

RETIREMENT BENEFITS SECTOR PERFORMANCE HIGHLIGHTS

2020

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RETIREMENT BENEFITS SECTOR PERFORMANCE

1) Introduction

The Sector delivered a solid performance for 2020 in terms of both its operational and financial results despite the COVID-19 pandemic and related restrictions on economic activity. Total assets of the Sector increased by 16.4 per cent during the year 2020 from UGX. 13.2 trillion in 2019 to UGX.15.4 trillion, accounting for 11.1% of the Gross Domestic Product (2019: 10.3%).

Total Sector assets are on account of about 2.8 million-member accounts, representing only 18% of Uganda's working population. The Authority has prioritised extension coverage to informal sector workers.

2) Member Contribution and Payments of Retirement Benefits

In 2020, member contributions increased by 5.3% to UGX. 1,578 billion from UGX. 1,498 billion in 2019. Total benefits paid to members and beneficiaries increased by 13.9% to UGX 655 billion compared to UGX 575 billion in 2019. Accordingly, net contributions were maintained at the UGX 923 billion registered in the 2019 reporting period.

3) Sector Investment Portfolio

The URBRA Investment of Scheme Funds Regulations, 2014 prescribe the East African Community as a domestic market. As at end December 2020, Uganda maintained the highest concentration of regional diversification of investments at 63.1% of the total sector investments. Kenya, Tanzania and Rwanda accounted for 25.4%, 11.1% and 0.4% respectively.

The share of government securities increased from 74.30% in 2019 to 76.11% at end 2020 whereas the share of investments in equity decreased to 14.75% in 2020 from 16.06% in 2019. Real estate accounted for 6.36%, fixed deposits 1.78%, corporate debt securities 0.4%, and the balance 0.62% was in other investments.

Income from investments, inclusive of cash income i.e dividends, interest and rent as well as movements in fair values increased by 55.7% from 1,077 billion in 2019 to UGX 1,677 billion in 2020. Yields from fixed income securities were the major source of income to the Sector, accounting for 96.3% of the total comprehensive income. Dividends accounted for 4.6%, while income from associates, rental income and other incomes accounted for 3.4%.

The equity portfolio lost 4.4% of its value majorly on account of depreciating Uganda shilling against regional currencies.

Sector investment generated an average return of 13% during the year, enabling declaration of an average interest of 9.37% to members.

4) Sector Operational Expenditure

The total operational expenditure increased to UGX. 180 billion in 2020, registering a 9.1% growth compared to UGX. 165 billion in 2019 mainly due increments in costs relating to staff, consultancies and provisions.

Accordingly, operational expenses as a percentage of Assets and realised income net of Withholding tax decreased to 1.2% (2019:1.3%) and 12% (2019:13%) respectively.

Achieving cost savings can translate into efficiency and performance improvements thus better outcomes for members. The Authority has introduced risk-based supervision putting emphasis on transparency of scheme operating costs to permit value for money comparisons, review of fees payable for managing fixed income instruments and underperforming fund managers, and promotion of industry-wide consolidation of schemes to enhance performance.

5) Tax Expenditure

In line with the provision of the Income Tax Act, Retirement Benefit Schemes paid UGX.194 Billion as income tax.

6) Impact of the Covid-19 Pandemic on the Retirement Benefits Sector

The disruption caused by the Covid-19 pandemic brought a strong focus on the need to strengthen the Authority's digital capability to facilitate efficient operations, strengthen the capacity of service providers, provide flexible regulatory oversight, and has reinforced the need to fast-track the establishment of a National Micro-pension Scheme.

As a first step, the Authority, issued guidelines for virtual inspections, permitted flexible remittance of contributions and recovery plans, and increased communication with schemes and service providers.

The impact of the COVID-19 pandemic on the sector has demonstrated the importance of having a well-balanced and diversified portfolio to permit enhancement of risk management where trustees diversify into alternative assets that tend to have lower correlations with equity or bond markets.

RETIREMENT BENEFITS SECTOR PERFORMANCE

2020 Performance Highlights

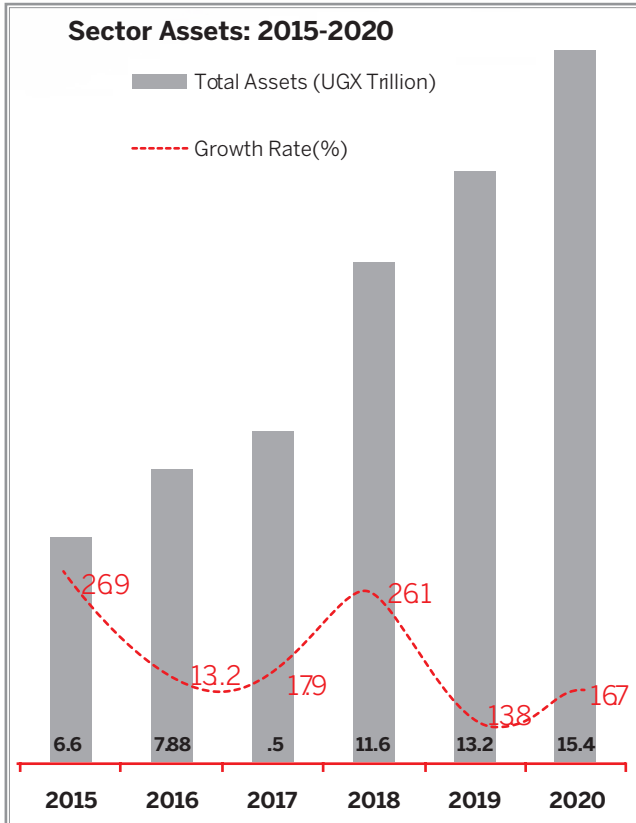


Table 1: Industry Coverage Statistics

Retirement Benefit Arrangements	Total Number of Members/Beneficiaries
Tier 1: Social Assistance Grant for Empowerment	
Senior Citizens Grants as at Dec, 2020	304,155
Tier 2: National Mandatory Schemes	
National Social Security Fund as at Jun, 2020	2,054,933 Member Activity rate: 39.5%
Tier 3: Mandatory Employer-based Pension Schemes	
Public Service Pension Scheme as at Dec, 2020	≈408,119
Armed Forces Pension Scheme	
Parliamentary Pension Scheme as at June, 2020	989
Tier 4: Supplementary Voluntary Occupational Schemes	
Voluntary Segregated Occupational Schemes as at Dec, 2020	35,681
Umbrella Schemes as at Dec, 2020	15,723
Tier 5: Supplementary Voluntary Individual Schemes	
Supplementary Voluntary Individual Schemes as at June, 2020	2,310

Table 2: Income of the Sector

Year	2017	2018	2019	2020
Amount (UGX Billion)	1,087	1,813	1,077	1,677
Share	%	%	%	%
Interest Income	84.3	62.1	125.3	96.3
Rental Income	1.3	0.7	1.2	0.8
Dividend Income	6.0	3.7	8.8	4.6
Other Income	2.2	1.0	3.0	0.8
Associates	1.6	2.2	3.6	1.8
Fair Value Gains/(Losses)	4.6	30.3	(42.0)	(4.4)

Sector Operational Indicators in UGX Billion

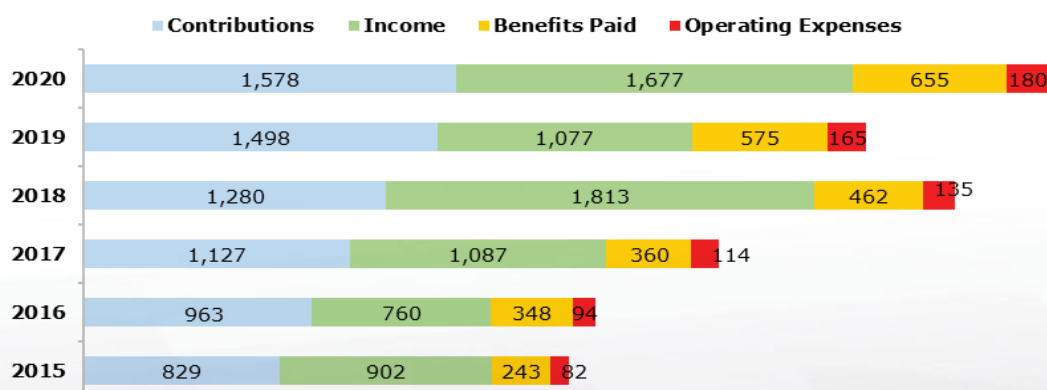


Table 3: Sector Operational Ratios

Operational Ratios (%)	2015	2016	2017	2018	2019	2020
Cost – Income*	13	10	13	13	13	12
Benefits - Contributions	30	36	32	36	38	42
Cost - Contributions	10	10	10	10	11	11
Cost - Asset	1.3	1.2	1.2	1.2	1.3	1.2
Return on Investments	18.2	11.6	14	18.4	8.9	13.0

RETIREMENT BENEFITS SECTOR PERFORMANCE PER SCHEME, 2020

No	Retirement Benefit Arrangement	Assets ('000,000)	Cost per Member ('000)	Cost -Income Ratio (%)	Cost-Asset Ratio (%)	Interest Declared to Members (%)
National Mandatory Schemes						
1.	National Social Security Fund	13,283,560	77	12.00	1.19	10.75
Mandatory Employer-based Schemes						
1.	Parliamentary Pension Scheme	314,809	4,504	13.44	1.41	8.00
Segregated Voluntary Schemes						
1.	AIG Uganda Staff Provident Fund	573	691	4.33	0.36	10.50
2.	AIRTEL Uganda Staff Provident Fund Scheme	6,755	269	9.95	0.95	10.00
3.	Bank of Africa Staff Provident Fund	13,614	252	9.26	0.76	6.91
4.	Bank of Uganda Defined Contributory Scheme	24,673	1,258	17.62	2.07	10.25
5.	Bank of Uganda Staff Retirement Benefits Scheme	490,440	4,936	10.55	1.10	N/A
6.	Centenary Bank Staff Defined Contribution Scheme	116,165	244	6.46	0.57	9.52
7.	Century Bottling Company Ltd Provident Fund	17,904	200	10.54	1.04	7.00
8.	Crown Beverages Staff Retirement Benefits Scheme	10,276	395	9.8	0.86	11.33
9.	DFCU Limited Staff Provident Fund	22,251	391	11.74	1.08	9.33
10.	Equity Bank (U) Staff Provident Fund Scheme	10,242	6	0.6	0.05	10.50
11.	Exim Bank Retirement Benefits Scheme	3,256	183	9.78	0.76	8.73
12.	Heifer International Uganda Staff Retirement Benefit Scheme	1,633	42	1.06	0.1	10.50
13.	Housing Finance Bank Retirement Benefits Scheme	16,525	380	8.06	0.8	10.35
14.	International Union for Conservation of Nature (U) Staff Provident Fund	669	917	19.06	1.65	4.90
15.	Kampala Capital City Authority Staff Retirement Benefits Scheme	4,628	55	11.37	1.19	10.93
16.	KCB Bank Uganda Staff Provident Fund	5,805	170	9.58	0.90	12.00
17.	Kinyara Sugar Works Limited Staff Provident Fund	11,845	221	10.57	1.03	8.00

RETIREMENT BENEFITS SECTOR PERFORMANCE PER SCHEME, 2020

No	Retirement Benefit Arrangement	Assets ('000,000)	Cost per Member ('000)	Cost -Income Ratio (%)	Cost-Asset Ratio (%)	Interest Declared to Members (%)
18.	Makerere University Business School Staff Retirement Benefits Scheme	5,853	103	28.37	2.62	7.15
19.	Makerere University Retirement Benefits Scheme	211,192	466	7.98	0.83	10.01
20.	Minet Uganda Ltd Staff Retirement Benefits Scheme	3,782	1,230	11.43	1.17	8.178
21.	MTN Uganda Contributory Provident Fund	40,956	489	6.72	0.66	8.50
22.	NARO Retirement Benefits Scheme	43,129	559	8.96	1.38	10.32
23.	National Housing and Construction Company Ltd Staff Provident Fund	1,352	362	15.17	0.99	8.3
24.	National Social Security Fund Staff Provident Fund*	52,410	600	6.66	0.65	10.00
25.	Nile Breweries Staff Provident Fund	21,401	408	12.40	1.29	11.47
26.	NWSC Staff Provident Fund***	3,855	34	41.95	1.65	3.5
27.	Opportunity Bank Staff Retirement Benefits Scheme	6,522	163	7.66	0.91	8.64
28.	Orient Bank Staff Defined Contribution Scheme	6,930	284	6.97	1.04	11.00
29.	PostBank Uganda Provident Fund	9,077	100	7.27	0.69	10.50
30.	Pride Microfinance Retirement Benefits Scheme	9,665	136	18.58	1.69	7.13
31.	Stanbic Bank Uganda Staff Pension Fund	78,353	312	6.44	0.67	9.00
32.	Standard Chartered Bank Uganda Pension Trust Fund	43,638	859	9.00	0.81	7.38
33.	State Wide Insurance Company Limited Staff Retirement Benefit Scheme	1,311	47	1.44	0.18	10.50
34.	Toyota Uganda Limited Staff Retirement Benefit Scheme	2,361	10	0.66	0.07	10.50
35.	UAP Staff Retirement Benefits Scheme	5,411	648	16.3	1.57	9.27
36.	Uganda Breweries Limited Retirement Benefit Scheme	26,612	753	7.93	0.76	8.67
37.	Uganda Christian University Staff Retirement Benefits Scheme	7,200	167	8.05	0.97	11.87
38.	Uganda Clays Staff Provident Fund	7,117	274	10.96	1.09	10.00
39.	Uganda Coffee Development Authority Staff Retirement Benefits Scheme	5,128	506	13.48	1.26	8.31
40.	Uganda Communications Commission Staff Provident Fund*	19,304	1,536	15.98	1.49	7.50
41.	Uganda Electricity Generation Company Limited Staff Retirement Benefits Scheme	15,175	761	8.24	0.84	11.84

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No	Retirement Benefit Arrangement	Assets ('000,000)	Cost per Member ('000)	Cost -Income Ratio (%)	Cost-Asset Ratio (%)	Interest Declared to Members (%)
42.	Uganda Revenue Authority Staff Retirement Benefits Scheme	158,507	449	6.51	0.67	9.78
43.	UMEME Ltd Staff Retirement Benefits Scheme	21,984	137	10	0.86	8.50
44.	UNEB Staff Retirement Benefits Scheme	15,421	449	12.22	0.67	9.00
45.	United Bank of Africa Staff Provident Fund	2,790	144	9.9	1.04	8.20
46.	UNRA Staff Retirement Benefits Scheme	21,873	124	6.96	0.77	11.36
47.	URBRA Staff Retirement Benefits Scheme	1,230	535	12.31	1.26	10.53
48.	VIVO Energy Uganda Limited Staff Provident Fund	12,923	1,167	8.75	1.13	10.59
49.	WATOTO Ministries Provident Fund	12,290	144	13.35	1.51	9.50
Supplementary Voluntary Individual Schemes						
1.	MAZIMA Voluntary Individual Retirement Benefit Scheme	756	9	23.64	2.79	7.10
Umbrella Schemes						
1	Britam Umbrella Retirement Benefits Scheme	4,538	-	-	-	16.57
2.	Enwealth Uganda Umbrella Retirement Scheme	148	73	36.58	3.69	13.629
3.	ICEA Umbrella Retirement Scheme	36,678	12	0.93	0.08	10.50
4.	JUBILEE Life Umbrella Retirement Scheme	20,073	93	9.55	0.90	11.50
5.	Liaison Personal Retirement Plan Scheme	14,531	450	12.19	1.05	7.02
6.	Octagon Uganda Umbrella Retirement Benefits Scheme^	9,795	60	6.70	0.48	10.34
7.	SARA Umbrella Retirement Benefits Scheme	2,253	208	10.70	0.99	6.87
8.	Stanlib Uganda Umbrella Fund	11,833	192	14.64	1.79	Corporates =6.632 Individual = 5.578
9.	UAP Umbrella Retirement Benefits Scheme	24,143	40	10.41	1.05	9.00
10.	Umoja Umbrella Retirement Benefits Scheme	1,573	91	10.64	0.9	7.14
11.	Zamara Retirement Fund	40,364	333	19.18	1.42	8.00

Based on Scheme Audited Financial Statements as at 30th June, 2020 and 31st December, 2020

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