a close with only three months left, how much of our annual goals and targets have we met?

Personal financial management is one of the key areas for goal-setting usually at the start of a new year – justifiably so. Many people would, for example, love to improve their saving culture by following well-known steps shared by experts – start with the end in mind; live within your means; save before you spend; have SMART saving goals...

These steps are all well-intended and many a saver has followed them and attained success. But it takes more than just setting goals to achieve and sustain the desired level personal financial management. It takes a very high level of discipline and commitment. More so when it comes to retirement saving. We must all understand that retirement saving is a long-term commitment; one can only access their retirement funds after clocking the retirement age.

On average, a person who starts work at age 25, will save for another 30 years, since retirement age is at 55. For many, thirty years looks like a lifetime, but soon enough it passes and one is due for retirement. That's when reality sets in – either the enjoyment of having planned, saved and invested for retirement, or the misery of having nothing to fall back on.

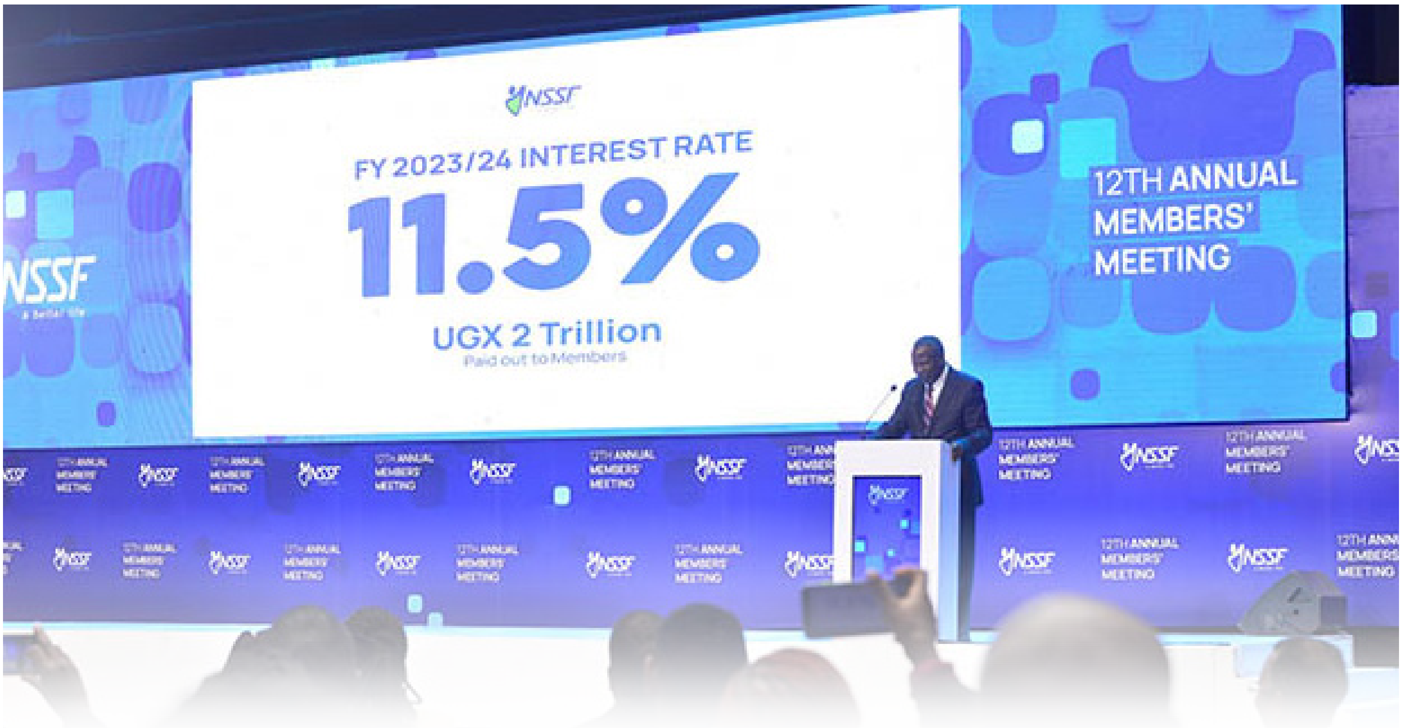
At URBRA we advocate long-term saving, knowing how dire old-age poverty can be. With retirement saving, you need to set yourself long-term goals, to be pursued for at least 25 years. But how do you sustain the saving discipline for twenty-plus years; how can you make saving a culture; a way of life?

Apart from cultivating the required discipline and making wise choices, a saver needs assurance that their funds are safe, secure and accessible when the right time comes. And that's URBRA's promise to you. With a strictly regulated and supervised retirement benefits sector, URBRA ensures that your savings are secure, prudently invested, and giving you a good return.

Hopefully the articles in this newsletter will provide you with insights and inspiration to embrace long-term, retirement saving.

For God and My Country

Rita Faith Nansasi Wasswa
Ag. Chief Executive Offcier
Uganda Retirement Benefits Regulatory Authority



THE VALUE OF SCHEME AGMs: AN INFORMED MEMBER IS AN EMPOWERED MEMBER

By Lydia Mirembe,
Manager Corporate and Public Affairs

The National Social Security Fund (NSSF) Annual General Meeting is arguably one of the most anticipated events in Uganda. Gone are the days when no one gave a hoot. These days, members and non-members look out for the meeting, and their only interest is in the interest (no pun intended!).

And thus, it was on Thursday 26th September, 2024. The public were so eager for the meeting to start, that they started complaining on social media platforms a few minutes after the scheduled time of 9.00am. "Dear NSSF, it's after 9.00am and we haven't started," one netizen said as she shared a screenshot indicating that the host had not yet opened the meeting. The anticipation was palpable!

This was the 12th Annual Members' Meeting in NSSF's forty-year history. The popularity of the AGM has grown for many reasons. The fund has always declared interest, but there is something different over the past decade. Apart from the massive advertising the media coverage around the AGM, technology has been a key aiding factor. One doesn't have to trek long distances to attend a members' AGM in a conference facility in Kampala. With a smart phone in hand and minimal internet bundles, a member is able to join in the AGM via YouTube, Zoom or X.com. Gone are the days when the NSSF members waited to watch the evening news to know the interest declared.

The 12th AMM coincided with the 12th anniversary of the Uganda Retirement Benefits Regulatory Authority (URBRA), which was established by an Act of Parliament in 2011, to regulate and supervise the establishment and management of all retirement benefits schemes in the country.

One of the regulations introduced by URBRA is the requirement for all retirement benefits schemes to hold annual general meetings for their members. It is a legal requirement for trustees to hold an AGM to inform members about scheme affairs. Trustees are required by law to give members sufficient notice for the AGM. Scheme reports to be considered at the ATM should also be dispatched or circulated in a timely manner to enable members read, internalise and actively participate in the meeting. URBRA regulations require Trustees to provide members and beneficiaries with the following:

- Information about changes in the trust deed and rules of the scheme
- Information about changes in the structure of benefits and contributions
- A report about remuneration and performance of trustees

• A report about the performance and costs of every service provider engaged by the scheme

- A report of the audited accounts of the scheme
- A report about the investments of the scheme

• Any other information requested by the members

Compliance to these requirements, coupled with increased awareness about member rights and obligations, has resulted in what we see today as growing interest in scheme AGMs all around the sector. In fact, the NSSF Annual Members Meeting opens a "season" of AGMs around the sector.

Members may have grown to expect the AGMs and wait for the declaration of interest, but do they actually use the platforms to seek important information, ask the right questions, and hold their trustees to account?

A quick scan of the engagement of members during the NSSF AGM reflects a growing keenness in matters of the scheme. Throughout the meeting, members participating online sent comments and questions. Some asked for loans; other asked for medical cover; some asked for years to be lowered below 55 and others wondered why the payment of benefits seems to take so long. Take for example, the following issues and questions raised by members in the meeting

Natosha DanielIs: "Is it true that when an Employer fails to remit members' contributions for a long period like over six years, they will be forgiven?"

Namirembe Grace: "NSSF should allow its members who have saved a reasonable amount to use their savings as collateral for NSSF houses (mortgage) or in the banks."

Moses Kibirango: NSSF should start a housing Project for low-income earners at affordable loans.

Tumwesigye Wycliffe: Have you linked NSSF with RSSB Rwanda to help Ugandans working in Rwanda collect their funds in Uganda??

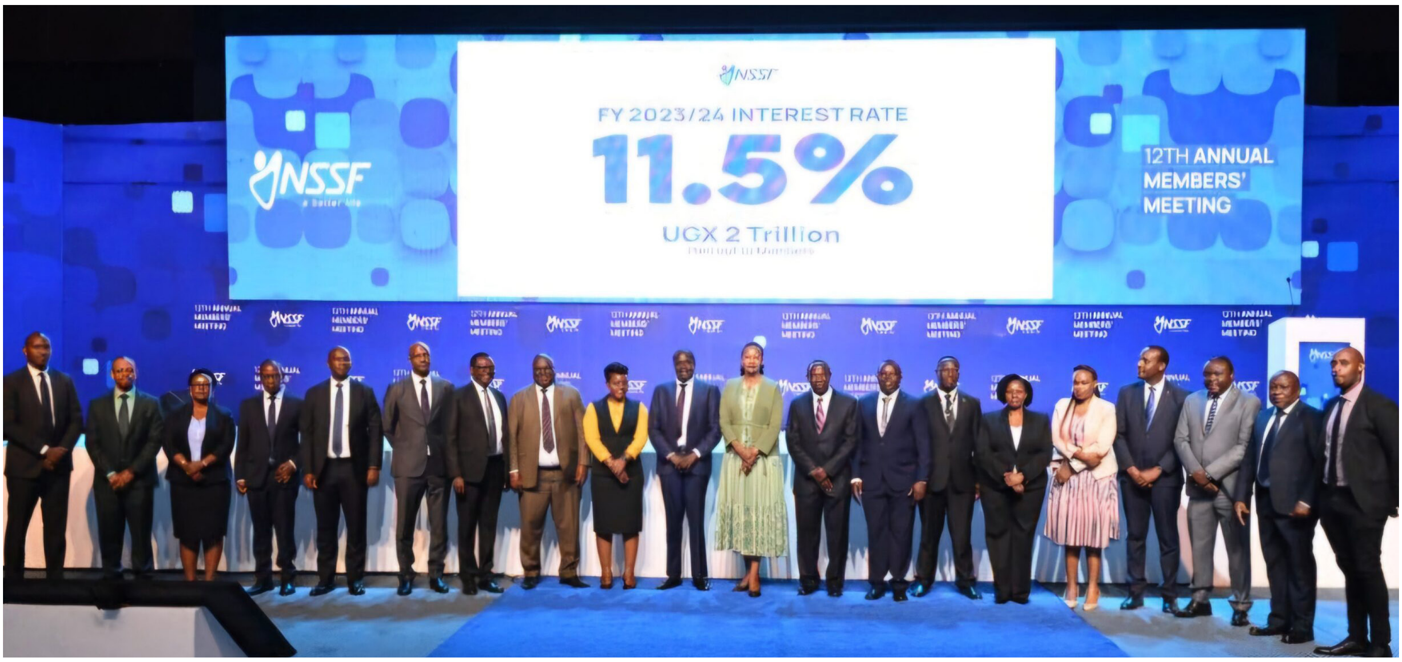
Philo Kalekezi: "On which financial year balances is this interest rate of 11.5% going to be applied to? Is it July 2023 or July 2024?"

Ernest Kasule: "Can NSSF copy from URA and start recognizing compliance. This shall ensure pull-driven compliance rather than pushing organizations to be compliant which is more expensive."

Opar Reagan OwekongaI: "I have never heard NSSF talking about health Sector in Uganda and yet that is the critical condition we have in retirement."

And this is a sample from just one platform - YouTube. A lot more engagement occurred on other platforms like X.com, Zoom, LinkedIn, not to mention the live audience at the physical venue. Some issues may have been addressed, other not, the most important realization that the AGM is an opportunity for members to voice their concerns and an avenue for transparency and accountability. For the NSSF Members Meeting, the whole list of regulatory requirements was checked: the Auditor General presented audited accounts; the MD provided an update on staff performance and satisfaction; cost and efficiency of operation and a report about the fund investments was given and it all culminated in the declaration of the annual interest at 11.5%.

So, the next time your scheme issues a call for an annual general meeting, be there and be active. An informed member is a satisfied member.



Trustees Face Legal Responsibility in Handling Death Benefits: A Complex and Contentious Issue

Eric Brian Kakala
Legal Assistant

The handling of death benefits in retirement benefit schemes has become a critical issue that requires careful attention to prevent potential legal disputes. According to the Uganda Retirement Benefits Regulatory Authority (URBRA) Act, Cap 232, Section 46(1)(c) assigns trustees the legal responsibility to make arrangements for the payment of benefits in accordance with the scheme's rules.

Further elaboration is provided by Regulation 15(2)(c) of the URBRA (Licensing of Retirement Benefits Schemes) Regulations 2012 that allows a Scheme to have scheme rules which shall contain the conditions under which and when a member may become entitled to any benefit including death benefits.

Allocation and Distribution: A Delicate Matter

The allocation and distribution of death benefits is a particularly delicate matter that, if mishandled, can lead to disputes between beneficiaries and retirement benefit schemes, often resulting in court cases.

When a member of a retirement benefits scheme passes away, the benefits they were entitled to are typically paid to a designated beneficiary as per the retirement plan's terms. These payments, known as death benefits, are usually made in a lump sum and are generally not subject to income tax.

NSSF Survivor's Benefit

Section 24 of the NSSF Act, Cap 230 provides for a "Survivor's benefit" to which the dependent relatives of a member of the fund shall be entitled in the event of his/her death.

Section 24 of the NSSF Act, Cap 230 also stipulates the order in which a Survivor's benefit shall be paid. It states that where the deceased member's dependent relatives survive him, the benefits shall be paid out in the following order of priority grouped under classes of dependents;

1. To the wife or husband, children (son or daughter) who are wholly or substantially dependent on the deceased member and shall take preference to any other class of the deceased's relatives.

2. To the parent(s), a brother or a sister, where none of the dependents fall under the class mentioned above.

3. To a grandparent, a grandchild, or any other relatives under the lineage of the deceased member,

where none of the dependents fall within the first two classes.

In circumstances where a deceased has no dependent relatives as classified above to survive him, Section 24 of the NSSF Act, Cap 230 further prescribes that the person who pays the reasonable funeral expenses of the deceased shall be entitled to a refund.

Claiming Death Benefits: The Process

Upon the death of a scheme member any of the dependents may claim any available benefits from the Trustees of the Scheme. Before any payment is made, the beneficiary must provide proof of death

For schemes other than the NSSF, recourse is sought under the Succession Act, Cap 268 which regulates succession planning. A member of a retirement benefits scheme that is not the NSSF is advised to have duly filled out and up-to-date beneficiary forms filed with the scheme expressing his wishes in the event of death.

Members are allowed to change their nominated beneficiary at any time during their lifetime by submitting a new nomination. Trustees will adhere to the most recent instructions on file when determining how to disburse the benefits.

In addition, it is prudent for one to clearly stipulate these wishes in a duly attested will clearly providing for the desired beneficiary to his retirement benefits.

With a will in place, a claimant can file for grant of letters of administration to execute the wishes of the deceased member as per his/her will as relates to his/her retirement benefits.

Where a member dies without a will (intestate), and for some reason or another did not leave behind duly filled out and up-to-date beneficiary forms, the dependents claiming those benefits are advised to proceed according to the provisions of the Succession Act, Cap 268.

One would need to obtain a grant of letters of probate, or to engage the Office of the Administrator General prior to filing a claim for the deceased member's benefits with the Scheme.

The deceased member's benefits can then be claimed under the laws of succession.

Bridging Legal Gaps: The Role of the Succession Act, Cap 268

In Uganda, although the Succession Act, Cap 268 does not explicitly address death benefits, it plays a crucial role in filling a lacuna in the law when it comes to treatment of death benefits. These benefits are paid into the estate account and are managed by the administrator of the deceased's estate, who must carry out the wishes of the deceased member.

As the issue of death benefits remains complex and sensitive, it is crucial for trustees, beneficiaries, and administrators to navigate these legal responsibilities with diligence and care to avoid disputes and ensure that the deceased member's wishes are honoured.

The current legal gap exposed by the uncertain treatment of death benefits is a call for a comprehensive regulatory framework governing the issue to bring about clarity and a clear understanding of dealing with death benefits within the retirement benefits sector.

The Importance of Formulating a Solid Retirement Plan

By Hajji Hassan Nakabaale
Head, Corporate & Public Affairs at URBRA

Retirement is a stage of life many eagerly anticipate, but its success hinges on careful, deliberate planning. A comfortable and secure retirement doesn't just happen by chance; it requires a well-thought-out, evolving strategy. This goes beyond merely building up savings—it's about ensuring your resources last throughout your retirement years, providing peace of mind and financial security.

To begin with, understanding your time horizon is critical. Your current age and expected retirement age set the foundation for your retirement strategy. The further you are from retirement, the more risk you can afford to take in your investment portfolio. For instance, if you're still decades away, investing in higher-risk ventures like stocks may be wise, as they tend to outperform safer assets like bonds over the long term. However, as you near retirement, shifting towards more stable investments will help safeguard your savings from market volatility.

Another essential element of retirement planning is determining your future spending needs. Many people assume they will only need 70% to 80% of their pre-retirement income, but this often proves unrealistic. Significant expenses like unpaid mortgages, healthcare costs, or fulfilling long-awaited travel plans can eat into your savings faster than expected. A clear understanding of your post-retirement lifestyle and expenses will help you avoid depleting your savings early on.

Balancing risk tolerance and investment goals is a vital step in your financial planning. Whether you manage your portfolio or work with an investment professional, it's important to weigh your risk appetite against your financial goals. Consider setting aside some funds in low-risk investments for essential expenditures, and don't shy away from making personal decisions regarding your financial future. After all, the outcome of your plan rests squarely on your shoulders.

Estate planning is another aspect that shouldn't be overlooked. A comprehensive estate plan ensures that your assets are distributed according to your wishes, helping your loved ones avoid lengthy and expensive legal processes after your passing. Consulting professionals like lawyers and accountants can provide valuable guidance, and having sufficient life insurance can help protect your family's financial well-being.

As you approach retirement, it's crucial to monitor your investments carefully. The period five to ten years before retirement is when your savings are most vulnerable, so it's important to avoid overspending and focus on stable, predictable income sources. While such investments often offer lower returns, they provide the stability you'll need in your later years.

Inflation is another reality to consider. It can erode the purchasing power of your retirement funds, so always plan with rising prices in mind. Ensuring that your savings can withstand inflation is critical to maintaining your desired standard of living in retirement.

Equally important is open communication with your spouse or partner about retirement spending. Just as you discuss major financial decisions during your working years, it's essential to align your retirement goals and spending plans with your partner to avoid surprises later.

While focusing on your financial health, don't forget about your physical well-being. Staying physically fit now can save you from high healthcare costs in retirement. As medical expenses continue to rise, prioritizing your health today will help you avoid hefty bills in the future.

Creating a realistic budget is another key factor in retirement planning. Many people don't bother calculating how much they can safely spend, leading to financial strain down the road. Seeking advice from an investment professional can help you develop a budget that aligns with your savings and goals, ensuring you stay on track.

In the same way you consult a doctor for your physical health, having a trusted investment professional to guide you is a smart way to ensure fiscal health in retirement. Ask friends for recommendations or referrals, as they can often point you to a reliable advisor.

It's also important to manage your travel expenses. While many retirees dream of traveling the world, it's easy for travel costs to spiral out of control. Prioritize your trips wisely and avoid overspending on vacations that could deplete your savings.

Another critical step is paying off your debts before retiring. Debt can quickly drain the funds you've worked so hard to save. By clearing significant monthly obligations ahead of time, you free yourself from financial burdens in retirement.

One of the most effective ways to ensure financial security is by working a few more years beyond your planned retirement date. Though it may not be the most appealing option, even a couple of additional working years can significantly bolster your retirement savings.

No matter how carefully you plan, unexpected expenses are bound to arise. From property taxes to household maintenance or family obligations, these costs can escalate during retirement. Setting aside a portion of your savings to cover these unforeseen expenses will prevent them from derailing your financial plans.

In conclusion, retirement planning is an ongoing process that requires regular attention and adjustments. Making small changes—such as saving more each month or working longer—can have a significant impact on your financial security. Consulting an investment professional can help you navigate the complexities of retirement planning and ensure you're prepared for the future.

URBRA offers a wide range of retirement counselling and education services to help you on this journey. Whether you're an individual or part of a group, we encourage you to visit our social media platforms, website, or offices for more information.

Parliamentary Pension Scheme to introduce a fund for minors

By Lillian Kakayi,
Communication and Public Affairs Officer

The Board of Trustees of the Parliamentary Pension Scheme (PPS) are considering a proposal to establish a minors' fund within the scheme, in order to provide financial security for the minor beneficiaries of PPS members. This proposal comes in the wake of increasing concern about the welfare of minors in the unfortunate event of the demise of a principal pension beneficiary.

This proposal stems from a challenge faced by many pension schemes—the continuity of support for minor beneficiaries when a member passes away in retirement. Currently, beneficiaries are entitled to receive the deceased's pension payments for a guaranteed period of 15 years. However, when these payments are made directly to minors, there is often a risk that their essential needs, such as education, shelter, and medical care, may not be adequately safeguarded for the entire duration of their dependency.

URBRA encourages schemes to be innovative and develop products that prioritize memb'rs' needs. Thus, the introduction of a minor fund would indeed ensure that the needs of members and their dependents are prioritized and managed in a structured manner.

Key Objectives of the Minor Fund

1. Guaranteed Basic Needs: The minor fund will be dedicated to covering critical aspects such as education, healthcare, and shelter, ensuring that children of deceased members continue to receive quality support.

2. Structured Disbursement: Payments will be made in a structured manner to ensure that funds are not depleted prematurely, providing long-term stability for minors until they can support themselves.

3. Long-term Protection: By ensuring that minors' needs are prioritized within a secure financial framework, the pension scheme demonstrates a deep commitment to the wellbeing of future generations.

This forward-thinking approach reflects the evolving needs of pension schemes in Uganda. As the Uganda Retirement Benefits Regulatory Authority (URBRA) continues to promote reforms and improvements in the retirement benefits sector, this initiative represents a significant move toward aligning pension funds with the real-world needs of beneficiaries.

The Board of Trustees of Parliamentary Pension Scheme under the Chairmanship of Hon. Arinaitwe Rwakajara and others discussed the proposal with the Ag CEO URBRA andexpressed confidence in the long-term impact of this initiative. They highlighted the importance of creating a sustainable solution that addresses both immediate and future needs. "Our primary goal is to ensure that the dependents of our members, particularly minors, are not left vulnerable after the loss of a breadwinner. This minor fund will provide the necessary protection and peace of mind, knowing that their future is secure."

URBRA welcomes such innovative solutions and encourages other pension schemes to explore similar initiatives to enhance the social safety nets available to beneficiaries. This bold move underscores the importance of adapting pension systems to the changing needs of society and prioritizing the most vulnerable members.

With the minor fund initiative, the Board of Trustees is setting a new standard in the industry, one that emphasizes care, foresight, and the importance of creating a sustainable future for all beneficiaries.

This initiative is not just about financial security—it's about building a bridge to a future where no child is left behind, even in the face of loss. As the minor fund is set to roll out, it will undoubtedly serve as a model for other institutions looking to ensure comprehensive coverage for minor beneficiaries.

In an increasingly unpredictable world, such innovations are crucial in keeping families and communities strong, ensuring that the younger generation grows with the resources they need to thrive. Through proactive solutions like the minor fund, Uganda's retirement benefits sector continues to evolve, promising greater security for tomorrow's generation.

Government launches national policy for older persons

By Billy B. Gang,
Communication and Public Affairs Officer

As Uganda faces a growing population of older persons, the government is taking significant steps to ensure their well-being and continued contribution to society. To address the complex needs of this demographic, Government has launched a Revised National Policy for Older Persons 2024 intended to provide a framework for addressing issues related to older persons in the Country. The policy was launched at the national celebrations to mark the International Day of Older Persons in Masaka District. The overarching objective of the Revised National Policy is to enhance access to social, health and psychological support for persons aged 60 and above.

According to the Uganda National Census 2024, the population of older persons stands at 2.3 million,representing 5% of the country's total population of 46 million.

This policy comes with a budget of 1.8 trillion shillings to be spent over the next five years on a wide range of aspects concerning older persons, including economic empowerment, geriatric and old age health care services and good governance for improved service delivery for older persons.

The Revised National Policy for Older Persons 2024 is a crucial step toward acknowledging and enhancing the lives of older individuals in Uganda, by recognizing their contributions and seeking to address their unique needs. It is based on this need to enhance the lives of older persons that a call to the older persons of the future needs to go out.

As a country, there is need to prepare the younger population for old age, a campaign that URBRA has championed. The various aspects that many older persons struggle with today across the country, social, economic and health can be addressed in between active work and old age but especially through developing and implementing policies that address these needs.

There is a need to establish robust social safety nets, including building a strong, resilient retirement benefits system, nurturing a financially literate population, building a robust healthcare system and long-term care services. This ensures financial security with which comes access to essential services for the older persons.

As the country currently boasts of a young vibrant population so must it prepare for a sizeable old population when the dust settles.

RETIREMENT SAVING IS KEY IN ERADICATION OF OLD-AGE POVERTY AND PROTECTION OF OLDER PERSONS' RIGHTS

By Lydia Mirembe,
Manager Corporate and Public Affairs

Recently I was riding in a taxi, enduring Kampala's evening traffic jam, as motorists and cyclists crisscrossed between lanes, taking advantage of every available space to pull forward. Suddenly I heard the driver of our taxi shouting at another motorist, "Mzee okaddiye, ebyokuvuga mu kibuga tokyabisobola, tera odde mu kyalo." Loosely translated, his statement meant, "gentleman, you're too old to be driving in the city, you had better retire to the village."

The situation also reminded me of an older gentleman who went to claim his retirement benefits from his scheme. He had suffered a stroke, which had affected his writing ability and altered his signature significantly. The young lady who was serving him insisted that his current signature didn't match the specimen in the scheme records. The gentleman had to go through a harrowing process to prove himself. When he told me his story, his concluding statement was, "It's a matter of time before one reaches old age and retirement; it is a stage we must all look forward to. How will the young lady feel when she goes to claim her benefits and she gets such treatment?"

The two experiences struck me so! Why would a young man be so disrespectful to an elderly motorist, who never did any harm but drove without crisscrossing and cutting off fellow drivers. Why would a young lady be blind to the fact that old age affects bodily functions in numerous ways? How many other older persons are being insulted and abused, just because they are doing things at a pace that's suited to their age and status?

Unfortunately, such abuse of older persons is all too common. Many older persons are bullied, insulted and pushed around. Many are denied services on account of their age and its attendant effects. For example, old age comes with health complications and a reduction in effectiveness of bodily functions. Some older persons are slow, others have visual and hearing impairment, others are incontinent, some suffer memory loss, dementia…and a whole host of problems.

In Uganda particularly, the situation of older persons is compounded by poverty. Many of them have stopped working and they don't have a reliable income. It is estimated that in Uganda over 80% of older persons live in rural areas, involved in subsistence farming – which can't yield much given their infirmity. Many of them are saddled with looking after grandchildren - nearly 50% orphaned children live with their grandparents. Moreover, the traditional family structures where young ones looked after their ageing relatives, have been destroyed.

The social fabric that glued families together, where older members of society were deemed as valuable and respectable, has all but decayed. It is common to find senior citizens who raised and educated children, living destitute lives, abandoned by their own offspring. All these situations render older persons vulnerable and unable to enjoy their full rights.

In a country where over 50% of the population is below age 16, it is hard to forget about the minority older ones who account for only 2.5% of the population. As things around the country change at supersonic speed, there is a danger of leaving the older ones behind, effectively denying them a chance to live a meaningful and fulfilling life.

Take the digital revolution for example, which is taking root in all areas of service provision. How many old people above the age of 60 are able to cope?

Take also the example of rapid urbanisation, with structures mushrooming everywhere, dwarfing the humble dwellings that the old ones are used to – not forgetting the killing off of all green areas. Take a look at the roads, where boda-bodas are flying and cars careening like bats from hell – how can older persons cope with such changes. But who is looking out for them?

The government of Uganda recognises that as people grow older, they should indeed continue enjoying dignified lives through active participation in economic, social, cultural and political spheres. This has been done through affirmative action to address the older persons' needs and to eliminate all forms of neglect, abuse and violence against them.

The National Constitution of Uganda under the national objectives stipulates that; "the state shall make reasonable provision for the welfare and maintenance of the aged." Additionally, Uganda adopted that national policy for older persons 2009, and the national social protection policy which recognises the need for social protection interventions for senior citizens.

The Ministry of gender labour and social development through the department of disability and elderly is mandated to promote and protect the rights of older persons.

The Government also introduced the Social Assistance Grant for Empowerment (SAGE) through which older persons receive a monthly grant of UGX25,000. The positive impact of SAGE has cut across various social sectors, yielding both social and economic returns in form of reduced poverty and increased productive capacity of beneficiaries.

It is undeniable that financial independence goes a long way in emancipating older persons, giving them a more dignified life, affording them access to life's necessities. There should be deliberate efforts to ensure a basic cash-flow for all older persons.

One of the most effective ways to reduce old-age poverty and vulnerability of older persons, is to encourage retirement planning and saving. If all citizens saved for retirement during their youthful and productive years, old-age poverty would be significantly reduced or even totally eradicated. Old-age does not come overnight, it is a journey that we walk every day. We progressively move towards retirement and old age, so we are sure that it will come. To some, it may come sooner owing to unavoidable circumstances, but to many it is a long, process that extends over decades.

Since the enactment of the URBRA Act in 2011, the pensions and retirement benefits sector has been effectively regulated, paving way for establishment of numerous schemes and avenues through which people can undertake long-term saving. The regulations and standards enforced by the regulator ensure that savings are in safe custody, prudently invested and readily available when a saver reaches retirement. The favourable investment context has ensured that savings yield a good return for all members – witness the NSSF which has consistently declared interest way above the rate of inflation for the last ten years.

Therefore, as we mark the International Day of Older Persons, it is important to recognise the importance of retirement saving as a pillar in eradication of old-age poverty, and a key step towards the realisation and protection of the rights of older persons.

The Two-Port Saving System: an unexplored alternative to midterm access

By Billy B. Gang,
Communication and Public Affairs Officer

At the start of the Covid-19 pandemic, the country was awash with pleas for access to Retirement savings as a remedy for business closures and loss of income resulting from the lockdowns aimed at curbing the spread of the Corona virus. A debate or two down the road, mid-term access was granted with a 45-year cap and 10 years of continuous saving as the main conditions to access.

The idea of Mid-term access to long term retirement savings is not unique to Uganda. In different jurisdictions, savers express a need to access their savings prematurely mainly because they want to address emergencies. However, other markets have found ways of dealing with mid-term access in such a way as to find the right balance between long term saving and urgent daily needs. In South Africa, the government set up a two-port Saving System dubbed the two-port saving avenue, a financial saving strategy designed to segment savings into two distinct "ports" or categories, short term(accessible) and long term (accessible upon retirement), with the biggest percentage going to long-term saving.

The short-term port is designed for immediate or near-term financial needs, playing the same function as an emergency fund, catering to things such as school fees or major purchases with emphasis on liquidity and easy access to these funds. In comparison, the long-term saving port is aimed at long-term goals such as retirement and home purchases. Funds in this port are inaccessible until their intended purpose and time is reached.

In Uganda, the Mazima voluntary scheme already has an arrangement of this kind where scheme members contribute 30% to short term needs and 70% to long term(retirement). New products innovated in voluntary schemes such as these, cater to their members changing needs in a rapidly evolving world. In addition, URBRA encourages savers especially in occupational schemes to transfer most of their long-term savings to their new employer's occupational scheme when switching employers as a way to preserve the funds for their intended purpose.

The Two port system provides a clear framework for managing savings, making it easier for individuals to allocate funds based on their goals and according to their changing financial circumstances. In the long run, funds in the long-term savings port can be invested in vehicles that typically offer higher returns, such as stocks, government securities, private equity, creating a higher long-term rewarding investments for the scheme without having to worry about impulsive mid-term withdrawals due to short term needs.

The Two-Port Saving System offers a structured and goal-oriented approach to saving that can significantly benefit scheme members. However, it also carries certain risks that must be managed carefully through regulation and clearly defined procedures. For the system to work, constant awareness and financial literacy is needed, members can harness the advantages of the Two-port system while safeguarding their long-term intended financial goals like retirement that requires the bulk of these savings.

Consider Investing in East Africa for regional development

By Billy B. Gang,
Communication and Public Affairs Officer

In recent years, retirement benefits schemes in Uganda have voiced concerns over the limited investment opportunities available within the East African region. As these schemes aim to secure the best returns for their members, the need for diverse and lucrative investment avenues has become increasingly critical. While some stakeholders argue for the benefits of offshore investments, the reality is that local options predominantly in Uganda offer promising avenues for growth.

In developing countries like Uganda, Government bonds and securities are a good and secure investment option. These bonds support national development initiatives, offering competitive returns while helping to bolster the economy. For retirement schemes, this presents an appealing option as they seek to maximize returns while impacting the community their members will eventually retire to.

However, it is increasingly becoming clear that retirement benefits schemes want to venture into investments outside the national boundaries. The allure of offshore investments is a real temptation. Despite their potential for high returns, monitoring and managing offshore investments can be cumbersome. . Daisy Lynda Nabakooza, head of Supervision and Market Conduct notes that the costs of oversight, compliance, and incontrollable risks in foreign markets can diminish the overall benefits.

She urges Schemes to consider diversifying through local investment opportunities particularly in Uganda, which is equally ripe for investment. The country is witnessing significant growth in sectors like infrastructure, healthcare, and technology, driven by public-private partnerships (PPPs) and private equity opportunities. By tapping into these local markets, retirement benefits schemes can diversify their portfolios and reduce exposure to external market fluctuations.

PPPs present a unique opportunity for retirement schemes to invest in essential services while ensuring stable returns. These collaborations between the government and private sector are designed to fund and manage projects in areas such as transportation, energy, and education. As Uganda continues to develop its infrastructure, these investments can provide both financial returns and social benefits.

Investing in private equity allows retirement schemes to support innovative ventures that are often underfunded but have significant growth potential. With a focus on long-term gains, private equity investments can yield substantial returns, making them an attractive option for schemes looking to enhance their portfolios.

Before considering offshore investments, retirement benefits schemes should first exhaust the numerous local options available in Uganda and the East African region.

Engaging with local businesses, exploring government initiatives, and participating in community projects can all yield beneficial returns. Furthermore, investing locally fosters economic growth and stability, creating a virtuous cycle that benefits all stakeholders involved.

Integrating ESG in Uganda's Pension Industry: Challenges and Opportunities

Eric Brian Kakala
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Environmental, Social, and Governance (ESG) principles are increasingly shaping global finance, influencing investment strategies and corporate governance. In Uganda, the adoption of ESG principles is gaining momentum, particularly within the pension sector. As institutional investors, pension funds hold substantial influence and can be key drivers of sustainable practices. However, integrating ESG into Uganda's pension industry is still in its early stages, facing unique challenges and opportunities.

ESG Adoption in Uganda's Pension Industry

Uganda's pension industry is gradually recognizing the importance of ESG factors in securing long-term value for its beneficiaries. The sector is dominated by the National Social Security Fund (NSSF) and several occupational schemes, which have started incorporating ESG criteria into their investment decisions.

For instance, the NSSF has shown interest in Sustainable Developmental Goals (SDGs) as reported in its 2023 Sustainability Report and the 2024 NSSF Integrated Report. However, these initiatives remain limited in scope due to their infancy, highlighting the need for more comprehensive frameworks and broader adoption across the sector.

The Uganda Retirement Benefits Regulatory Authority (URBRA) has started incorporating ESG factors into its regulatory discussions. However, there are no mandated ESG reporting standards or specific investment guidelines that require pension funds to prioritize sustainability.

URBRA's focus has largely been on encouraging transparency and sustainability in pension fund management, with pension schemes being nudged to include ESG factors in their investment portfolios.

The National Social Security Fund (NSSF) and Emerging ESG Initiatives

The National Social Security Fund (NSSF), one of Uganda's largest pension funds, has made some progress in adopting ESG principles. The Fund published its first ever ESG Reports – 2023 Sustainability Report and the 2024 NSSF Integrated Report, showing its commitment by reporting its progress in support of addressing the challenges of the UN 2030 Sustainable Development Goals (SDGs).

NSSF Uganda's 2023 ESG Report is a testament to the fund's commitment to fostering sustainable growth, social responsibility, and good governance in a bid to foster inclusive prosperity for all. However, the focus remains heavily skewed towards financial sustainability, and concrete policies on environmental and social criteria are still underdeveloped.

Uganda is also participating in regional dialogues on ESG through platforms such as the Africa Pension Supervisors Annual Conference whose most recent outing dedicated an entire session to discuss ESG in the African context. Topics discussed included ESG integration in pensions investing, A case study done by Genesis and FSD Africa in 2023, and the importance of natural capital, bio-diversity, and associated elements for the African context and the financial Sector among others. These conferences bring together pension fund regulators and managers to discuss regional sustainability issues, though concrete outcomes and collaborative ESG projects are still evolving.

Challenges in ESG Integration

Lack of Regulatory Frameworks

One of the primary challenges is the absence of specific regulatory guidelines addressing ESG in the pension industry. Although the Uganda Retirement Benefits Regulatory Authority (URBRA) has made progress in promoting good governance and risk management, explicit ESG regulations are still lacking. Without clear mandates, pension funds may lack the incentive to fully integrate ESG considerations into their investment strategies.

Limited ESG Expertise

Another significant hurdle is the limited expertise and awareness of ESG issues among pension fund managers and trustees. Many stakeholders in Uganda's pension industry are still unfamiliar with evaluating ESG risks and opportunities effectively. This knowledge gap can lead to missed opportunities for sustainable investments and increased exposure to ESG-related risks.

Data Availability and Quality

Access to reliable ESG data is crucial for informed decision-making. However, in Uganda, the availability and quality of ESG-related data are still problematic. Many local companies do not disclose ESG performance metrics, making it difficult for pension funds to assess the sustainability of their investments. Furthermore, the lack of standardized reporting frameworks exacerbates this issue, leading to inconsistencies in how ESG information is reported and interpreted.

Balancing Short-Term Returns with Long-Term ESG Goals

Pension funds in Uganda, like in many developing countries, often prioritize short-term financial returns due to the economic pressures faced by their beneficiaries. This focus can conflict with the long-term nature of ESG investments, which may not yield immediate financial returns. Convincing stakeholders to adopt a more long-term perspective that aligns with ESG goals remains a significant challenge.

Practical Steps and Sector-Specific Recommendations

Capacity Building and Education

There is a pressing need for targeted training and capacity-building programs aimed at pension fund managers, trustees, and other stakeholders. These programs should focus on deepening the understanding of ESG principles and their application within the pension industry. Partnerships with international organizations and ESG experts could facilitate knowledge transfer and the adoption of best practices.

Development of ESG Regulatory Guidelines

URBRA should consider developing and implementing clear regulatory guidelines that mandate the integration of ESG factors into pension fund investment strategies. These guidelines could include requirements for ESG reporting, risk assessment, and performance monitoring. By setting regulatory standards, URBRA can ensure that all pension schemes adhere to the same ESG criteria.

In June 2020, the European Council and the European Parliament attempted to address this with a taxonomy regulation1 to establish a classification system to identify the degree economic activities can be considered to be environmentally sustainable.

In Africa, South Africa and Kenya have developed green taxonomies to drive forward ESG policy and aid implementation through harmonization of standards and practices.

Enhancing ESG Data Infrastructure

To improve the availability and quality of ESG data, Uganda could benefit from establishing a centralized

ESG data repository. This platform would collect, verify, and disseminate ESG-related information, enabling pension funds to make more informed investment decisions. Collaboration with financial institutions and listed companies to improve ESG disclosure practices is also crucial.

Incentivizing Sustainable Investments

To encourage pension funds to invest in sustainable projects, the Ugandan government could introduce incentives such as tax breaks, subsidies, or favourable regulatory treatment for ESG-aligned investments. These incentives would help offset the perceived risks and costs associated with long-term ESG investments.

Governance-Related Investments

Of the three ESG pillars, governance is the most developed in Uganda's pension sector. Pension funds are increasingly adopting strong governance practices, particularly in terms of financial transparency and accountability. However, environmental and social aspects such as carbon footprint reduction or labour rights are still secondary considerations. The focus should not only be on governance but also afforded to the environmental and social factors.

Benchmarking with Other Countries

Benchmarking Uganda's ESG integration efforts against those of more advanced markets can provide valuable insights. For instance, South Africa and Kenya have made notable progress in embedding ESG into their pension sectors. South Africa's Government Employees Pension Fund (GEPF) has a dedicated ESG policy guiding its investment decisions, emphasizing sustainability. Similarly, Kenya's pension funds have been encouraged by the Retirement Benefits Authority (RBA) to incorporate ESG factors into their portfolios.

These countries have overcome similar challenges by implementing robust regulatory frameworks, enhancing ESG reporting, and fostering a culture of sustainability within the pension industry.

Uganda can draw lessons from these examples, particularly in developing regulatory guidelines, improving ESG literacy, and building a supportive ecosystem for sustainable investments.

South Africa

South Africa's Regulation 28 mandates pension funds to consider ESG factors in their investment decisions. The regulation has encouraged pension funds to invest in sustainable development projects, particularly in the environmental and governance domains. Uganda could learn from South Africa's policy-driven approach, which has established clear guidelines on how pension funds should align with sustainability goals.

Kenya

Kenya's pension sector is more advanced than Uganda's in terms of ESG adoption, with active investments in renewable energy projects and green bonds. Kenya's Central Bank recently released the Kenya Green Finance Taxonomy (KGFT) as part of the European Investment Bank (EIB) – Central Bank of Kenya (CBK) Greening Financial Systems Technical Assistance Programme, which began in October 2023. The KGFT is designed to be a live document, subject to periodic updates, to reflect evolving environmental objectives, including biodiversity and related goals. It is meant to support Kenya's transition towards a low-carbon, resource-efficient and sustainable economy.

Kenya's collaborative efforts between the private and public sectors, supported by government incentives, have made it a regional leader in ESG investments. Uganda can draw on Kenya's experience to foster similar partnerships and policies that encourage pension funds to invest in sustainable sectors.

Malaysia

The Employees Provident Fund (EPF) of Malaysia provides a compelling model for ESG integration. With a strong emphasis on governance and social welfare, Malaysia's EPF balances financial performance with social responsibility. Uganda could adopt a similar approach, particularly in expanding the social component of ESG by focusing on labour rights, healthcare, and community welfare in its investments.

Conclusion

While Uganda's pension sector has made some progress in adopting ESG principles, much work remains to be done. Key challenges such as the lack of standardized ESG frameworks, capacity gaps, and a short-term focus on returns continue to impede full ESG integration.

However, by looking to regional and international examples, Uganda can develop policies and practices that encourage more sustainable investments. With stronger regulatory support, increased awareness, and enhanced stakeholder engagement, Uganda's pension industry could play a pivotal role in promoting ESG and contributing to the country's long-term development.

Dr Okello served URBRA and the sector with unwavering dedication

By Lydia Mirembe,
Manager Corporate and Public Affairs

Dr. Eng Robert Okello RIP

OBITUARY

When the Uganda Retirement Benefits Regulatory Authority (URBRA) was established in 2011, by an Act of Parliament, operationalising it was like an experiment. There was nothing to work with apart from the URBRA Act, 2011. No premises; no staff; no budget. A Board of Directors was appointed by then Minister of Finance, Ms Maria Kiwanuka to get on with the job. As is commonly said, the rest is history.

One of the Directors of URBRA's inaugural Board was Dr. Eng. Robert Peter Okello Macomodo. An eminent Ugandan, who had served in different positions at international, continental and national level, in an illustrious career that started back in 1978. He had served as the Non-Executive Director at Tropical Bank, Uganda; Chairman Board of Directors, Uganda Industrial Research Institute; NEPAD Director, Division of Regional Integration in Africa; Director for Southern Africa United Nations Economic Commission for Africa (UNECA), Addis-Ababa.

Dr Okello also served as a Technical Advisor at United Nations Economic Commission for Africa; Chief Technical Advisor of the United Nations Transport and Communications Decade in Africa; Staff Manager, American Telephone and Telegraph (AT&T); and Operations Research Analyst, Kennecott Copper Company.

With such a wealth of experience, Dr Okello joined the inaugural Board of URBRA, and worked with other members to set up and operationalise the Authority. For the ten years he served on URBRA's Board (2012-2022) and Chaired the Audit & Risk Management Committee. Dr Okello demonstrated unwavering commitment, and professionalism. He made no secret of his desire to see the Authority grow into an independent, respectable and reputable institution. He believed in collaborating with and learning from those institutions that had existed before URBRA.

In an interview during the celebration of URBRA's tenth anniversary in October 2022, Dr Okello said, "setting up an institution is not easy. You need a reference point. Where I come from, people learn from others. You see what they are doing if not to copy them, at least to avoid their mistakes. For our sector we learnt a lot from others like Kenya, India, Chile, Nigeria, Ghana. We should therefore apply those lessons."

Speaking of learning, Dr Okello believed that despite the economic challenges, Ugandans could improve their saving culture, by observing and applying the approaches that other economies had applied to emancipate their populations from poverty. He decried the fact that Uganda was still a predominantly subsistence economy dominated by the informal sector, which made it difficult to expand coverage of the retirement benefits sector. But he also observed that other countries like Kenya and Nigeria had managed to expand their sectors by introducing umbrella schemes.

"Let us look at Nigeria and Kenya who introduced umbrella schemes to expand the bases of participants. The approach worked in Kenya; it will work for us. In some of the Asian counties, when they were starting out as we are, it was by law to save a percentage of your earnings. In this country, if it was possible to make it a law for everyone to save, that would be great," Dr Okello said.

Among URBRA's achievements, Dr Okello especially celebrated the establishment of order in the retirement benefits sector. "In the past, different organizations established and operated disparate pension schemes ranging from public service, to NSSF, with different aspects of the scheme being ran by various companies. URBRA brought order and instituted regulations and guidelines on how things should be done. This has led to sector growth," he said.

Thus, when news of Dr Okello's demise reached the URBRA fraternity on 4th October, many could not hold back their praise and admiration for a man who served the institution with unmatched dedication, commitment and integrity to the very end of his ten-year tenure.

Chairman Board of Directors, Hon Julius Bigirwa Junjura said, "Dr Okello mentored us. His best attribute was humility. We thank him for serving humanity with such humbleness."

Acting CEO, Ms Rita Nansasi said, "He was a great inspiration, and motivated everyone to work with professionalism,dedication, integrity, paying attention to quality rather than quantity."

Former Board Member, Hon. Jane Pachuto re-echoed Hon Junjura's sentiments saying, "Dr Okello was defined by humility and a good heart for everyone. He wished everyone well, and I implore all leaders to emulate him."

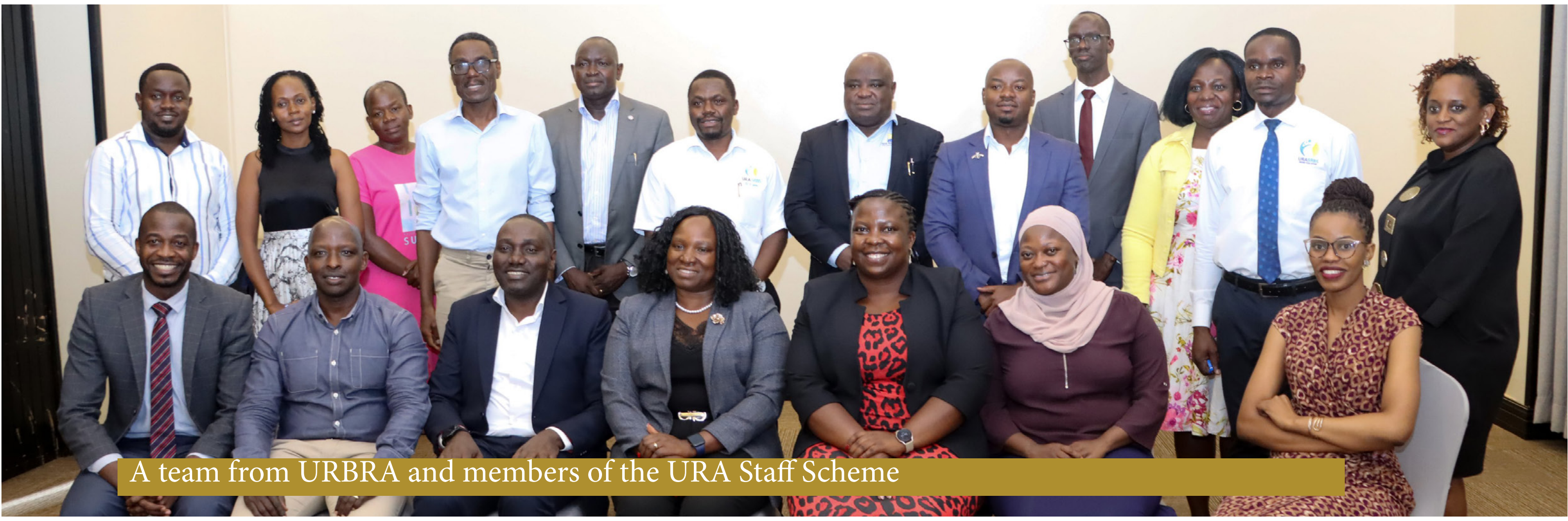
Mr Martin Anthony Nsubuga, who also worked closely with Dr Okello said, "his eye for detail inspired the Board and Management of URBRA to shun mediocrity; he suffered no slip-ups and made no excuses for less-than-perfect work. A young institution like URBRA needed that kind of tough love to grow into the admirable institution we see today. We thank him most sincerely and believe that his legacy will carry on for generations to come."

Even though death has robbed URBRA of a committed leader and friend, Dr Okello's passing should be marked with renewed vigour to address the challenges that he so wished URBRA would surmount – expand sector coverage; work to make URBRA a respected sector regulator; work collaboratively with other like IRA CMA, academia and research institutions; and never stop learning from those that have succeeded. As he so humorously said in one of the interviews I did with him, "countries in Europe and American have well-established pension and social security systems. Several African countries like South Africa and Botswana also have mature pension systems. If others did it, why can't we did it?"

May His soul rest in eternal peace.

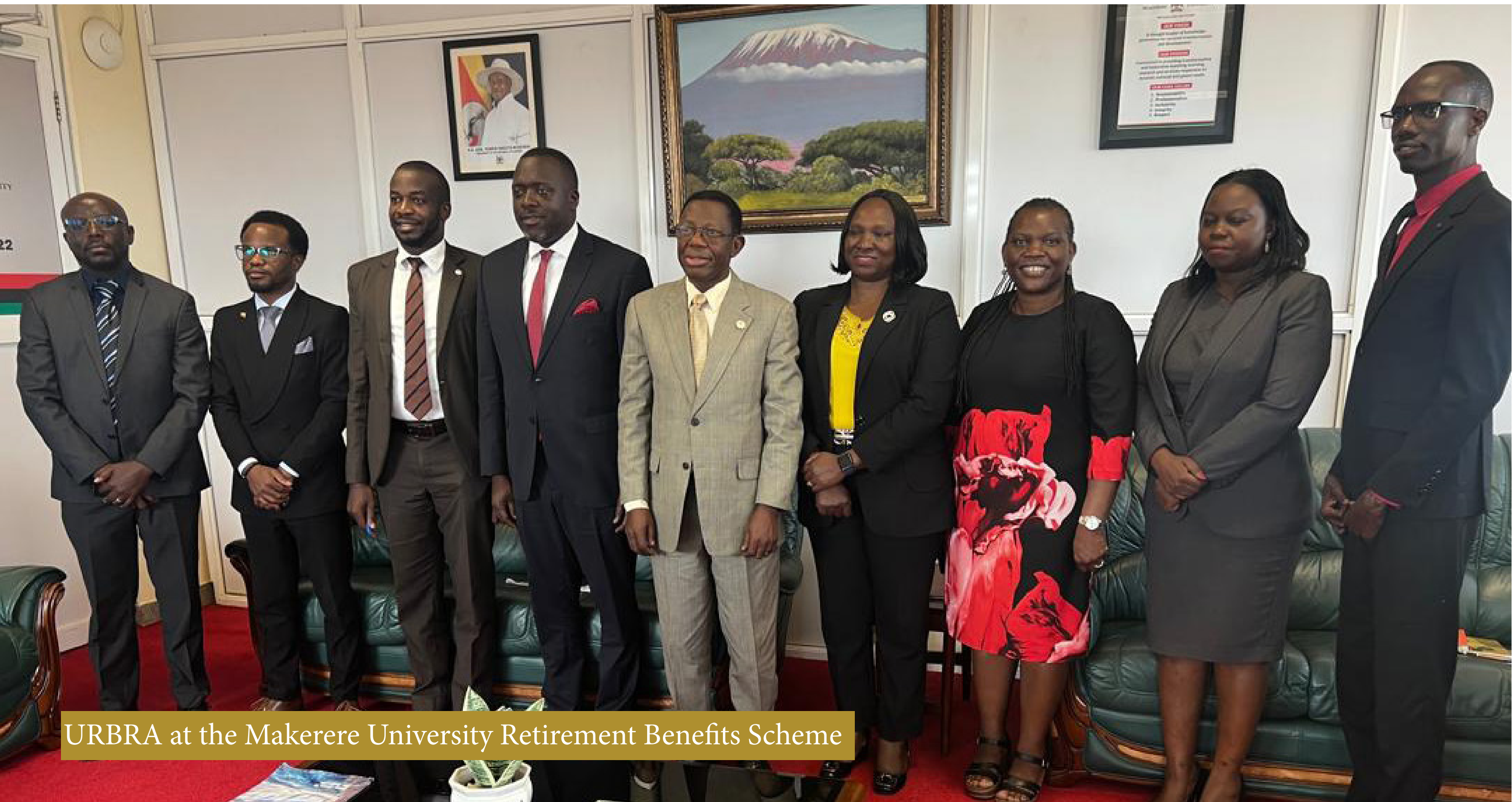
PICTORIAL

URBRA in the first quarter paid courtesy visits to various schemes and service providers in an effort to better understand their challenges and improve the Retirement Benefits Sector in Uganda



A team from URBRA and members of the URA Staff Scheme

A team from URBRA and members of KCB bank, a corporate Trustee in the sector



URBRA at the Makerere University Retirement Benefits Scheme