10 YEARS ANNIVERSARY

URBRA
UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY
Protecting your retirement benefits

Newsletter

QUARTER-III

Pensioners share their experience with URBRA

URBRA tips MURBS on Mid term access

Pensioners for Pensioners: Pensioners Associations championing the cause of retirees.

Spend wisely and save for retirement – Bbomboka farmers advised

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Chief Executive Officer's Foreword

Over the last three months, the retirement benefits sector has been dominated by discussions about mid-term access to 20% of NSSF savings. After a protracted debate, the President assented to the NSSF Amendment Bill and it became law on 4th January 2022. We congratulate everyone who was involved in the process, and believe that the outcome is a typical win-win situation.

At URBRA, we took this development for a litmus test; an opportunity to allay the fears of those who always thought that their money had long been swindled and that NSSF wouldn't be able to pay them.

We urge savers to bear in mind the purpose of retirement saving. It is a long-term commitment which, ideally, shouldn't be interrupted by short term pressing needs. Instead, people should get into the practice of saving for emergencies.

Even where a person decides to take this opportunity to withdraw some of their savings, they don't have to withdraw the entire allowable 20%. One may opt to withdraw 10% - if only to prove that their savings are safe and accessible. Should one make investment mistakes at this point, then they will be wiser by the time they access the remaining amount.

As NSSF makes payment to those who qualify for midterm access, there are some key lessons worthy of mention:

1) Consistency in contributions: As it turned out, some NSSF members had not been consistent in remitting monthly contributions. Much as they had been members for ten years and had made the age of 45, they fell short of the requirement of 120 entries (12 months, for ten years). There may be various reasons why some members may not be able to remit contributions timeously, but it is important to be consistent because everyone who labours will one day reach retirement. The more consistent you are in saving for retirement, the higher your chances of having a good starting point when the time comes to retire.

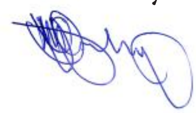
2) Record keeping: In the process of paying those who qualified for mid-term access, one of the key challenges was contradiction in the savers' records. Some members presented documents with details that did not match the ones in NSSF's records. In some cases, the dates of birth recorded with NSSF differed from the dates presented on the National Identity Cards. It is therefore important for all members to put their records right early enough to avoid disappointment and frustration.

3) Take interest in your money: Some members confidently approached NSSF and applied for a portion of their savings. They were disappointed to learn that their employers had not been remitting contributions, much as the pay slips indicated that money had been deducted from their salaries. Many were left at crossroads because they had long moved into other jobs and some of the defaulting employers had closed shop! It is important for employees to take interest in their savings. If a deduction has been indicated on your pay slip, follow up and ensure that it has been deposited in your NSSF account. Nowadays, it is possible for members to access their NSSF statements online and on mobile. If you find some gaps, then take the courage to inquire from your employer, or use the available whistleblowing channels.

Away from the midterm access, the sector continued to grow steadily, with an estimated worth of UGX 18.9 Trillion as at December 2021. It is our sincere hope that the sector will continue to grow as the country recovers from the Covid19 pandemic.

Let me take this opportunity to thank you for your continued interest in and support to the sector. URBRA is happy to share with you some of the key issues and developments through this edition of our newsletter. Please enjoy reading it.

Martin Anthony Nsubuga



Chief Executive Offcier
Uganda Retirement Benefits Regulatory Authority

The need for occupational retirement benefits schemes

Since its establishment, URBRA has remained consistent in promoting occupational retirement benefits schemes, with the argument that an employee's monthly contribution to NSSF (or any other mandatory scheme) is insufficient.

Research shows that to have a comfortable retirement, one requires 80% of their pre-retirement monthly income. But with only 15% of their income saved with NSSF, how can anyone hope to cover the gap of nearly 65%? Occupational retirement benefits schemes could provide a solution.
An occupational retirement benefits scheme is a company's incentive whereby both the employee and employer contribute towards the employee's retirement fund.

Apart from increasing one's chances of self-sufficiency in retirement, occupational retirement benefits schemes are an engine for financial discipline and saving, traits lacking in many employed persons.

With the new URBRA regulations permitting members to assign 50% of their savings to mortgages and housing loans, members have more options to choose from if they belong to an occupational scheme.

The schemes may also provide benefits upon ill health and incapacity, and in the event of death, the nominated beneficiaries receive the benefits.
On the employers' side, occupational schemes have become a bargaining chip when recruiting and retaining staff. Companies that lack retirement, health and other benefits often lose out on enrollment of the best skills in the employment market, potential employees opt for companies that have outlined benefits over those that don't provide them.

Besides retaining employees, retirement benefits also count as a reward, motivator to employees to work selflessly and execute their employer's mission effectively, while reducing anxiety about life beyond employment. Employers with pension arrangements enjoy more favorable ratings on employee welfare. Indeed, as its often said, the status of a former employer largely reflects the goodwill (or lack thereof) of former employers. Hence, achieving a dignified comfortable retirement is the social responsibility of both the employer and employee.

Pensioners for Pensioners: Pensioners Associations championing the cause of retirees.

Many times, when people think of pensioners, they think of old frail senior citizens in need of constant assistance to get by. While these pensioners are senior citizens with their glory days behind them, the idea that they are at the mercy of society may be misleading.

The URBRA supervision and legal services team recently visited selected districts in the central and western regions, to address outstanding issues regarding pensions and retirement benefits. The team was impressed by the practicality of Pensioners' Associations, that were established to tackle challenges faced by pensioners.

Pensioners Associations are groups of retirees that come together to support each other and promote common interests in retirement.

Covering entire sub regions with branches in every district, these associations have positioned themselves as a formidable network concerned with issues pertaining to pensions and welfare of their members.

According to Twesigye Lawrence, the Secretary General of the Ankole Pensioners' Association, their association meets regularly to discuss day-to-day matters concerning social and economic welfare of pensioners.

He notes that their association alone was able to successfully lobby and advocate for an increment in pension for all pensioners in the country. Adding that they are working towards having pensioners paid according to where they live rather than where they last worked.

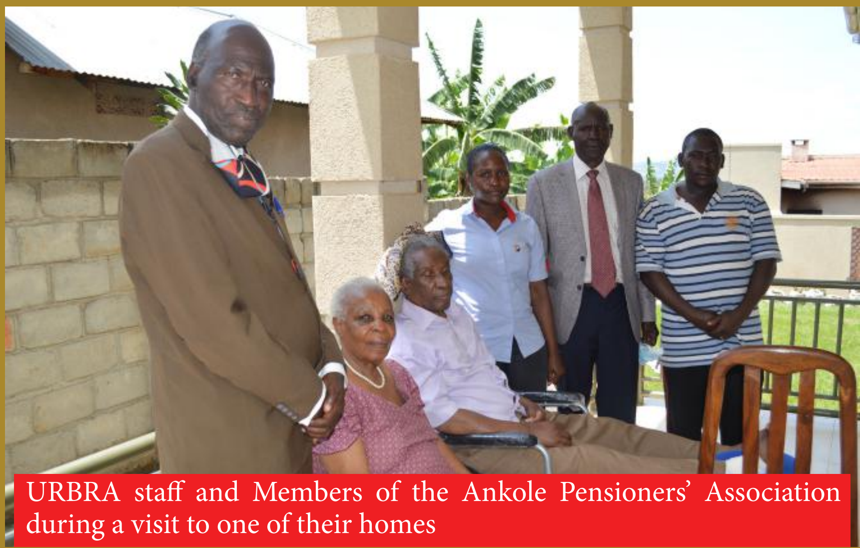
Significance of Pensioners associations to the Retirement Benefits Sector.

The pensioners' associations are instrumental in

URBRA staff and Members of the Ankole Pensioners' Asso
their homes

URBRA's Daisy Lynda Nabakooza, Director Supervision and Market Conduct discussing with the Secretary General, Kabale Pensioners' Association, Mr. Silver Baguma

ciation during a visit to one of



URBRA staff and Members of the Ankole Pensioners' Association during a visit to one of their homes

mobilizing retirees for government programmes, playing a significant role of reaching out to retirees who are often scattered in their rural and hard to reach localities. This has helped government to easily locate retirees when providing services and to conduct the annual revalidation of pensioners.

The associations have equally been useful in information sharing, particularly to the retirees who don't have access to the media. Where information requires interpretation or simplifying, the associations are available to help.

The associations also relay feedback from retirees to the government, forming a collective voice for persons who would otherwise not have had their needs and challenges conveyed to authorities concerned like URBRA, Ministry of Gender Labour and Social Development and Ministry of Public Service. This enables government to formulate or adapt policies and strategies to improve the lives of retirees. Thus, the associations facilitate a consultative process, which allows for inclusion of retirees' interests in the formulation of policies.

In the future, the Pensioners' associations hope to get representation at the national level by forming a union of all pensioners associations from different regions of the country to better confront concerns of pensioners on a wider countrywide scale. This, Twesigye believes will aid pensioners in their quest for better service delivery and livelihood improvement.

Pensioners share their experiences with URBRA

Pensioners have appealed to government to ease the proof-of-life process because it is cumbersome and doesn't consider their physical bodily weaknesses. The appeal was made across different discussions conducted with pensioners during URBRA's recent supervision visits to Masaka, Mbarara and Kabale.

Pensioners, through their Associations explained that as they grow older, it becomes ever more difficult to travel long distances to go to the district headquarters for verification. Some pensioners are bedridden, others are visually impaired, while many don't have private means of transport.

Many are living in rural areas, located far away from the district offices. If they don't have anyone to assist them, then they can't get verified, which increases chances of being deleted from the payroll.

Things get more complicated for pensioners whose retirement home is located in a different district from where they last served. For example, a pensioner was employed in Arua district, but retired to Mbarara district. Such a pensioner has to travel to Arua every so often, to undergo the verification process, or to address any issues concerning his payment, which is very challenging.

Apart from the physical challenges related to e-registration and verification, pensioners also complained about some of the required details, which are not aligned to the information they submitted at the time they were still in service. For example, recently they are required to have a Tax Identification Number (TIN). But for all the time they were still employed, this was not a requirement so they've never registered for TINs. Moreover, they wonder why a TIN is required yet pensions are not taxed.

Other challenges raised were: delayed payment of gratuity; delayed access to death benefits for the pensioners' beneficiaries; inadequate sensitization about pension computation formula.

The pensioners' association leaders called for more sensitization of their members about all key changes in requirements for registration. They recommended that the associations be recognized and empowered to support their members navigate the numerous challenges. Since the pensioners associations leaders know where all their members are located, they would help to close the gap between them and the district pensions personnel.

They also recommended that Ministry of Public Service and district authorities take advantage of available technology to ease the process of verification. The use of biometrics could ensure that elderly pensioners don't have to travel far to be verified.

URBRA tips MURBS on mid term access

In July 2021, MURBS was officially declared a mandatory retirement benefits scheme. Previously, some of the members had been saving with NSSF and, as reflected in the question above, they were at pains - to transfer their accrued benefits or leave them with NSSF.

In a recent workshop Ms Rita Nansasi, URBRA Director Legal Services, gave assurance to the concerned members that provides for the transfer of funds to their current scheme. Citing the Attorney General's advice on the matter, Ms Nansasi told them they had three options:

i) Preserve the accrued benefits in NSSF and access the same later in accordance with the terms of the NSSF Act Cap 222

ii) Accrued benefits to be paid out in accordance with section 21(2) of the NSSF Act and start afresh with MURBS

iii) Transfer the accrued benefits to MURBS with the approval of the Regulator.

> *"Regarding requirement to transfer to a new scheme, what if I prefer to keep my money with the old scheme e.g. for the case of Mak, If I prefer to keep my money with NSSF, does the law Mandate me to transfer my savings to MURBS? (Workshop participant)"*

While this seems to open a window for mid-term access, Ms Nansasi took time to educate members about the dangers of early withdrawal.

But first, she implored them to understand the importance of saving for retirement, which is to provide income in retirement either in the form of lumpsum, pension, annuity or income draw down (programmed withdrawal).

She emphasized that the goal of retirement saving is to provide a reliable income and reduce poverty in old-age.

However, many people often clamor for early access to their retirement savings, as was witnessed at the height of the covid19 pandemic.

Some people demand for early access because of the pressing need for liquidity, owing to lack of short-term emergency funding, and indebtedness. Recently, URBRA has issued regulations allowing members to use their savings as collateral to acquire house loans and mortgages.

Others may demand early access to enable them cover medical expenses and other emergencies. There is an increasing challenge for members to strike a balance between genuine needs for some pre-retirement liquidity, early access to retirement savings and providing adequate post retirement income for individuals.

Implications of early access to retirement benefits

While early access to retirement savings could facilitate a member' capacity to address short term income shocks for example the effects of the Covid 19 pandemic, the fundamental policy dilemma that arises is the tension between a long- term objective (to build up a pension) and a short-term one (to smooth an income shock).

Accessing retirement savings ahead of time directly undermines the goal of obtaining pension or retirement income capable of providing a decent standard of living in old age.

Access to retirement savings should be the last resort, so as to avoid challenges associated with old age poverty and losses associated with financial market volatility and unprofessional advisers on how to spend your money.

The amended NSSF Act gives more than just mid-term access

The enactment of the NSSF (Amendment) Act 2021, came as a New Year Gift, not only for members of NSSF, but for all who had been following the two-year debate. Politicians breathed a sigh of relief. For many, the celebration was centred around the provision allowing members mid-term access to their accrued savings – if they attain the age 45 and have saved for ten years.

Speaker, Jacob Oulanyah said, "today, I will breathe. I have been receiving phone calls and messages from the workers of this country. Parliament has delivered on what it should do for qualifying workers to have midterm access to their accrued NSSF benefits. Congratulations!"

The Chairman General of the National Organization of Trade Union, Usher Owere said in a tweet, "Indeed this is the gift of New Year 2022. God bless,"

As everyone awaits – with bated breath – the implementation of the mid-term access provision, there are other provisions that members ought to know and how they apply to accessing retirement benefits.

During the two-year legislative process of the NSSF Amendment Bill, URBRA made a total of 16 recommendations, of which 13 were adopted by Parliament and incorporated into the new law. Key among those were proposals addressing governance issues such as: putting a cap on the tenure of the Board; refusal of NSSF to lend directly to government; refusal to tax members' benefits at the time of payment; refusal to cap the levy paid to the regulator in the NSSF Act but rather apply the cap for other schemes as well, by amending the URBRA Regulations that prescribe the levy; putting a cap on the tenures of the Managing Director and the Deputy Managing Director; appointment of the Corporation Secretary by the Board of Directors; making the Managing Director an ex-officio member of the Board without voting rights. No doubt, members will benefit greatly from a fund that's clearly aligned with conventional governance principles.

However, there were proposals that directly impacted on the benefits paid out to a member, especially where circumstances forced them to exit NSSF before contributing for four financial years.

The NSSF Act (Cap222) stipulated that should a member emigrate from Uganda or join excepted employment, they would not qualify to receive the employer's contribution unless they had saved with the fund for four financial years. In other words, the member would forfeit the portion of their savings contributed by the employer, which would be retained in the Fund's reserve account, and the exited member would never have a chance to access those savings.

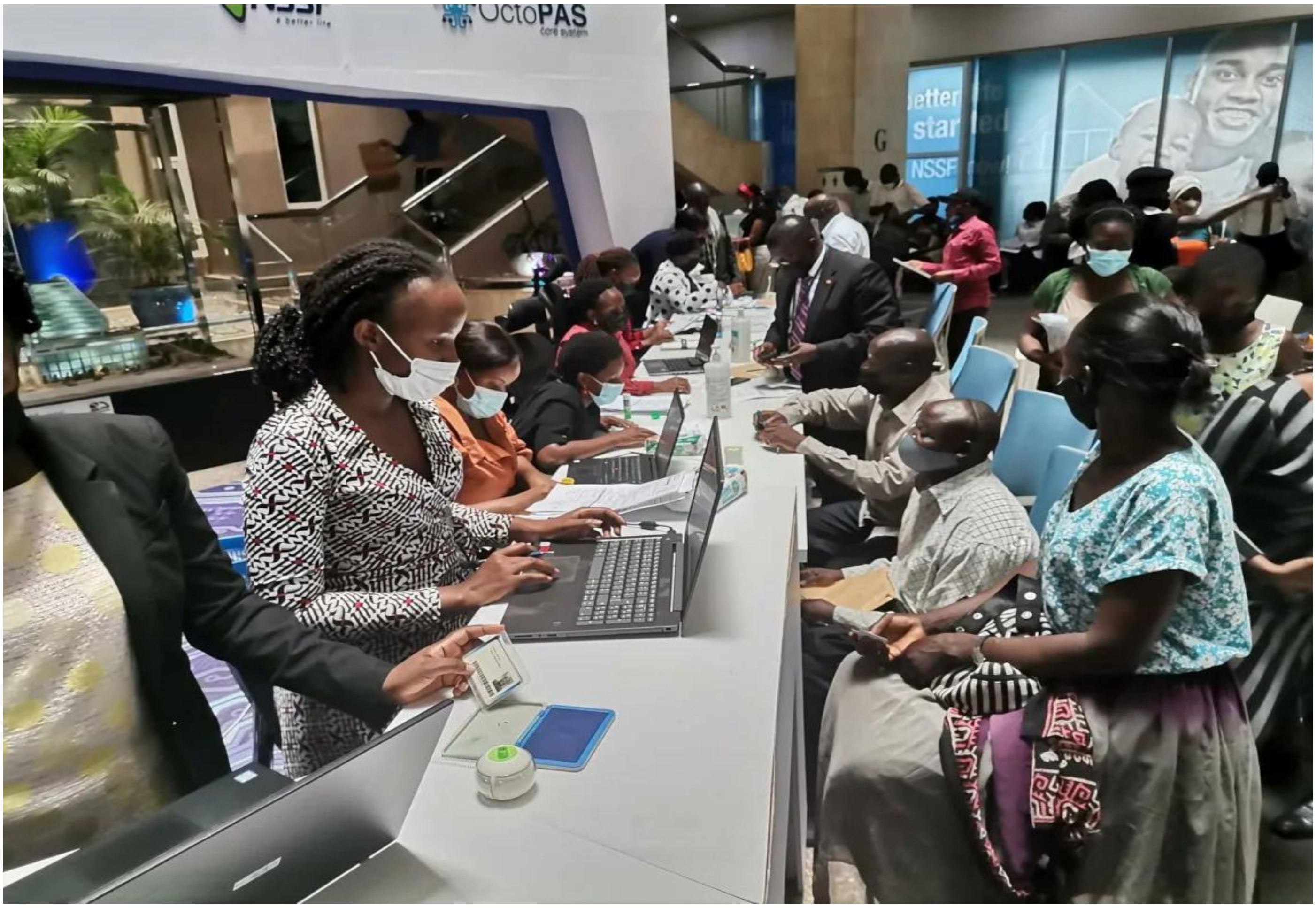
In the interest of protecting members' retirement benefits, URBRA advocated for the deletion of those provisions from the law. In preventing savers from accessing the portion contributed by the employer, the law was bonding employees to one employer for a minimum of four years - which was disadvantageous. Moreover, when an employer contributes 10% of one's emoluments to the fund, it technically belongs to the employee and is credited to the employee's account.

Given that the employer contributes 10% while the employee contributes 5% of monthly income, under the old law, any exiting member would forfeit the bigger chunk of their retirement benefits.

Hence, in the NSSF (Amendment) Act 2021, savers can be sure to access their full benefits, whenever they cease being members of the fund, under the circumstances prescribed by the law. No doubt, the amended law gives hope to members who would otherwise have been bound.

One wonders whether this would apply to those who ceased to be members before the NSSF (Amendment) Act was enacted. Can they claim the portion of their employers' contribution which was retained in the NSSF reserve account?

They will not claim, because the law does not apply retrospectively. Be that as it may, URBRA and other sector stakeholders continue to advocate for the interests of savers and their beneficiaries and work towards a secure and dignifying retirement.



Spend wisely and save for retirement – Bbomboka farmers advised

Bbomboka Coffee Farmers Association and Processors Ltd has over 20,000 registered coffee farmers across the greater Luwero, Masaka and Mubende who are connected through cooperatives around the district. Despite the fact that they belong to different savings groups, many of the farmers are not purposely saving for retirement, citing unpredictable income.

Against that background, Association's Operations Director, Mr. Lubwama Richard invited URBRA to speak to the farmers about saving for retirement. A two-day seminar was thus organized, targeting leaders of the farmers' cooperatives, who would then take the message back to their respective constituents.

Addressing the farmers, Mr. Martin Nsubuga the URBRA Chief Executive Officer, commended them for appreciating the need to save for retirement. He told them that to be able to save for retirement, they had to reduce their current expenditure.

He further told them that retirement saving is for long-term, which enables the saver to accumulate more money through the principle of compounding interest. He also cast them into the future, advising them that when the time comes to withdraw the savings, they should opt for the draw down method.

Drawing from their day-to-day spending habits, Hajji Hassan Nakabaale the URBRA Director Corporate and Public Affairs, tasked the farmers to identify areas where they needlessly spend their money. He encouraged them desist from careless expenditures and to prioritize long-term saving.

Talking about old age poverty, Mr. Mukiibi Benjamin, Manager Research and Strategy stated that many people are very enthusiastic about saving for investment purposes rather than saving for retirement, which can be attributed to a lack of awareness. Many are misled when it comes to long term investments, they invest in projects that are not lucrative.

Mukiibi advised that to afford a comfortable and happy retirement, the first step is to save with a licensed scheme, have a trusted patron to handle business accounts and opt for real estate as its risks on return are minimal.

The workshop was attended by political and technical leaders from Luwero District among them, Mr. Kibirango Erasto the District Chairman and Mr. Ssimbwa the Chairman Luwero Subcounty.

This is the first of many engagements the Authority plans to have with the Association in its continuing efforts to mobilise informal sector workers to save for retirement.

NSSF Amendment (Act) 2021: Sector actors will follow the tide

On 2nd January 2022, after two years of heated Parliamentary debate, His Excellency the President of Uganda assented to the National Social Security Fund (Amendment) Bill 2021.

Key among the amendments were: to establish a stakeholder board; to provide for mandatory contributions by all workers, regardless of the size of the enterprise or number of employees; to provide for voluntary contributions to the fund; to provide for a midterm access to member's contributions; to provide for a five year term of office for the managing director and deputy managing director; to empower the board to use in-house expertise and fund managers in the investment of scheme funds; to empower the board to introduce new benefits in consultation with the Minister; and for related matters.

While the Act directly addresses NSSF, it has sector-wide implications, which all stakeholders ought to pay attention to. In a webinar to discuss the implications of the NSSF Act, Solomon Wilson Kirunda, the Ag. Director Legal and Compliance at the Parliament of Uganda, shared his insights on the sector-wide implications of the Act.

To start with, the Act widens the social security space, because it removes the limit on the number of employees required for an employer to register with NSSF. Previously, an employer would register with NSSF only if they had at least five employees. And now that it is a requirement by law, all employees will be able to hold their employers accountable. The provision for voluntary saving will also bring in more savers and open space for more contributions, more money for investment. All this will result in more savings in the sector, and enhance the saving culture in the country. Most importantly, the Act promotes social security, resulting in the reduced number of destitute retirees.

With such an expanded social security space, the sensitization mandate for key sector actors like URBRA will be broadened, because the sector has more participants, more demands and more questions. Citizens will now be keener to understand the sector and they will start asking questions like: is everyone comfortable saving with NSSF; can the sector be liberalized? All service providers will have to work harder and be innovative to remain relevant.

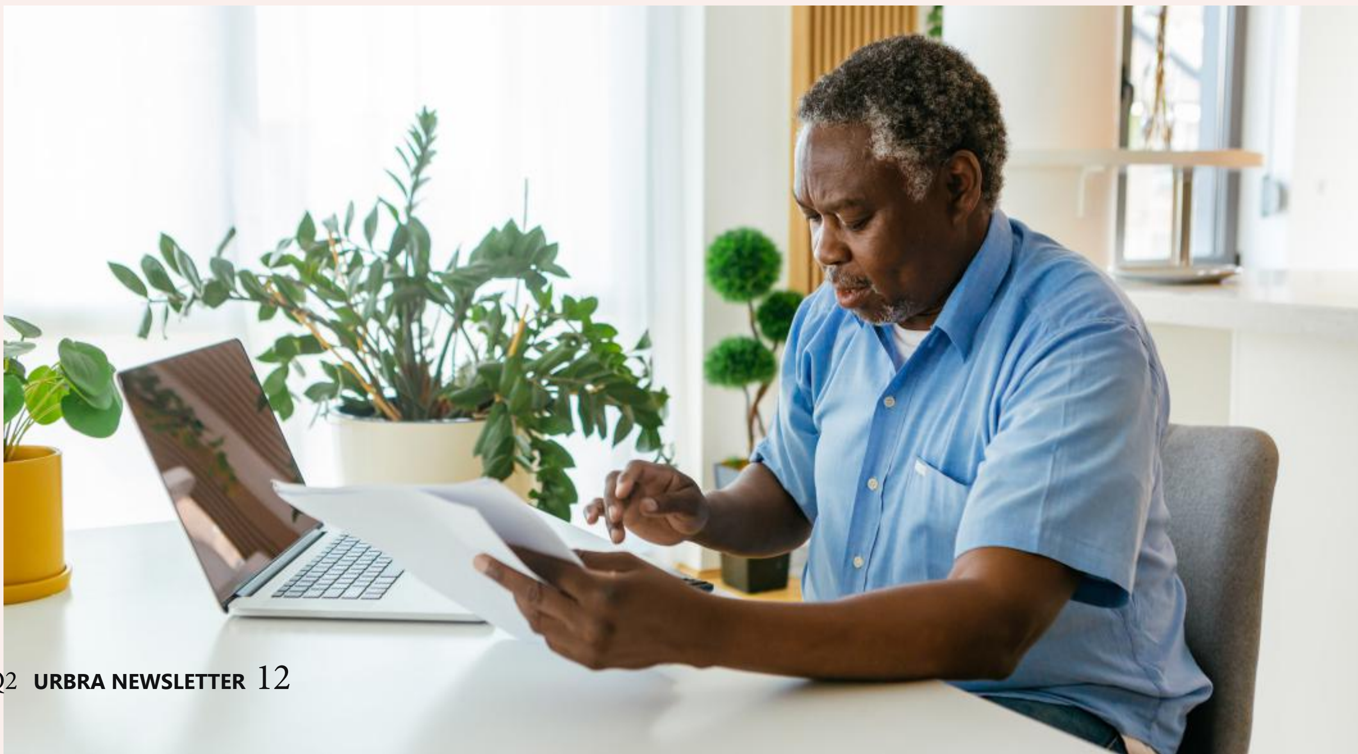
The NSSF Act positions sound corporate governance as an essential element in the retirement benefits sector. Putting a limit on the tenure of the Managing Director, and the Deputy Managing Director, and the recruitment of stakeholder representative Board are all positive developments that other schemes will possibly emulate. Additionally, the pool of experienced sector players will expand. As the tenure of a particular group expires, new ones take over and older ones continue serving the sector in other capacities. This contributes to sector growth. Moreover, with a representative Board, the sector will see greater accountability and transparency, which will foster public confidence.

The Act also empowers the board to use in-house expertise and fund managers in the investment of scheme funds. This is contrary to the URBRA Act which requires all schemes to engage fund managers, based on the principle of segregation of duties. It also means that other schemes may consider engaging inhouse fund managers so as to reduce the huge cost they currently spend on external fund managers. At a higher level, what will happen to the employees who have been working with the now-redundant fund managers? What will happen to the taxes that they have been paying to government? And without the segregation of duties as required by URBRA regulations, how will the sector deal with the issue of conflict of interest? These are all ripples that will be felt at sector level, as implementation of the new NSSF Act goes underway.

The NSSF Act provides for mid-term access to 20% of accrued savings. Many members are already clamoring for it. Other players (members in other schemes) in the market will also demand for their midterm access, therefore there is need to manage expectations without endangering the social security goal. But it will also require sector actors to discuss the question of preservation and adequacy of retirement savings.

The introduction of mid-term access will also wake the sector to the reality of always setting aside money to pay out to members who qualify, affecting the amount available for investment. "The lesser the money you invest, the lesser the return on investment, the sector will always have redundant money," he says. He further notes that the sector must now devise ways of casting a wider net and bring more savers on board.

As the retirement benefits sector gears up for the full enforcement of the provisions of the NSSF Act, 2021there are many likely implications. It is important to acknowledge that a big player like NSSF doesn't operate in a vacuum; it is part of a wider society and therefore owes accountability to current and future stakeholders. With the enactment of the new law, many schemes and sector actors will most likely have to swim with the tide.



How to File a Complaint

STEP 1

- Complaints should first be raised preferably in writing with the trustees of the concerned scheme. Public Service Pension Scheme complainants should first raise the complaint with their former district of employment or former government employer.

STEP 2

- If the complaint is not dealt with to a reasonable conclusion, the complainant may file a complaint with the URBRA complaint's unit.
- **How to raise the complaint**

  Pick, fill and submit the complaints form at the URBRA offices or fill and submit the complaints form using the URBRA website or record an oral complaint with the URBRA complaint's unit that shall be reduced into writing and signed by the complainant.

STEP 3

- If the URBRA Complaints unit does not resolve the matter to the complainant's satisfaction the complainant may raise it with the URBRA Chief Executive officer.

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URBRA sponsored a health camp in Bulo subcounty Butambala District. The Camp was organised by Rotary Club, Kibuli .

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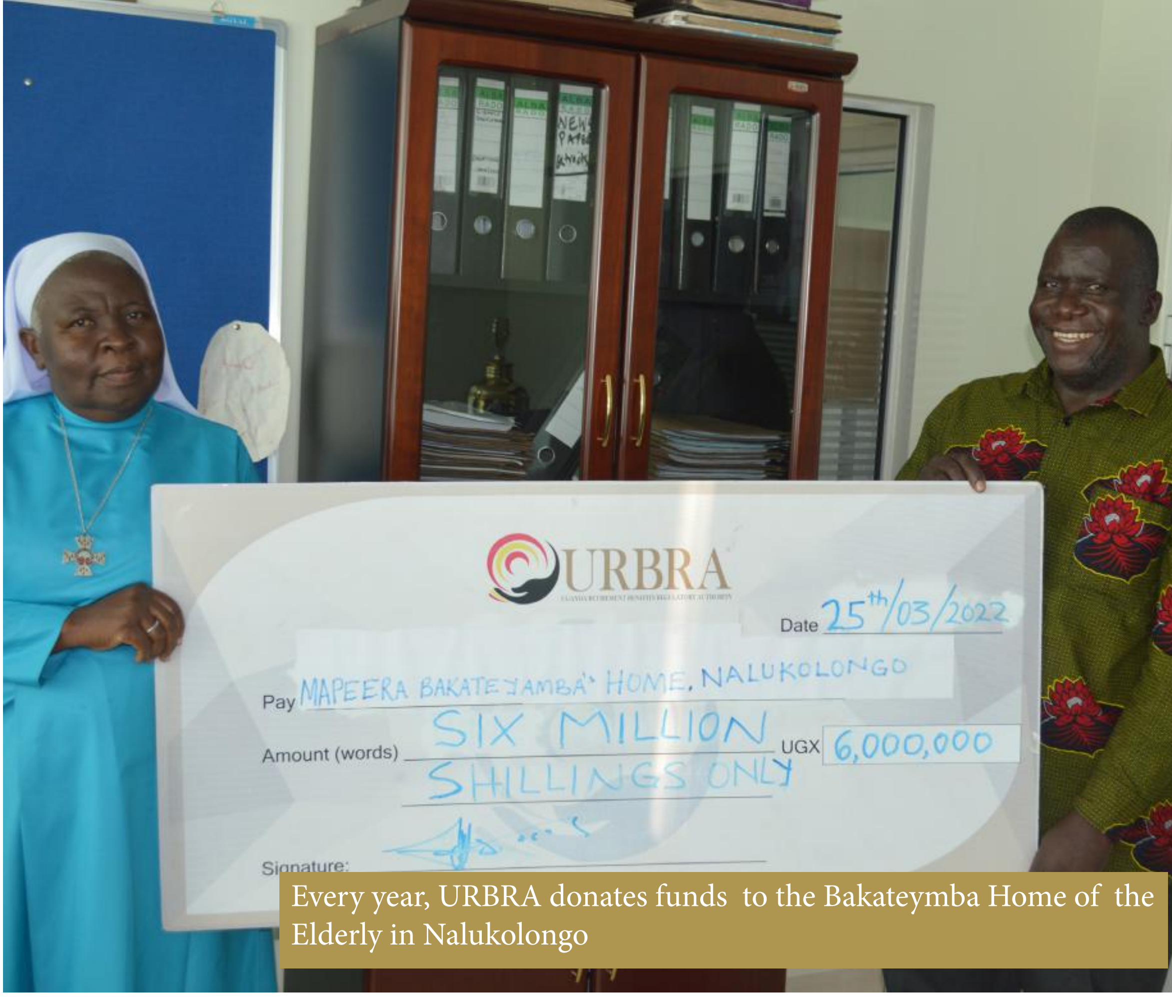

Every year, URBRA donates funds to the Bakateymba Home of the Elderly in Nalukolongo

URBRA team and Masaka District Officials during an official District visit