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UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

Protecting your retirement benefits

THE PENSIONERS' JOURNAL

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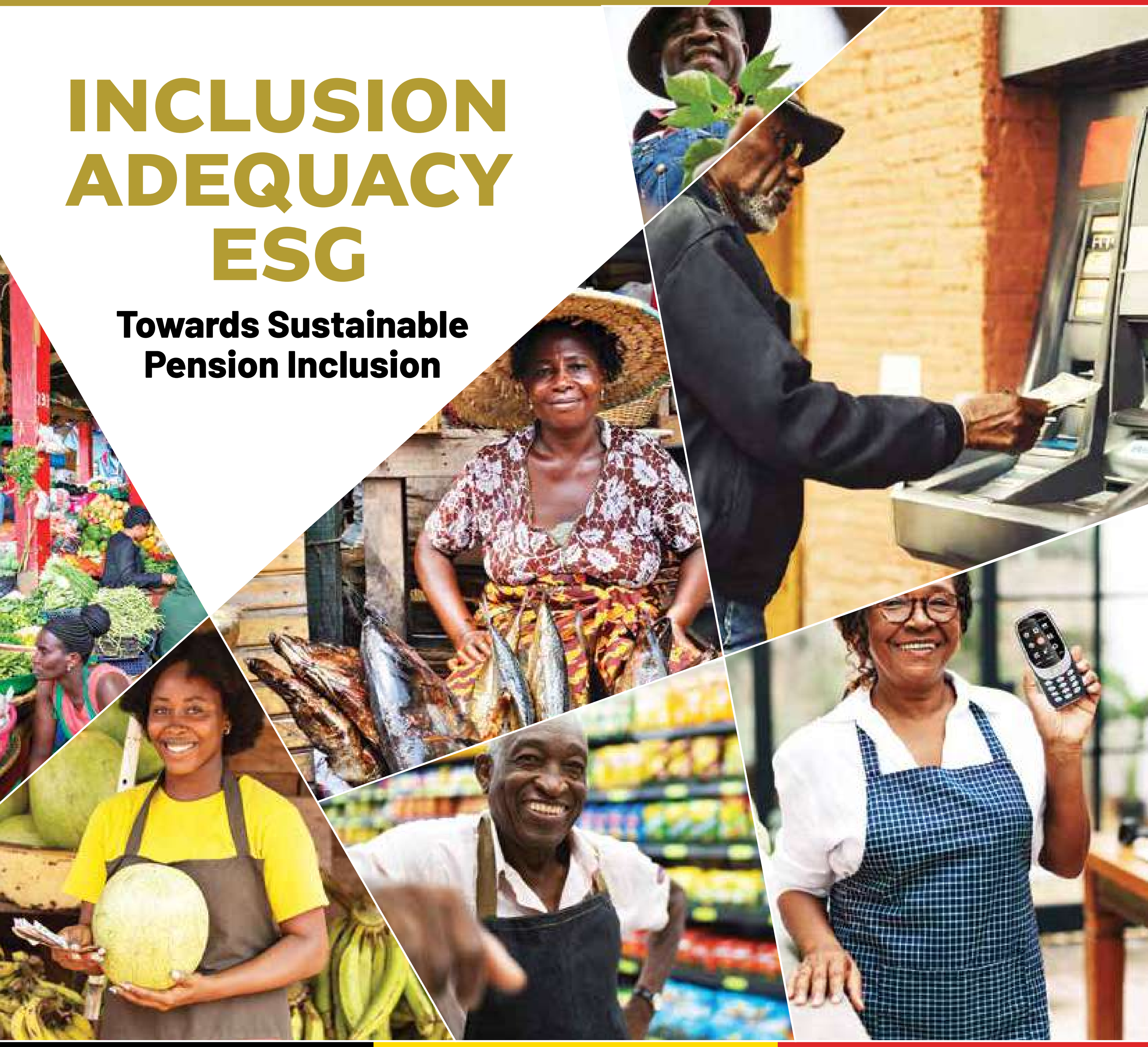
INCLUSION ADEQUACY ESG

Towards Sustainable Pension Inclusion



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ABOUT US:
Uganda Retirement Benefits Regulatory Authority is an autonomous body established by virtue of section 2 of the Uganda Retirement Benefits Regulatory Authority Act 2011

OUR MANDATE:
Supervise and regulate the establishment, management and operation of Retirement Benefits schemes and protect the interests of members and beneficiaries of retirement benefits schemes in Uganda

VISION
To Regulate, Supervise and promote the development of a stable and effective retirement benefits Sector

MISSION
Avibrant, secure and sustainable retirement benefits sector

VALUES
- Proficiency
- Integrity
- Innovation
- Transparency
- Accountability

OUR SERVICES
- We license Retirement Benets Schemes,Trustees and Service Providers
- We supervise schemes and service providers in the Retirement Benets Sector
- We handle complaints relating to Retirement Benets
- We conduct research and provide information about the sector
- We make sector Policies and Regulations
- We sensitize the public on saving for retirement

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AN INCLUSIVE PENSIONS SECTOR IS GOOD FOR THE ECONOMY

In this issue of The Pensioners' Journal, we focus on three important aspects of retirement planning and saving – inclusion, adequacy and sustainability.

We reiterate that key players in the retirement benefits sector must pursue inclusion where everyone who gets too old to work, is assured of a comfortable retirement with reliable cashflow, a decent place of abode and access to basic amenities. Currently in Uganda, only 15% of the total working population is covered under existing retirement benefits arrangements. It is important to address the factors that perpetuate exclusion.

Sector players must also focus on adequacy, whereby individuals have enough income to cover their basic retirement needs. Experts recommend that one's retirement income should amount to 70% of their pre-retirement income. It is worth noting that inadequacy is a form of exclusion as increases chances of old-age poverty. In this issue of The Pensioners' Journal, we suggest ways of ensuring adequacy of retirement benefits.

Sector players must also embrace ESG principles, to ensure sustainability of the sector and the environment in which they operate. Increasingly, institutions are being assessed on how they incorporate ESG principles into their core business. Indeed, the retirement benefits sector is affected by matters of ESG. For example, in situations of natural disasters like earthquakes, flooding, pension funds and their members are equally affected. Even in the aftermath of natural disasters, governments look to pension funds for emergency borrowing and rehabilitation. It is also well-known that many people would love to retire to serene natural environments, and there has to be deliberate action to ensure such desirable environs. Thus, the sector cannot detatch itself from the environment.

The Pensioners' Journal shares insights on all three themes above. Some aspirations may seem too ambitious, but we must try. I Hope this issue will spur you on to do your part.

As always, we welcome your feedback. Send us an email at urbra@urbra.go.ug; visit our website: www.urbra.go.ug; or pay as a visit at Plot 1 Clement Hill Road.

Enjoy The Pensioners' Journal

Lydia Mirembe
EDITOR

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START PLANNING FOR RETIREMENT WHEN YOU'RE YOUTHFUL, ENERGETIC AND PRODUCTIVE

Dear fellow countrymen,
I join URBRA and all stakeholders in the Retirement Benefits Sector in re-echoing the clarion call to all Ugandans to prioritise retirement planning and saving.

Uganda has one of the youngest populations in the world. According to UBOS National Labour Survey of 2021, 51% of Uganda's population are 0-17 years of age. With advancement in technology and healthcare, life expectancy continues to improve. The once-high mortality rate has reduced and the fertility rate remains high.

This is both a challenge and an opportunity.
Uganda's current young population can expect to be the future elderly – and thereby lies the challenge. A time will come when they will all be too old to work. Unfortunately, most of them are not adequately preparing for that stage.

Granted, the rate of youth unemployment is high and many are struggling to make ends meet, but for many, it is failure to prioritise. Today's youth are involved in economic activities, though they maybe informal. Many are employed in the informal sector which does not have a structured saving system – a ready excuse for them not to save. The challenge is how to ensure that the retirement benefits arrangements include such youthful, informal sector workers.

Uganda's youthful population is also an opportunity if we can capitalize on it. Currently, Uganda's working population is estimated at 20.5 million, with an average working age of 30. Of those, 49% are involved in gainful employment with an average income of UGX200,000 per month. The remaining 51% are involved in activities for their own consumption. However, only 3,142,000 are covered under existing retirement benefits arrangements.

This means that over 17 million are working, but not saving – most of them are youth and women.

> ***We need enabling policies, systems, technologies and incentives. Above all, we need to give them the assurance that their savings are safe, prudently invested***

If each one of those saved up just USD1 per month, that would already be over USD17,000,000! Multiply that by the number years on the youth's horizon, and factor in prudent investment. That would be a massive transformation for the economy, and it would spell the end of old-age poverty.

It may be a matter of individual choice on the part of the youth, but we the sector leaders have the responsibility to guide them and to create a conducive environment for them to embark on the retirement saving journey. We need enabling policies, systems, technologies and incentives. Above all, we need to give them the assurance that their savings are safe, prudently invested and managed and that when the time comes, there will be no difficulty in accessing them. And that is the essence of a properly regulated sector.

When we talk about an inclusive sector, let us focus on the youth first. If that segment of the population gets on board, sector coverage will grow by leaps and bounds. We need to seize the moment.

For God and my Country

Amos Lugoloobi
Minister of State for Planning

NATURE IS MORE THAN JUST A SCENIC DROP, IT'S BUSINESS

Although Africa currently has the youngest population in the world, UN projections show that the continent will experience the fastest growth in its elderly population — up from 69 million in 2017 to 226 million elderly by 2050. That will come with attendant challenges like the need for lifelong pensions, and a good, habitable environment.

However, it is also worth noting that the majority of the current young population are not currently covered under any retirement benefits arrangement. It is estimated that some 600 million young economically active informal sector workers across Africa are excluded from formal pension and social protection arrangements and face the grim prospect of living in extreme poverty when they get too old to work. Low sector coverage added to the rampant environmental destruction is recipe for a big crisis to unfold in the future.

It is therefore important, and urgent, for all pension sector players to start giving due attention to matters of the environment. The current discussion about incorporating ESG principles in the retirement benefits sector is therefore timely. Pension funds have a responsibility to ensure the wellbeing of future generations. Fund managers must always prioritise nature conservation as critical for global, social and economic value.

About 52% of revenue generation depends on nature. Africa is greatly endowed, with a quarter of the world's diversity and over half of the world's arable land. The global biodiversity framework calls upon countries to commit to preserving 30 percent of land and ocean by 2030 and various local/ regional initiatives been set up to support countries in this goal. Pension funds must take centerstage in this cause because it makes business sense.

Pension funds could be the solution to pooling domestic and private capital to invest in nature that sustains life today and tomorrow.

As Africa seeks ways of making the pensions sector more inclusive, investing in nature would be a good place to start. Investing in nature is not just about doing the right thing, but also makes financial sense. Pension funds should therefore aim integrate ESG considerations in their risk management and decision-making processes. Similarly, regulations and policies should be enhanced to incorporate ESG principles.

On its part, FSD Africa remains committed to making finance work

> ***The current discussion about incorporating ESG principles in the retirement benefits sector is therefore timely.***

for Africa's future, by strengthening, diversifying and expanding the pathways for sustainable investment, creating the conditions for green finance to flow in greater quantities and with more impact – not just in the short term, but for decades to come.

Based on that commitment, FSD Africa supported Africa Pension Supervisors' Association (APSA), Uganda Retirement Benefits Regulatory Authority (URBRA) and pinBox Solutions to co-host the 2023 APSA Annual Conference, to enable stakeholders discuss ways of attaining a more inclusive pensions sector, with ESG as a key theme. Sector stakeholders should continuously engage in such discussions to effectively pursue a more inclusive and sustainable retirement benefits sector.

Mary Njuguna
Principal Capital Markets Specialist, FSD Africa

LET'S STRIVE TO MAKE THE RETIREMENT BENEFITS SECTOR INCLUSIVE

Dear esteemed stakeholders,

It's always URBRA's pleasure to share with you information regarding the key issues and developments in the Retirement Benefits Sector, through the Pensioners' Journal. It is part of our sector development agenda, our commitment to regulate and supervise the sector and to protect your retirement benefits. Having ensured the stability and integrity of the retirement benefits sector, the focus is now on extending coverage to ensure inclusivity and adequacy.

As at December 2023, the number of people saving for retirement was 3,142,311, representing 15% coverage of Uganda's total working population. This means that 85% of the working population remains uncovered under existing retirement benefits arrangements. The retirement benefits sector is now estimated to be worth UGX 22 trillion. But if all those assets belong to just over 3 million savers, then indeed a lot more work has to be done.

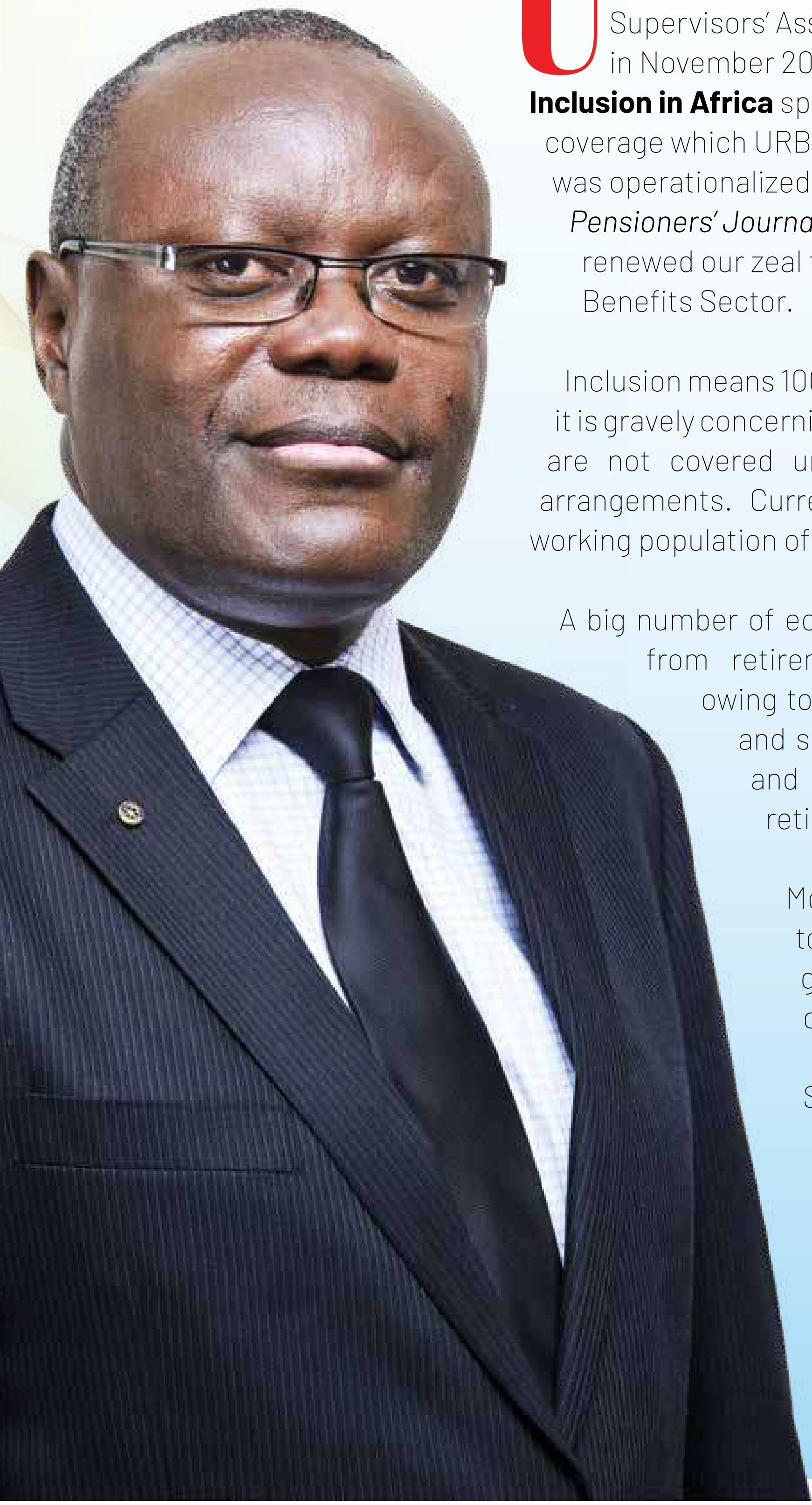
URBRA remains steadfast in its commitment to further increase sector coverage, ensuring that more individuals can benefit from a reliable and sustainable pension system. We are actively engaging with stakeholders to include, the untapped informal sector. We believe that involving the informal sector workers will facilitate growth and inclusivity in the pensions sector.

The goal of the retirement benefits sector is to ensure that all Ugandans who retire don't end up in old-age poverty. I believe that goal is achievable.

For God and my Country,

Hon. Julius Junjura Bigirwa
Chairman, Board of Directors
Uganda Retirement Benefits Regulatory Authority (URBRA)

TOWARDS SUSTAINABLE PENSION INCLUSION: ADDRESSING BARRIERS, RETHINKING STRATEGIES



URBRA was privileged to host the 4th Africa Pension Supervisors' Association (APSA) Annual Conference in November 2023. **The theme: Sustainable Pension Inclusion in Africa** spoke directly to the issue of sector coverage which URBRA has grappled with since the regulator was operationalized in 2012. As reflected in this issue of *The Pensioners' Journal*, the insights and recommendations renewed our zeal to pursue an inclusive Retirement Benefits Sector.

Inclusion means 100% coverage of the entire work force, but it is gravely concerning, that over 15 million working Ugandans are not covered under the existing retirement benefits arrangements. Currently in Uganda, out of an estimated working population of 21 million, only 3,142,000 are covered.

A big number of economically active citizens are excluded from retirement benefits and pensions system, owing to wide ranging factors. The Government, and sector players must address the barriers and ensure all working Ugandans have a retirement savings plan.

Most of those who are not covered belong to the informal sector. They do odd jobs, get some money to cater for their day-to-day needs.

Such people are excluded from formal employment and by extension from formal, structured saving mechanisms. Such people take personal decisions concerning their contributions towards retirement saving, but they are yet to appreciate long-term saving.

Gender is yet another key factor perpetuating exclusion from retirement benefits arrangements. Many women are concentrated in informal, low-paying activities, while others spend their working hours doing non-paying activities like household chores.

But there is concern that even those who are covered may not actually have adequate savings to meet their retirement needs. Retirement savings are a factor of one's earnings. If you earn little, the savings will also be little. The important point is how to increase the amount saved, invest it prudently and wait for it to grow. The principle is to be consistent and patient, but we need to cultivate that attitude.

Gender is yet another key factor perpetuating exclusion from retirement benefits arrangements. Many women are concentrated in informal, low-paying activities, while others spend their working hours doing non-paying activities like household chores.

We want to see more women in the retirement benefits sector. We also want to see more youth in this space. Many of them tend to think that retirement is for old people. Unfortunately, the older you grow, the fewer years you have to save. So, we need to get the yourth to appreciate the principle of saving at an early stage.

Sector players are all concerned about the inclusiveness of the retirement benefits sector, and there are many initiatives proposed to extend coverage to the underserved. Key among the recommendations include the following:

- Ensure digital equity, to cater to the digital preferences of savers. Uganda has 12 million internet users and 28 million mobile phone users, but access and use are lowest among the elderly aged 75 and above.
- Take action to ensure that the youth voluntarily save for retirement. Uganda has the youngest population in Africa and one of the highest youth unemployment rates in the world. But old age does not discriminate – all youth eventually grow old.
- Address the barriers that exclude women from retirement benefits programmes. Currently in Uganda, there are more men than women in employment. Moreover, 48% of women in the labour force are self-employed, meaning they don't have a structured retirement savings plan.
- Establish micro-pension programs to enable low-income earners save for retirement. A micro-pension program with the necessary incentives would ensure broader sector coverage.
- Ensure nationwide coverage and access to retirement benefits services. Some people are excluded from the retirement benefits system on account of location.
- Accelerate public education to ensure that everyone has the necessary information and knowledge to inspire them to start saving for retirement.

MARTIN A. NSUBUGA
Chief Executive Officer

Save now,
retire with peace of mind

Old age is inevitable, it's on you to make your retirement enjoyable.
Sign up with a Retirement Benefits Scheme licensed by URBRA today
and start saving from as little as USh.1000 daily to live an enjoyable retirement.

To find a licensed scheme for you, Contact us on 0417304500 or www.urbra.go.ug
This is a message from the Uganda Retirement Benefits Regulatory Authority.

URBRA
UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

WHAT WILL IT TAKE TO IMPROVE PENSION COVERAGE IN AFRICA?

The pension situation in Africa is dire with the greater majority excluded from existing pension systems. Africa has an estimated working population of 788 million, aged 16-64, but less than 15% of those are covered by existing pension systems. The majority of those excluded are workers in informal labour markets. The existing pension arrangements are skewed towards formal sector workers.

Thus, over 600 million informal sector workers across Africa are excluded from formal pension arrangements. Most of them are young, economically active doing jobs like farming, domestic help, mechanics, street vending, artisanry, small shop-keeping, micro, small and medium enterprises employment, short term or gig-work, and other self-employed arrangements. Their incomes are low and irregular. Hence most of them face the grim prospect of living in extreme poverty for over 20 years after retirement, when they are too old to work. Add to that the rising life expectancy and an increasing breakdown in family and social support structures, and the need for sustainable pension inclusion

AFRICA HAS AN ESTIMATED WORKING POPULATION OF **788 MILLION**

INFORMAL SECTOR WORKERS ACROSS AFRICA ARE EXCLUDED FROM FORMAL PENSION ARRANGEMENTS. **600 MILLION**

becomes ever more urgent.

Africa has experienced a growth in systems that can ensure more inclusive pension systems. Thanks to mobile phones and the evolution of mobile financial services, the continent has registered tremendous improvement in financial inclusion impacting the development of the financial sector. This has attracted savings and channelled them into productive investments. This can provide the difference leading to pension inclusion in the informal sector. There have also been success stories of micro-pension schemes targeting informal sector workers with flexible contribution rates. The examples include:

- Mbao Pension Plan and Kenya National Entrepreneurs Savings Trust.
- Ghana Social Security and National Insurance Trust (SNNIT) which allows contribution of any amount which can be contributed according to a member's ability.
- Ejo-Heza Long Term Savings Scheme (LTSS) administered by Rwanda Social Security Board (RSSB). Government provides incentives to members making contributions to the scheme.
- Mazima Individual Voluntary Retirement Benefits Scheme (MIVRBS) and Kampala City Traders Association Uganda Provident Fund Scheme, which provide for flexible contribution rates.
- Insurance for Strengthening Human Capital Program (ARCH) in Benin, a program managed by the National Social Protection Agency with four components including universal health insurance, pension for informal sector, microcredit, and training.

Actors therefore need to ponder: What is stopping Africa from attaining greater pension coverage? What lessons can be learnt and applied from the successful micro-pension schemes in different countries? What will it take to make Africa's pension sector more inclusive?

Setting standards: Regulators must set standards and establish a framework that can build trust and set the rules of the game so that there are good returns to the members, which would result in extended coverage.

Need for flexibility: The informal sector workers do not want mandatory figures or percentages of their earnings, or even strict saving periods. In Uganda, Mazima IVRBS trustees and members agreed on some flexibility whereby a member can access 30% of their savings for emergencies and leave 70% for long-term retirement saving. Thus, sector players need to package benefits to cater to people's needs e.g., emergency or insurance fund.

Forced savings and incentives: If people are not forced to save, they won't save. There is need for some force but equally important are the incentives that will motivate people to save. In Kenya, any savings below KES20 million (US$130,000) is tax free. Also, withdrawal of retirement benefits after the age of 65 doesn't attract any taxes.

ACTORS THEREFORE NEED TO PONDER

NEED FOR FLEXIBILITY

SETTING STANDARDS

FORCED SAVINGS AND INCENTIVES

In Uganda, those saving with the National Social Security Fund can get 20 percent of their accrued benefits at the age of 45 years, with the condition that one has saved for at least 120 months. Incentives are important to encourage people to save for the long term so that workers can put something aside for their retirement. For example Insurance can be embedded into retirement savings as additional benefits such as funeral cover for parents, healthcare etc.

Collaboration with stakeholders: There is need for collaboration with telecom companies and banking institutions. Telecom companies can create platforms that enable people to post their savings easily. Mobile phone penetration is high on the continent and this is an opportunity to get more people into the pension system. There are more people in commercial banks than in retirement benefits schemes so there is need for collaborations so that bank transactions can relate to retirement savings.

Heterogeneity of the informal sector: Africa's informal sector is diverse. Individuals have different needs and capacities to save. There are those who can save a dollar a day and those who can afford US$100 a day. Sector players should design products that can attract those different categories of people. The 600 million people on the continent without pension is an opportunity that can be used to create a sustainable pension fund. If each of the 600 people saved USD1 per day, that would be USD600 million in one day.

Enhance financial litereacy and rebuild public trust in the pesion systems People think it is inconceivable to save for the future when they don't have food for today. But people also don't trust the government; they fear that government will dip its hand in their savings, while they starve as they wait for retirement age. There is need to build trust that when people retire, their benefits will be available. Targeted campaigns are critical to educate people on the benefits of making savings.

Savings awareness/ education for children: Teaching children about savings is critical so that they grow up understanding that they need to make savings. The earlier people start saving for their retirement the better as they do not necessarily need to save huge amounts of money in a short period of time

Stop regarding children as pension schemes: Many people who work in the informal sector achieve many of their set targets e.g., taking their children to university, buying matatus (taxis), building decent houses etc. There is a need to educate them so that they can save money for retirement and stop considering their children as their pension schemes.

Making Africa's pension sector more inclusive will therefore entail:

- Review of existing legal and regulatory frameworks for pensions across many jurisdictions to make them inclusive.
- Provision of a conducive environment for innovative products that are inclusive.
- Micro-pensions that encourage participation of informal sector workers into retirement benefits saving arrangements.
- Adoption of individual identification (ID) systems that allocate unique identification numbers suitable for know your customer (KYC).
- Leverage mobile telephony to drive pension inclusivity through the growing digital financial services.
- Awareness creation programmes to accelerate enrolmen within various jurisdictions.
- Stakeholder collaboration across sector players e.g., government, private sector, fund managers, regulators, research institutions, national ID agencies, digital payment systems, telcos etc.

***Article by Lydia Mirembe,** based on discussions of Africa's Pension Inclusion Imperatives, APSA Conference, November 2023*

LOW FINANCIAL LITERACY COUPLED WITH GENERAL MISTRUST OF PENSION SYSTEMS

SAVINGS AWARENESS/ EDUCATION FOR CHILDREN

CHILDREN AS PENSION SCHEMES

ADDRESS THE ISSUE OF LOW PENSION SECTOR COVERAGE NOT JUST IN UGANDA BUT AROUND THE WORLD

Exclusion from retirement benefits arrangements persists, but solutions exist

Mr Aggrey Nshekanabo, the proprietor of Naalya Motel was once lucky to have been forced to save with National Social Security Fund (NSSF). "I am a little lucky that when I worked in the media and NGO world, my employers met their legal obligation to remit contributions to NSSF," he says. Perhaps if it was not a compliance requirement, he would have dodged saving with NSSF.

"Therefore, I have some savings with NSSF which I will access when I turn 50 or 55 and hopefully as a lumpsum," he says. While he considers himself lucky, to have saved with a retirement fund courtesy of the statutory requirements, Nshekanabo stopped saving with NSSF, as soon as he left formal employment three years ago. His argument is that someone struggling with daily bread cannot be thinking about saving for the future when the present is precarious.

"Most of our people live hand to mouth so, what can you tell them about saving for the future? In this economy, we live like fisherfolks, where it is all about today, and tomorrow will take care of itself." he says.

The fisherfolk in Uganda are famed for living in the moment, because the hazardous nature of their job encourages risky behaviour. As people are usually unsure of whether they will drown on their next fishing expedition or come back alive, research has found that fisher folks do not think long term, which leads to low saving tendencies and risky social behavior.

That short-term outlook is according to Nshekanabo, the reason he has since joined the millions of working Ugandans that no longer save with any formal retirementsbenefits fund.

Information from the Uganda Retirement Benefits Regulatory Authority (URBRA) shows that the country has a significant challenge with workers failing to save for old age. Martin Nsubuga, the Chief Executive Officer at URBRA, while releasing the 2023 Sector Annual Performance Report indicated that the number of people saving for retirement, now stands at 3,142,311, representing 15% coverage of Uganda's total working population.

Perhaps if it was not a compliance requirement, he would have dodged saving with NSSF.

Numbers at NSSF, the country's biggest retirement fund for example, includes those like Nshenkanabo, who have since stopped saving and whose accounts are considered dormant.

To discuss with this problem of Ugandans failing to save and in effect creating a high likelihood of large numbers of people in old age poverty, URBRA hosted the Africa Pension Supervisor's Conference whose key objective was to exchange views and generate recommendations and strategies to increase the number of people saving for retirement. The theme was: Sustainable Pension Inclusion in Africa. The recommendations, if implemented, would go a long way to address the issue of low sector coverage not just in Uganda, but around the continent.

Mr Nsubuga says that for now, URBRA continues to study the situation to figure out the missing link in Uganda's retirement saving culture and the necessary steps that would rectify the problem. Possible missing links, Nsubuga says include a lack of automation, leaving Ugandans to make conscious decisions every time to deposit retirement benefits with respective retirement funds. Automated remittances could cause more people to save for retirement.

Another possible solution could be to link retirement to the tax incentives. Even though Uganda is making all possible efforts to widen the tax base and increase revenue collection, a lack of retirement benefits for a majority of the population creates a bigger problem for the government. The government can therefore make a sacrifice and give tax incentives to people who show willingness to save for retirement.

He cites the case of Social Assistance Grants for Empowerment (SAGE), where Uganda with support from different development partners including the Irish, provide shs25, 000 every month to old people over 80 years of age. The fund which was initially launched to

MR AGGREY NSHEKANABO PROPRIETOR OF NAALYA MOTEL

support old people over 60 years of age, has since been revised to cover those who are over 80 years due to lack of money.

Finding solutions

According the United Nations Children's Fund (UNICEF) Uganda has the second youngest population in the world, with 78 per cent of the population under the age of 35. Mr Nsubuga says that Uganda's young population means the country should be preparing for a future, where the youth will age and need savings and this requires an early start.

For this reason, the URBRA chief executive officer says Uganda has to invest now in increasing the number of people saving for retirement, so that when the population structure changes, a big section of society will not be scrambling for the meagre funds from SAGE. From a businessman's perspective, Nshekanabo suggests that to increase the number of people saving for retirement, existing funds have to invest in more products which allow for some flexibility.

There is also need to build more public trust and confidence in the government pensions systems institutions and the general financial services sector. That way, Nshekanabo argues, people would be less cynical when making a decision to formalise their retirement savings.

"These retirement benefit schemes are about collecting money for investment. That would be good if the scheme were made more attractive to the informal sector to contribute. For example, government should demonstrate that when it borrows money from NSSF, it can invest in infrastructure development, while at the same time paying back NSSF with a high interest. People will then see the value that the fund adds to the economy, and will be attracted to save."

Nshekanabo is also concerned about the lumpsum pay out to savers when they finally retire. Many people misuse their money when they get it. For many, this is the first time they get to handle big sums of money, yet they don't prepare themselves or plan adequately.

Mr Nshekanabo believes that if NSSF follows up its retiring savers with investment advice to establish enterprises, then there will be a ripple effect of employment, NSSF savings, taxes and improved livelihoods. "That way, NSSF will have contributed to the widening of the tax base, reducing the burden on the less than two million people paying tax. Additionally, more will be attracted to join retirement benefits schemes," he says.

Article by Dicta Asiimwe, Freelance Journalist

WITHOUT INCLUSION AND ADEQUACY, RETIREMENT BENEFITS COME TO NAUGHT

Out of a working population of nearly 24 million Ugandans, only 3,142,311 are covered by the existing retirement benefits schemes. This is corroborated in a report titled: Rapid Assessment of the Feasibility of a National Long-term Savings Scheme, whose findings also indicate massive exclusion of low-income earners from long term savings.

The report further reveals that the majority of low-income individuals, particularly those in the informal sector are not utilising formal retirement schemes and provident funds, perpetuating the cycle of poverty, inequality, and vulnerability, especially in old age. According to Uganda Bureau of Statistics (UBOS), National Labour Survey 2021, over 75 per cent of the working population did not contribute towards any form of social protection.

The report further indicates that Only 4 per cent of the workforce indicated knowledge of the available retirement schemes and provident funds. Yet private informal sector schemes in the country such as the Mazima Voluntary Individual Retirement Benefits Scheme (MVIRBS) and the Kampala City Traders' Association (KACITA) Provident Fund, were endorsed by the government 7 years ago with an aim to catalyse informal sector participation in social protection,

Just about 15% of Uganda's working age population had some form of retirement benefit arrangement, including mandatory occupational schemes and voluntary occupational and individual schemes, according to UBOS 2021 statistics. As a result, the government is seeking to develop a new national long-term savings scheme (NLTSS) with the overarching goal of providing financial security and promoting sustainable savings habits. The objective is to improve the overall economic resilience and quality of life for persons in the informal sector.

"The scheme aims to encourage and facilitate long-term savings by offering a structured and inclusive savings platform to address the unique needs of the informal

> **Structurally, high unemployment rates and poverty levels also explain exclusion. While the aspiration is to have all Ugandans saving for retirement, many are constrained by unemployment**

sector, while also providing opportunities for financial literacy, healthcare savings, as well as emergency funds," reads part of the report. It is estimated that the population of older persons will continue to grow owing to developments in science, improved health care that contribute to a longer life. If the current trend of low coverage is not dealt with, the country risks having an ever-growing number of older persons wallowing in old age poverty.

Social Assistance Grants for Empowerment (SAGE) intervention by the Ministry of Gender, Labour and Social Development with support from development partners (DFID and Irish Aid) is a tell-tale sign of the effect of old age poverty. Despite some significant progress in terms of pension sector coverage, the uptake is still low compared to the nearly 24 million working population.

"One of the key challenges is that the labour market is largely informal," says the Chief Executive Officer, URBRA, Mr Martin Nsubuga. He adds: "This means that many worker in informal sector are excluded from mandatory contribution to retirement benefits schemes." Further evidence, according to URBRA expert analysis, reveals that while some individuals in the informal sector may have the initiative to save, they do so with unlicensed, unregulated entities, risking their hard-earned savings.

A 2020 Financial Capability Survey conducted by Bank of Uganda names Village Saving and Loan Associations (VSLA) and saving boxes as some of the top saving mechanisms informal sector players use to save. Other people save in cash rounds also known as Merry-Go-Round, while some keep their savings with friends and relatives.

This means that this category of people are excluded from the safe and secure platforms where funds are managed and invested according to established principles, with emphasis on security and favourable outcomes for the saver.

Facets of exclusion

Exclusion and inclusion has many more facets. This is because there are many ways in which people can be excluded from the full benefits of the retirement savings programmes.

Financial services and Retirement Benefits Services in particular, are still perceived as a preserve of urban, elite settings. Many remote areas are yet to be reached by schemes and service providers. This therefore remains as one of the leading factors perpetuating exclusion. Then, much as technology has improved access to financial services, there are still many people who are not tech-savvy, resulting in exclusion. Irregular remittance of contributions can easily lead to the exclusion of some individuals from the full benefits of retirement benefits arrangements. URBRA always makes supervisory interventions to recover unremitted contributions. By the end of 2023, URBRA had recovered a total of Shs 26bn in unremitted contributions.

Structurally, high unemployment rates and poverty levels also explain exclusion. While the aspiration is to have all Ugandans saving for retirement, many are constrained by unemployment. Youth unemployment rate for example, is estimated at 17 per cent, which is quite high. This situation leads to the exclusion of many people from retirement saving arrangements

For those covered by the existing sector arrangements and products, the issue of adequacy remains critical. It is good to save for retirement, but it is better to save funds that will enable one to afford the important requirements of old age. Ideally, in retirement, one should be able to access affordable health care, live in a decent place of abode, have a reliable cash flow among other requirements

In the September 2023 NSSF Members Annual Meeting, it was reported that over 80 per cent of the registered savers had less than 10 million shillings in their retirement benefits accounts. Other members remain inactive for extended periods, which affects their accrued benefits! All these realities speak to the need for meaningful inclusion and adequacy of retirement benefits.

Experts recommend that one needs up to 70 per cent of their pre-retirement monthly income to sustain the life they led prior to retirement. But in Africa and Uganda,people saving are not saving enough due to low and infrequent contributions. Judging by the contribution to mandatory schemes, which is only 15 percent of one's monthly gross earnings, many people's retirement income may not meet the recommended 70 per cent replacement ratio.

Governments and all key stakeholders should therefore seek ways of addressing the key factors that impede inclusion and adequacy. Policies and regulations are important, but also there is a need for the population to adjust their mindset and fully embrace long-term retirement planning and saving.

By Lydia Mirembe,
Manager Corporate and Public Affairs

MOST COUNTRIES HAVE ALREADY PUT IN PLACE THE FOUNDATIONAL BUILDING BLOCKS FOR A SECURE AND INCLUSIVE MICRO-PENSION SYSTEM

CENTRALLY ADMINISTERED DIGITAL PLATFORMS WOULD ENHANCE INCLUSION IN THE PENSIONS SECTOR

In most countries, formal pension arrangements were originally designed for and restricted to salaried employees in the public and private sectors. This inadvertently left out non-salaried self-employed individuals such as farmers, small shopkeepers, self-employed women, daily wage earners, overseas migrants, street vendors, fishermen, contract labour, gig and platform workers, domestic help, and blue-collar workers in small and micro-enterprises, currently estimated 1.8 billion globally.

This gigantic pension coverage gap, coupled with increasing life expectancy and a breakdown in the traditional joint family support structures due to labour mobility, has brought the world to the brink of an old age poverty crisis. Developing countries with predominantly informal labour markets will face particularly dire consequences, with between 50 and 95 percent of their workers excluded from formal pension arrangements.

According to the World Bank, developing countries are also getting old before they become rich, and at far lower levels of income. As per the Bank, the transition from "ageing" to "aged" societies is taking only 20 to 25 years in developing economies, compared with 50 to 100 years for the currently older, rich countries. For example, although Africa is the youngest continent today, UN projections show that Africa will experience the fastest growth in its elderly population — rising from 69 million in 2017 to a whopping 226 million by 2050.

If the current pension coverage gap is allowed to persist, the vast majority of these elderly will face the grim prospect of extreme old-age poverty. At that point, a tax-funded social pension of even US$2 a day to the future elderly could cost a staggering trillion dollars a year. For these excluded non-salaried workers, and equally for the governments concerned, a vital issue will be the management of longevity risk with the cessation of earnings in old age.

Fiscal transfers to support the destitute elderly will also force countries to divert funds from other critical areas like infrastructure,

AFRICA WILL EXPERIENCE THE FASTEST GROWTH IN ITS ELDERLY POPULATION – RISING FROM

69 MILLION *to* **226 MILLION BY 2050**

LABOUR MARKETS

> **Developing countries with predominantly informal labour markets will face particularly dire consequences, with between 50 and 95 percent of their workers excluded from formal pension arrangements.**

health, and education. Intergenerational social transfers to support elderly parents and grandparents will compromise household savings, consumption and investments on children's education and other family needs. Without an urgent and effective policy, regulatory and business response to pension exclusion, poverty among the elderly will rapidly emerge as the dominant cause of acute global poverty.

Ultimately, averting the looming old age poverty crisis will require a commitment to proactive planning, collaboration, and the implementation of effective policies and practices to ensure a secure and dignified retirement for all. In this situation, it is crucial for stakeholders to find innovative ways of ensuring financial security for all in old age.

A key sustainable policy option for developing nations is to build inclusive mechanisms that encourage and enable young informal sector workers to voluntarily set aside a part of their incomes for their old age. In this process, developing nations should seek to leverage modern technology and harness the existing digital financial inclusion ecosystem to make saving for old age simple, easy and affordable for everyone, everywhere.

If even a quarter of the presently excluded informal sector workers began saving a dollar a day for their retirement, they could collectively generate roughly USD15 trillion in new, long-term savings within the next decade. This could in turn have a multi-generational, population-wide impact. A large pool of long-term domestic savings could contribute to economic growth, infrastructure development, and employment across developing economies.

The building blocks for pension inclusion already exist

In-depth feasibility studies by pinBox across several countries in Asia and Africa suggest that a latent demand for comprehensive pension and insurance inclusion already exists. However, it is still not easy for most people to save for their old age or to manage their lifecycle risks.

Most countries already have a dedicated pension sector regulator, a supportive legal and regulatory framework, and a strong political commitment to expanding pension coverage to employees in micro and small enterprises, and to excluded informal sector workers. Also, most countries already have well-regulated pension funds and insurers, eager to expand their client base.

Central banks, financial institutions and aid agencies have collectively helped establish a robust and rapidly expanding digital financial inclusion ecosystem and mobile payments infrastructure that can enable secure, low-cost transfer of micro-savings to regulated asset managers.

Furthermore, most developing countries already have national level outreach and service delivery capacity through trusted and committed micro-finance institutions, bank agents, farm cooperatives, gig platforms, NGOs, and community-based organisations. It is feasible for countries to leverage this outreach to deliver financial literacy and knowledge, aggregate retail demand for small-ticket pension and insurance products, and deliver reminders to prompt regular, optimum contributions.

Although such favorable factors already exist, most people find it very difficult to activate a pension account. It is therefore important for countries to address the outstanding barriers and imperatives, in order to effectively close the pension coverage gap.

Supply-side impediments and imperatives

Legacy pension-Tech Systems and Platforms: Pension systems in most countries were originally designed and built to administer mandatory retirement savings of

> Digital finance ecosystem and infrastructure firms such as banks, national ID agencies, mobile and digital payment companies, custodians, SMS and email gateways, and social media platforms directly benefit from mass-scale micro-pension inclusion.

salaried employees in the public and private sectors. Such systems and processes are often operated on outdated technology or rigid processes with predictable, mandatory contributions that may not be readily capable of administering and delivering voluntary micro-pensions to self-employed individuals with modest incomes and potentially intermittent contributions. Developing countries therefore require a specialised pension-Tech platform that is specifically intended for and competent to administer and deliver a voluntary DC micro-pension program based on unique and fully portable individual retirement accounts.

Fragmented Ecosystem: Although the underlying digital finance ecosystem and infrastructure with digital national IDs, mobile payments, nation-wide third-party outreach and well-regulated pension funds and insurers already exists, this ecosystem is usually fragmented and does not automatically come together to enable non-salaried citizens to save for their old age.

Pro-rich Finance Sales Models: Pension funds and insurers traditionally rely either on tax incentives or agents to drive product sales. However, as most low-income households may not be in the taxable income bracket, tax breaks are an ineffective tool for expanding voluntary pension coverage among informal sector workers. Also, as sales incentives are usually linked to the value of contributions, advisors and sales agents naturally focus on higher-income individuals with large disposable incomes living in larger cities.

Lower-income individuals with potentially tiny contributions produce very small sales commissions which are unattractive for agents and advisors.

Process Friction: Most pension and insurance products have complicated features and processes, and rigid product rules that require regular, pre-committed payments — often combined with penalties for missed pension contributions or insurance premiums. In their current form, such products are clearly not suited for the majority of informal sector workers with low financial literacy and modest, irregular incomes. Cumbersome paper-based processes further inhibit voluntary participation, reduce public confidence and increase transaction costs for low-income informal sector workers.

Using Mainstream Pension Providers for Micro-pensions: Some countries have permitted existing pension funds and pension administrators that already manage mandatory occupational pension schemes, to also offer voluntary micro-pension products to informal sector workers. In this situation, each pension fund is required to establish its own administration, governance and distribution capacity.

Existing technology platforms are often not equipped to deal with intermittent, voluntary individual contributions. Pension funds are thus forced to invest heavily in developing appropriate front-end platforms and devote appropriate resources to generic awareness, publicity and financial literacy. This in turn increases their capital costs, fixed overheads and operating expenses, and makes the micro-pension business model difficult to scale and sustain.

Demand-side barriers

Affordability Constraints: Most pension, insurance and savings instruments demand large, pre-committed contributions. This crowds out lower-income individuals, especially those with modest daily, seasonal or otherwise irregular incomes. A flexible micro-pension scheme that allows informal workers to save in line with their own income flows could make retirement savings both affordable and inclusive.

Limited experience and Trust Deficit: Most informal sector workers have no experience with formal finance

Women are also more financially and digitally excluded and hence tend to save either in cash or informal instruments which causes the value of their savings to deplete with inflation. Hence, a pension system that is predicated on individual contributions is unlikely to equally benefit women.

and little trust in mainstream pension funds. Motivating voluntary participation may be even more challenging for developing economies that have a predominantly young workforce — as retirement may appear too distant to most individuals. Effectively addressing the challenges of myopia, low financial literacy and trust may often require a multi-pronged approach including the following.

Heterogeneity: The informal sector in developing economies is heterogeneous in terms of occupations, demography and incomes. A useful strategy in this case is to develop segmented, demography, occupations or channel-based marketing and communication tools. Allowing each person to save as per her own capacity and income flows can help customise even a standard micro-pension scheme for each individual citizen.

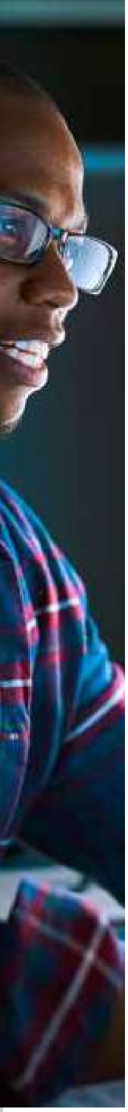
Digital illiteracy: Mass-market adoption of a digital finance solution requires investment in appropriate technologies and digital literacy coupled with intensive publicity efforts to motivate millions of individuals to voluntarily download, learn and use a new mobile or web application. This may be challenging given that micro-pension programs usually target a workforce with diverse levels of digital access and literacy.

Gender Issues: Globally, women are relatively more vulnerable to old age poverty than men for a variety of reasons. With a relatively higher life expectancy, women will spend more years living alone in old age, face higher expenses on health, and will therefore need much larger retirement accumulations than men. However, most women may not be able to accumulate enough savings for their old age as they are more likely to be in informal employment, earn less than men in similar occupations, and face frequent work and income interruptions due to family responsibilities.

Women are also more financially and digitally excluded and hence tend to save either in cash or informal instruments which causes the value of their savings to deplete with inflation. Hence, a pension system that is predicated on individual contributions is unlikely to equally benefit women.

The solution – a centrally administered digital platform

PinBox proposes a centralized, digital micro-pension platform and a non-linear digital model for expansion of coverage to non-salaried sector workers. This was piloted in India, delivering micro-pensions to 3 million self-employed women and youth. It was also implemented in Rwanda to design, build and execute the Ejo heza Long-term Saving Scheme – Africa's first ever government-sponsored digital micro-pension program. The approach



considers stakeholder-specific issues and the actions that they can take up resulting in a more sustainable and inclusive pension system.

Advantages of centrally administered micro-pensions

Most countries have already put in place the foundational building blocks for a secure and inclusive digital micro-pension system. By leveraging the existing ecosystem and using a shared infrastructure strategy, developing economies can launch affordable micro-pension solutions while aligning the incentives of each key stakeholder with the public policy goals of comprehensive pension inclusion. This can result into numerous benefits for the whole range of stakeholders viz.

Self-employed, non-salaried individuals can access and activate a simple, portable, and integrated pension, liquid savings, and insurance account with well-regulated financial institutions within a few minutes and without elaborate formalities. They can use their mobiles and an easy, familiar interface to manage their money and save for their old age as per their income and savings capacity without any penalties.

Pension product/service providers avoid large investments on building proprietary administration, sales, or service delivery capacity. Instead, they leverage the existing outreach of trusted field partners and aggregators for providing easy access to affordable micro financial services.

Pension funds and insurers are able to better align their commercial interests and efforts with public policy goals, and better position themselves as socially responsible institutions. Product providers do not face millions of small-ticket contributions or micro-insurance premiums. They deal only with wholesale assets and aggregated premiums and are therefore able to focus mainly on optimising investment returns and on efficient and speedy insurance claims settlement.

Digital finance ecosystem and infrastructure firms such as banks, national ID agencies, mobile and digital payment companies, custodians, SMS and email gateways, and social media platforms directly benefit from mass-scale micro-pension inclusion. Digital payment gateways and mobile payment companies achieve sticky, long-term clients and larger revenues by processing periodic micro-pension contributions over multiple decades

National ID agencies are able to play a meaningful role in comprehensive pension and financial inclusion by enabling a simple and secure eKYC which helps eradicate front-end friction for lower income citizens and enables subscribers to easily verify their ownership of micro-pension accounts and benefits deep in the future. Offering micro-pension related services can also help financial services ecosystem stakeholders achieve a large base of new customers who were previously underserved by traditional pension providers and insurers.

Aggregators who already reach and service millions of informal sector workers are able to instantly offer a well-regulated pension, investment and insurance solution to their clients, members and employees. In this process, aggregators enjoy long-term client connect and loyalty, new fee income, a competitive advantage over other players, and a double bottom-line impact. Micro-pension programs also generate valuable data on the savings patterns of subscribers. Such savings behaviour and data can be analysed by retail aggregators to identify new market opportunities and develop new products and services for their clients.

Sponsors including governments and regulators can side-step large front-end capital costs and jumpstart pension coverage expansion by leveraging the existing digital finance ecosystem to "switch-on" a digital micro-pension "marketplace" with easy universal access.A central administration platform enables easy monitoring of implementation and adoption across geographies, occupations and demographic segments to help assess the gap between goals and outcomes. Regulators and policymakers also enjoy real-time access to MIS and dashboards to track subscriber behaviour and accumulations, as well as automated, system-generated process and TAT compliance and exception reports for more effective supervision and enforcement.

A central, common administration platform enables automated complaints tracking, escalation, and reporting, leading to enhanced subscriber protection and confidence. Transactional data can also be used for designing new behavioural interventions such as automated nudges and reminders to prompt adequate and persistent savings.

A central administration platform integrated with a range of payment solutions including mobile wallets and cards facilitates automated, real-time accounting and reconciliation of contributions at a national level and minimizes the risk of fraud or errors. Centrally issued national-ID linked individual pension accounts also mitigate the risk of duplicate accounts and facilitate targeted delivery of fiscal incentives without leakages.

CONCLUSION

The context is set for the adoption of digital micro-pension platforms as a way to enhance inclusiveness in the retirement benefits sector. However, many countries still experience demand-side and supply-side barriers, for which a solution must be sought urgently. A centrally administered digital platform would go a long way to entice more informal sector workers to join the formal retirement benefits sector.

This article is an adaptation of Khanna et al (2023) *A Template To Jumpstart Digital Micro Pension Inclusion In Africa, in Templatising Micro-Pensions For Africa*

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UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

TURNING POCKET CHANGE INTO RETIREMENT SAVINGS: THE STORY OF MAZIMA

Joan Mugenzi, who is now a retirement coach, had just left formal employment in 2017 when she encountered a social media post about Mazima Voluntary Retirement Scheme (MVRS).

"I had been wondering on how to continue saving for retirement so I was intrigued," Mugenzi says.

That intrigue pushed Ms Mugenzi to seek out on social media, Livingstone Mukasa the MVRS founder, who then invited her and several interested individuals to a meeting at Grand Imperial Hotel in Kampala.

During the meeting, Mukasa and his team, explained the benefits of joining the retirement scheme and the ease with which saving was possible, as one could put aside amounts as small as Sh2000.

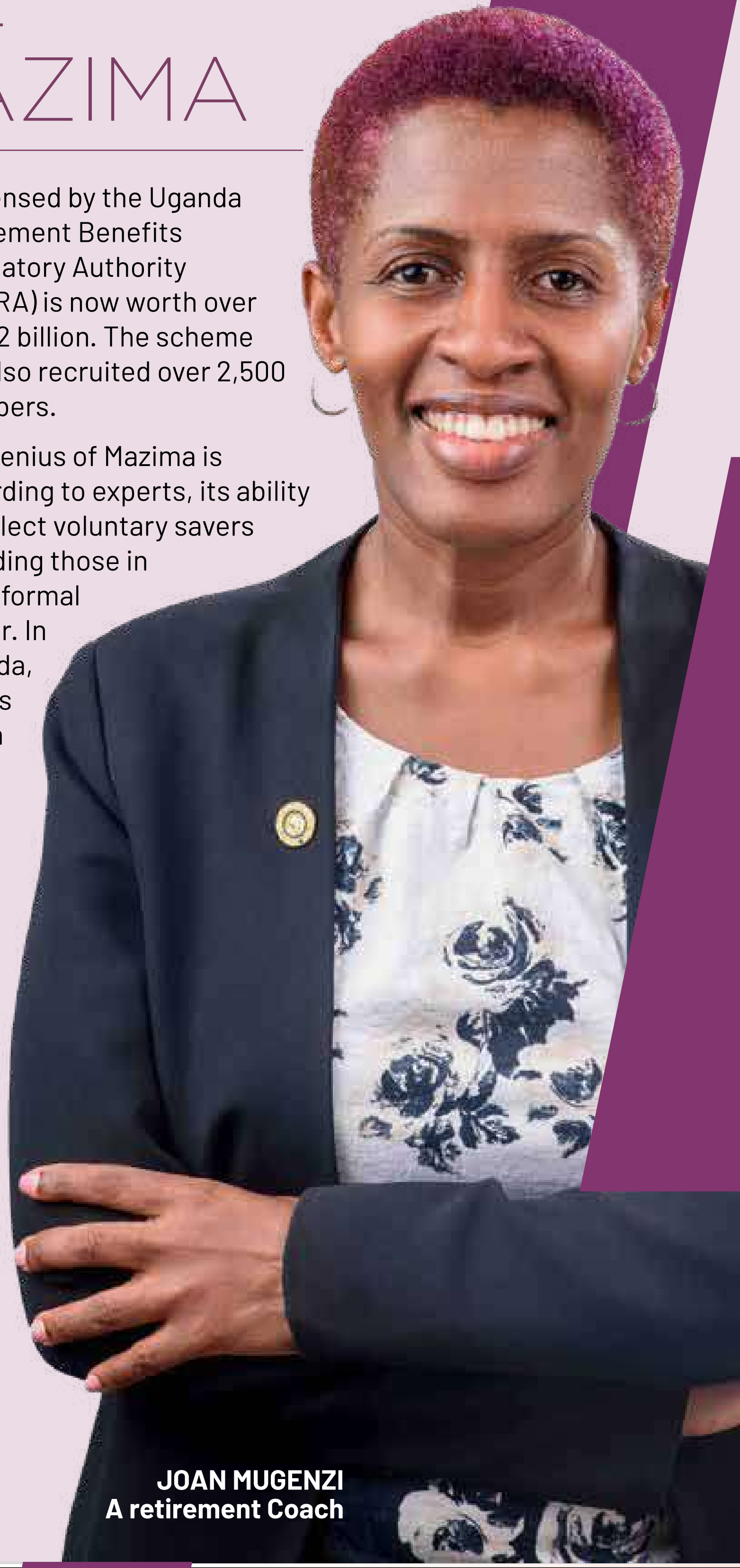
"Allowing me to save small amounts was attractive so I decided to become a member," she says.

MVRS is a member owned scheme that allows interested individuals to save small amounts every month, with the majority of the money going towards retirement, while a small portion can be withdrawn for whatever a member deems necessary.

"Compared to the modus operandi in other saving circles, this scheme was not only giving us a platform to continue saving for our retirement but also giving more value to what some call pocket change," she says.

The scheme which started in 2016 and is licensed by the Uganda Retirement Benefits Regulatory Authority (URBRA) is now worth over Shs1.2 billion. The scheme has also recruited over 2,500 members.

The genius of Mazima is according to experts, its ability to collect voluntary savers including those in the informal sector. In Uganda, just as it is in many



JOAN MUGENZI
A retirement Coach

countries, informal sector workers constitute majority of the working population, but many of them are not saving for retirement.

Information from the Africa Pension Supervisors Association (APSA) shows that the continent has 600 million young and economically active informal sector workers and the existing pension saving plans largely exclude this category. MVRS seeks to tap into this category of workers.

This explains the low registration fees which Ms Mugenzi says stands at Shs10, 000. Information provided by Mazima Voluntary Retirement Scheme also shows that as long as a saver can raise a total of Shs10, 000 a month they are able to maintain an active account. A saver does not even have to put up the Shs10, 000 at once, as it can be paid in small instalments as low as Shs2000.

In its drive to recruit more informal sector savers, URBRA has also registered another retirement savings group to take care of Kampala City Traders Association (KACITA). KACITA generally considered among the more moneyed players in Uganda's informal sector, started, the Uganda Provident Fund Scheme called TEGEKA in 2019.

Just like Mazima, the membership of TEGEKA is voluntary and premised on filling a membership form and depositing Shs10, 000 as the initial savings.

Mr Samson Higenyi, the liaison officer at KACITA says their scheme's savings are locked for five years, after which an individual fills in a withdrawal form that is submitted to the administrator. In two to three days, a person receives the money in their bank account.

Ms Mugenzi who is also a former chairperson Board of Trustees says, MVRS works out differently and allows savers regular access to at least a portion of their savings. When Mazima first started, Ms Mugenzi says savers could access all their savings annually.

"When we allowed access to all savings, we realised people were using us as targeted savings groups," she says.

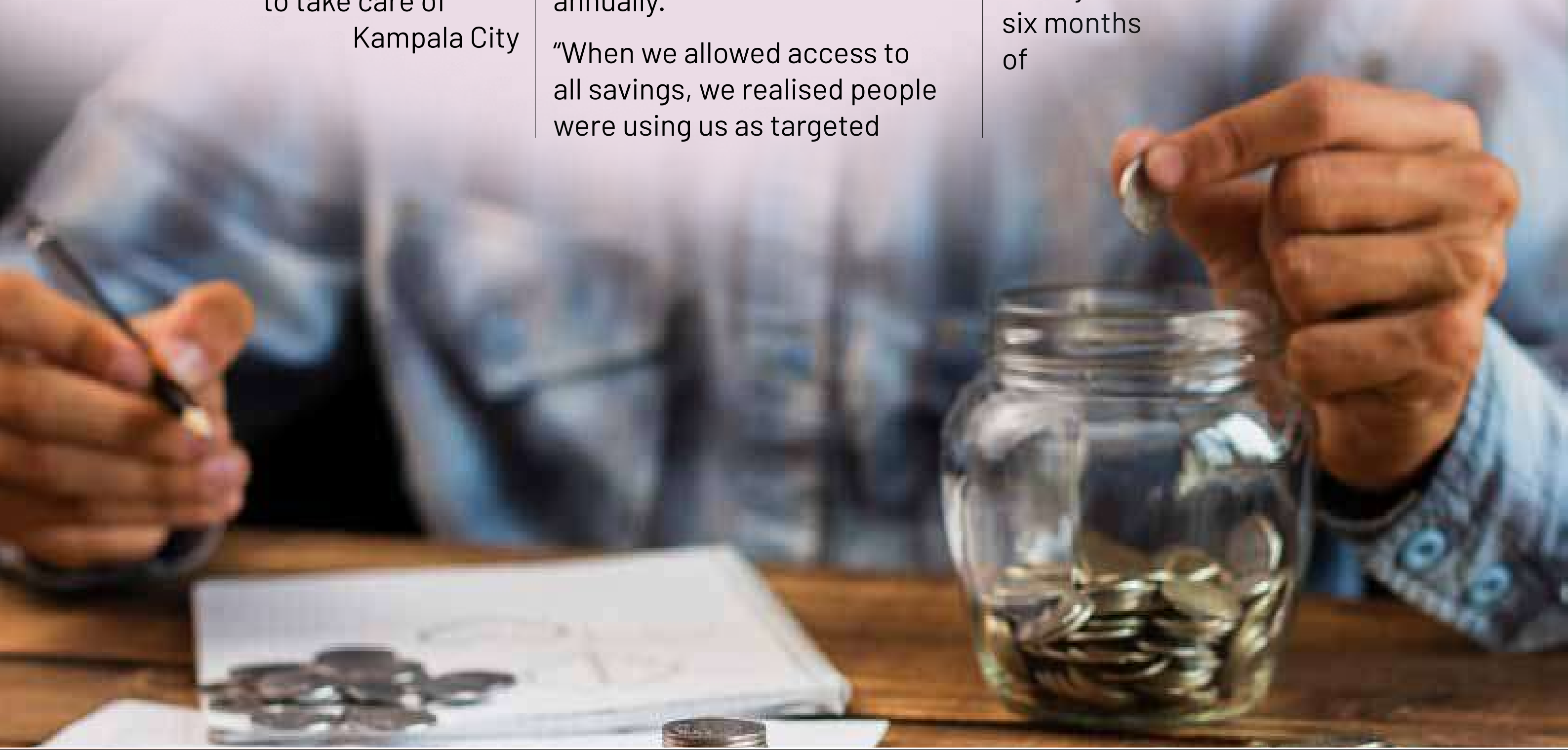
> **Information from the Africa Pension Supervisors Association (APSA) shows that the continent has 600 million young and economically active informal sector workers and the existing pension saving plans largely exclude this category. MVRS seeks to tap into this category of workers.**

She explains that a pattern had developed where a number of savers would collect all their savings at the end of year.

"At the beginning of the year, those savers would return and start saving afresh," she says.

In 2021, the board questioned this mode of operation versus the intended purpose of the scheme and came up with new rules.

The Mazima board introduced a policy where savers can access 30 per cent of their money after six months of



saving, while the remaining 70 stays with the fund for members to access at retirement, which is set at least 50 years of age.

"Part of the reason we took that direction is because our savings were somewhat sporadic, which posed a challenge for our fund manager. We also desired to have meaningful investment for members as the regular withdrawals would impact returns, not forgetting that it was not running as a retirement but a target savings scheme," she says.

When the policy was introduced, members were given a three-month's grace period and during this time, whoever was not in agreement was free to leave. To the surprise of the fund's management, very few left and at the Annual General Meeting, people strongly defended the move.

"These are committed members because we also went through a process as the numbers were previously not commensurate with the savings. We discovered that some had stopped at registration hence reaching out to them regarding commitment. Some more fell off then," she says.

With that move, Ms Mugenzi says the scheme is more stable than before where the fund was depleted at the end of each year.

The fact that many members of Mazima stayed is according to Mr Mukiibi a lesson on how to deal with informal sector saving for retirement.

"It is important for informal savers to access their savings in times of instability," says Mukiibi.

Mukiibi says these savings provide much needed capital, in cases where an informal sector player needs to reinvest in their struggling business. TEGEKA's five-year fund did not provide this flexibility.

Mr Daniel Alifaki, the current board chairperson of MVRS says his organisation has another advantage. Mazima has a blend of both the informal and formal sector.

"While the scheme is for informal sector savers, we have seen even those saving with NSSF save with us," he says.

He adds that the scheme is flexible so one can pay via Airtel, MTN mobile platforms and Pride Microfinance. "It also birthed the child saving policy where a parent can save for their child or dependent below 18 years. When the child turns 18 years, the account can be converted into a normal retirement account, the 30/70 policy may apply or all the money is withdrawn," he says.

The additional savings from MVRS, as formal sector workers who save with NSSF generally have very small amounts in their accounts that often are depleted within a year of one's retirement. Information from NSSF shows that half of savers have less than one million shillings in their account.

Since experts estimate that on average Ugandans live at least 17 years after retirement, many in the formal sector have decided to devise other ways of saving for old age, which is why a fund such as Mazima comes in handy. MVRS therefore plays a role in improving the adequacy of retirement savings even for formal sector workers who would otherwise be forced into old age poverty

As explained by Ms Mugenzi, one can save amounts considered by many as pocket change and this will turn into a small but useful nest, as long as someone starts the journey early enough.

By Our Writer

LIVINGSTONE MUKASA
Founder Mazima Scheme

APART FROM UNDERSTANDING ESG AND ITS SIGNIFICANCE, IT IS IMPORTANT TO KNOW HOW THE CONCEPT LINKS TO RETIREMENT BENEFITS AND PENSIONS

HOW ESG PRINCIPLES FIT IN THE RETIREMENT BENEFITS SECTOR

Environment, Social and Governance (ESG) principles and practices have become increasingly crucial for organisational decision making, and the pension sector is no exception. There are various linkages between retirement benefits and ESG, therefore sector players should adapt and start including those principles in their decisions and practices.

The world has witnessed greater interconnectedness due to globalization, which means that countries now jointly face challenges like climate change, which require global solutions. Key among the global concerns is the need to consider non-financial aspects of business, bringing to the fore Environment, Social and Governance (ESG) principles.

Simply defined, ESG is a balanced scorecard for assessing non-financial implications and impacts as well as risks and opportunities. ESG is based on sustainable development principles which are defined by the UN Brundtland Commission as: "development that meets the needs of the present without compromising the ability of future generations to meet their needs."

ESG has always been considered a concern of the public and development sectors but that is changing. There is increasing concern and consideration of how the private and public sectors can work together, with the acknowledgement that private capital is critical in addressing ESG challenges. Sources of capital are increasingly being tied to ESG, exploring how the risks can be mitigated and solutions amplified.

Even in the pension industry, there is increased awareness and greater emphasis on unpacking ESG and how it connects to the industry.

Proliferation of ESG principles: ESG risk management is probably being done by many consciously or unconsciously. Many actors at national and global level have developed numerous frameworks to guide the adoption of ESG. The basic principle is to balance economic value creation with ESG considerations. A quick review of all existing frameworks points to the following issues of concern and consideration.

- With regard to Environment, institutions are increasingly considering climate change, carbon emissions, air and water pollution, biodiversity, deforestation, energy efficiency, waste management, and water scarcity.
- On the social front, there is consideration for customer satisfaction, data protection and privacy, gender and diversity, employee engagement, community relations, human rights and labour standards, and cybersecurity among others.
- With regard to governance, attention is paid to board composition, audit committee structure, bribery and corruption, executive compensation, lobbying, political contributions, and whistleblowing.

At a higher level, negative impacts of ESG issues impact everybody, without discrimination. Therefore no one should be left behind – retiree and prospective retirees inclusive. Regarding the environment for example, common natural disasters like flooding affect pension fund investments too.

Given due consideration in any enterprise, ESG principles lead to greater impact, shared value, stakeholder capitalism, inclusive business and sustainability. Thus, ESG is both an investment category and a broadly applicable set of principles. Looked at critically, ESG principles point out risks that enterprises ought to be mindful of and are key to investment decisions. But also, ESG points to interconnectedness, which requires sector actors to identify synergies and consolidate interventions since they are all working towards common goals.

Particularly in the African context, there is need to adapt ESG principles, because the continent has some really unique characteristics such as lower compliance, young population, massive natural resources, political trends, child labor etc. If adopted, ESG in Africa would bring about improved risk management, cost reductions, business opportunities, access to capital and attracting top talent.

Apart from understanding ESG and its significance, it is also important to understand how the concept links to retirement benefits and pensions. At the most personal level for example, it is common knowledge that older people want to retire to a quieter, cleaner environment and commune with nature unfettered. Indeed, many retirees will leave the city and its related challenges, to settle in the countryside if they have a choice. But without paying due attention to environmental factors, such dreams will soon remain unfulfilled.

At a higher level, negative impacts of ESG issues impact everybody, without discrimination. Therefore no one should be left behind – retiree and prospective retirees inclusive. Regarding the environment for example, common natural disasters like flooding affect pension fund investments too. Fund managers must therefore be intentional in making decisions that benefit their schemes in relation

to ESG. That means investing or developing products that are cognizant of an environment in which people would want to retire by finding a balance between investments and protecting the environment.

Some considerations to ensure that ESG is institutionalized in the retirement benefits sector

ESG education, integration and communication: Inclusive and sustainable pensions will have to consider ESG because climate disasters today like flooding are affecting pension fund investments. Fund managers should be educated about investments that incorporate ESG. Trustees must be empowered to understand ESG as well so that they are not only pushing for the maximization of returns. Fund managers have to look for investors who will not shy away from ESG factors and principles.

Due diligence must be done on ESG like they do for other areas of investment. All these imperatives come with a communication challenge regarding ESG. All actors should simplify ESG so that everyone understands it and so that trustees can cascade it to their members.

The case for ESG auditors: To avoid greenwashing, it is important to develop clear indicators of the impact of ESG. Greenwashing is the tendency to make unsubstantiated claims to dupe clients that a company is observing ESG principles. This calls for ESG auditors to evaluate the impact just like they have financial performance standards.

This requires capacity building of teams to properly assess risks and analyse auditor reports on ESG performance. Alternatively, independent verification of ESG performance could be promoted since most organisations do not yet have the capacity to implement and evaluate ESG.

Schemes, Funds and other actors in the pensions sector can undertake basic ESG self-assessment by answering three key questions:

- What is the status quo of ESG adoption by pension fund managers and regulators?
- How can pension funds better integrate ESG considerations in their risk management and decision-making processes?
- How can pensions regulation or policies integrate ESG considerations?

Currently, everyone is trying to see how to fully embrace and be more open about ESG. It maybe flawed but it is necessary. Sector players should take deliberate steps to adopt ESG as a measure of impact. The momentum should be with increasing – not decreasing ESG regulation, complemented with compulsory disclosures.

It is also important for African countries to maintain a voice in the global dialogue on ESG, hence countries should avoid working in silos. APSA provides a good platform for joint learning and joint action. Primarily, ESG should be embraced as a way of life and a core consideration for every investment – even beyond the pension sector.

Article by Lydia Mirembe, Manager Corporate and Public Affairs, based on discussions about Interlinkages between Pension Funds and ESG, APSA Conference, November 2023B

The Human Resource Management Professionals Bill 2023: Professional HR Practice benefits all retirees.

In August 2023, the Human Resource Managers' Professionals Bill was officially introduced to Uganda's 11th Parliament. The aim was to secure parliamentary approval for a Private Members bill, focusing on establishing regulations for professionals engaged in Human Resource Management.

A 60-day window was granted to enable examination of the contents of the bill, ahead of a formal presentation to Parliament. This development signifies the commencement of a series of transformative discussions involving different stakeholders, ultimately culminating int the regulation of the Human Resource Profession.

Thus, in the realm of employment and legislation, Uganda stands on the verge of a significant journey which will see regulation and professionalization of the HR Industry. This legal initiative aims to elevate standards in human resource management, emphasizing principles of integrity and ethical conduct. Its potential influence on the retirement benefits sector deserves attention.

Regulation of Consulting Firms

The bill proposes mandatory registration and licensing of HR Consulting firms, and sets the criteria for individuals steering these firms. This isn't just regulatory oversight; it's a call to ethical accountability, resonating with timeless values of honesty, transparency, and responsible stewardship.

Code of Ethics

The Bill introduces a Code of Ethics which is crucial for Human Resource practice. It reflects higher principles that guide human behaviour, covering the range from confidentiality and integrity to fairness and social responsibility. The code becomes a guardian, ensuring accurate information, legal compliance, and protection of beneficiaries' rights, echoing values of justice and compassion, which are key as people transition to retirement.

The Ethical Transformation

Retirement benefits are not only financial transactions but also a testament to ethical principles. The bill aims to create an environment where professionals, firms, and retirees come together in an ethical symphony, each playing a crucial role.

The bill offers regulatory guidelines and ethical principles, encouraging all stakeholders to align their actions with integrity, accountability, and service to others. This creates an opportunity for ethical transformation, inspiring professionals to view their work as a means to serve and uplift others.

The bill mandates ethical imperatives for consultancy firms, calling them to operate as stewards of the well-being of employees and retirees instead of solely for profit. With the guidance of the bill, consulting firms can compete not just in services but in their commitment to fairness, transparency, and the greater good.

Moreover, the bill offers prospective retirees more than just regulatory protection; it extends ethical assurance by creating a sacred covenant upheld by professionals and firms committed to the outlined principles. Retirees will no longer be left to navigate the complex system alone. Instead, they will be guided by an ethical network of stewards and firms dedicated to their well-being.

Conclusion

The Human Resource Management Professionals Bill 2023 is more than just a legal document. It is a framework that embodies stewardship, accountability, and ethical conduct. It is a catalyst for positive change. Imagine a future where retirement benefits are more than just a bureaucratic process but a testament to a society that values its workforce based on ethical principles.

By Sylvester Bagenda
Human Resource Officer, URBRA

> ***This legal initiative aims to elevate standards in human resource management, emphasizing principles of integrity and ethical conduct. Its potential influence on the retirement benefits sector deserves attention.***

HUMAN RESOURCE MANAGEMENT

PRUDENTIAL GOVERNANCE IS THE STARTING POINT FOR ESG IN THE PENSIONS SECTOR

TRUSTEES

> **Trustees are expected to establish internal control measures that facilitate adherence to the URBRA Regulations as well as the scheme trust deed and rules. This can best be done through internal policies and procedures tailored to the specific characteristics of particular schemes**

Saving for retirement is a long-term commitment, hence savers would like the assurance that their funds are secure and will guarantee a happy retirement. It is therefore important for all retirement benefits schemes to establish effective governance mechanisms and ensure prudential management.

Complying with regulations and implementing clear policies are key steps that can lead to effective scheme governance.

What is scheme governance?

It is the system by which a retirement benefits scheme is managed by Trustees and their delegated agents. It can also be defined as the mechanism by which trustees relate to scheme stakeholders and are held accountable for scheme affairs.

Scheme governance requires a combination of documented decision-making structures, alongside supporting policies and procedures to enable Trustees to discharge their fiduciary responsibilities.

At the heart of scheme governance is the Board of Trustees, the organ with the ultimate responsibility. The Board of Trustees is supported by committees and service providers appointed by the trustees. Day-to-day decisions are delegated to service providers, while trustees meet regularly to make other important decisions.

It is important for trustees to document policies and procedures as this offers them an opportunity to demonstrate that their actions are in the best interest of the members

thus leading to good scheme governance.

URBRA's guide to good scheme governance

URBRA regulations for the Management and Operation of Retirement Benefits Schemes outline the role of trustees in scheme governance including-

- Establishing adequate risk control mechanisms that address governance, operational and investment risks of the scheme;
- Specifying the rights of members and beneficiaries under the scheme;
- Preparing and approving the annual budget of the scheme;
- Ensuring that the scheme has written out service level agreements with all service providers;
- Engaging an independent auditor who reports to the audit committee and the Board of trustees;
- Ensuring effective and timely implementation of the recommendations of the independent auditor;
- Making policies that determine the nature and extent of transaction or dealings with affiliated institutions or related parties; and
- Ensuring that the scheme complies with the disclosure requirements under the URBRA Act and the dissemination of accurate information about the scheme.
- Establishing measures for dealing with feedback received from the members and other stakeholders of the scheme;

Internal policies and procedures

Trustees are expected to establish internal control measures that facilitate adherence to the URBRA Regulations as well as the scheme trust deed and rules. This can best be done through internal policies and procedures tailored to the specific characteristics of particular schemes.

Some of the internal policies that a scheme must have include-

- Investment policy statement
- Conflict of interest policy
- Scheme outsourcing policy
- Risk management policy
- A policy on appointment and governance of the Board of Trustees
- Trustees remuneration policy
- Scheme funding policy
- Procurement and disposal policy
- Interest and reserve allocation policy
- Board performance evaluation policy
- Member communication and education policy

The importance of functional internal policies and procedures

i) Policies provide the framework that governs the process to be followed when carrying out the roles and responsibilities of trustees. Some of the key responsibilities in scheme governance require specific expertise. As such, trustees have to delegate some of their responsibilities to ensure that the scheme runs effectively and efficiently.

ii) Policies provide the decision-making framework within which delegation can be done. Using the frameworks put in place by Trustees, the service providers are able to understand and execute the delegated responsibilities. Notwithstanding the delegation, the responsibility for those duties or roles remains with the Trustees.

iii) Policies enable the Board of Trustees to make effective use of their time and skills, and Trustees to carry out their responsibilities efficiently. With clear policies, Trustees are also able to manage risks in the scheme. A risk management policy can be used to identify the risks that a scheme can be exposed to and the mitigation actions that the trustees should take to minimise or eliminate such risk.

iv) It is a legal requirement under the URBRA Act and Regulations, for trustees to report to members about the scheme's financial wellbeing at the Annual General Meeting. For example, a communication and education policy will guide the trustees on the effective engagement and empowerment of scheme members, to increase awareness member rights and obligations.

v) Where a conflict of interest arises between trustees' duties and other responsibilities and interests, the duty as a trustee must take precedence. The conflicted trustee must declare the conflict and refrain from participating in the deliberation relating to such a matter. Under such circumstances, a conflict of interest policy guides the trustees. If a prospective trustee feels unable to manage any conflict of interest, he or she should not accept appointment as a trustee, or if already appointed, such a person should resign from trusteeship.

vi) Policies also stipulate reporting guidelines, ensuring that the reports given to members, the sponsor and the Regulator are of high quality and standard.

Functional policies are the hallmark of the schemes' maturity

The importance of policies in the governance of schemes cannot be overstated. The level of detail and clearly stipulated processes and procedures contained in scheme policies is a hallmark of the scheme's maturity and a great attribute of good scheme governance.

Even as the sector moves to integrate ESG principles in its policy and regulatory framework, there is a starting point with existing regulations on prudential governance of retirement benefits scheme.

ADEQUACY OF RETIREMENT BENEFITS IS CLOSELY LINKED TO THE NUMBER OF YEARS AN INDIVIDUAL SAVES FOR, AND THE NUMBER OF YEARS THE INDIVIDUAL LIVES IN RETIREMENT

THREE KEY FACTORS THAT AFFECT ADEQUACY OF RETIREMENT BENEFITS

Assessing the adequacy of retirement income is not as straightforward as it may seem. For one, the adequacy of income depends on the interaction between various factors, some of which are beyond the control of individuals and policy makers.

Market conditions and other factors impact significantly on retirement benefits – witness the 2008 credit crunch, the 2020-2022 Covid19 outbreak, the Russia-Ukraine war, among others. Many people live in permanent uncertainty, wondering if their accrued savings will be adequate to finance their retirement needs.

The uncertainty arises from a wide range of factors including: final realization of return on investment, inflation, life expectancy among others. Risks to adequacy of retirement benefits arise from the choices of individuals, employers and policy makers, regarding pensions parameters, such as the level of contributions, length of the contribution and accumulation periods, structure of the payout phase.

The key consideration is how to ensure adequate retirement income, reflecting on

three key questions: How much do people need to save; how can negative effects of market conditions on pension plans be alleviated; how can retirement income be protected during the payout phase?

How much do people need to safe for retirement?

Commonly, replacement rate is the measure used to assess adequacy of retirement income. This refers to retirement income relative to final salary at the time of retirement. Experts recommend a target replacement rate of 70%, and this is usually based on the assumption that mortgage costs amount to one third of income and that these are paid off before retiring.

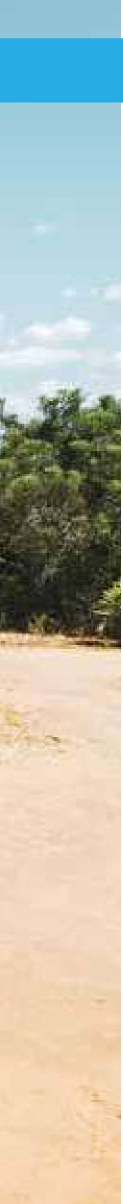
But as one might expect, increases in the contribution rate, ceteris paribus, lead to increases in retirement income. Additionally, the replacement rate accelerates as the rate of return-on-investment increases.

Hence adequacy of retirement benefits is closely linked to the number of years an individual saves for, and the number of years the individual lives in retirement. These in turn relate closely to the age of entering the labour market, the age for retirement, the emoluments one receives along the way, plus the investment choices and the return on investment.

It therefore follows that lengthening the years of contribution by starting early and postponing retirement, is an efficient approach to increase retirement income. Moreover, by postponing retirement one not only increases contribution rates, but also reduces the number of years in retirement. Depending on the target replacement rate there is a need to put aside a meaningful percentage of one's wages to finance retirement – somewhere between 5% and 15%.

The impact of market conditions at the time of retirement

Different market conditions at the time of retirement create volatility in retirement income and affect adequacy. For example, two individuals with the same labour histories – i.e the same number of years contributing to a scheme, the same contribution



rate, wage growth profile and retirement age – would enjoy very different retirement incomes. This would be a result of being exposed to different market conditions at the time of retirement. Such variations could make the difference between adequate retirement income and old-age poverty.

Policy makers and regulators could thus consider introducing minimum return guarantees to reduce the variability in replacement rates due to the timing of retirement. Additionally, they could examine the benefits of requiring life-cycle investment strategies compared to fixed portfolio investment strategies. These could reduce the magnitude of the impact of the timing of retirement, though they may come at a cost. The level of the minimum guarantee has to be relatively high, which implies high costs and raises questions as to who would be willing to offer those guarantees – either the sponsor or the government. The use of life-cycle investment strategies means losing out on market upswings. Even though life-cycle strategies may not be optimal from a purely investment return point of view, they may achieve the goal of keeping replacement rates from falling too much when market conditions worsen.

> **Depending on the target replacement rate there is a need to put aside a meaningful percentage of one's wages to finance retirement – somewhere between 5% and 15%.**

The impact of the payout structure

Adequacy of retirement benefits is equally affected by inflation. The purchasing power of pension benefits during retirement depends on whether or not they are indexed to inflation. Lack of inflation indexing leads to the loss of purchasing power of as much as a third in just 20 years.

Replacement rates measure retirement income relative to final salary. Therefore, for a constant periodic payment, the replacement rate will remain constant during retirement. However, due to inflation, this fixed amount of retirement income will over time, not buy the same amount of goods. Hence, a constant replacement rate disguises the loss of purchasing power.

Therefore, to avoid losing the purchasing power during retirement, it is advisable to index pensions to inflation. However, this largely depends on the country context. In countries where retirement income from defined contribution plans are the main source of income for retirement, the need to index to inflation is greater than in countries where most of retirement income comes from public pensions, which are already indexed to inflation.

Fortunately, there are annuity products that provide inflation-indexed pension benefits such as inflation-indexed life annuities. However, indexing pensions to inflation to ensure a constant purchasing power, requires a bigger saving effort in form of higher contribution rates. But how palatable is that to the saver?

There are different ways of allocating accrued assets to finance retirement. The benefits accumulated at retirement could be used to buy a life annuity, to finance a programmed withdrawal or any combination of these options. These can be selected basing on the impact they each have on retirement income that retirees would receive throughout their years in retirement.

With life annuities, savings are transformed into a periodic constant stream of retirement income. However, fixed life annuities suffer a major potential problem, whereby the purchasing power of that constant periodic income stream falls over time as long as inflation remains high. To overcome this weakness and maintain constant purchasing power, the individual could use the assets accumulated at retirement to buy an inflation-indexed life annuity.

Accrued savings could also be used to finance programmed withdrawals, which can take several forms. A fixed programmed withdrawal pays a periodic constant income for a defined period. Alternatively, those assets could be used to finance a variable programmed withdrawal that pays a variable periodic income. The periodic stream of income is variable because, every year, the amount of assets remaining, adjusted for portfolio gains the previous year, is divided by a changing life expectancy to obtain that year's payment.

Life annuities provide protection from longevity risk, while programmed withdrawals allow for flexibility, liquidity and bequests. Buying a life annuity at retirement is an irreversible decision under which retirees lose ownership of their accumulated savings, but they offload longevity risk to the annuity provider.

Joining a programmed withdrawal permits retirees to keep control of their accumulated savings so that if they were to pass away earlier than expected, the remaining balances go to their spouses or heirs. However, under a programmed withdrawal, retirees bear the longevity risk. Additionally, in the case of a fixed programmed withdrawal, the downside risk of market returns falls on the pension fund, whereas the retiree bears the downside risk in the case of a variable programmed withdrawal. All payout options provide relative protection from inflation, apart from fixed life annuities. However, only inflation-indexed life annuities provide full guaranteed protection against inflation.

An alternative approach to structure the payout phase is to combine a deferred life annuity and a programmed withdrawal. The deferred life annuity is bought at retirement but starts paying pension benefits at a later stage (e.g., age 85). The balance remaining after buying the deferred life annuity can be used to finance a programmed withdrawal for the intermediate period (e.g. from the age of 65 to 84). The goal is to have protection from longevity risk through the deferred annuity and to have flexibility, liquidity and the bequest option during the first years after retirement.

Assessing the options

When choosing between different payout options, there is a balance to strike between protection from longevity risk on one side and flexibility, liquidity and bequests on the other. Assuming that the main criterion is protection from longevity risk, programmed withdrawals can be removed from the picture and only one of the other three payout options including a life annuity fits the criteria. However, when the bequest motive has an important weight in a person's decision-making process, then programmed withdrawals look attractive. Programmed withdrawals also look attractive when a time preference for up-front higher retirement payments is a factor under consideration.

Retirees may be better off buying life annuities if the focus is only on the replacement rate at different ages. Life annuities provide a better deal for pensioners than programmed withdrawals. Replacement rates from the inflation-indexed life annuities are larger than for any other payout option, except for the fixed life annuity during the first years in retirement. Despite the obvious benefits, few retirees buy a life annuity at retirement. This "annuity puzzle" is easily explained considering that retirees also attach value to having more money during the early years of retirement to face contingencies (flexibility and liquidity) and that they value the possibility of leaving a bequest if they were to pass away early.

As retirees get closer to the average life expectancy, the benefits brought about by having the option of leaving bequests dwindle away and the benefits of life annuities, a pension for life, become more relevant. People whose life expectancy is below that cut-off age may therefore be worse off giving their money "away" to annuity providers and thus subsidising those people with a higher life expectancy.

Combining a deferred life annuity with a programmed withdrawal may be the best compromise as it provides protection from longevity risk, allows for flexibility, liquidity and room for bequests. When protection from longevity risk is the overriding concern, life annuities are superior in particular, inflation-indexed life annuities. When the main goal is to leave bequests and have higher retirement income upfront, programmed withdrawals and combined arrangements seem to work better than life annuities alone. Combined arrangements may be the best compromise as they provide flexibility, liquidity and the ability to leave bequests.

Conclusion

To ensure adequacy of retirement benefits, there is a need for comprehensive measures, including:

1. **Ensuring people save between 5% and 15%, of their wages, especially if they target a replacement rate of 70%.**
2. **Increasing the length of the contributing period by postponing retirement in order to raise replacement rates.**
3. **Having pension benefits indexed to inflation to avoid purchasing power losses during retirement.**
4. **Setting default life-cycle pension funds to reduce volatility in retirement income caused by varying market conditions at the time of retirement.**
5. **Consider the key concerns of retirees to design appropriate payout structures**

This article is adapted from Pablo Antolin (2009) Private Pensions and the Financial Crisis:

How to Ensure Adequate Retirement Income from DC Pension Plans.

BOTH THE GOVERNMENT AND PRIVATE SECTOR SHOULD PREPARE THEIR EMPLOYEES FOR RETIREMENT AND OLD AGE.

TO ENHANCE ADEQUACY, RETIREES HAVE TO TWEAK THEIR LIFESTYLES

But with two children still in lower secondary school, coupled with the rising cost of living, Joseph figured the rental income from his rental houses in Mutungo would never be enough to sustain a meaningful life, so he relocated to village where the cost of living is lower.

Uganda's economy may be stable and recovering from Covid19, but that has not shielded citizens from the effects of other global phenomena such as the war in Ukraine and the Covid-19 pandemic, which induced economic disruption around the world.

Together the war in Ukraine and the Covid-19 pandemic disruptions have been blamed for an increase in the prices of soap, food, fuel and transport costs, which in turn has prompted the most marginalized who include retirees and the elderly to make do by readjusting the lifestyle.

For Joseph Arop, who retired in 2021, adjusting to life in retirement meant relocating to his upcountry home in northern Uganda.

A former driver for one of the private companies in Kampala, Arop's job had earned a modest salary throughout his work life, but he saved and sacrificed enough to build a residential house and some rentals in Kampala during his working years.

But with two children still in lower secondary school, coupled with the rising cost of living, Joseph figured the rental income from his rental houses in Mutungo would never be enough to sustain a meaningful life, so he relocated upcountry where the cost of living is lower.

Now he collects rental income and uses the money to pay school fees. He is also building a house upcountry because having lived in Kampala for a long time, he accumulated a lot of movable property that cannot fit in the small house he had in the village.

Arop is now a farmer, working with the rest of his family to grow sesame, groundnuts, cassava and other food crops for both home consumption and sale, to supplement his rental income. Arop hopes to start roofing the house he started building after retiring, so that he can once again enjoy the furniture and other property he accumulated during his time in Kampala. For now, these properties are in storage in another house in the compound.

In effect, farming and the rental houses are Arop's source of

Arop Joseph, a retiree

Philomena Nabweru Rwabukuku

retirement income, since he does not receive a monthly pension.

Unlike Arop, Philomena Nabweru Rwabukuku has a monthly pension. When she first retired after clocking 60 years of age, she was getting Ush400, 000. Thankfully for her, that money has been paid consistently since she retired and does not encounter incidents of missed pension payments.

"When I retired, there was that fiasco at public service concerning the mismanagement and embezzlement of pension funds. At that time there was strict observation of how people were conducting business in that department, so the process was smooth for me," she says, adding that she has never had trouble accessing her pension, something that other public service retirees often complain about.

Nabweru uses her pension on her personal health and self-care. She also spares some to look after her elderly mother and to support her children. Her husband also retired from public service and receives a pension monthly. But being a dual-income couple does not mean there are no challenges and sacrifices to make.

Before she retired, Nabweru joined several groups including the Uganda Women Writers Association (FEMRITE) and the inner wheel club, a charity organisation made of female members of Rotary Club. These projects provide her with opportunities to socialize and are the ways through which she indulges her passions of supporting the betterment of her society. At the moment, however, she is struggling to keep up with these passions of hers because her pension isn't always enough to stretch to these activities.

Since she retired in 2012, government has adjusted her pension and she now receives Ush550, 000, but as it is not enough. Nabweru misses meetings at both FEMRITE and has contemplated dropping out of inner wheeler's club for good. For now, she is still hanging in there, with the help of friends who paid her inner wheel membership this year. Despite her retirement and pension journey being fairly smooth, Nabweru has struggled to maintain the life she lived before retirement. She occasionally gets a stipend from work as a member of Kibale District Service Commission, but that's just a "gig" as she calls it and she still largely relies on her pension. Thankfully she also enjoys support from her husband, a fellow retiree.

> ***At the moment, Nabweru is struggling to keep up with her passions because her pension isn't always enough to stretch to cover these activities.***

But for a retired Arop who still has school-going children and a house under construction, the situation is completely different. He says that the experience has taught him that both the government and private sector should better prepare their employees for retirement and old age.

In addition to increasing retirement benefits, Arop says better preparedness by his employer would have allowed him construct a better retirement house early, instead of having to do it now, when he has very little income.

For Nabweru, apart from the income challenge, loneliness is another issue to deal with in retirement, which is why she has struggled amidst hardship to maintain club membership in Rotary and FEMRITE, as these provide an opportunity to interact with new people and to stay busy.

By our writer

FOR UGANDANS WITHOUT EXPERIENCE IN HANDLING LARGE SUMS OF MONEY, THE OPTION IS TO TAKE ADVANTAGE OF THE WELL-REGULATED SECTOR

ANNUITY AND INCOME DRAW DOWN PLANS COULD SAVE PENSIONERS LOSING MONEY

One of Philomena Nabweru Rwabukuku's biggest regret is that she did not know how to best use the gratuity she received after 35 years of teaching.

"You get the gratuity lump sum and you have never handled that kind of money," she says.

As a teacher used to the predictability of a salary, she was not used to investing big sums and would have liked a product such as the income draw down or annuity plan currently available from some life insurance companies in Uganda today.

Without these products, Nabweru consulted widely on the best way to invest the over Ush35million she received as gratuity, but in the end, she took a well-travelled path.

From her husband, she asked whether she could invest in bonds and treasury bills but was told that would be too difficult.

From the teachers' union, she was told they could invest the money for her and pay dividends, but that arrangement was hard to

understand so it was rejected. In the end, she took a well-travelled path and bought two motor cycles to act as boda boda, with a plan to get back her money with some interest in just over 18 months.

Her hope was that she could then allow the boda boda riders to take the motor cycles after getting back her investment and interest, but this did not work out. That is how her plan of growing a fleet of boda bodas able to pay her a regular income died.

As she was trying to recover her money from the boda boda riders, a number of people she had asked for advice on how to invest were fundraising for treatment and surgeries.

"When I realized I was spending all the money without getting anything tangible for myself, I

"You get the gratuity lump sum and you have never handled that kind of money," she says

bought a piece of land and planted plantain, as I was on the verge of losing all of it supplying to people with problems," she says.

For Nabweru it is too late to use her gratuity, as until now she hasn't managed to make the land she bought economically productive, meaning that lump sum did not do much to improve her wellbeing as a retiree.

However, recent changes within the retirement benefits space, suggest people retiring now have good options that involve handing the money over to experts in a well-regulated financial sector, for the pensioner to receive a monthly stipend from their gratuity.

Hajji Kaddunabbi Lubega the Chief Executive Officer of the Insurance Regulatory Authority says one way of achieving this goal is through the annuity plan that is on offer in a number of Life Insurance Companies.

"There are several insurance products under the pension space including annuity plans that allow a person to make periodic or lump sum payment to the insurer in exchange for providing a steady cash flow for the person during their retirement years" he says.

Annuity plan is a kind of insurance that ensures a retiree gets an annual stipend for the rest of their life.

A brochure from ICEA Lion Life Assurance Company Limited describes an annuity as a financial plan that provides the policyholder with a regular stream of income that can be paid in monthly, quarterly, tri-annually, semi-annually or annually.

Information provided by ICEA Lion Life Assurance shows that a retiree born in 1961 that pays Ush100 million for an annuity plan would be paid a monthly stipend of anywhere between Ush822, 486 and Ush1,133,993.

In addition to the annuity plan, the IRA boss highlights income drawdowns, as another convenient option for retirees.

"These allow one to get pension income when they retire while allowing the pension fund to keep on growing. Instead of using all the money in one's pension fund to buy an annuity, they leave it invested and take a regular income directly from the fund," Kaddunabi says.

Just like the annuity plan, the income drawdown plan is only available for people that have clocked retirement age.

The official retirement age as per Uganda's public service is 60 years of age, but people that are ten years younger can invest in an annuity or income drawdown plan.

The question for most people, however, is how to accumulate the one hundred million or whichever amount is needed to provide adequate savings that a retiree can use in old age.

For one to accumulate

enough savings for old age, Martin Nsubuga, the Chief Executive Officer at Uganda Retirement Benefits Regulatory Authority (URBRA) says the trick is to start as early as possible.

"We have plans to encourage products that will see school children saving amounts as low as one thousand shillings," he says.

For now, however, Florence Nabakiibi the Life and Pensions Manager at ICEA Lion Life says the available product allows Individual Pensions Plans (IPP) for people that can pay a regular stipend that then multiplies itself over time.

"After ten years, if you are saving 100,000 every month for ten years, you will have twelve million shillings, without counting the interest," says Nabakiibi.

While this amount is little, she explains that someone who starts saving in his or her IPP at 24 years will by the time of retirement, have close to the Ush100 million that can then lead to a decent retirement package.

"When you save for a long time, you benefit from compounding interest," she says.

She points out the mistake most people make, is that instead of choosing financial products such as the IPP, focus is usually on the well-traveled investment paths that almost all Ugandans with some capital take.

"Many people like to invest in taxis, rentals and boda bodas and those don't always work out," she says adding that there is a lack of knowledge when it comes to the "soft financial solutions."

A lack of knowledge on how much easier and safer it would be to save money with players in the retirement benefits space, is why ten years after Nabweru first lost her gratuity, many Ugandans still choose a path similar to the one she took, attempting to invest in land, boda boda and in some cases agriculture.

Experts in the retirement benefits sector say for Ugandans without experience in handling large sums of money, the option is to take advantage of the well-regulated sector. These experts also add that although Ugandans are often suspicious of some of the financial products, they should rest assured that with a strong regulatory framework, their funds are fairly safe.

By our writer

URBRA Bunyoro sensitization tour stirs enthusiasm for retirement saving

In a bid to increase appreciation of retirement saving among informal sector workers, Uganda Retirement Benefits Regulatory Authority (URBRA) embarked on a sensitization and education tour, traversing Bunyoro sub-region, covering the districts of Hoima, Masindi, Kagadi and Buliisa. The URBRA team comprised the Chairman Board of Directors, Hon Julius Bigirwa Junjura, Board member Hon Ronah Ninsiima, and the Chief Manager Corporate and Public Affairs (CMCPA), Hajji Hassan Nakabaale.

During the tour, URBRA engaged a wide range of stakeholders including traditional leaders in Bunyoro Kitara kingdom, district local government leaders, private sector actors and ordinary informal sector workers. Throughout the region, there was a general desire to learn more about retirement saving, to regularize existing, non-licenced schemes and to establish schemes where none existed. Key among the stakeholders engaged was the Prime Minister of Buyoro-Kitara Kingdom, the Rt Honorable Andrew Byakutaga, who requested URBRA to support the establishment of a retirement benefits scheme for the kingdom staff. He offered to promote URBRA's efforts by mobilizing his subjects to get involved in retirement saving. "I will use all the available media channels to mobilize our people to understand your agenda and even arrange for you different forums to address the people of the region on these unique services offered by URBRA," Hon. Byakutaga said.

Other stakeholders who expressed desire to establish a scheme were leaders of the Masindi District Sugarcane Outgrowers Association (MDOGA), who grow and supply sugarcane to Kinyara Sugar, with an estimated annual turnover of not less than UGX70 billion. Even though Kinyara Sugar sponsors the association, they are yet to establish a retirement benefits scheme. URBRA Board Member, Hon Ronah Ninsiima urged leaders of the association to leverage the Kinyara Sugar sponsorship, and set up a scheme and ensure that their members do not suffer old age poverty. The Masindi Resident District Commissioner (RDC), Mr. Emmy Ngabirano, assured MDOGA members that URBRA, as the custodian of pension laws and with the mandate to promote sector development, would protect their savings by licencing and supervising their scheme once they established it. "You can't escape tomorrow's responsibility by avoiding it today, so you're encouraged to save today and enjoy your old life, which is tomorrow," Ngabirano said.

The Kinyara Sugar Head of Human Resources and Administration, Mr. Kabira Moses, thanked URBRA for effectively supervising retirement benefits schemes under its regulation. Mr Kabira, who is also a trustee of the Kinyara Sugar Provident Fund licenced by URBRA, acknowledged the timely receipt of URBRA's regulations and policies and expressed gratitude for the trustee training conducted by the Authority. URBRA also had the opportunity to engage Bwendero Dairy Farm Ltd, who expressed the desire to regularize their existing retirement benefits scheme. The General Manager, Mr Albert Bwitira reported that the company, with over 1000 employees, had a Post-Employment Fund with a contributory system and a convincing investment portfolio. However, the scheme was operating without a licence. Mr Bwitira said that he had implored and convinced the management of Bwendero Diary Farm to establish a scheme, and was now seeking URBRA's technical support to have the scheme licenced and supervised in order to protect the members' savings.

On their part, the District Local Government leaders urged URBRA to organize pre-retirement seminars for their staff. In Hoima, the Deputy Town Clerk, Mr. Oola Donato, decried the destitute state of former local government staff, who retired without proper plans and misused their pensions. Mr Oola expressed concern that such people lacked pre-retirement education. The Masindi Chief Administrative Officer, Mr. Awio Emmanuel, shared the same sentiments. He noted that Masindi District had never conducted a pre-retirement seminar for their retiring staff. He requested URBRA to facilitate at least one seminar for this financial year.

Similarly, in Kagadi, the district leaders called upon URBRA to conduct pre-retirement seminars and re-engage the informal sector workers to address the issue of voluntary retirement savings. With such enthusiasm for retirement saving, URBRA assured the stakeholders in Bunyoro sub-region that the Authority would make all possible arrangements to continue with the public sensitization and education in the region, to support budding retirement schemes and to ensure effective supervision of the existing ones.

By Hajji Hassan Nakabaale,
Chief Manager Corporate and Public Affairs

IS RETIREMENT SAVING POSSIBLE FOR THE SELF-EMPLOYED?

For most Ugandans, the answer to the question of whether to investment in a business or personal retirement scheme, as preparation for life in old age will receive what many would argue is an obvious answer.

Invest in a business they would say. Agatha Kyarisiima took that route and luckily it is going well for now, but financial experts say, she might do well to remember all the elderly having to either work in old age, live off of their children or in poverty.

Having honed her craft making skills, Kyarisiima started a business and for now, that is her retirement plan.

Starting a business was not her original plan of how to make a living. Kyarisiima's initial instinct was to find a formal job that for many people can at times come with savings for retirement through the statutory National Social Security Fund and in some cases, the employer even invests in an occupational scheme.

However, her job did not have any arrangement for retirement savings. She never even saved with the National Social Security Fund (NSSF), as she only received a commission instead of a salary.

As a contract worker, Kyarisiima had no job security, no NSSF savings or retirement benefits and in effect minimal incentive to stay with her employer long-term. The lack of commitment from the employer prompted Kyarisiima to start Gatha Accessories, as side hustle in 2018.

By 2020, she was ready to formalise and create full time employment for her staff.

"I had some women on full-time basis but some underperformed, although others were inconsistent with showing up," she says. Just like her former employer, Kyarisiima changed course and adopted the strategy of engaging her employees on a temporary, no-benefits arrangement.

But that approach is illegal, as Alice Nankya the Head of Human Resources at Nation Media Group Uganda, argues. It's

also bad for business in the long run.

"The right thing to do is pay NSSF for your employees because it is statutory and those who don't comply are at a risk of whistleblowers upending their businesses," says Nankya.

Nankya says once a whistleblower provides proper evidence, the employer can face penalties, which in some cases leads to the collapse of businesses and losses to the entrepreneur.

Kyarisiima, however, has not yet taken the step to pay retirement benefits, as she feels it is cost effective, at least in the short run to pay part time employees.

She never considered paying her own retirement funds into any retirement benefits scheme. She prefers to use her little savings to expand her business by buying machinery and the materials for crafts making.

"I still consider it unaffordable to contribute to a scheme; it reduces my chances of hitting my annual targets. That is not to say that I do not save. I actually do so in two groups but get it back at the end of the year with interest. That works best for me rather than putting money in a scheme and can only get it after many years yet I have an urgent need to build the business," she says.

Kyarisiima's model is popular among Ugandans, but Florence Nabakiibi, the Life and Pension Manager at ICEA Lion Life Assurance Company Limited warns it has its own pitfalls.

> ***The trick is to start saving early because that way, you benefit from compounding interest," says Nabakiibi.***

Nabakiibi emphasizes the importance of investing in structured financial markets, as it safeguards individuals against putting their eggs in one basket, which is a danger in a case an entrepreneur falls sick or is unable to work for one reason or the other.

According to Nabakiibi most people, attempting to invest without consulting professional advisors, will buy assets such as boda bodas, commuter taxes and or in what is popularly known as weekend farming. More often than not, these businesses fail. Statistics about Uganda's high entrepreneurship spirit show that anywhere between 50 and 75 per cent of businesses fail before their fifth-year anniversary.

Kyarisiima is a big dreamer, however, and feels she will beat that grim statistic of businesses failing. Her dream in the next few years is that her business will ably survive without much of her input. She also hopes to establish a manufacturing arm to make the materials she needs for the crafts while selling some.

For most Ugandans, Kyarisiima's

model of saving to invest in a business is the ideal way to do things, so she has no regrets. Even Uganda's biggest retirement fund, the NSSF encourages the route of saving to build a successful business, as exemplified by its campaign friends with benefits. Under the friends with benefits campaign, savers who had qualified to receive their NSSF retirement savings would be rewarded for great investment decisions that resulted in the start of a successful business.

The rationale as provided by former NSSF, Chief Executive Officer Richard Byarugaba is that for most people, their savings are too little to result in a meaningful life after retirement. Since savings with NSSF and even getting the public service pension is usually not enough most people believe that it is better for one to use their savings to start a business whose profits can then pay for the retiree's needs.

Almost everyone agrees that the key to operating a successful business is to have started before retirement. In that sense, Kyarisiima is on the right track.

Additionally, Kyarisiima is also making other capital investments outside of her business. While she does not specify which capital investments, for most people this means buying a piece of land and building a house to live in so that paying rent is no longer a source of pressure.

Hajji Kaddunabi Lubega the Chief Executive Officer of the Insurance Regulatory Authority agrees that there is logic to capital investments in things like houses and land, but he argues that personal retirement funds are important too.

"It is very important to invest in valuable savings products that are offered by insurance companies such as personal retirement schemes and provident Funds because they are affordable and flexible," he says.

He adds that the retirement benefits space now has products where one can pay amounts as low as Ush10, 000, in preparation for life when old age makes work difficult.

Experts in the retirement benefits space say these kinds of small savings can translate into significant resources in old age, especially if one starts early.

Florence Nabakiibi, the Life and Pension Manager at ICEA Lion Life Assurance Company Limited explains that if for example, a 24 year old just out of a tertiary institution started saving Ush100,000 every month throughout their working life, it would translate into Ush740 million at retirement forty years later.

The comparable amount for someone who starts saving Ush100, 000 monthly in their forties with a plan to retire a decade later is so much lower, as it would be just be twenty million shillings.

"The trick is to start saving early because that way, you benefit from compounding interest," says Nabakiibi.

For this reason, Uganda Retirements Benefits Regulatory Authority (URBRA) says that they, plan to start campaigns in the near future, where adolescents can save amounts as low as 1000, shillings.

Martin Nsubuga the URBRA CEO says that as long as young people can practice saving for retirement, so that it becomes second nature, the expectation is that the elderly retiring to poverty would reduce.

Having young people in structured and well regulated saving schemes would also act, as an education tool for Ugandans who in many instances can be easy to con.

Uganda has had a recurring problem of people losing their money to different Ponzi schemes and seeing financial products that have been licenced by regulators such as IRA, URBRA, the Bank of Uganda and Capital Markets Authority for many people would be an important lesson for those like Kyarisiima that think going it alone is smarter.

For this reason, Nabakiibi urges every working individual to spare some money and invest it in the well-regulated retirements benefit space.

Even in cases where your business is, doing well like is the case with Kyarisiima, Nabakiibi points out that you will at least have a diversified financial portfolio. Financial diversification is always good.

By Our writer


Q&A

Q&A

COLLABORATION AMONG STAKEHOLDERS WILL ENHANCE INCLUSIVENESS IN THE RETIREMENT BENEFITS SECTOR

Tell us briefly about Prudential Insurance and the role you play in retirement planning.

Prudential Insurance is committed to promoting financial planning for the long term, even though we are not currently in the pensions business yet. Our products aim to address the broader spectrum of financial security, aligning with our purpose: "For Every Life, For Every Future

The Africa Pension Supervisors Association (APSA) Annual Conference came to Uganda, and Prudential was among the key sponsors. What did this mean for you and for the pension sector in Uganda?

Hosting the APSA annual conference in Uganda, through URBRA, signalled a recognition of he growing significance in the pension sector in Uganda. It was a unique opportunity to showcase Uganda's potential for pension sector growth and collaboration.

The theme of the conference was Sustainable Pension Inclusion in Africa. What are your reflections on the issue of inclusiveness?

Inclusiveness in retirement planning is a pivotal aspect of Prudential's mission. Our commitment to the theme of Sustainable Pension Inclusion in Africa aligns with our belief that everyone, regardless of their background, should have access to robust retirement benefits and financial planning tools.

From your experience as a leading sector player, what factors are responsible for the current low sector coverage?

The low coverage issue stems from various factors, including limited awareness, informal work settings, and economic challenges. Prudential advocates for education on the importance of retirement planning and seeks to develop tailored solutions for those in less formal employment.

What does Prudential have in store for the Ugandans who are not in formal, structured settings?

For Ugandans in informal settings, Prudential is developing innovative life insurance products that provide flexible and accessible options for saving and planning for retirement. Our goal is to ensure financial security for all, irrespective of their work structure.

As the discussion about ways to ensure more inclusiveness continues, what in your view, should be the key areas of focus and why?

Key areas of focus for achieving inclusiveness should include financial literacy initiatives, collaboration between public and private sectors, and the development of adaptable pension products. These approaches can break down barriers and make retirement planning more accessible to a broader population.

What would be your recommendations for sector players to enhance inclusiveness and achieve universal pension/retirement benefits coverage?

Recommendations for enhancing inclusiveness include urging governments to implement supportive policies, encouraging private sector innovation in creating inclusive products, and fostering civil society partnerships for awareness campaigns. Collaboration among these sectors is crucial to achieving universal pension coverage and ensuring a secure retirement for all.

Q&A

ENGAGE CLIENTS VERTICALLY AND HORIZONTALLY TO ENHANCE INCLUSIVENESS - CEO Sanlam Investments, East Africa

Mubbale Mugalya
CEO-Sanlam Investments

Tell us briefly about Sanlam Investments EA and the role you play in the retirement benefits/ pensions sector.

Sanlam Investments is the leading fund manager in East Africa, having in excess of USD 4.0 Bn of assets under management of which USD 580 million is managed on behalf of clients in Uganda. We are part of the Sanlam group that is listed on the Johannesburg stock exchange and have operated in East Africa for over 25 years. We are the leading manager of pensions in East Africa and this reflects the trust built with our clients over the years.

The Africa Pension Supervisors Association (APSA) Annual Conference was hosted by Uganda (through URBRA) and Sanlam Investments, East Africa was a key sponsor, what did that mean for you and Pensions Sector in Uganda?

It was a great opportunity for the country to raise the level of engagement and map innovative ways for the benefit of the population. We are excited that the regulator URBRA maintains a bold and constructive stance towards pension inclusiveness.

Given the theme, Sustainable Pension Inclusion in Africa, what are your reflections on the issue of inclusiveness?

The Africa pension canvas is colourful with varying designs, opportunities and bottlenecks. Inclusion however cuts across the continent. Now is the time to think strategically about the way forward. This calls for open mindedness and bold action if we are to raise the level of inclusion. We have to consider partnerships both horizontally and vertically; those that are successful can be adopted by other jurisdictions.

From your experience as a leading sector player, what factors are responsible for the current low coverage?

From engagements with the largest employer segment (SMEs) and self-employed people, saving for old age is usually a necessity but not a priority. Ongoing expenses such as school fees for the children, medical costs and day to day living expenses dominate the money conversation. Where the opportunity to earn a return on investment is pitched – the return is deemed too low at an average of 10%.

What does Sanlam Investments EA have in store for the Ugandans who are not in formal, structured settings?

We are engaging the customers strategically through vertical and horizontal partnerships. This allows us to address the needs of clients rather than just focus on one aspect.

In the ongoing discussion of how to ensure more inclusiveness, what in your view, should be the key areas of focus?

Innovation and boldness are key; both from the service providers as well as regulatory support. The challenges of the populace are unique, with the support from a technology side, the bridges can be built over time to improve on this aspect.

What would be your recommendations for sector players to enhance inclusiveness?

The support from the public sector – towards the private sector initiatives can be positive steps in the right direction.

How to file a Retirement Benefits Complaint

THE REPUBLIC OF UGANDA

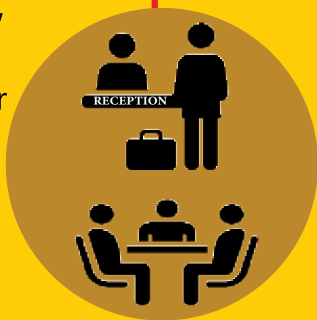
URBRA
UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY
Protecting your retirement benefits

STEP 1

- Raise a complaint in writing, with the concerned retirement benefits scheme.
- If in Public Service, raise a complaint with your former vote or district.

STEP 2

If the complaint is not handled to your satisfaction, file a complaint with the URBRA complaint's unit.



- Collect the complaints form at the URBRA offices, or download a copy of the form from the URBRA website.
- Fill out and submit the complaints form online, or physically at the URBRA offices
- Alternatively, record your complaint orally at the URBRA complaints desk. This will be transcribed and given back to the complainant for signing.

STEP 3

- If the URBRA complaints unit does not resolve the matter to your satisfaction, raise it with the URBRA Chief Executive officer.

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KEEPING PACE WITH INFLATION AFTER RETIREMENT BENEFIT PAYMENTS

Retirement brings about a significant shift in an individual's financial landscape. One critical concern for retirees is the ability to maintain their standard of living amid the rising expenses through inflation. Inflation erodes the purchasing power of money over time, making it essential to address its impact on retirement benefits. Retirees face the risk of experiencing a decline in real income, which can lead to financial strain and a compromised quality of life.

The impact of inflation on retirement savings can be seen in the example given. Mukisa, a 45-year-old Ugandan, has saved UGX 500,000 for his retirement at age 55. Assuming a constant inflation rate of 3% over the next decade, the future value of his savings would be UGX 670,426. However, due to the effects of inflation, the actual purchasing power of his savings would remain the same as UGX 500,000 today or could even decrease. Inflation rates have a significant impact on the adequacy of retirement benefits, especially in pay-as-you-go or defined benefit arrangements. Higher inflation rates can erode the purchasing power of fixed inflows, necessitating regular adjustments to retirees' payments to maintain their standard of living. To ensure retirement benefits remain adequate, it is crucial to consider the impact of inflation and make adjustments accordingly.

The challenges posed by inflation and its impact on retirement benefits should be actively discussed and addressed at the policy level. Both individuals and policymakers need to take measures to safeguard retirement benefits and ensure they keep pace with rising costs. This may involve implementing policies that provide regular adjustments to retirement payments to account for inflation. By recognizing the importance of addressing inflation's impact on retirement benefits, policymakers can work towards creating a more secure and sustainable retirement system for individuals.

Indexing retirement benefits to inflation,

> ***Allocating a portion of retirement savings to growth-oriented assets, such as stocks or real estate, can provide higher returns that outpace inflation over time.***

through mechanisms like automatic cost-of-living adjustments, can help maintain their real value over time. However, striking a balance between fiscal sustainability and retirees' financial security requires careful consideration of the frequency and methodology of indexation. This highlights the importance of implementing well-designed policies that protect retirees from the eroding effects of inflation while also ensuring the long-term sustainability of retirement benefit programs.

Assuming Mukisa earns a consistent 10% return annually, his retirement savings could grow to UGX 1,295,295.53. This indicates that if Mukisa achieves a return on his investments higher than the inflation rate, his retirement nest egg has the potential to grow significantly. In this scenario, his savings would exceed his target of UGX 1,000,000 by a substantial margin, reaching over UGX 1.2 million. This highlights the importance of not only considering inflation but also the potential growth of investments in retirement planning. By aiming for higher investment returns, individuals like Mukisa can increase the likelihood of achieving their desired retirement savings goals.

URBRA has over the time emphasized Long-Term Investment Approach: Retirees should consider adopting a long-term investment strategy to counteract the effects of inflation. Allocating a portion of retirement savings to growth-oriented assets, such as stocks or real estate, can provide higher returns that outpace inflation over time.

Policy measures should be in place to re-evaluate benefit levels periodically, taking into account the prevailing inflation rates and the changing cost of living. Keeping abreast of financial literacy and retirement planning is crucial as individuals are empowered to make informed decisions, manage their expenses efficiently, and adjust retirement plans as needed to mitigate the impact of inflation.

Government of Uganda, financial institutions, and retirement plan providers should establish effective policies and regulations that ensure retirement benefit adequacy. Regular dialogue can help identify potential risks and develop proactive measures to protect retirees from inflation's adverse effects. This has a future with the progress of the discussions held in the last concluded 4th Annual APSA Conference 2023 where Uganda was the Host.

Encouraging employer-sponsored retirement plans is crucial in promoting retirement planning and ensuring adequate retirement benefits for employees. Employers can actively participate by offering suitable retirement benefit options, such as contributing to retirement plans, providing matching contributions, or giving access to financial advice. By taking these steps, employers can support their employees in preparing for retirement and help them achieve their financial goals. This collaborative effort between employers and employees is essential for building a secure and sustainable retirement future.

By Lillian Kakayi
Corporate & Public Affairs Officer

ARE **YOUR CHILDREN** YOUR RETIREMENT PACKAGE?

Retirement is a phase of life where one's regular source of income ceases. While the INCOME stops, EXPENSES don't! therefore a Pension is intended to replace that regular income which ceases at retirement.

The concept of children being the retirement package for their parents is deeply ingrained in many cultures across the globe. It's a belief that parents invest in their children's education, well-being, and future, with the expectation that their offspring will provide financial support and care during their retirement years. But in today's rapidly changing world, we need to re-evaluate whether this traditional notion holds.

Changing Dynamics of Family and Society

Before examining whether your children can be your retirement package, it's essential to consider the changing dynamics of family and society that have altered the landscape of this tradition:

- Smaller Families: Many families today are smaller than in previous generations. With fewer children, the burden of caring for aging parents becomes increasingly challenging for adult offspring.
- Economic Pressures: Rising living costs, student loan debt, and job market instability have made it harder for young adults to support themselves, let alone their parents, in an expensive world.
- Cultural Shifts: Younger generations often prioritize financial independence, career aspirations, and personal goals, which can hinder their ability to fulfill the traditional role of the retirement package.
- Mobility and Globalization:

ANNET JAGENDA
Senior Supervision Officer

Modern lifestyles often involve geographical mobility, making it challenging for adult children to provide physical and financial support to their aging parents, who may be living in different regions or countries.

The Importance of Personal Financial Planning

In light of these changing circumstances, it's crucial to recognize that children alone should not be your sole retirement package. Relying entirely on your children for financial support in your old age is risky and may lead to strained relationships, financial stress, and dependence. Instead, consider the following steps to ensure your financial independence in retirement:

- Savings and Investments: Prioritize saving and investing throughout your working years. Diversify your investments to build a strong financial foundation.
- Retirement schemes: Take full advantage of retirement schemes provided by your employer, additional voluntary contributions can also be considered. These can be instrumental in securing your retirement.
- Manage expenses: It is important to manage one's expenditures and avoid spending without a plan.
- Healthcare Planning: Factor in healthcare costs when planning for retirement, as medical expenses tend to rise with age.
- Communication with Your Children: Maintain open and honest communication with your children about your retirement plans. Discuss your financial situation and your expectations, while also respecting their own goals and responsibilities.

The Role of Children in Retirement

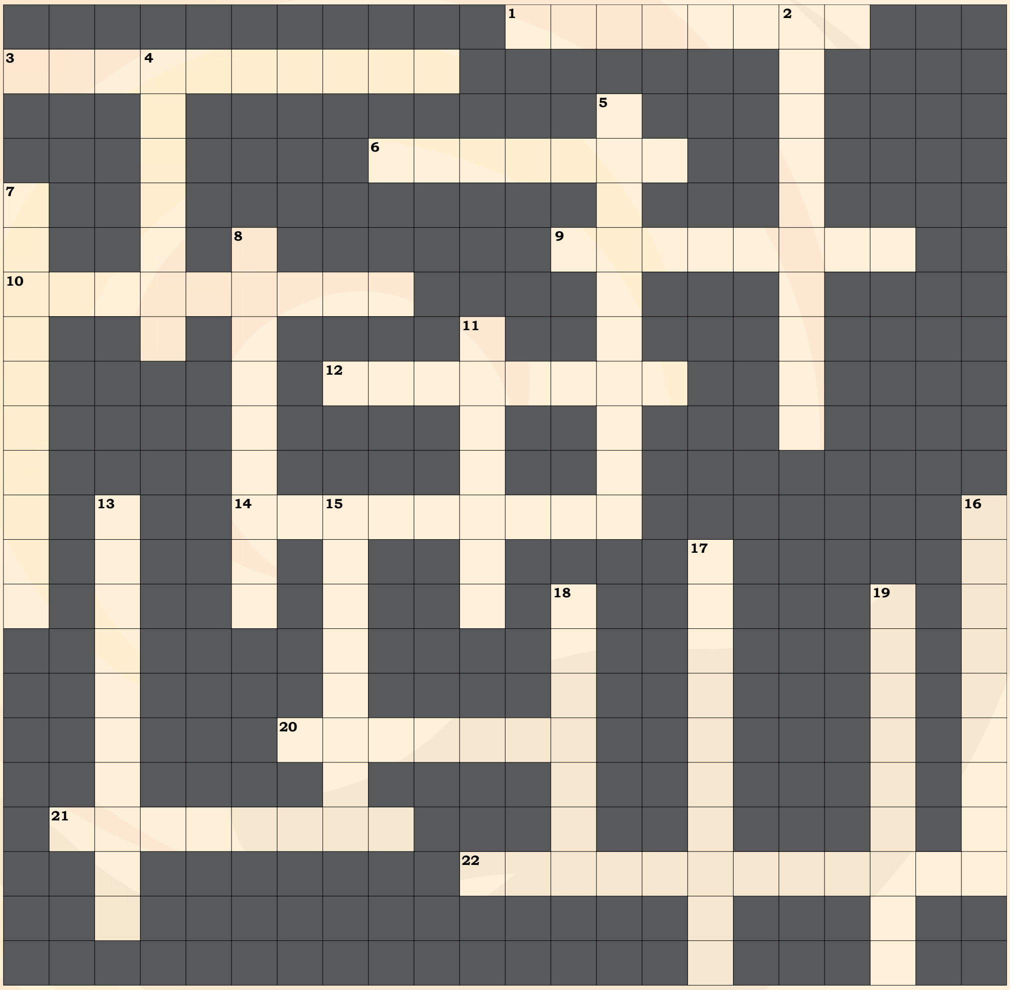
While it's important to achieve financial independence in retirement, it's also valuable to consider the role your children can play in your golden years. Your children, who have received love, guidance, and support throughout their lives, may be willing to provide emotional and, to some extent, financial support. However, this should be seen as a bonus, not as the primary source of your retirement funds.

Therefore, the tradition of children being the retirement package for their parents is evolving as society changes. While the love and support of your children are immeasurable, it's vital to take control of your financial future and secure your financial well-being in retirement. By doing so, you maintain your dignity and enhance your children's ability to support you when needed, without creating undue stress or financial strain on them. In an ever-changing world, personal financial planning remains the cornerstone of a secure retirement.

By Annet Jagenda, Senior Supervision Officer URBRA

THE PUZZLE

THE PUZZLE



By Jonathan Ssentamu
Risk and Investment Analyst

ACROSS

1. Sufficient retirement benefits to maintain a comfortable standard of living in retirement
3. A condition that may qualify individuals for early or enhanced retirement benefits
6. The process by which employees become entitled to receive retirement benefits after a certain period of service
9. Payments received by members from their retirement benefit schemes after retirement/exit
10. A collection of investments held by a retirement fund to generate returns and fund benefits
12. Financial stability and protection provided by retirement schemes during retirement
14. Ensuring equal access to retirement benefits for all individuals, regardless of background or status
20. Money set aside during one's working years to fund retirement expenses.
21. Postponing the receipt of retirement benefits to a later date, often to maximize payouts
22. Payments made by employees and employers into retirement funds to finance retirement benefits

DOWN

2. Adherence to retirement laws, regulations, and standards set by the regulatory authority
4. A financial product that provides regular income payments during retirement
5. Adjusting retirement benefits to account for inflation and cost-of-living increases
7. Family members or beneficiaries entitled to receive retirement benefits upon the retiree's death
8. The length of time individuals are expected to live, impacting retirement sustainability
11. A one-time payment option for receiving retirement benefits instead of periodic payments
13. The period in one's life when they cease working and rely on savings
15. The extent to which individuals are included in retirement schemes and eligible for benefits
16. The gradual increase in prices and the cost of living, affecting retirement purchasing power
17. An official rule or the act of controlling something
18. A regular payment (money) made by an employer-funded scheme to a to a person who has stopped working.
19. Relating to the statistical analysis of risks and probabilities in retirement planning

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