URBRA

UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

Protecting Your Retirement Benefits

Newsletter

QUARTER-II

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Chief Executive Officer's Foreword

It's a pleasure to share with you updates on the activities of the Uganda Retirement Benefits Regulatory Authority (URBRA) over the past three months.

A new year has dawned, and things are looking up as the economy reopens fully. Everyone is optimistic that the country will now start shaking off the negative effects of covid19. The Retirement Benefits Sector shares in the optimism.

By December 2021, the sector had successfully weathered the covid19 challenges, and grown to over UGX 18 trillion worth of Assets Under Management. The sector also boasted increased sector efficiency attained and the improvement the regulator's supervision systems. URBRA is optimistic that with steady economic recovery, savings and investments will go up - and the sector will remain the fastest growing in Uganda.

The sector still grapples with the age-old challenges of low coverage, low adequacy levels and poor preservation methods of retirement benefits.

URBRA will continue addressing these issues in the new year. The issue of adequacy and preservation will be of particular interest as savers gear up for midterm access to their savings – given the amended NSSF Act, 2021. It goes without saying that some members will demand the same from their occupational and voluntary schemes.

On our part as sector regulator, we will continue efforts to improve adequacy by licensing more occupational schemes and promoting voluntary savings – in addition to the mandatory savings. We shall encourage transfer of funds between schemes instead of early access upon change in employment. As for the NSSF savers, we continue to say, if you don't have to, then don't withdraw your savings midterm. If you have to, then develop a clear plan on how you are going to use or invest the funds. Don't squander your savings please!

Aware of the challenge of low coverage, the authority will intensify its awareness campaigns, focusing on the informal sector to get more people saving for retirement and avoiding old-age poverty. URBRA will also reach out to the youth to encourage them to start saving at an early age. Establishment of the micro-pension scheme is underway, and this will make it possible for more people in the informal sector to save for retirement.

Perhaps the most outstanding development is the regulation allowing any eligible member of a licensed scheme to assign up to 50% of their accrued benefits as security for a mortgage or a loan for purchasing a residential house.

On the whole, our optimism for 2022 is high. Of course, the regulator cannot be without the key sector stakeholders and actors. We are looking forward to continued collaboration; consultation; joint learning…as we take our sector forward together.

Happy New Year!

Martin Anthony Nsubuga
Chief Executive Offcier
Uganda Retirement Benefits Regulatory Authority

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New URBRA Regulations Prioritize homeownership

A regulation is in the offing, to enable savers assign 50% of their retirement savings for mortgages and housing loans. The regulation has already been signed by the Minister and awaits gazettement. The key objective of the regulation is to ensure that retirees have decent shelter so that they don't suffer homelessness and indignity.

Research shows that upon reaching retirement, many retirees use their lumpsum payout to construct houses, leaving them with limited cashflow.

With the new regulations, an eligible member of a licensed scheme will be able to assign up to 50% of their accrued benefits as security for a mortgage or a loan for purchasing a residential house before they reach retirement which in essence reduces the pressure on their retirement benefits.

However, it is important to note these regulations will not be used by members to access retirement benefits prematurely.

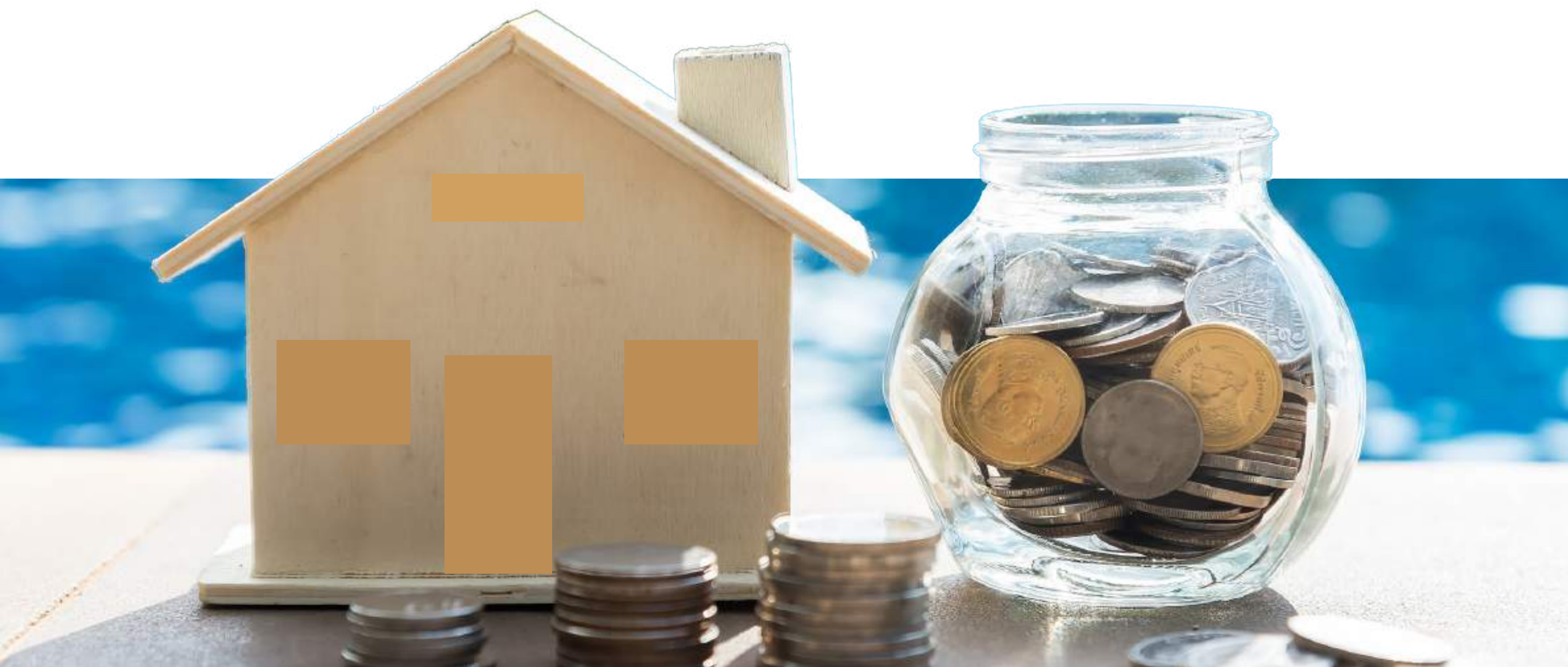
Key aspects of the new regulation;

- Accrued retirement benefits shall only be used as collateral for securing a mortgage or housing loan.
- A member may assign up to a maximum of 50% of his or her accrued benefits as collateral for a mortgage or loan in accordance with these Regulations.
- "purchasing of a residential house" means to -
  - (a) acquire land on which a residential house has been erected;
  - (b) erect a residential house on land in respect of which, the member has a right ownership recognized by the Laws of Uganda;
  - (c) renovate, add, alter or carry out repairs to a residential house owned or belonging to the member.

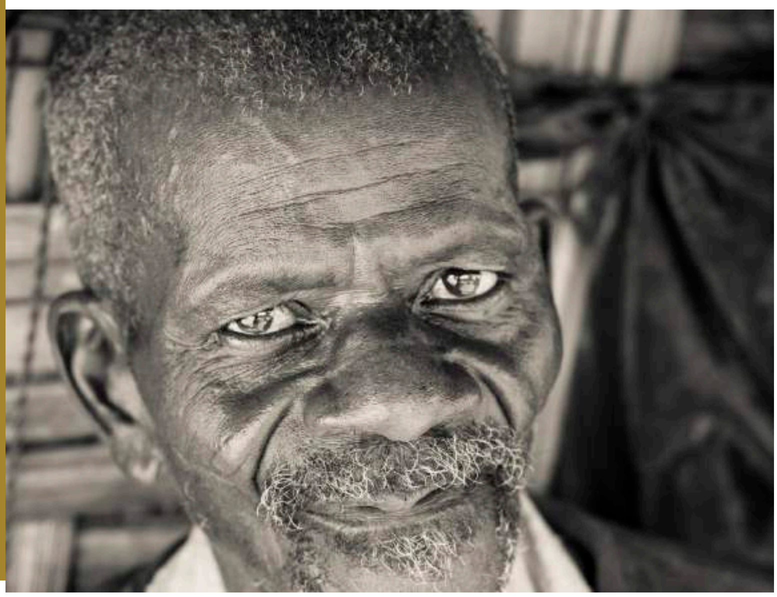
- The scheme shall not assign members' accrued benefits for more than one mortgage at a time.

- Any assignment for a mortgage under the Regulations shall not exceed, at the time it is furnished-
  - i) 50% per cent of the accrued benefit which the member would be entitled to under the scheme **at the time of the application** for the facility; **or**
  - ii)the market value of the immovable property or residential house, whichever is lesser.

- The Mortgage laws applicable in Uganda shall apply to mortgages or housing loans issued in accordance with the Regulations



Social Protection financing for sustainable development



By Sharon Namirembe
Communication Assistant, URBRA

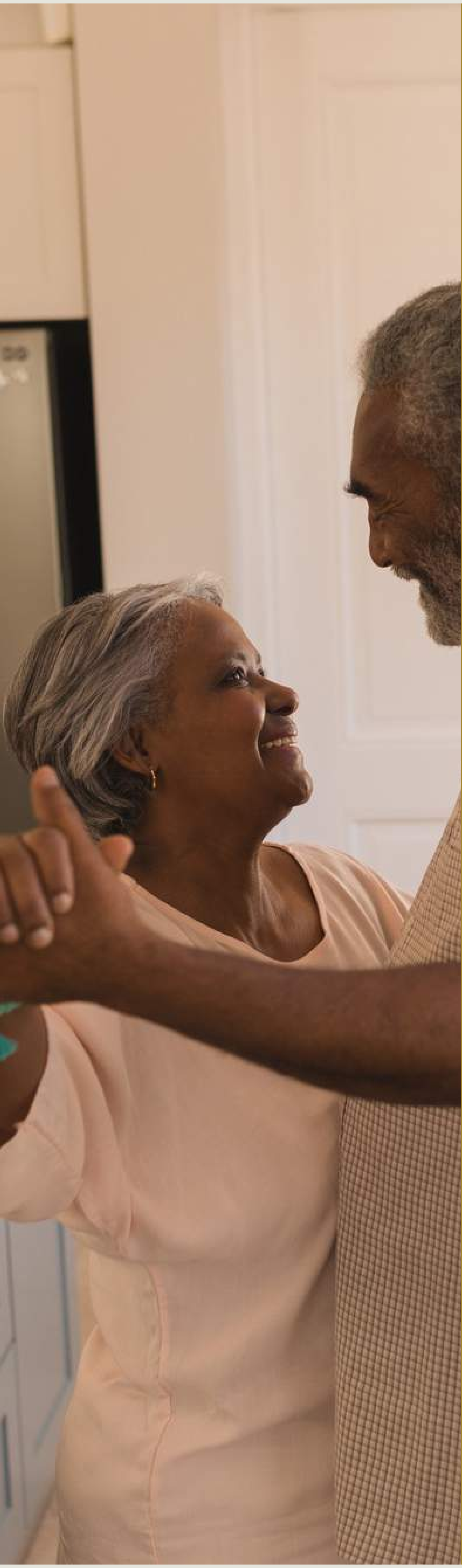
The National Development Plan III (NDP III) highlights government's intention to expand the scope and coverage of care, support and social protection services to the most vulnerable groups and disaster-prone communities. However, many Ugandans are still exposed to old-age poverty and vulnerabilities. The current financing framework does not adequately address old-age poverty.

In a webinar on social protection financing, all speakers called for increased funding towards social protection interventions. "While the main source of social protection financing is government, private interventions that are in our market need to be supported," Mr. Martin Nsubuga, URBRA Chief Executive Officer said, and emphasized the need to rethink the Social Protection Financing policy.

Mr. Wilson Asiimwe, Senior Economic Advisor, Ministry of Finance, Planning and Economic Development said, "every Ugandan whether employed or not needs guarantee for some form of social protection across their life cycle."

The discussions brought into sharp focus, Social Assistance Grants for Empowerment Programme (SAGE), which has been vital in changing the lives and improving the social security of its beneficiaries. However, the programme still has funding shortfalls, which may limit its reach and impact.

Expounding on the status of implementation and financing of the SAGE, Stephen Kasaija, Head, Expanding Social Protection (MoGLSGD) explained that in FY 2020/21, out of the expected Programme budget of UGX 142.46 Billion, development partners contributed approximately UGX 21.76bn and the



Government of Uganda provided UGX 62.88bn.

This led to a shortfall of UGX 57.82bn for different activities including UGX 36 Billion for 270,203 Beneficiary Grants.
He further explained that the required supplementary funding was not realised from MoFED, currently under a two year no cost extension Development Partner funding worth £9.9million which ends in June 2022.
This means that starting FY 2022/23, Government of Uganda will take over full responsibility for the Programme, and will have to provide the full UGX 147.6billion required by the Programme.

With the Current GoU Budget of UGX 120.7 billion the shortfall remains UGX 27billion. Beneficiary payments are in arrears to the tune of UGX 36.05 bn affecting 270,000 older persons. The arrears were accumulated in FY 2020/21.

> **"Every Ugandan whether employed or not needs guarantee for some form of social protection across their life cycle"**

"We need to cover the UGX 36.075bn arrears in the Budget for FY 2022/23, Provide for the shortfall of 27billion in the Budget for FY 2022/23, Provide an additional UGX 71.99bn to lower age to 75," he concluded.

Tariq Marc Kubach, Chairperson Social Protection Development Partner Group observed that there is a huge mismatch between social protection and the demographic growth. "Social protection should be more than just figures, (financing)," he said. We need to a healthy dialogue to harmonize social protection policies in place and demographics.

Menya Kapasa, Technical Officer on Social Protection, International Labor Organization explained that there's a need to integrate social protection with other sectors using the life cycle approach, strengthen small medium enterprises and go beyond direct income support while designing social protection programmes some of which (pilot programmes) are already in place.

As a country we need to analyse the fiscal space involved in identifying additional revenue sources to bolster the country's ability to finance Social protection. This involves increasing the scope and effectiveness of existing revenue sources.

Journalists, URBRA discuss ways to put retirement on public agenda

By Billy .B. Gang
Communication Assistant, URBRA

> **It is no longer the scandal-riddled sector that you knew many years ago**

Retirement is a good story and the retirement benefits sector a goldmine of news for financial sector journalists. This affirmation was made by Samuel Ssetumba a career financial sector journalist during a training workshop organized by URBRA to improve media appreciation and coverage of the sector.

"Business journalists need to understand things that other people don't in order to better explain them. You need to appreciate numbers and trends. Stick in there, it might take a while but you'll get the market value," Ssetumba advised. Presiding over the training, URBRA CEO Mr. Martin Anthony Nsubuga observed the lack of information on the retirement benefits sector in the public space.

He noted that most people, when asked about the sector, only know about past scandals in the National Social Security Fund and the plight of pensioners who have failed to access their benefits. "This is all they have been exposed to through their respective sources of information like mainstream media, social media platforms, firsthand experiences and the like," Mr. Nsubuga said.
"What will they tell you about NSSF? They will

tell you about scandals from the past; they will talk about the need to access their savings; and the suspicion that someone is swindling their money."

Mr. Nsubuga also acknowledged that on some occasions, the media have been a key ally to the retirement benefits sector, reporting about outstanding developments, exposing unscrupulous dealings, relaying experiences of key sector stakeholders and highlighting areas that need improvement.

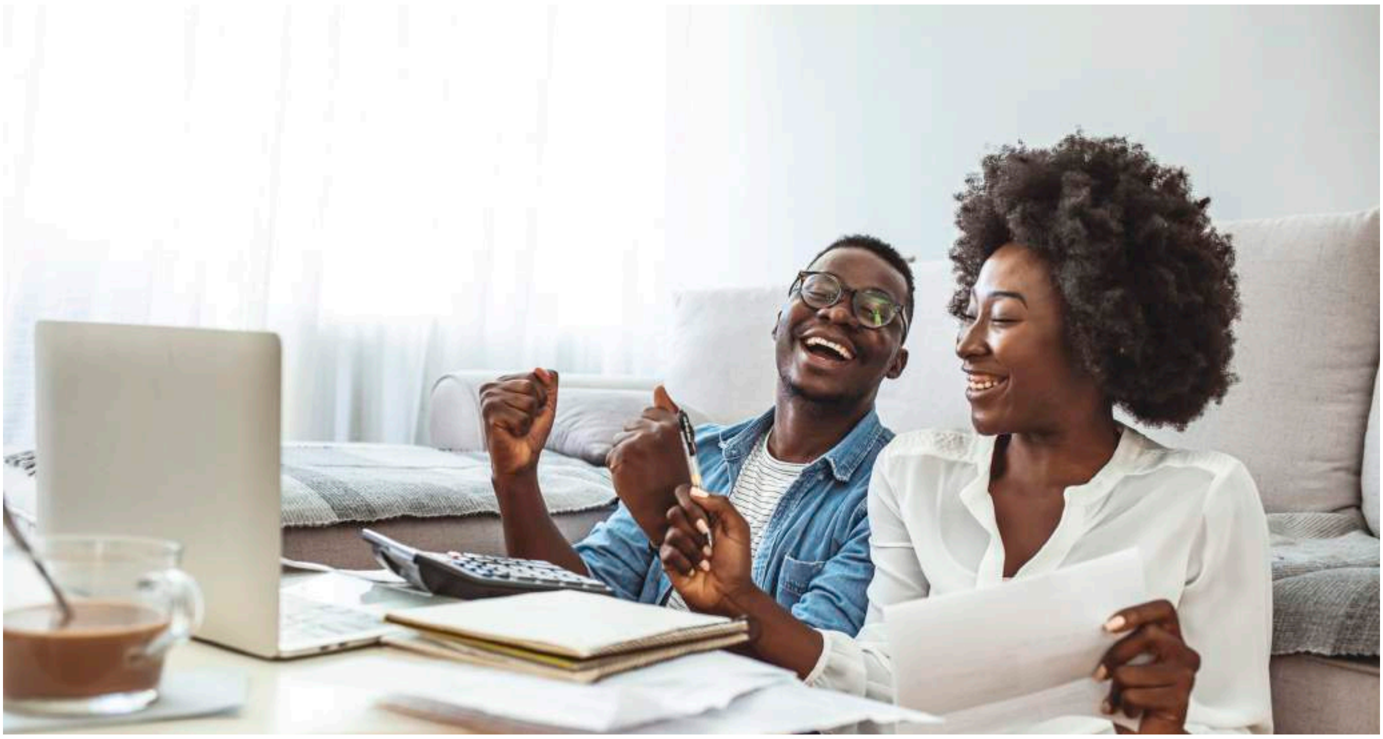
He further noted that many people don't know much about the sector, yet indeed there are a lot of good things going on, such as interventions to ensure that funds are safe, efficiently managed and prudently invested to ensure the best possible outcome for all.

"It is our responsibility as URBRA to lead the crusade to share information about the key issues and activities of the sector. It is our duty to keep the public informed of the various interventions that we implement to ensure that their funds are safe, efficiently managed and prudently invested to ensure the best possible outcome for all."

Samuel Sanya, a daily monitor financial reporter noted the importance of balanced coverage of the retirement benefits sector, adding that there was a need to highlight the various achievements of URBRA that have covered education on healthy living, investment, growing old with dignity through planning, living responsibly, "there are many stories that a journalist can cover within the sector, you must be willing to scratch the surface".

The URBRA CEO implored the media to see the retirement benefits sector through new lenses. "It is no longer the scandal-riddled sector that you knew many years ago," adding that it is a progressive sector with many good developments that are worth reporting about. "Indeed, there may be some challenges but we are open to feedback, we want you to ask us questions; we want you to seek us out as your go-to sources," he concluded.

URBRA and Uganda Institute of Banking host webinar to share tips on investment



Saving and investing for retirement, is not for procrastinators. The earlier you start, the better your outcomes. No matter your age, you can start saving and investing for retirement especially if you hope to enjoy the advantage of compounded interest. But one may ask, what are the investment options available; what pitfalls should I lookout for; how can I avoid common investment mistakes?

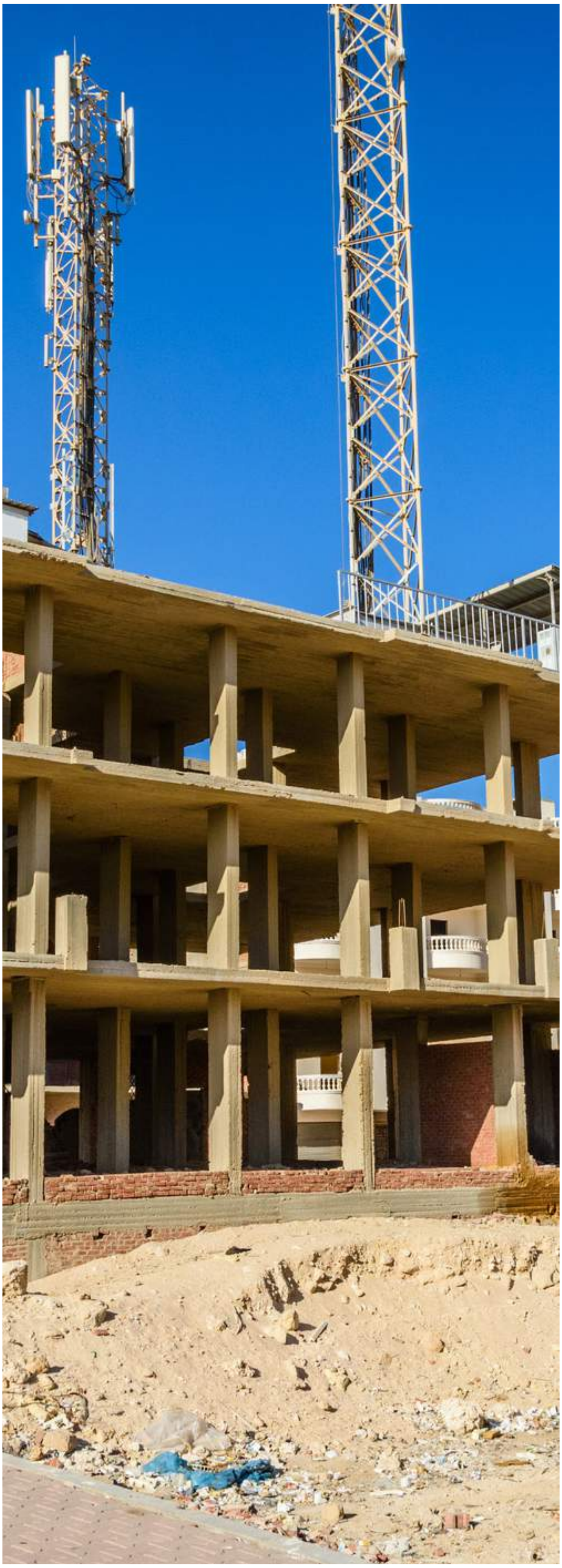
URBRA in conjunction with the Uganda Institute of Banking and Financial Institutions, organized a webinar While addressing a webinar on retirement saving, **Miriam Musaali**, Director Legal Services at Capital Markets Authority shared five fundamental principles to consider when saving and investing for retirement.

1. Assess your current financial standing against your retirement aspirations: It would be a farfetched idea for one who is barely surviving to think of saving or investing for retirement. The basis for realistic investment is to know your current financial standing. One should know their current annual living expenses to determine how much money they will need to survive off of during retirement.

If your projected retirement income exceeds current expenses, then think critically how you intend to fill the gap. Will your provident fund or NSSF savings cover that projected retirement income gap? Do you intend to extend your contract and work beyond the retirement age? Which investments can you undertake to generate your projected retirement income?

2. Understand where you are in the life cycle: A person saving at age 20 is in the accumulation phase. One saving at age 55 to 60 is in the preservation phase and one at 70 or 80 years is in decumulation or distribution phase. During the accumulation phase make efforts to pay off debt, invest and acquire material possessions to meet long-term goals.

In the preservation stage, one is past accumulation and nearing retirement and the aim is to preserve the assets you have accumulated from uncertainties that could cause depletion. The last phase is called distribution phase where you start to consume what you saved. This means that to save and invest appropriately, you need to have an awareness of where



and which stage you are at.

3. Know how to appropriately withdraw from your accumulated pool: Experts advise to withdraw 4% each year. It is not much but because it is estimated that you are going to be living for the next 20 years, you can't afford to withdraw 100%. Take the income drawdown option, and leave your money invested in the fund as it continues generating returns.

4. Assess your risk: All investments pose risk, which must be mitigated. It is important for one to assess what venture they are looking to invest in, what risks lie ahead and if they are worth taking – bearing in mind that some risks can generate bigger returns. Ventures like real estate maintain monetary value.

In Zimbabwe for example, when the economy started collapsing, many people moved their monies to real estate in order to maintain monetary value. When you're retired, income-generating investments can be a good option. They include bonds, income funds and multi-asset funds. You could choose to invest in government bonds, or company shares that pay dividends. Company shares tend to be risky because share prices fluctuate but the reward is good because equities will outperform most asset classes.

If you look at asset allocation, stocks are riskier than bonds. If you buy a bond from government, the probability that government will default is very low. Some have defaulted in past like in Argentina, but the risk associated is very low and that is why they call them low risk investments. The government of Uganda has introduced longer term bonds. If for example you are saving for a child's education, you can buy a 20-year bond because I know that government will not fail to pay.

5. Equip yourself with knowledge: To make better investment decisions and mitigate risk, equip yourself with knowledge about particular ventures before going all-in, ask experts and make informed decisions.

What's important to keep in mind is that investing for retirement is important and urgent. Start today; don't procrastinate.

URBRA Staff Scoops 2021 Accountancy Services Award

Cosma Ssenyonga was on Friday 10th December crowned "Young Accountant of the Year 2021", in recognition of his outstanding contribution to the accountancy profession in Uganda. Senyonga is a Senior Supervision Officer at the Uganda Retirement Benefits Regulatory Authority (URBRA)

A Certified Public Accountant (CPA), Senyonga was nominated by fellow accountants, citing his high level of commitment, resilience and zeal. They also described him as an insightful and great influence of positive change, particularly in the Retirement Benefits Sector.

"I am honored and humbled by fellow accountants' recognition of my efforts. This motivates me to work even harder to raise my own bar and that of the profession," said Senyonga, who is also Acting Manager, Prudential Supervision at URBRA.

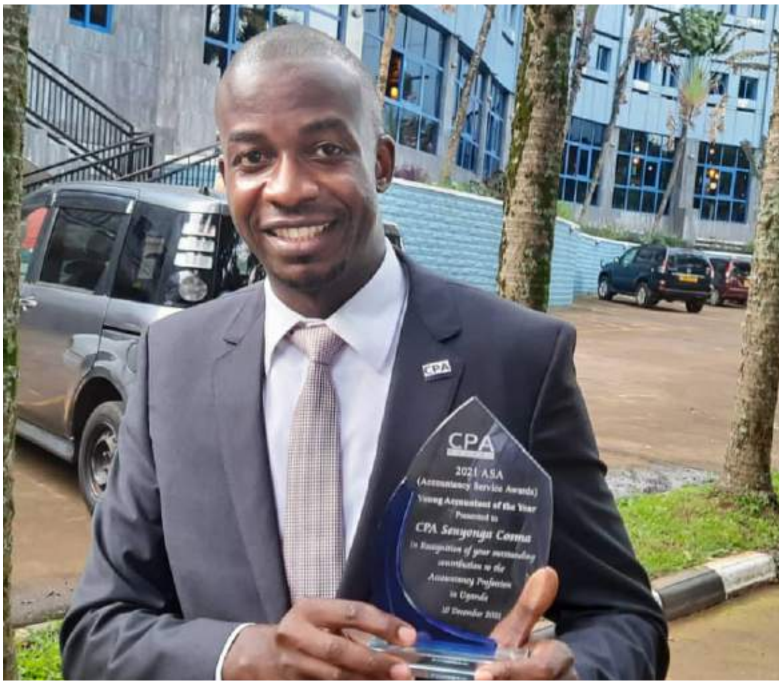
Senyonga's growth in the profession has not been an overnight feat. He has been working long and hard, always aiming to get better in everything he does.

Since 2016, he has led his colleagues from the Departments of Supervision, Market Conduct, Investment and Research, in undertaking annual analysis of audited financial statements submitted by retirement benefits schemes and sector service providers. He has also been at the helm of preparing the annual sector performance reports.

At the level of the Retirement Benefits Sector, Senyonga has since 2017 been in charge of organizing and facilitating the URBRA Annual Accountants and Auditors Conference, which brings together stakeholders involved in financial reporting related to retirement benefits schemes. He has also mobilized retirement benefits schemes to participate in ICPAU's FiRE Awards, where the retirement benefits sector has consistently registered the highest number of participants.

At a regional level, Senyonga has represented URBRA on the technical and legal committee of the East African Pension Supervisors' Association (EAPSA) where he was played a key role in the development of regional disclosure and investment principles, the EAC retirement benefits policy and the EAC Retirement Benefits Bill.

His track record is dotted with many firsts, which points him out as a trailblazer in his own right.



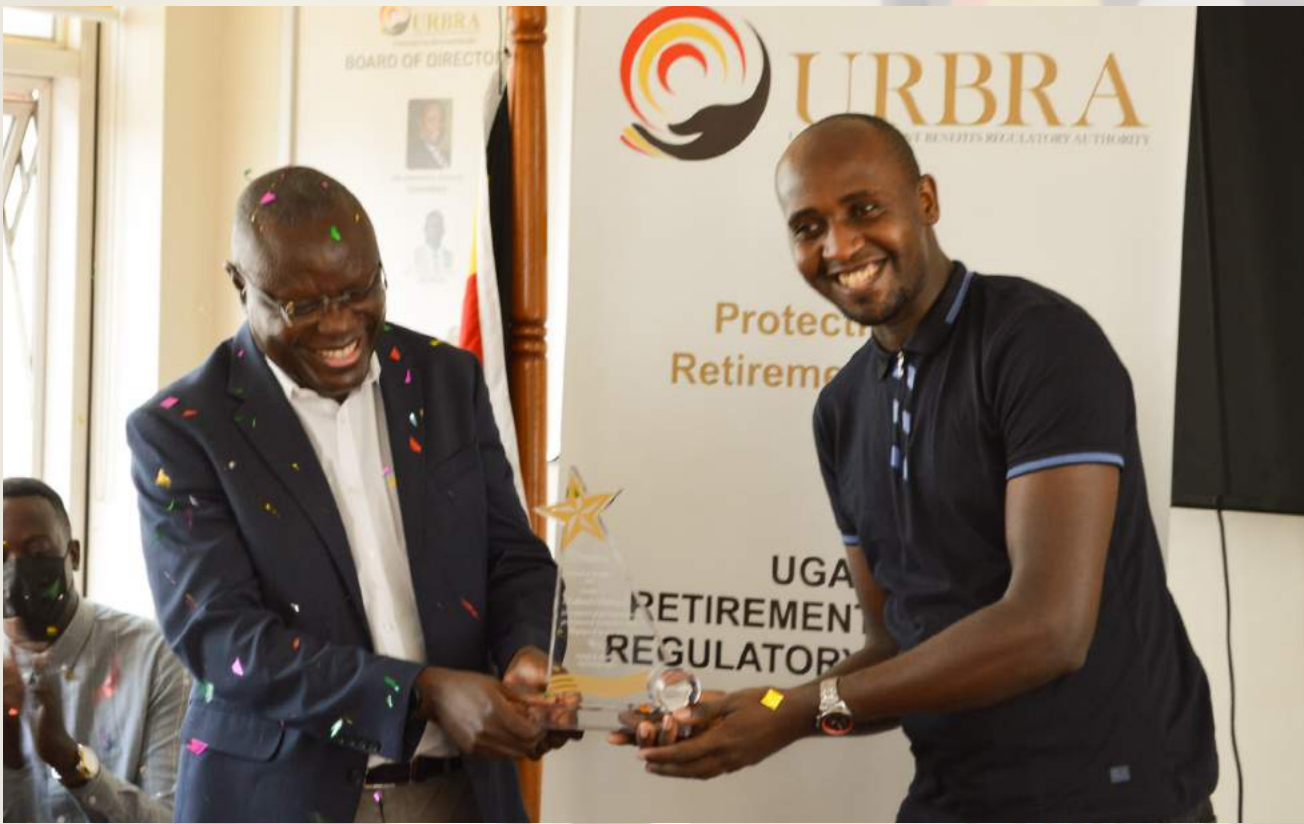
- He established applicable measures that enabled improvement in operational and efficiency indicators of the retirement benefits sector
- Championed the development of financial reporting and disclosure regulations
- Spearheaded the development of guidelines for the preparation scheme annual reports
- Championed the development of auditing guidelines for the retirement benefits sector so support auditors in executing their roles
- Led the transformation and improvement in conducting onsite inspection, lending credence to the quality and depth of the regulatory and supervisory oversight.

Commenting on Senyonga's achievement, Susan Muhumuza, URBRA Director Human Resource and Administration said, "The accolade promotes a positive image of URBRA, boosts employees' morale and enhances productivity as everyone strives to excel at what they do and gain similar recognition."

As he continues to grow in the profession, Senyonga pledges to continue supporting and mentoring colleagues on best practices in accounting. He is especially interested in supporting interns and students to ensure that they also excel in the accounting profession.

Dependable, calm and friendly - Edward Bukenya voted URBRA Employee of the Year 2021

By Susan Muhumuza Nyatia
Director Human Resource & Administration, URBRA



The Uganda Retirement Benefits Regulatory Authority recognizes and celebrates outstanding contributions to the achievement of its mandate. The Employee of the Year Awards give the Authority an opportunity to recognize and reward employees who uphold its values and go the extra mile to significantly contribute to the achievement of its strategic goals.

These awards play a role in improving employee morale, whilst encouraging friendly competition and enhancing productivity, since we introduced the awards, employees have endeavored to better their business acumen and improve inter-personal relations with fellow staff.

Edward Allan Bukenya, ICT Officer was voted Employee of the Year for 2021. Edward, over the past two years has exhibited great commitment to meet the goals of the Authority.

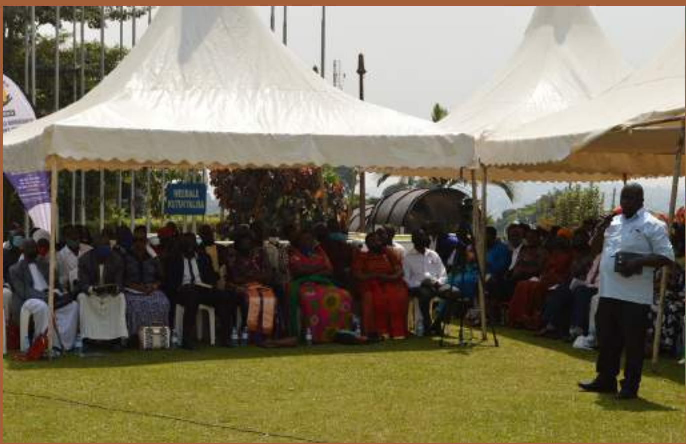
He has successfully managed a number of projects with great efficiency and determination. Apart from being well organised, his calm and friendly approach enables him to work well with colleagues from different departments.

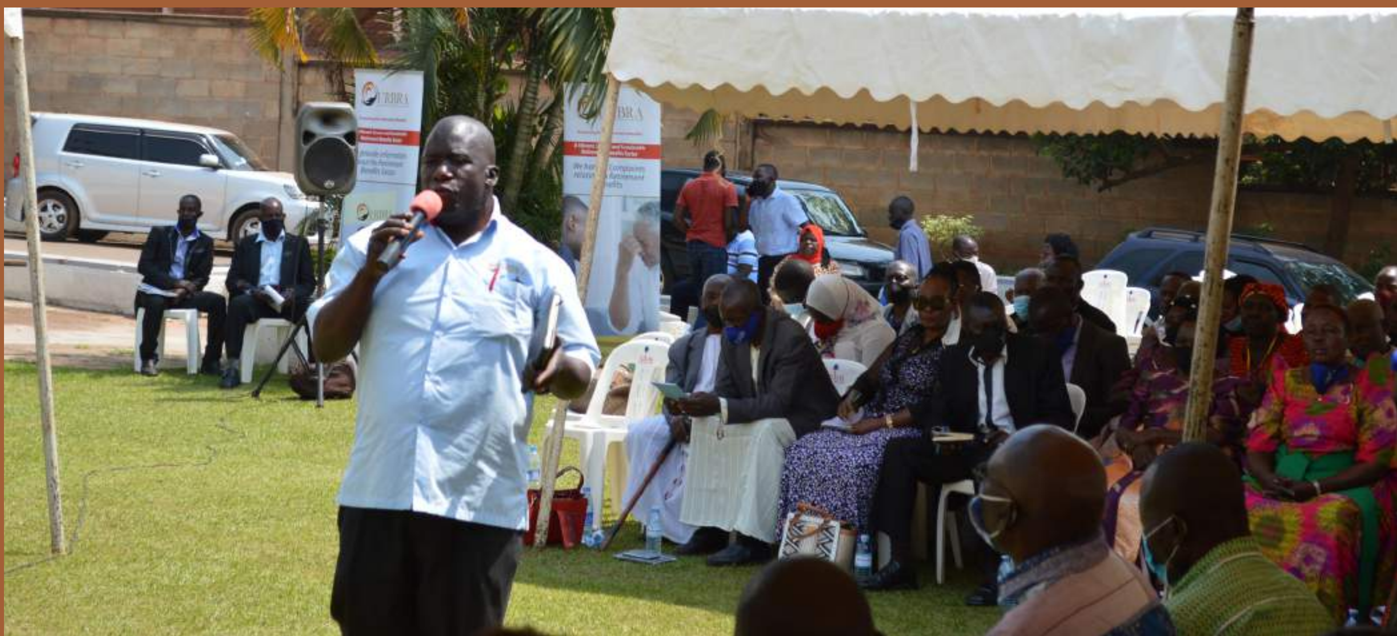
Besides his dependability, Edward conducts himself in a professional manner, demonstrates honesty and integrity at the workplace, acts with transparency and is innovative in his work.

His exceptional performance throughout 2021 made him a worthy winner of "URBRA's Employee of the Year award.

URBRA tips Kyadondo CBS PEWOSA SACCO on Saving for Retirement

By Lydia Mirembe
Manager Corporate and Public Affairs, URBRA





In its continuing efforts to mobilise informal sector workers to save for retirement, URBRA took part in a sensitization workshop for the Kyadondo CBS PEWOSA SACCO, 5th January 2022, at Bulange Mengo. While the theme of purpose of the workshop was to discuss the role of leaders in mobilizing communities to fight against poverty, URBRA was specifically invited to address the sub-theme of saving for retirement.

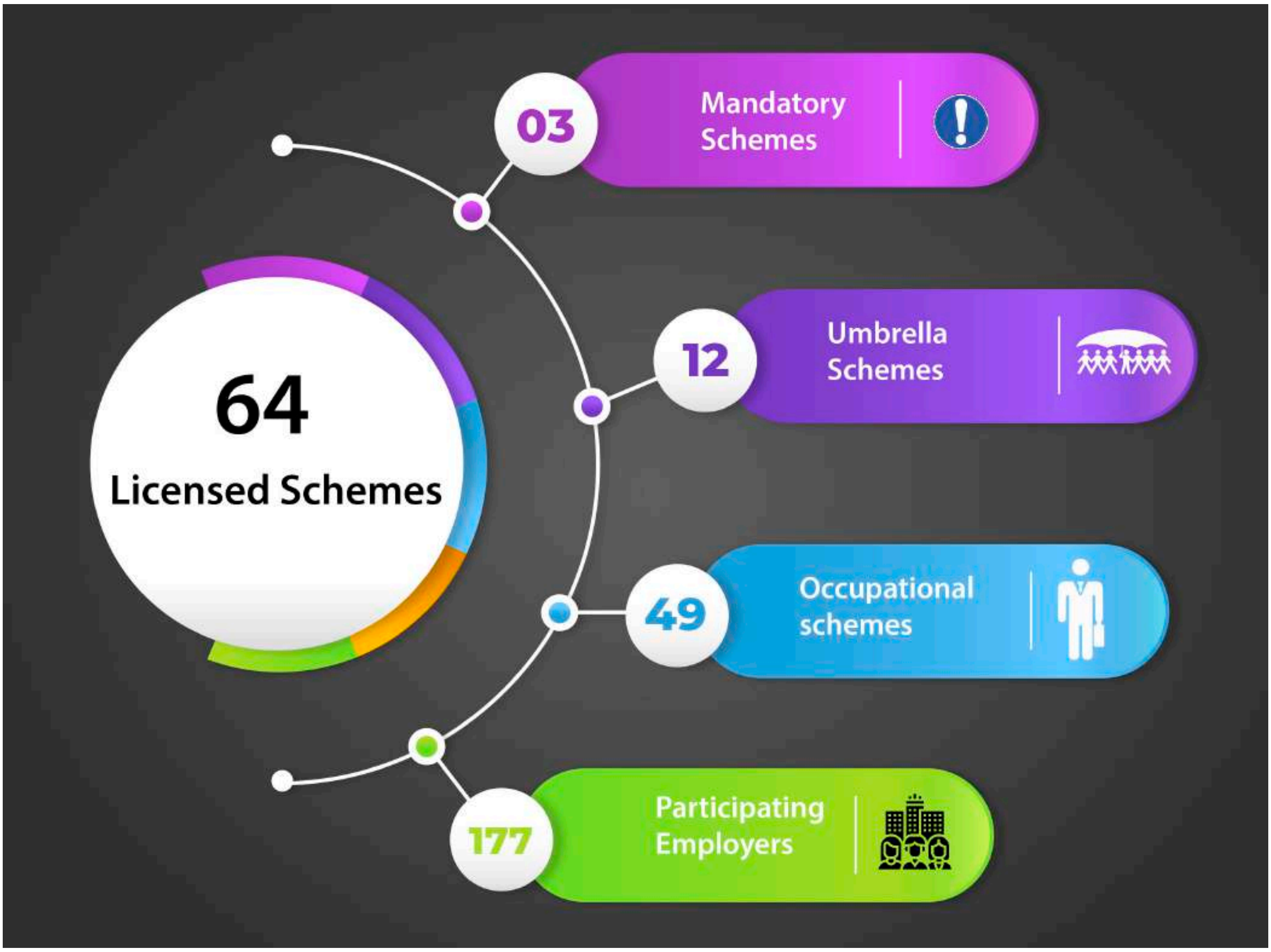
The DCPA, Hajji Hassan Nakabaale represented the URBRA CEO and commended the PEWOSA leadership for mobilizing citizens to understand the importance of saving. He reminded leaders of their capacity and power to influence their constituents saying, "you have the ability to influence the decisions of your people; encourage them to engage in productive projects to generate income and improve their lives."

The Director further advised those who are still energetic to work and save for retirement, without delay. He also advised them to desist from wasteful expenditures and to prioritize long-term saving.

On where they can save, the Director encouraged CBS PEWOSA members to start a retirement benefits scheme, or save with the existing schemes that are open to public voluntary saving. Indeed, it was reported that the CBS PEWOSA retirement benefits scheme is in the offing, only awaiting licensing and guidance from URBRA.

The workshop was attended by key leaders in the Mengo establishment, among them Ow'ekitiibwa Hajji Amisi Kakomo, Buganda's Deputy Minister for Agriculture; Mr Kawoya Mwebe, Chairman Board of Directors CBS PEWOSA SACCO; and Mrs. Agnes Sempa, the Kaggo of Kyadondo County.

Licensed by URBRA as of January 2022



6 Fund Managers

5 Custodians

9 Administrators

243 Active Trustees and 4 Corporate Trustees