

IOPS COUNTRY PROFILE: UGANDA

DEMOGRAPHICS AND MACROECONOMICS



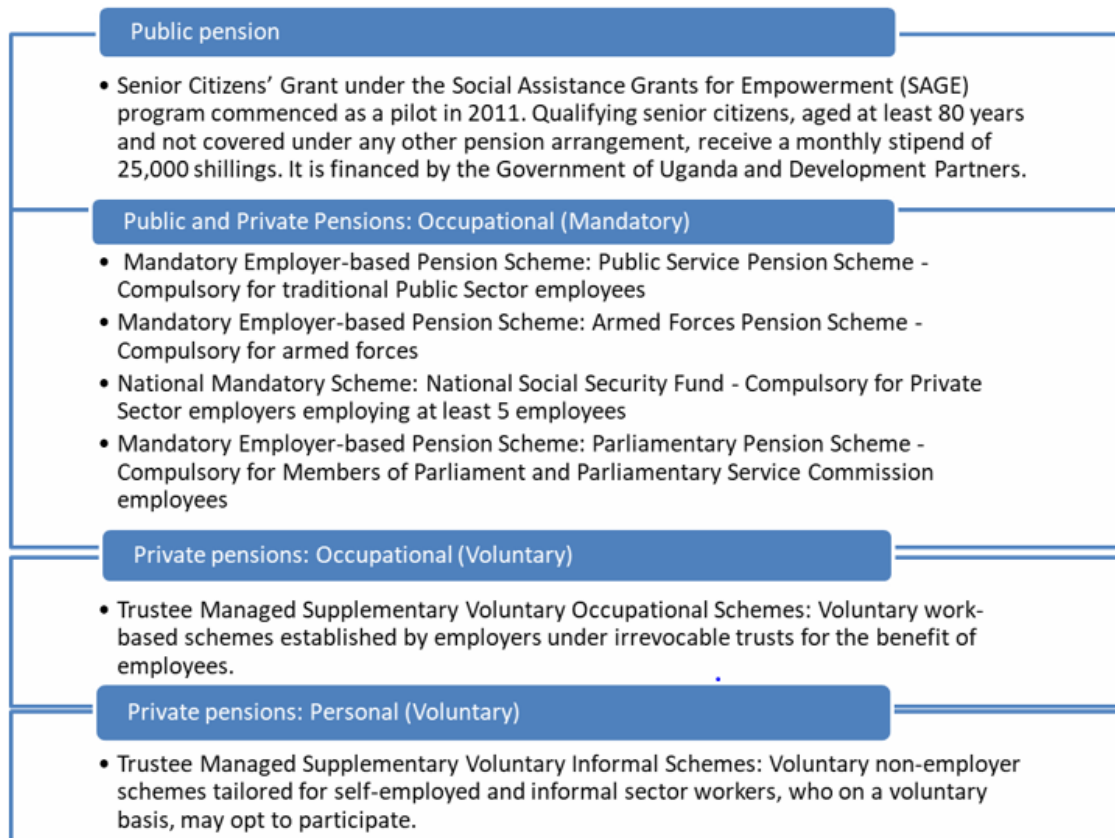
GDP per capita (USD) ¹	878
Population (000s) ¹	40,300
Labour force (000s) ²	18,843
Employment rate ^{2,3}	90.3
Population over 65 (%) ⁴	2.7
Dependency ratio ⁵	5.77

Source:

1. Uganda Bureau of Statistics 2019 Annual Statistical Abstract
2. Uganda Bureau of Statistics National Labour Force Survey 2016/17 p.78 the since Unemployment rate was 9.7%
3. Employment rate adapted from the Uganda Bureau of Statistics National Labour Force Survey 2016/17 p.78 the since Unemployment rate was 9.7%
4. Uganda Bureau of Statistics National Population and Housing Census, 2014
5. Ratio of over 65-year-olds / labour force.

UGANDA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD/IOPS Global Pension Statistic

UGANDA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

Public Pension
<ul style="list-style-type: none"> ▪ Senior Citizens' Grant under the Social Assistance Grants for Empowerment (SAGE) program commenced as a pilot in 2011. Qualifying senior citizens, aged at least 80 years and not covered under any other pension arrangement, receive a monthly stipend of 25,000 shillings. It is financed by the Government of Uganda and Development Partners.
Public & Private Pensions: Occupational (Mandatory)
<p>These are Mandatory occupational schemes established under written laws. These Scheme arrangements include:</p> <ul style="list-style-type: none"> ▪ Public Service Pension Scheme: a pay as you go DB Scheme, established under the Pensions Act of 1946 (Cap 28). The benefits are financed directly from Government tax revenues and are guaranteed by a formula based on number of years of service, level of salary and the vesting period. Reforms aimed at converting the Public Service Pension Scheme into a contributory scheme arrangement are under consideration in the Public Service Pension Fund Bill, 2020. ▪ Armed Forces Pension Scheme: a pay as you go DB Scheme, established under the Armed Forces Pensions Act, 1939 (Cap 295). The Scheme covers all military officers irrespective of their seniority and age, and is fully financed by Government tax revenues. The formula used in the calculations of the pensions and gratuities under the Scheme is the same as that applied in the computation of the same for public officers with the constant applied in the computations not being less than that applied in the computation for civil servants. Little is known about among others the Scheme membership statistics, given its classified nature. ▪ National Mandatory Scheme (National Social Security Fund): DC Scheme, established under the National Social Security Fund Act of 1985 (Cap 222) of the Laws of Uganda. It is mandated to cover all private sector employers with 5 and above employees. The predetermined mandatory contribution rate to NSSF is 15% shared at 5% and 10% between the employee and employer respectively. However, the NSSF currently also operates a Voluntary Retirement Plan, were members that are not propelled to mandatorily save with the Fund (such as employers with less than 5 employees) can on a voluntary basis contribute to the Fund. ▪ Parliamentary Pension Scheme: a DC Scheme established by the Parliamentary Pensions Act 2007 as a Contributory Hybrid Cash Balance Retirement Benefit Plan for the Members of Parliament of Uganda and the Staff of the Parliamentary Service Commission. The Scheme's total contribution rate is 45% of members gross salary with 30% and 15% contributions from the employer (Government) and employees respectively. The Scheme is managed by a Board of Trustees, and consists of an underpin guarantee from Government.
Private Pensions: Occupational (Voluntary)
<ul style="list-style-type: none"> ▪ These are Supplementary Voluntary Occupational Schemes. They are established at the discretion of employers (work based) under irrevocable trusts for the benefit of employees. It is expected that where an employer establishes such a scheme, all employees will participate. The benefits are funded by contributions and the rates vary from one scheme to another. ▪ Most of the Supplementary Occupation Schemes are contributory. These schemes can operate as either standalone schemes or are subscribed to an umbrella scheme. ▪ As of end 2019, Uganda's Retirement Benefits Sector was comprised of 62 (51 standalone and 11 umbrella) voluntary occupation schemes.
Private Pensions: Personal (Voluntary)
<ul style="list-style-type: none"> ▪ These are Supplementary Individual Voluntary Schemes. They are non-employer schemes appropriate for informal workers and self-employed persons, who may on a voluntary basis, elect to participate yet unable to meet regular payments. They are characterized by short lock-in periods as well as low density and frequency of contributions. Uganda's Retirement Benefits Sector is currently comprised of two (2) Voluntary Individual Schemes of Kampala City Traders' Association (KACITA) Provident Fund, Mazima Voluntary Individual Retirement Benefits Scheme (MVRBS).

UGANDA: RETIREMENT BENEFITS SECTOR INFORMATION, 2019

Except for information relating to coverage, all other market information below excludes information relating to Senior Citizen's Grant, Public Service Pension Scheme, and Armed Forces Pension Scheme given their Unfunded Defined Benefit structures.

Coverage

According to the Uganda National Labour Force Survey 2016/17, the size of Uganda's working population is estimated at 15.3 million. In effect, the proportion of Uganda's workforce under some form of retirement benefit arrangement is estimated at only about 16%. The low coverage is attributable to the current traditional yet non-exhaustive system, which was initially designed to cover only the formal sector. However not all employers and employees in the formal sector are participating in the system, yet the informal sector remains excluded. As of the 2019 reporting period:

- The Public Service Pension Scheme covered about 391,376 civil servants and pensioners.
- The National Social Security Fund comprised of 1,954,787 members (Including 20,091 voluntary members), with the member activity rate of 34.2%.
- The Parliamentary Pension Scheme that covers Members of Parliament and Staff of the Parliamentary Service Commission was comprised of 973 members.
- Supplementary Voluntary Occupational Schemes (both segregated and umbrella) were comprised of 44,297 Members.
- Supplementary Voluntary Individual Scheme arrangements tailored for self-employed and informal sector workers were comprised of 2,029 members.
- The Armed Forces Pension Scheme covers the armed forces and the military personnel. Information relating to among others numbers covered under this scheme is classified.
- In 2011, the Government piloted the Social Assistance Grant for the elderly, the program has since increased its coverage and as of end 2019, about 166,498 elderly persons were registered beneficiaries.
- Over 80% of Uganda's workforce is in the informal sector, to which coverage is currently limited, as such, the largest number of the population is not covered by any form of social security.

Reforms aimed at extending coverage to the informal sector, self-employed persons and Micro, Small and Medium Enterprises (MSMEs) employing less than five persons, are currently underway.

Sector Contributions and Benefits Paid

In 2019, total contributions increased by 17.2% to UGX 1.50 trillion from UGX 1.28 trillion in 2018. The increase was attributed to improved compliance in remittance by employers to schemes owing to ongoing supervisory activities, conversion of gratuity arrangements into retirement benefit schemes, new employer and employee registrations and annual employee salary increments.

The total amount paid as benefits to members and beneficiaries in 2019 was UGX 575 billion, an increase of 24.5%

Year	2019	2018
Total Contribution (UGX Billion)	1,498	1,280
Share	%	%
Employer Contributions	63.79	65.75
Employee Contributions	32.61	32.97
Members' Additional	0.31	0.72
Individual Transfers	1.64	0.03
Group Transfers	1.65	0.52
Total Benefits (UGX Billion)	575	462
Share	%	%
Lumpsum	63.30	68.24
Pensions	1.96	2.08
Deaths	2.19	2.18
Disability	2.19	5.44

over UGX 462 billion paid in 2018. Accordingly, the net contribution increased by 12.7% to UGX 923 billion compared to UGX 819 billion in the previous year. Refer to Table 1 for details on Contributions and Benefits Paid.

Emigration Grant	11.45	10.86
Exempted Employment	13.83	11.07
Transfers Out	1.42	0.13
Net Contribution (UGX Billion)	923	819

Taxation

Section 8 of the Income Tax Act, 1987 (Cap 340) of the laws of Uganda prescribed the rate of income tax for retirement funds. The chargeable income of a retirement fund for a year of income is charged to tax at the rate of 30% of the income of the plan. In 2019, the total tax expenditure (corporate and withholding) amounted to UGX 213 billion (UGX 179 billion in 2018).

Sector Investment Portfolio

The Sector Investment Portfolio grew by 20.9% from UGX 11.8 trillion in 2018 to UGX 14.28 trillion in 2019. (Refer to Table 2 for details on Retirement Benefits Sector Investment Portfolio). In 2019, net income and net member contributions were the main contributors for the growth in the investment portfolio.

There were no major changes in the Sector portfolio structure. Government securities accounted for the major portion of assets 74.83%. Equities made up 16.06%, Investment property 6.14%, fixed deposits 1.86%, corporate bonds 0.66%, and other investments which accounted for 0.45%.

Year	2019	2018	2017	2016
Total Investments (UGX Trillion)	14.28	11.8	9.9	8.04
Share	%	%	%	%
Government Securities	74.83	74.52	71.7	71.3
Quoted Equities	13.45	13.95	15.4	14.5
Investment Property	6.14	5.71	5.3	5.9
Fixed Deposits	1.86	1.71	2.6	4.2
Unquoted Equity	2.61	2.83	2.2	2.2
Corporate Bonds	0.66	0.97	1.3	1.3
Others Investments *	0.45	0.31	1.5	0.6

*Other investments include collective investment schemes, unit trusts, guaranteed funds, etc.

RECENT REFORM

Reforms in Public Service Pension Management: Effective January 2019, the Ministry of Public Service fully decentralized Gratuity and Pension processing and Management to respective Ministries, Departments and Agencies (MDAs) and Local Governments.

National roll-out of the Senior Citizen's Grant: The program has been in existence for the past 9 years. Its rollout has grown from the initial 15 pilot districts at commencement to currently over 51 districts, covering over 160,000 elderly persons. With an aim to roll out the program to the entire country, qualification age is to be revised from the initial 65 years to at least 80 years. Persons over 65 years that were already enrolled will however continue to benefit as the age revision will only affect new beneficiaries.

Currently, a number of reforms aimed at facilitating Sector development are underway. These include the following:

- **Public Service Pension Fund Bill, 2020:** The Bill seeks to address issues of affordability and long-term sustainability of the scheme given its current operation as an Unfunded Defined Benefit Scheme. The proposed Public Service Pension Fund Bill once passed will make the scheme contributory where government and public servants make contributions, enable accumulation of assets which will facilitate timely payment of benefits. It is envisaged that the Public Service Pension Fund Scheme will be established in July 2021.
- **NSSF (Amendment) Bill, 2019:** The Bill seeks to introduce changes to the NSSF Act, Cap 222 that was enacted in 1985. This Bill seeks to among others empower the Fund to expand

coverage by making membership to the Fund mandatory for all formal sector employers, permit those employed in both the formal and informal sectors to make voluntary contributions to the Fund, provide for introduction of new benefits, and improve governance.

- **Extending coverage to the self-employed and the informal sector:** Currently, sector coverage is largely focused on the few persons in traditional/formal employment systems. With a view to increase coverage and mitigate old age poverty, the Uganda Retirement Benefits Regulatory Authority (URBRA) finalized and is now implementing its Strategy of Extending coverage self-employed persons and those in the informal sector, which among others seeks to introduce a regulatory framework for informal sector retirement saving arrangements.

REFERENCE INFORMATION

KEY LEGISLATION

Uganda Retirement Benefits Regulatory Authority (URBRA) Act, 2011, and established Regulations
Parliamentary Pensions Act, 2007
Employment Act, 2006
National Social Security Fund Act, 1985 (Cap 222)
Pensions Act, 1946 (Cap 28)
Armed Forces Pensions Act, 1939 (Cap 295)

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Uganda Retirement Benefits Regulatory Authority (URBRA): <https://www.urbra.go.ug>

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Uganda Retirement Benefits Regulatory Authority (URBRA) publications: <https://www.urbra.go.ug>

SOURCE MAP: Central Intelligence Agency, The World Factbook, the United States