Newsletter

QUARTER-IV

Innovation key to the future of Pension Sector

URBRA celebrates its 10th anniversary with a two-day health camp in Kampala

Assignment of retirement benefits for mortgages and loans- what you need to know

The need for portability of benefits across EAC borders

Compiled By:

Lydia Mirembe, Manager Communication, URBRA

Billy B. Gang, Communication Assistant, URBRA

Sharon Namirembe, Communication Assistant, URBRA

Design/layout, Billy B. Gang Communication Assistant, URBRA

Clement Hill Rd (3rd - 6th Floor)
P.O. Box 7561, Kampala
+256 417 304 500
www.urbra.go.ug
urbra@urbra.go.ug
@urbraUg

Chief Executive Officer's Foreword

Over the past three months, URBRA has implemented activities to mark its 10th Anniversary, climaxing with a public symposium on Thursday 7th July. The first ten years of URBRA's existence have been both challenging and fulfilling.

The main objectives for establishing URBRA were: to ensure protection of member funds, preservation of funds, support the deepening of the financial sector. The secondary one was to mobilise the public for long term saving.

Working around those objectives, we have been able to build capacity to professionalise the sector. We now have professional accountants, trained CFA professionals and in-house actuaries who can effectively deal with matters of pension and retirement benefits.

We have enhanced our supervisory capabilities and we are continuously improving our oversight role. Through the mechanisms we have instituted, we have dealt with the issues that afflicted the sector including inefficiencies, corruption, loss of funds and poor investments. We have put in place clear regulations and guidelines. We have created a strong foundation and the sector is set to go to the next level.

All these gains have culminated into a high degree of public confidence. We have seen growth in terms of assets under management from less than UGX4 trillion in 2014 to the current UGX20 trillion. We have consistently upheld the principle of prudent investment. We continue to provide assurance to members that their funds are protected, prudently invested and expected to get a good return.

Allow me, in a special way, to commend the URBRA Board of Directors who have gallantly steered the Authority to the great milestones we have reached. I also wish to extend our gratitude to all our stakeholders for supporting URBRA's cause over the years.

As we celebrate our 10 years of service, it is also important to peek into the future in order to develop the strategies and tools that can take us there. It is also an opportunity to reflect on where we are coming from and whether the pension reform objectives and the rationale for establishing URBRA is on track. The supervisory foundation is now solid and the infrastructure is in place to spur solutions for the current and future old age security challenges.

We reiterate our commitment to uphold best governance practices in retirement benefits schemes, and ensure prudence in the administration of schemes and investment of funds, as we protect the benefits of members and their beneficiaries.

Martin Anthony Nsubuga

Chief Executive Offcier
Uganda Retirement Benefits Regulatory Authority

Innovation key to the future of pension sector

Uganda's Retirement Benefits Sector is yet to expand coverage to all working citizens to enable them save for retirement, with confidence and without coercion.

Currently, only 2.8 million Ugandans are covered under a retirement plan, with the majority of them under the mandatory NSSF. Over 80% of Uganda's estimated workforce of 15 million, are not subscribed to any retirement saving scheme.

One of the challenges is the absence of adequate institutions, products and people offering viable retirement saving solutions to the public. This and other retirement related issues were deliberated on at the inaugural annual pension symposium held on 7th July 2022. The symposium was the climax of URBRA's 10th anniversary celebrations, which started in May.

> **The Government should provide fiscal incentives to motivate mass scale voluntary participation and regular savings**

Need for Innovation

Reflecting on the last ten years since the establishment of Uganda Retirement Benefits Regulatory Authority (URBRA), one observes that the sector has undergone legislative and regulatory reforms, reflected in the current robust legislative and regulatory framework. However, as Mrs. Getrude Karugaba said, "good legislation is not enough, it's more important if the legislation enables the sector achieve its objectives." Ms Karugaba was one of the panelists speaking at the symposium, where the theme was: "rethinking the scope of retirement benefits for old age security"

Ms. Karugaba implored URBRA to encourage further innovation, using the Authority's regulatory mandate. "The Regulator can think about creating "sandboxes" where players in the market are allowed to try and test products and then implement," she suggested. She particularly pointed out the new risk-based supervision system, which will hopefully translate into a risk appetite to encourage players in the private sector to be innovative.

Richard Byarugaba, NSSF Managing Director additionally stressed the need for innovation in the sector. "URBRA needs to help schemes come up with new ideas so as to give consumers an opportunity to save for other needs besides retirement and also create a more conducive environment that supports players in the market to be innovative."

Yet another proposal to enhance innovation, was fronted by Mr. Gautam Bhardwaj, Co-founder PinBox Solutions, who was also a panelist at the symposium.

"There is need to optimize retirement outcomes for salaried workers with pension benefits, expand mandatory coverage for excluded Small and Medium Sized Enterprise employees and increase tax funded social pensions that can cover those that cannot save and are already old," he proposed.

He proposed models for stakeholders to build micro-pension mass market through a direct-to-client model where an individual uses WhatsApp, USSD code to manage a portable pension, insurance and savings account. He also proposed the Gift-a-pension model where households open accounts for their domestic assistants and family members.

According to Mr Bhardwaj, an attractive, integrated product basket would include micro pension-simple and flexible long-term savings for old age, liquid saving which includes micro-investments for short term goals and emergencies; flexible, portable solution where each person is free to save per their own capacity with no penalties for missed contributions.

The account moves with the worker through changes in jobs or locations over time.

While URBRA celebrates 10 years, reflecting on the institution's journey and successes, there's need to widen the scope of long term saving to cover members of the public both in the private and public sector. looking to innovations and technology to attract the public towards saving for retirement.

Panelists at the symposium, left to right; Gertrude Karugaba Wamala -Sebalu & Lule Advocates, Richard Byarugaba-NSSF MD, Benjamin K. Mukiibi- Director Research & Strategy URBRA, Gautam Bhardwaj- Co founder Pinbox Solutions

Rt.Hon. Rebecca Kadaga, the Guest of honour hands over a plaque to URBRA's Board Chairman, Mr.Andrew Kasirye

Hon. Henry Musasizi, Minister of State General Duties, MOFPED delivers remarks on behalf of the Minister of Finance Planning and Economic Development

Assignment of retirement benefits for mortgages and housing loans - what you need to know

The issue of owning a decent home in retirement surfaces in many discussions about retirement. In May 2022, URBRA released regulations that allow members of retirement benefits schemes, to assign up to 50% of their accrued benefits as collateral for mortgages or housing loans. Many have since expressed interest in learning how the regulation will be implemented. Some of the key questions are answered below.

What is a Mortgage and how much of a member's accrued benefits can they assign to secure a mortgage or loan?

Under the URBRA (Assignment of Retirement Benefits for Mortgages and Loans) Regulations, 2022, a mortgage is an agreement in which money is lent to a borrower to purchase a residential house using retirement benefits as collateral. The regulations allow a saver assign up to a maximum of 50% of their accumulated benefits or a portion that is equivalent to the market value of the residential house - whichever is less.

Application

These regulations apply to both mandatory and non-mandatory retirement benefit schemes. Members saving with mandatory schemes like NSSF, MURBS or PPS can benefit from the regulations. The same applies to members of non-mandatory schemes like Mazima, and occupational schemes like the URA staff retirement benefits scheme.

Any saver interested in assigning their accumulated retirement benefits is responsible for negotiating their mortgage terms with the financial institution of their choice. There can only be one assignment at a particular time and to only one financial institution. However, there is no limit to the number of houses a saver can acquire.

The institution lending to the saver should be licensed under the Financial Institutions Act, Microfinance Deposit Taking Institutions Act and any other institution providing residential house facilities under written law.

Repayment

The repayment period for a mortgage or loan for purchasing a residential house shall not exceed 20 years, however should the saver default on their mortgage payment, the Trustees shall pay the outstanding portion of the facility to the financial institution using the assigned accrued benefits.

The need for portability of benefits across EAC borders

Since its establishment in 2014, the East African Pension Supervisors Association (EAPSA) has been promoting the pension agenda within the region focusing on mutual cooperation, information sharing, and capacity building among pension supervisory authorities. Key among the issues on the EAPSA agenda is the discussion on how to ensure portability of retirement benefits across the East African Community (EAC) member states.

Discussions have so far resulted in the development of a draft Council Directive on coordination of social security benefits. If adopted, the directive will facilitate the movement of workers across borders and eventual portability of benefits. This is anchored in Article 10 (3) (f) of the East African Common Markets Protocol which stipulates that the free movement of workers shall entitle them to enjoy the rights and benefits of social security as accorded to the workers of the host partners states.

According to URBRA Director Supervision and Market Conduct, Ms. Daisy Nabakooza, the main reason for advocating portability of benefits, is to go past lumpsum payouts whenever people change jobs from country to country. The EAC common markets protocol allows for free movement of labour across borders – one can get a job in Kenya, Rwanda or any country in the EAC. Looking at this movement of labour, whatever is related to that labour should also be able to move, including retirement benefits. Most countries have allowed for transfer of benefits within their jurisdictions.

“It is important for benefits to be portable so as to build a fund for an indivudual. We want to move past the lumpsum payment and get into pension payments. This means that savings have to be built over a long period of working. You cannot achieve that when people get their lumpsum benefits and go out everytime they change jobs and countries. You cannot drive towards pension benefits in a market where everyone gets their lumpsum and moves out,” Nabakooza said.

She expressed optimism that the proposed East African Retirement Benefits Bill will address the prevailing barriers to portability. The key barriers include: different tax regimes among EAC states; differences in the set up of pensions regulatory frameworks which are even absent in some countries; and difference in strength of currencies in different EAC states. The other issue is the minimum wage which is not harmonised across the region, or even non-existent in some member states.

At a personal level, people still have a lumpsum mindset and a poor saving culture. Many still want to take out their money whenever they change jobs, without due regard to how that affects their retirement package.

URBRA celebrates 10th anniversary with two-day health camp

Members of the public in Kampala, were on 31st May and 1st June treated to a free health camp, organized to commemorate ten years of the Uganda Retirement Benefits Regulatory Authority (URBRA).
Apart from extending free medical services, URBRA aimed to raise more awareness about the importance of saving for retirement.

Throughout the two days, Railway Grounds in Kampala teemed with multitudes of people, coming to get a wide range of services including: eye check up, blood donation, sickle cell screening, TB screening and covid19 vaccination. The camp attracted over 757 people, many of them informal sector workers.

Issues of health and wellbeing are of great concern to URBRA. It is difficult to talk about retirement without talking about old-age health. As they journey towards retirement, people need to know that it is important to take care of their health.
Having health checks like the ones at URBRA's health camp, may help to forestall would-be old-age health issues. Similarly, those who are already in retirement need to keep the tabs on their health, to detect oncoming ailments and to manage existing ones. But all of these rotate around financial resources, which then brings in URBRA's constant call for everyone to save and prepare for retirement.

Speaking at the camp, URBRA board member, Ms Rosemary Ssenabulya, URBRA CEO Martin Nsubuga, Director Corporate and Public Affairs Hajji Hassan Nakabaale repeated the call – old-age destitution is undesirable, save for retirement while you are still young, energetic and productive; save with a licenced scheme to avoid disappointment.
The health camp was organized in partnership with Vision Group, Mengo Hospital, KCCA and Ministry of Health.

Include retirement planning in university curriculum - MAK urged

Makerere University should teach students about saving for retirement. The appeal was made by Mr. Gautham Bhardwaj the Co-Founder & Director of Pinbox solutions, an international pensions innovation firm while paying a courtesy visit to the University Retirement Benefits Scheme.

Mr. Bhardwaj noted that there is a knowledge gap on saving for retirement among many Ugandans even after they attain formal education. 80% of all Ugandans that attain formal education end up in informal employment, planning for retirement has largely remained predominantly among the formally employed or those working for registered companies that employ at least five people.

Only recently, with the amendment of the NSSF Act, government lifted the limit and now a company can register for contribution from a minimum of five employees to anyone with an employee. This will increase the number of people covered under social protection.

In addition, there is a plan underway by the government to have a retirement benefits scheme for the informal sector to widen the social protection coverage. This is an effort to alleviate the burden of old age poverty that looms over most of the population.

Pointing out the lack of students saving arrangements, Gautam appealed to the university to act and equip them with knowledge about saving for retirement basing on the lessons learnt from the university's thriving inhouse retirement benefits scheme.

"There's need to tap into the vast number of young people that go through this university to ensure that the number of people that go into old age without retirement savings is significantly reduced."

He further advocates for wholesome financial literacy that includes saving for retirement in learning institutions, which is important to realizing any society's future economic goals like social security, "there's more to financial literacy than just knowing

how to make wise financial decisions".

It's more about being able to use this knowledge and apply it to everyday scenarios. Financial literacy affects every aspect of our lives: from creating budgets, to saving for retirement and investing. However, many students do not know or have less acquaintance to financial literacy, learning institutions should speed up the move to incorporate it into their curriculum.

With financial literacy taught comprehensively in schools, students can acquire the knowledge to not only stay clear of old age poverty through saving for retirement from an early age but also skills necessary to confront the current economic challenges in this society that include the huge number of people not incorporated in any of the social security arrangements and are in danger of experiencing old age poverty.

PICTORIAL

URBRA held a two-day health camp in partnership with Vision Group, Mengo Hospital, Ministry of Health, Kampala Capital City Authority and Uganda Blood Transfusion Services at the Railway grounds Kampala offering services including: free eye check up, blood donation, sickle cell screening, TB screening and covid19 vaccination.

URBRA partnered with Front Clear to a conduct a securities lending and ripple training

URBRA's Director Corporate and Public Affairs, Hajji Hassan Nakaable, handouts safety reflector jackets to police officers and motor cyclists in a drive to promote road safety.

ASSIGNMENT OF RETIREMENT BENEFITS FOR MORTGAGES AND HOUSING LOANS 2022 - What you need to know

What is a Mortgage?

This is any charge or lien (legal right over property) or any estate or interest in land in Uganda for securing the payment of an existing or future or contingent debt or other money or money's worth or the performance of an obligation and includes a second or subsequent mortgage, a third-party mortgage and a sub mortgage.

What are accrued benefits?

The total amount of the beneficial interest of a member in a retirement benefits scheme.

What is an assignment of accrued benefits?

An arrangement under which an institution acquires from a member a right or interest to a portion of the accrued benefits of the member at the date of issuance of the assignment, enforceable against the retirement benefit scheme.

Who is eligible to assignment their accrued benefits?

An individual who has been a member of a licensed retirement benefit scheme for at least 10 years.

For what purpose can a member assign their retirement benefits?

A member can assign a proportion of their retirement benefits only for the purpose of purchasing a residential house for themselves.

What does it mean to purchase a residential house under the regulations?

This means to acquire a residential house, construct a residential house, alter a residential house and securing financing or waiver for deposits, stamp duty, valuation fees and legal fees.

How much of a member's accrued benefits can they assign to secure a mortgage or loan?

A member can only assign up to a maximum of 50% of their accrued benefits or a portion that is equivalent to the market value of the residential house whichever is less.

Does this apply to NSSF? If a member has been saving for 10 years?

Yes, it does. It applies to both mandatory and non-mandatory retirement benefit schemes.

Which institutions can a member issue an assignment of their retirement benefits?

A member may issue an assignment to institutions licensed under the Financial Institutions Act, Microfinance Deposit Taking Institution Act and any other institution providing residential house facilities recognised under the written Laws of Uganda.

Does the regulator have control over the mortgage terms and conditions or is it as per financial institution?

The member interested in assigning their accrued retirement benefits is responsible for negotiating their mortgage terms with the financial institution of their choice.

URBRA Plot 1 - Clement Hill Road, Opp. Tanzania High Commission
Tel: 0417 - 304500/519 or 520
Website: www.urbra.go.ug Email: licensing@urbra.go.ug

urbraUg

Has URBRA negotiated preferential terms with supervised financial institutions in regard to the mortgage or loans?

No, it has not. Due to the freedom to contract the regulator has left the negotiation of loan terms to the member interested in assigning this benefit. However, depending on the working relationship with the various financial institutions and the members of the schemes, licensed retirement benefits schemes may benefit from the good will established over a period of time.

Is there a limit on the number of assignments that a member can make to an institution in order to obtain a mortgage or loan for purchasing a residential house?

A member can only make one assignment at a time to a financial institution of their choice.

Are there standard forms for application of assignment?

Yes, Schedule 2 and 3 of the Regulations have standard forms of a deed of assignment and application form to be filled by the member and trustees accordingly.

Which institution can a member of a retirement benefit scheme assign their accrued benefits to for the purpose of purchasing a residential house?

A member may assign their accrued benefits to a lending institution licensed under the Financial Institutions Act, Microfinance Deposit Taking Institutions Act and any other institution providing residential house facilities under written law.

Who bears the cost of onsite inspection?

The cost of on-spite inspection will be borne by the member that applies to the Trustees of their respective scheme to assign their accrued benefits to an institution for the purpose of purchasing a residential house.

In the event that a member dies, does the bank take his or her benefits?

In the event of a member's death, the Administrator or Executor of the deceased's estate may either opt to pay off the outstanding balance or they may follow up the Trustees to pay off the outstanding loan using a portion of the deceased member's assigned accrued benefits.

Is there a limit on the number of residential houses a member can acquire?

There is no limit to the number of houses a member can acquire under the law.

If I had a Mortgage or housing loan before the commencement of the Mortgage regulations can I assign my accrued benefits as security for the Mortgage/Loan?

Yes, a member can assign his/her benefits for a mortgage or loan that existed before the commencement of the Mortgage regulations. upon application to the trustees in the manner prescribed in the scheme rules, assign his or her accrued benefits to an institution as security for the mortgage or loan.

What is the repayment period for the mortgage or loan?

The repayment period for a mortgage or loan for purchasing a residential house shall not exceed 20 years.

What happens if a member who assigned their retirement benefits defaults on the loan/ mortgage?

The Trustees shall pay the outstanding portion of the facility to the financial institution using the assigned accrued benefits.

What happens to the facility if I withdraw from a retirement benefits scheme or transfer to another retirement benefits scheme?

The facility may be transferred to another retirement benefits scheme as long as the receiving scheme has provisions for issuance of assignments.

URBRA Plot 1 - Clement Hill Road, Opp. Tanzania High Commission
Tel: 0417 - 304500/519 or 520
Website: www.urbra.go.ug   Email: licensing@urbra.go.ug
urbraUg