PARLIAMENT OF UGANDA

REPORT OF THE COMMITTEE ON PUBLIC SERVICE AND LOCAL GOVERNMENT ON THE PUBLIC SERVICE PENSION FUND BILL, 2024.

Office of the Clerk to Parliament,
Parliamentary Buildings,
KAMPALA.

February, 2025.

1.0. INTRODUCTION

Rt. Hon. Speaker and Hon. Members,

The Public Service Pension Fund Bill, 2024, was read for the first time on 19th December 2024 by the Minister of Public Service, and referred to the Sectoral Committee on Public Service and Local Government for scrutiny, in accordance with Rule 129 of the Rules of Procedure of Parliament.

The Committee scrutinized the Bill as required by Rule 129(2) of the Rules of Procedure of Parliament and hereby reports to this House in accordance with Rule 130(2) of the same Rules.

2.0. OBJECT OF THE BILL

The Bill seeks to establish the Public Service Pension Fund and the Public Service Pension Scheme; provide for the governance, functions, organisation and management of the Fund; provide for the collection of contributions to the Fund and payment of retirement benefits; provide for the investment of the monies of the Fund and to repeal the Pension Act Cap. 89.

3.0. NEED FOR THE BILL

Currently, the Government operates an unfunded noncontributory defined benefit scheme for Public Service, regulated under the Pensions Act Cap. 89, which was enacted in 1946. The Pensions Act provides for the granting and regulation of pensions and gratuities for public service officers under the Government of Uganda. The benefits include a lump sum amount given upon retirement and a monthly pension based on the last pensionable salary of a civil servant at a fraction of one five-hundredth.

Various actuarial studies on the current pension scheme revealed that it needed drastic change. For instance, a World Bank actuarial study in 2011 recommended a number of redesign options pushing for a contributory scheme. In 2022, Government commissioned an actuarial valuation and also recommended a funded contributory scheme.

According to the 2022 actuarial study, Uganda had 334,146 civil servants and 64,855 pensioners. For FY 2021/ 2022 the total annual pensionable emolument amounted to **UGX 2.868Tn**, and the annual pensions amounted to **UGX 315Bn**. These figures excluded members of the armed forces, non-pensionable employees who earn gratuity. In FY2022/2023, the total annual pensionable emolument was to increase by 33% to **UGX 3.823Tn.** Basing on projections, the Government expenditure on pensions would rise from around **UGX 940Bn** in FY 2022/2023 to **UGX 14.561Tn** in 2053, even if the current scheme was closed to new entrants. As such, the current pension scheme is unrealistic, unaffordable and unsustainable.

The valuation study recommended a modified plan that preserves the current defined-benefit basis, but with a lower fraction of one six-hundredth and a contributory scheme funded by member contributions.

Accordingly, the Public Service Pension Fund Bill, 2024, introduces a contributory pension scheme designed to provide a sustainable source of funds for pensions. The Bill proposes the establishment of a Public Service Pension Fund, which shall be a body corporate, and shall operate the Public Service Pension Scheme for employees in public service and other public service who elect to join the Scheme. The Fund will collect the contributions, keep records, mobilise resources for the management of the Scheme, investment of monies to finance the payment of benefits out of the scheme. The new arrangement is intended to improve the management of pensions and reduce government expenditure and the liability of paying pensions directly from the Consolidated Fund.

The Ministry of Finance, Planning and Economic Development issued a certificate of financial implications as required under Section 74 of the Public Finance Management Act, Cap 171 and in accordance with Article 93 of the Constitution of the Republic of Uganda, as amended.

The Certificate indicated that the new scheme will lead to increased national savings, thus availability of cheaper long-term financing mainly for private sector investment which will result into economic growth.

According to the certificate of financial implication, the Bill has a total budget implication of UGX.19.736 Trillion, of which UGX. 363.34 billion (projected) is required in the first year of implementation and UGX.1.901billion for pre-reform activities. There are no expected revenues or savings in the short to medium Term but a reduced pension liability to the Government in the long term. (An analysis of the financial aspects of pension reform proposals in Uganda is attached as appendix 1).

4.0. METHODOLOGY

During the process of considering the Bill, the Committee-

(a) Held discussions with the following stakeholders:

1. Ministry of Public Service;
2. Ministry of Local Government;
3. Ministry of Gender, Labour and Social Development;
4. Uganda Retirement Benefits Regulatory Authority (URBRA);
5. National Social Security Fund (NSSF);
6. Makerere University Retirement Benefits Scheme (MURBS)
7. Parliamentary Pension Scheme (PPS);
8. Public Service Negotiating and Consultative Council,
9. Uganda Government and Allied Workers Unions;
10. National Organisation of Trade Unions (NOTU);
11. The Central Organisation of Free Trade Unions (COFTU);

12. Association of Local Government Administrative Officers of Uganda (ALGAOU);
13. Uganda Public Service Human Resource Managers Network;
14. Confederation of Public Service Trade Unions – Uganda (COPSTU);
15. The Fund Managers' Association of Uganda and
16. Zamara Uganda;

b) Conducted documentary review of the following literature:

1. The Constitution of the Republic of Uganda, 1995 (as amended);
2. The Pensions Act, Cap. 89;
3. The Uganda Retirement Benefits Regulatory Authority Act, Cap. 232
4. The Public Service Act, Cap. 91;
5. The Parliamentary Pensions Act, Cap. 273;
6. The Insolvency Act, Cap. 108;
7. The Security Organisations Act, Cap. 327;
8. The Public Finance Management Act, Cap 171;
9. The National Social Protection Policy, 2015.

5.0. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

The Committee observes and hereby makes recommendations on the salient parts of the Bill.

5.1. <u>Mandatory contributions</u>

The current scheme under the Pension Act, Cap. 89 is fully unfunded and payments are done directly from the Consolidated Fund. Clause 27 provides for payment of the mandatory contributions to fund the Scheme. The mandatory contributions are 5% of the basic salary of the employee and 10% from the employer. Contributions must be paid to the Fund by the 15th day of the month following the month for which the salary is paid. Clause 27(6) allows the Minister, based on actuarial valuation, to vary the contribution rates through a statutory instrument.

Committee observations

The Committee observed that;

(a) With a contributory scheme, the liability of the Government will be reduced compared to the current unfunded scheme. Additionally, the new scheme will encourage employees to take an interest in its success as a joint venture with the Government, which will enhance its performance.

(b) Most schemes worldwide are moving towards contributory systems. In Uganda, for instance, employees of Makerere University on pensionable terms subscribe to the Makerere University Retirement Benefits Scheme, with contributions of 5% from the employee and 10% from the Government. In addition, actuarial studies have recommended a contributory scheme for the public service of Uganda, for a sustainable pension system.

(c) Based on the contribution, employees' take-home salary would decrease by 5%. The Ministry of Public Service and stakeholders proposed having a salary enhancement of 5% across the board as a way to offset the effect of the mandatory deductions on the employees' future take-home.

Committee recommendations

The Committee recommends that;

(a) The Government should prioritise the enhancement of salaries to ensure that the 5% deduction off the employee's salary does not affect their take-home.

(b) Ultimately, Government should revise salaries equally across the board in order to address the poor pay of public servants and the significant salary discrepancies between the different categories of civil servants.

5.2. <u>Pension formula for future benefits</u>

The current pension formula provides a pension fraction of one five-hundredth under Section 4 of the Pension Act, Cap. 89. The proposed formula in the new law is one six-hundredth under clause 40 of the Bill. While stakeholders expressed support for the Bill, there is general concern that the proposed formula will reduce the eventual pension payable to a civil servant. The Committee received proposals for other fractions, as low as one four-hundred-and-fiftieth, as well as proposals to maintain the current one five-hundredth.

The fractions are illustrated below, assuming a gross monthly salary of UGX 2,000,000 over a period of 30 years.

OLD PENSION SCHEME CALCULATION (1/500):

- Annual Salary Package for 30 years: UGX 2,000,000 x30yearsx 12 months = UGX 720,000,000
- Monthly Pension Calculation: UGX 720,000,000 x (1/500) = UGX 1,440,000
- Total for 15 Years pension period: UGX 1,440,000X15yearsx12Months = UGX 259,200,000
- One off **Gratuity** package: = UGX 259,200,000x1/3 = **UGX 86,400,000**
- Monthly take home pension package for 15 years: (UGX 259,200,000)/ (15 years' x 12 months) x 2/3 = **UGX 960,000**

PROPOSED FRACTION IN THE SCHEME CALCULATION (1/600):

- Annual Salary for 30 years: UGX 2,000,000 x30years x 12 months = UGX 720,000,000
- Monthly Pension Calculation: UGX 720,000,000 x (1/600) = UGX 1,200,000
- Total for 15 Years pension period package: UGX 1,200,000X15yearsx12Months = UGX 216,000,000
- One off **Gratuity** package = UGX 216,000,000x1/3 = **UGX 72,000,000.**
- **Monthly** take home pension package for 15 years: (UGX 216,000,000)/ (15 years x 12 months) x (2/3) = **UGX 800,000.**

Following the same formula, the proposal for 1/450 produces a final monthly take home pension package of **UGX 1,066,667** for 15 years and a one-off gratuity package of **UGX 96,000,000**.

While acknowledging the concerns of public servants that by the proposed fraction, the pension payable to public servants will be less, there is a real concern that the current scheme poses a risk of continued delays in processing of benefit payments, security and sustainability of payments.

The Committee observed that the actuarial study by the World Bank and the study commissioned by the Government recommended a reduced fraction to one six-hundredth. This would ensure that government does not fail in its commitments to provide pension for its employees. For the sustainability of pensions and social security of Uganda's public servants, it is important to follow the recommendations in the valuation reports.

Committee recommendation

The Committee recommends that the pension formula for future benefits at a rate of one six-hundredth should be adopted, as in the Bill. However, as recommended above, Government should expedite the plan for salary enhancements across the board so that the pension fraction of one six-hundredth does not negatively impact the employees' pension.

5.3. The Board of trustees

Clause 8 provides for the Board of trustees appointed by the Minister with the approval of Cabinet. The Board comprises the representatives from the Ministries of finance, labour, public service, local government, public service labour unions and three technical persons not being public officers.

The Committee observes that the employer (Government) takes the lion's share of representation on the Board. Whereas only two persons shall represent public service labor unions and three persons shall be experts of different fields. There is no representative of pensioners on the board. Under clause 8(1)(e), the two representatives of public service labour unions are nominated by the "centre". The "centre" is unidentified and the provision does not detail how it shall nominate the two representatives out of the many public service labour unions in the country.

Committee recommendations

The Committee recommends that;

(a) The number of representatives of Public Service Labour Unions should be increased from two to three, one of whom should be a pensioner.

(b) The representatives of Public Service Labour Unions should be nominated by the Registered Federations of Labour Unions.

(c) The number of experts under clause 8(1)(f) should be reduced to two, to cover the increase in the number of the representatives of labour unions, and considering that the ministries' representatives shall be experts in related fields.

6.0. OTHER OBSERVATIONS AND RECOMMENDATIONS

CLAUSE 2: Interpretation

Clause 2 provides for the interpretation of key terms used in the Bill. The Committee observes that there are pertinent terms used in the Bill that have not been defined, such as "administrator", "fund manager", gratuity", and "Scheme". The Committee also observes that there are definitions such as "accrual rate", "annuity", "early retirement" and "pensions authority", that have been defined, but are not used elsewhere in the Bill.

Committee recommendations

The Committee recommends that;

1. ***The undefined key words in the Bill be defined to avoid misinterpretation and misapplication of the words.***

2. ***The definitions of "accrual rate", "annuity", "early retirement", and "pensions authority" should be deleted because they are redundant.***

<u>CLAUSE 4: Application of the Act</u>

Clause 4 provides that the Act shall apply to employees in the public service and employees of the "other public service" who elect to join the Scheme. "Other public service" is defined as public service in government agencies, departments, authorities, boards, or commissions subscribing to a retirement benefits scheme other than the Pension Scheme.

The Committee observed that most entities that fall under this definition of "other public service" operate mandatory schemes, such as the Makerere University Retirement Benefits Scheme (MURBS) and the Parliamentary Pension Scheme. Similarly, the National Social Security Fund Act, Cap. 230, under section 7, has a mandatory requirement for eligible employees including those of the other public service to register with the National Social Security Fund (NSSF).

Clause 4(2) excludes: persons in elective positions, members of the armed forces, employees of security organisations, employees in other public service subscribing to existing retirement benefit schemes, employees in the public service who are left with five years to attain the mandatory retirement age and who have not elected to join the Scheme, and any other category that may be expressly exempted by law. Clause 4 also gives a ministerial discretion to prescribe employees to whom this law may or may not apply.

Committee observations

i) The Committee observes that;
ii) Allowing employees to elect to join the Public Service Pension Fund may cause unforeseen risks, unwarranted legal battles and challenges in management and payment of retirement and pension benefits of these employees.

iii) While the employee may elect to join the Scheme, the clause is silent on the Sponsor/ employer who in the same Institution may not remit an employees' benefits to the public Service Scheme, and may thus contradict other existing retirement/ pension laws like the Uganda Retirements Benefits Regulatory Authority Act Cap. 232.

iv) Clause 4(2)(e) is silent on the fate of the public servant who is left with less than five years to retire. Additionally, this clause assumes a voluntary element in the law, even though the scheme being created is intended to be mandatory.

Committee Recommendations

The Committee recommends that;

(i) The Bill should focus on employees in mainstream Public Service covered under the current pension scheme.

(ii) The employees in public service in Government agencies, departments, authorities, boards or commissions (other public service), should not be covered in this scheme.

(iii) Since the Bill is a contributory scheme, it should not give the employees who are left with five years or less to retire, an option to elect to join the scheme because they will not have substantially contributed to the scheme.

(iv) Clause 4(2)(e) should include employees who are left with less than five years to attain mandatory retirement age.

CLAUSE 9: Functions of the Board

Clause 9 outlines the functions of the Board of Trustees. The Board is responsible for the oversight and management of both the Public Service Pension Fund and the Pension Scheme. This includes ensuring that the Fund is managed in accordance with the Act and other relevant laws, collecting contributions, approving the annual work plans and budgets, and appointing service providers such as fund managers, custodians, accountants, auditors, and actuaries. These functions are critical for ensuring the effective governance, transparency and sustainability of the Public Service Pension Fund, ultimately protecting the interests of its members.

Committee observation

The Committee observes that one of the functions under sub clause (1)(c), is to collect contributions from pensionable employees. This is a day-to-day operation of the Fund, yet it is a good governance practice for a board not to be involved in the day-to-day operations of an entity. The functions of the Board should thus be limited to oversight and management.

Committee recommendation

The Committee recommends that the Board should be limited to oversight and management functions of the Fund only.

CLAUSE 10: Tenure of office

Clause 10 of the Bill outlines the tenure of office for members of the Board of Trustees. The members of the Board of trustees are to serve a three-year term and may be reappointed for one additional term based on satisfactory performance. This provision ensures that the Board of trustees is composed of competent individuals, with clear processes for appointment, resignation, and removal, to maintain effective governance.

Committee observation

The Committee observes that under sub clause (5), a person representing an institution may be withdrawn from the Board by that institution, which can be subject to abuse by institution heads who might have grudges or personal interests against the representative.

Committee recommendation

The Committee recommends that the person who is representing an institution should be withdrawn by that institution on approval of the Minister.

CLAUSE 12: Filling vacancies of the Board

Clause 12 provides for filling of vacancies of the Board. When a member of the Board is removed from office, the Minister must appoint a replacement within six months. This ensures the Board remains fully functional and can continue its duties without significant disruption. The new member or Chairperson serves only for the unexpired period of the term of the member they are replacing.

Committee observations

The Committee observes that;

(a) Unlike sub clause (1), sub clause (2) does not provide for timelines within which a Minister should appoint the chairperson of the Board in case of the vacancy. This might create delays in the appointment and stifle the operations of the Board.

(b) Additionally, this provision only mentions removal of a member from office, yet vacancies might be created through death or resignation.

(c) The new member of the Board is expected to only serve the remainder of the term of office of the person that has exited. However, for purposes of maintaining institutional memory, the new member should serve for a full term of three years.

Committee recommendations

The Committee recommends that;

(a) Sub clauses (1) and (2) should apply to both the chairperson and the members so that the time lines apply to both chairperson and members.

(b) This provision should include death and resignation, not only removal from office.

(c) A new member appointed to replace a member who exited the Board should serve a full term of office.

CLAUSE 20: Appointment of other staff of the Fund

Clause 20 of the Bill details the appointment of staff necessary for the effective performance of the Fund. The other staff, including the secretary to the board, are appointed by the Board, on the advice of the Chief Executive Officer. The staff are appointed under this clause to hold office based on terms and conditions determined by the Board and specified in their instruments of appointment. However, the terms and conditions of employment for other staff are determined by the Board in consultation with the Minister.

Committee observation

The Committee observes that although the requirement for the Minister under sub clause (3) ensures that staffing decisions align with broader government policies and regulations, this might lay the foundation for unnecessary bureaucracies in a day-to-day function of the Board.

Committee recommendation

The Committee recommends that in determining the terms and conditions of employment of other staff of the Fund by the Board, this function should entirely be the mandate of the Board.

CLAUSE 21: Interim management

Clause 21 of the Bill provides for appointment of an interim Chief Executive Officer and other staff of the Fund. The Minister is responsible for seconding an interim Chief Executive Officer and other staff from the public service to manage the Fund during for the first three years. This clause ensures that the Fund has immediate leadership and staff to manage its operations from the onset.

Committee observation

The Committee observes that there is a need for the Minster to appoint service providers during the interim period, yet they are critical for the Fund's stability and effective functioning, especially at the initial stages of the Fund.

Committee recommendation

The Committee recommends that;

- ***(a) Minister should appoint an administrator, and other service providers to support the interim management during the interim period.***
- ***(b) The interim period should be reduced from three years to two years, to expedite the transition process.***

<u>CLAUSE 23: Establishment of the Scheme</u>

Clause 23 of the Bill outlines the establishment of the Public Service Pension Scheme. The Fund is mandated to establish and operate a contributory defined benefit pension scheme known as the Public Service Pension Scheme. Both the employer and the employee are required to make contributions. The scheme is a defined benefit pension scheme, which means that the benefits are predetermined based on factors such as salary history and duration of employment.

Committee observation

The Committee observes that this clause is crucial as it lays the foundation for the establishment and operation of the pension scheme. However, the task to establish the Scheme has been left to the Fund, yet the Scheme should be created under the law.

Committee recommendation

The Committee recommends that the Scheme should be expressly established under clause 23.

CLAUSE 24: Membership of the Scheme

Clause 24 outlines the membership criteria for the Public Service Pension Scheme. Under this provision, an employee in the public service who has more than five years left until they reach the mandatory retirement age is required to join the Scheme. Like in clause 4, this provision invites employees who have five years left until mandatory retirement and members of the other Public Service who are not part of a similar retirement benefits scheme. It is the duty of the responsible officer to transfer relevant pension files and information to the Fund for these employees. Employees who elect to join the Scheme must be registered within thirty days of their decision or from when they assume duty.

Committee observation

The Committee observes that Clause 24 refers to "membership of the scheme," yet the scheme is not a body corporate under this law. The Fund is the corporate body mandated to execute the functions provided under this Act, not the Scheme. Therefore, there must be a clear nexus between the Fund, the body corporate, and the members.

Committee Recommendations

The Committee recommends that:

- ***a) The members should be 'members of the Fund' and not "members of the Scheme".***
- ***b) As already recommended under clause 4, employees in other public service should not be included as members of the Fund.***
- ***c) Employees with less than five years to attain mandatory retirement age should be provided for.***

CLAUSE 26 Cancellation of registration

Clause 26(1) provides for cancellation of registration of an employee on notification by the responsible officer that the employee has ceased to be an employee and has elected not to continue contributing to the Fund.

Committee observations

The committee observes that the proposed pension scheme does not envision continuation of contribution after a person ceases to be an employee, hence the second part of the clause is redundant.

Committee recommendation

The Committee recommends deletion of the words 'and that employee has elected not to continue contributing to the Fund'.

CLAUSE 27: Mandatory Contributions

Clause 27(6) and 27(7) give the Minister powers to vary the rates of contributions basing on an actuarial valuation. The committee observes that clause 27 on mandatory contributions is a substantive part of the Bill that should not be varied by statutory instrument.

Committee recommendation

The Committee recommends deletion of both sub clauses (6) and (7).

CLAUSE 34: Qualifying period for pension

The qualifying period for pension is defined in clause 2 as the length of service in public service or other public service which a member shall serve before qualifying for pensionable service. The qualifying period for pension for employees of the public service is at least ten years of continuous service in a pensionable position or an aggregate period of at least ten years in public service, including periods when the employee is on leave without pay or has joined other public service. Employees who have not served the full ten years may still qualify for a pension under specific circumstances, such as: retrenchment, abolition of office and medical grounds. This clause is crucial as it sets the minimum service requirements for pension eligibility, while also providing for exceptional cases where employees can still receive pension benefits despite not meeting the ten-year service threshold.

Committee observations

The Committee observes that;

(a) The deletion of "other public service" under the proposed amendments of clause 4 applies to this provision;

(b) A new phrase "appointing authority" has been introduced in this clause. It only appears in clause 34 and 46 and is not defined. It appears to refer to "employer", a word which has been consistently used in the bill.

Committee recommendation

The Committee recommends that the term "appointing authority" should be substituted with the word "employer" which is commonly used in the bill.

CLAUSE 36: QUALIFYING FOR PAYMENT OF PENSION

Clause 36 outlines the criteria for members to qualify for the payment of a pension, including: upon mandatory retirement age (60 years), after twenty years of continuous service in the public service; upon reaching forty-five years of age and having served the qualifying period (10 years); upon death and having served the qualifying period; abolition of office; on medical grounds; retirement in public interest and transfer to other public service.

This clause also provides for payment to a legal representative upon death of a member, which is for a maximum period of fifteen years, and a minimum pension of a quarter of the last pensionable emolument if the pension calculated under the Act is less than the minimum pension.

Committee observations

The Committee observes that;

(a) Sub clause (1)(b) which provides for the condition of twenty years is not conditioned on retirement of the member. This means that a member can get pension after twenty years even when still in service, yet pension is supposed to be received after a member has ceased to be in service.

(b) Sub clause (1)(c) has the same issue as 36(1)(d), because the 45 years are not conditioned on end of service of the member.

(c) The payment to a legal representative for a maximum period of fifteen years in clause 36(2) has not been qualified. It should be from the death of the employee.

Committee recommendations

The Committee recommends that;

(a) A member should qualify for pension under this clause upon exit from the public service.

(b) In sub clause (2), the pension granted under subsection (1)(d) shall be paid for a maximum period of fifteen years after the death of the employee, to the legal representative of the member's estate.

CLAUSE 38: Refund of contribution

Clause 38 provides for a one-off refund of contributions for specific categories of members. It also provides for refund where excess contribution has been made.

Committee observation

The Committee observed that sub-clauses (1)(b), (c) and (d) are unfair, because even after a member has qualified for pension under the Act, they shall lose their pension on the basis of dismissal, abscondment or resignation. The years of an employee in service do not matter, for instance, an employee who absconds at the age 59, having served in public service for thirty years, will not get pension.

Committee recommendations

The Committee recommends that sub-clause (1)(b), (c) and (d) should be limited to employees who have not qualified for pension under clause 36 or gratuity under clause 37.

CLAUSE 44: Re-appointment of an employee into pensionable service

Clause 44 provides for previously earned benefits of a member who has been re-appointed into pensionable service, that such benefits shall be added to the subsequent pensionable service, if that member has not received any retirement benefit in relation to previous pensionable service.

Committee observations

The Committee observes that;

(a) Under this clause, the members who are re-appointed into pensionable service after receiving part of their pension shall lose the rest of their pension.

(b) There is no provision on how to cater for the balance of retirement benefits that have already accrued to the member.

Committee recommendations

The Committee recommends that a member should not lose their pension after re-appointment into pensionable service because they have already earned it for all of the years they spent in service. New service does not take away old service or its accrued benefits.

CLAUSE 47. Computation of benefits in case of abolition of office

This clause provides for pension and gratuity benefits to employees who are retired due to the abolition of the office they hold. It ensures that employees whose positions are eliminated are still entitled to pension and gratuity regardless of the duration of their qualifying period for pension, provided they are confirmed in service.

Committee observation

The Committee observes that there are three benefits included under this provision, namely; a pension, a gratuity and an additional pension. The Committee opines that these benefits need to be moderate, so that a pension and gratuity is sufficient for a person whose office is abolished, instead of getting all three.

Committee recommendation

The Committee recommends that the Bill should provide for only a pension and gratuity for a person whose office is abolished.

CLAUSE 48: No alienation or attachment of pension

Clause 48(1)(a) provides that a pension, gratuity or other allowance granted under this Act, shall not be assignable or transferable and shall not be attached, confiscated or levied upon in respect of any debt or claim except for the purposes of satisfying a debt due to the Government or a debt relating to a tax due and payable.

Committee observations

The Committee observes that;

(a) The spirit of the Constitution of the Republic of Uganda, 1995, is to protect pension from tax. Article 254(2) of the Constitution provides that the pension payable to any person shall be exempt from tax and shall be subject to periodic review to take account of changes in the value of money. Clause 48(1)(a) does not align with the spirit of Article 254(2) of the Constitution.

(b) Section 70 of the Uganda Retirement Benefits Authority Act Cap. 232 is also written in the same spirit. It provides for protection of a member's contribution and states that, notwithstanding anything to the contrary contained in any other written law, where a judgment or order against a member of a retirement benefits scheme is made, no execution or attachment or process of any nature shall be issued in respect of the contributions or funds of the member.

Committee recommendation

The Committee recommends that Clause 48(1)(a) be deleted.

CLAUSE 54: Reserve account

Clause 54 outlines the establishment and management of the Reserve Account. The Board is required to open and operate a Reserve Account. The Reserve Account will be funded by: fines and penalties imposed by the Act, special contributions, income from investments as determined by the Minister in consultation with the Board, any other monies directed by the Minister.

Committee observation

The committee observes that the sub clause (1) (b) which provides for special contribution is vague. Special contributions are not defined.

Committee recommendations

The Committee recommends that sub clause (1)(b) should be deleted because the Bill does not make provision for special contributions.

CLAUSE 56 and 57:

Clause 56 provides for annual report and clause 57 provides for recovery of sums due to the Fund. Clause 57(3) appears to have been misplaced or wrongly moved from clause 56.

Committee recommendation:

The Committee recommends that clause 57(3) be moved to clause 56.

CLAUSE 58: Investment

Under clause 58(4), the board is required to develop a financial plan for each financial year. The Committee observes that one year is a short time for an investment plan to be developed and implemented.

Committee recommendation

The Committee recommends that the investment plan should be developed every three years.

CLAUSE 66: Power to make regulations

Clause 66 of the Bill outlines the Minister's power to make regulations to give effect to the provisions of the Act. The regulations made under this section must be laid before Parliament.

Committee observation

The Committee observes that sub clause (3) does not mention the reason for laying the regulations before Parliament and the timelines that follow.

Committee recommendation

The Committee recommends that the regulations should be laid before Parliament for approval and timelines given within which Parliament receives and approves the regulations.

CLAUSE 69: Effect of the Pensions Act on the existing Public Service Pension Scheme

Clause 69 of the Bill outlines the effect of the Pensions Act, Cap. 89, on the existing Public Service Pension Scheme. The existing non-contributory Public Service Pension Scheme will cease to take on new members within twelve months after the commencement of the new Act. This transition aims to gradually phase out the old scheme and introduce the new contributory scheme.

Committee observation

The Committee observes that closure of the existing scheme is not explicitly mentioned in the Bill.

Committee recommendation

The Committee recommends that the clause should explicitly mention that the non-contributory Public Service Pension Scheme existing immediately before the commencement of this Act shall, within six months from the date of the death of the last beneficiary, be dissolved.

CLAUSE 70: Preservation and payment of accrued pension rights

Clause 69 of the Bill addresses the preservation and payment of pension rights that have accrued under the Pensions Act, Cap. 89.

Committee observation

The Committee observes that a new phrase "redemption bond" has been used in the Bill, yet retirement bond is provided for under clause 51 and is defined.

Committee recommendation

The Committee recommends that "retirement bond" is used instead of "redemption bond".

Rt. Hon. Speaker and Honorable Members, I beg to submit.

PROPOSED AMENDMENTS TO THE PUBLIC SERVICE PENSION FUND BILL, 2024

CLAUSE 2: INTERPRETATION

Clause 2 is amended —

a) in the definition of "employee", by substituting for the words "or other public service", the words "on pensionable terms";

b) in the definition of "qualifying period for pension" by deleting the words "or other public service";

c) by inserting the following definitions in their respective alphabetical order;

""administrator" means a person licensed under the Uganda Benefits Regulatory Authority Act Cap. 232 and appointed by the Board of trustees to administer a scheme in accordance with such terms and conditions of service as may be specified in the instrument of appointment;

"federations" means Registered Federations of Labor Unions;"

"fund manager" means a person licensed as fund manager under the Uganda Retirement Benefits Regulatory Authority Act Cap. 232 and appointed by the Board of trustees to advise on the investment of the assets of the scheme in accordance with such terms and conditions of service as may be specified in the instrument of appointment;"

"legal representative" means an executer or a holder of letters of administration of the estate of a deceased member;"

"Scheme" means the Public Service Pension Scheme established under Section 23;";

d) by deleting the definitions of "accrual rate", "annuity", "early retirement", and "pensions authority".

Justification

- *To define key words that have not been defined.*
- *To remove words that have been defined, but have not been used in the Bill.*

CLAUSE 4: APPLICATION OF THIS ACT

Clause 4 is amended —

(a) by substituting for sub clause (1), the following —

"This Act applies to employees in the public service.";

(b) in sub clause (2) —

(i) by deleting sub clause (d);

(ii) in paragraph (e), by deleting the words "and who has not elected to join the scheme";

(c) by deleting sub clause (3).

Justification

To remove the employees of the other public service and employees who elect to join the scheme, from the application of the Bill.

CLAUSE 6: FUNCTIONS OF THE FUND

Clause 6 is amended—

(a) by substituting for paragraph (a), the following —

"(a) to administer the Scheme;";

(b) by substituting for paragraph (b), the following —

"(b) to collect contributions from pensionable employees and their employers;".

Justification

- *A consequential amendment to the amendment of clause 4.*
- *To provide for collection of contributions as a function of the Board.*
- *To delete a function of the Board that is administrative in nature.*

CLAUSE 8: BOARD OF TRUSTEES

Clause 8 is amended, in sub clause (1) —

(a) in paragraph (e) —

(i) by substituting for the word "centre", the word "federations";

(ii) by inserting, immediately after the word "centre", the words, "one of whom shall be a pensioner";

(b) in paragraph (f) —

(i) by substituting for the word "or", appearing immediately after the word "knowledgeable", the word "and";

(ii) by substituting for the word "or" appearing immediately after the words "retirement benefits", the word "and".

Justification

- *To synchronise with the Labor Unions Act Cap. 228.*
- *To introduce the conjuncture "and" to safeguard against the nomination of inexperienced persons from the Board.*

CLAUSE 9: FUNCTIONS OF THE BOARD

Clause 9 is amended —

(a) in sub clause (1) —

i) in paragraph (c), by substituting for the word "collect", the words "oversee the collection of";

ii) by deleting paragraph (i);

iii) in paragraph (j), by inserting immediately after the word "manager", the word "administrator";

iv) by inserting immediately after paragraph (l), the following —

"(m) advise the Minister on matters relating to the administration of the Fund.".

Justification

- *To limit the functions of the board of trustees to oversight and management functions.*
- *To provide for appointment of an administrator.*
- *To provide for an additional function of the Board to advise the Minister on matters relating to the administration of the Fund.*

CLAUSE 10: TENURE OF OFFICE

Clause 10 is amended, in sub clause (5), by inserting immediately after the word "institution", the words "with approval of the Minister".

Justification

To provide safeguards against unfair removal of a person representing an institution.

CLAUSE 12: FILLING VACANCIES OF THE BOARD

Clause 12 is substituted for the following —

"(1) Where a chairperson or member of the Board dies, resigns or is removed from office under this Act, the Minister shall, within three months of the occurrence of the vacancy, appoint another person qualified to be appointed a chairperson or member of the Board under this Act, to replace the member of the Board."

(2) The chairperson or member of the board referred to in sub section (1) shall hold office for a full term provided for under section 10."

Justification

- *For sub clause (1) to also apply to chairpersons of the Board.*
- *To reduce on the time within which the vacancy should be filled.*

- *To provide for a full term of three years for new members of the Board.*

CLAUSE 20: APPOINTMENT OF OTHER STAFF OF THE FUND

Clause 20 is amended, in sub clause (3), by deleting, "in consultation with the minister".

Justification
To reduce bureaucracy in a day to day function of the Board.

CLAUSE 21: INTERIM MANAGEMENT

Clause 21 is amended —

(a) by inserting immediately after sub clause (1), the following —

"The Minister may appoint an administrator or any other service provider for the Fund, during the interim period provided under this section.";

(b) in sub clause (4), by substituting for the word "three", the word "two".

Justification
- *To provide for the appointment of service providers during the interim period.*
- *To reduce the interim period so as to expedite the transition process.*

CLAUSE 23: ESTABLISHMENT OF SCHEME

Clause 23 is substituted for the following —

"There is established a Scheme to be known as the Public Service Pension Scheme.".

Justification
To harmonise the clause with the object of the Bill.

CLAUSE 24: MEMBERSHIP OF SCHEME

Clause 24 is amended —

a) in the head note, by substituting for the word "Scheme", the word "Fund";

b) in sub clause (1), by substituting for the words "member of the Scheme", the words "member of the Fund", and wherever else they appear in the Bill;

c) in sub-clause (2) —

(i) in paragraph (b), by inserting, immediately after the word "years", the words "or less";

(ii) by deleting paragraph (c).

Justification
- *To provide for membership of the Fund.*
- *A consequential amendment to clause (4).*

CLAUSE 25: REGISTRATION OF MEMBERS

Clause 25 is amended —

(a) in sub clause (1), by deleting paragraph (b);

(b) in sub clause (2), by deleting the words "or an employee of the other public service who elects to join the Scheme".

Justification
A consequential amendment to the amendment in clause (4).

CLAUSE 26: CANCELLATION OF REGISTRATION

Clause 26 is amended, in sub clause (1), by deleting the words, "and that employee has not elected to continue contributing to the fund".

Justification
A consequential amendment to the amendment of clause 4.

CLAUSE 27: MANDATORY CONTRIBUTION

Clause 27 is amended, by deleting sub clause (6) and (7).

Justification
These are substantive clauses of the law that should not be varied by a statutory instrument.

CLAUSE 29: CONTRIBUTION ACCOUNT

Clause 29 is amended —

(a) in sub clause (2) (d), by substituting for the word "withdrawal", the word "exit";

(b) in sub clause (3), by deleting paragraph (b).

Justification
For clarity and as a consequential amendment to the amendment in clause 4.

CLAUSE 31: PENALTY FOR NON-PAYMENT OF CONTRIBUTIONS

Clause 31 is amended, in sub clause (1)(b), by inserting immediately before the word "penalty", the word "monthly".

Justification
For clarity.

CLAUSE 33: QUALIFYING SERVICE

Clause 33 is amended-

(a) by substituting for sub clause (1) the following —

"(1) Qualifying service is the period between the date on which an employee begins to draw salary, until the date the employee leaves the public service.".

Justification
A consequential amendment to the amendment in clause 4.

CLAUSE 34: QUALIFYING PERIOD FOR PENSION

Clause 34 is amended —

a) by deleting sub clause (2);

b) in sub clause (3), by substituting for paragraph (c), the following —

"(c)Retirement on medical grounds as shall be granted by the employer, on the recommendation of the medical board.".

Justification
For clarity and as a consequential amendment to the amendment in clause 4.

CLAUSE 35: PENSION

Clause 35 is amended, in sub clause (2), by deleting paragraph (b).

Justification
A consequential amendment to the amendment to clause 4.

CLAUSE 36: QUALIFICATION FOR PAYMENT OF PENSION

Clause 36 is amended —

(a) by inserting immediately after sub clause (1), the following —

"Pension granted under sub section (1)(b) and (c) shall be paid to the member upon retirement."

(b) in sub clause (2), by inserting immediately after the word "years", the words "for the benefit of the beneficiary".

Justification
For clarity and as a consequential amendment to the amendment of clause 4.

CLAUSE 38: REFUND OF CONTRIBUTIONS

Clause 38 is amended in sub clause (1), by substituting for the chapeau, the following —

"A member of the Fund, who does not qualify for pension under section 36 or short service gratuity under section 37, is entitled to a one-off refund of the employee and employer contributions—".

Justification
To allow members who have qualified for pension or short service gratuity under clauses 36 and 37, respectively, to receive their pension or short service gratuity, instead of a refund of contributions.

CLAUSE 39: APPLICATION FOR PENSION OR OTHER BENEFITS

Clause 39 is amended in sub clause (1), by substituting for the word "Board", the word "Fund".

Justification
To provide for applications to the Fund.

CLAUSE 44: RE-APPOINTMENT OF AN EMPLOYEE INTO PENSIONABLE SERVICE

Clause 44 is amended, by deleting the words, "if that member has not received any retirement benefit in relation to previous pensionable service.".

Justification
To provide for payment of the balance on pension for past service.

CLAUSE 47: COMPUTATION OF PENSION AND GRATUITY IN CASE OF ABOLITION OF OFFICE

Clause 48 is amended —

(a) in the head note, by deleting the words "computation of";

(b) by deleting sub clause (2).

Justification
To delete the "additional pension" under sub clause (2), since a member is entitled to both pension and gratuity under sub clause (1), in addition to the rights and remedies under the Workers Compensation Act Cap. 233.

CLAUSE 48: NO ALIENATION OR ATTACHMENT OF PENSION

Clause 48 is amended, in sub-clause (1), by deleting paragraph (a).

Justification
To align to Article 254(2) of the 1995 Constitution and harmonise with section 70 of the Uganda Retirement Benefits Regulatory Authority Act Cap. 232.

CLAUSE 54: RESERVE ACCOUNT

Clause 54 is amended, in sub clause (1), by deleting paragraph (b).

Justification
Sub clause (1)(b) is deleted because the Bill does not make provision for special contribution.

CLAUSE 56: ANNUAL REPORT

Clause 56 is amended, by inserting immediately after sub clause (2), the following —

> "The Board shall present the report at the annual general meeting of members.".

Justification
To correct a drafting error.

CLAUSE 57: RECOVERY OF SUMS DUE TO THE FUND

Clause 57 is amended, by deleting sub clause (3).

Justification
A consequential amendment to the amendment of clause 56.

CLAUSE 58: INVESTMENT

Clause 58 is amended, in sub clause (4), by substituting for the words "for each financial year", the words, "every three years".

Justification
One year is too short a time for an investment plan to be effectively developed and implemented.

CLAUSE 60: ANNUAL GENERAL MEETING

Clause 60 is amended by substituting for the words "31st March", the words "31st December".

Justification
To coincide with the fiscal year of Government.

CLAUSE 65: OFFENCES AND PENALTIES

Clause 65 is amended, in sub clause (4), by deleting paragraph (e).

Justification
To delete a misplaced provision.

CLAUSE 66: POWER TO MAKE REGULATIONS

Clause 66 is amended, by inserting immediately after sub clause (3), the following —

> *"(4) Parliament may amend or revoke the statutory instrument laid under sub clause (3) within two weeks, and if no amendment or revocation is effected within two weeks of its being laid before Parliament, the statutory instrument shall be deemed to have been approved."*

Justification
For Parliament to approve the statutory instrument made under this law.

CLAUSE 69: EFFECT OF THE PENSIONS ACT ON THE EXISTING PUBLIC SERVICE
PENSION SCHEME

Clause 69 is amended, by inserting immediately after sub clause (3), the following —

> "The non-contributory Public Service Pension Scheme existing before the commencement of this Act shall, within six months from the date of payment of the last benefit accrued under the Pension Act, Cap. 89, be dissolved."

Justification

To dissolve the existing noncontributory Scheme under Pension Act Cap. 89.

CLAUSE 70: PRESERVATION AND PAYMENT OF ACCRUED PENSION RIGHTS

Clause 70 is amended, in sub clause (3) —

(a) by substituting for the word "redemption", the word "retirement", wherever the word appears in the Bill;

(b) in paragraph (a)(ii), by deleting the words, "who shall elect not to join the scheme".

Justification

- *For consistency, where the term "retirement bond" has been used and defined.*
- *A consequential amendment to the amendment in clause 4.*

MEMBERS OF THE COMMITTEE ON PUBLIC SERVICE AND LOCAL GOVERNMENT WHO SIGNED THE REPORT ON THE PUBLIC SERVICE PENSION FUND BILL, 2024.

NO	NAME	CONSTITUENCY	PARTY	SIGNATURE
1.	HON.OJARA MARTIN MAPENDUZI **CHAIRPERSON**	BARDEGE LAYIBI	IND	
2.	HON. WAKABI PIUS **DEPUTY CHAIRPERSON**	BUGAHYA COUNTY Hoima	NRM	
3.	HON. ADRIKO YOVAN	VUURA	NRM	
4.	HON. ALERO TOM AZA	WEST MOYO	NRM	
5.	HON. AMERO SUSAN	DWR AMURIA	IND	
6.	HON. BAATOM BEN KORYANG	DODOTH WEST	NRM	
7.	HON. BWIRE SANON	BULAMOOGI	NRM	
8.	HON. CHELIMO REUBEN PAUL	KONGASIS	NRM	
9.	HON. CHEMASWET ABDI FADHIL KISOS	SOI COUNTY KWEEN	NRM	
10.	HON. EMIGU JULIUS PETER	OCHERO	FDC	
11.	HON. ISINGOMA PATRICK MWESIGWA	Hoima East Division	Ind	
12.	HON. KATUSABE ATIKINS	Bukonzo West	FDC	
13.	HON. KITUTU MARY GORETTI KIMONO	DWR MANAFWA	NRM	

14.	HON. LEMATIA RUTH MOLLY ONDORU	MARACHA EAST	NRM	
15.	HON. LWANGA JIMMY	Njeru Municipality	NUP	
16.	HON. MBOIZI ARTHUR WAAKO	Budaka County	Ind	
17.	HON. MODOI ISAAC	Lutsheshe	NRM	
18.	HON. MUGABI MUZAALE MARTIN KISULE	BUZAAYA	NRM	
19.	HON. MUGOLE MAUKA DAVID STEPHEN	KABWERI	NRM	
20.	Hon. Nakabuye Juliet Kakande	DWR Masaka	NUP	
21.	HON. NALUYIMA BETTY ETHEL	DWR Wakiso	NUP	
22.	HON. NAMBOOZE TEDDY	DWR Mpigi	NUP	
23.	HON.MUTEMBULI YUSUF	BUNYOLE EAST	NRM	
24.	HON.TWINOBUSINGYE JOVANICE	DWR-KIRUHURA	NRM	
25.	HON.WANDWASI ROBERT	BUNGOKHO SOUTH	NRM	

Annex-1

PARLIAMENT OF UGANDA

FINANCIAL ANALYSIS OF THE PROPOSED PUBLIC REFORM

Parliamentary Budget Office,
Parliamentary Buildings,
KAMPALA.
February, 2025

1.0 INTRODUCTION

The Public Service Pensions Fund Bill, 2024, was introduced to the house on 19 December 2024 by the Minister of Public Service, Hon.Wilson Muruli Mukasa, the Rt. Hon Speaker then referred it to the Committee on Public Service and Local Government for consideration in accordance with rule 129(1) of the rules of procedure of parliament.

In accordance with Section 74 (Cap 171) of the Public Finance Management Act 2015 (as amended) and in accordance with Article 93 of the Constitution of the Republic of Uganda, as amended, Ministry of Finance Planning and Economic Development issued a certificate of financial implications for the Public Service Pension Fund Bill, 2024.

In 2022, Government assessed the current arrangements in its pension scheme, accrued liabilities and projected benefits expenditure to evaluate reform options and formulate Public Service Pensions policy.

2.0. CHALLENGES WITH THE CURRENT PENSION SCHEME

The current pensions regime under the pensions Act, Cap. 89 has the following challenges;

i. **Affordability**

Financing pensions has become a challenge leading to delayed payments, accumulation of arears and concerns over governance and accountability resulting into budget shortfalls and growing requests for supplementary funding. Pension and gratuity budget for FY 2023/24 was UGX.1.4Trillion, up from UGX.420 billion in FY 2016/2017 representing over 170 percent growth in seven years.

ii. **Sustainability**

From the analysis of the public service payroll, the sustainability of the pension's scheme under the current regime shall not be sustainable because of parametric reforms and other factors like pay reform, growing size of the public service and longevity in service. The wage bill has grown from UGX.220 billion in 1996, to UGX. 975 billion in 2006, to UGX.3.2Trillion in 2016, to UGX. 6.7 trillion in FY 2022/2023. The current FY 2025/26 stands at 8.0 trillion, which accounts for 4.15 percent of GDP and yet the expenditure covers only 0.9 percent of the Ugandan population. This wage growth has corresponding effect on pension and gratuity. Other factors include high replacement rate (as high as 100%) due to high accrual factor of 2.4 percent and a formula that is based on salary at retirement. Longevity in retirement rose from 15 years at age 55 years to 19 years at age 60 years.

iii. **Governance issues**

The current pension regime is characterized by; non-payment, delays and extortion, poor records management, accumulation of arrears and loss of pension funds.

3.0. OPTIONS CONSIDERED

a) **Option 1 – Maintain status quo with no change**

- Assumes current design of Public Service Pension Scheme is retained and Scheme continues to admit new entrants.
- Concerns over affordability and sustainability.

b) **Option 2 – A modified defined benefit plan**

- Retains and reinforces elements of the current scheme that are valued, but with a lower accrual fraction
- Addresses some shortcomings of the current PSPS
- But risks of investment, salary and longevity remain with the Government

c) **Option 3 – Close PSPS to new entrants and future accrual and set up new defined benefit plan with Government and employee contributions**

- Reducing accrual fraction from 1/500 to 1/600 in respect of future service
- Introduction of government and employee contributions at 10% and 5% of pensionable emoluments respectively
- Combines Defined Benefit and Define Contribution elements
- With vesting and portability
- Retains employees under 55 years of age in current arrangements if they elect to
- Required government contribution rate at 17.4 percent of in-service employees' total pensionable payroll per annum (net of employee contributions at 5%)
- Continue to pay accrued benefits under the old Scheme

d) **Option 4 – As Option 3 but new scheme is a defined contribution scheme.**

- Fixed government and employee contributions at 10% and 5% of pensionable emoluments respectively.
  - Lower and defined costs to GOU.
  - Benefits in line with NSSF.
  - Requires proper and flawless admin systems.
  - Sound investment policy and framework.

The Public Service Pension Fund Bill leans towards option 3 above, by providing for a new defined benefit contributory plan on the following terms;

i. Reducing accrual fraction from 1/500 to 1/600 in respect of future service
ii. Introduction of government and employee contributions at 10% and 5% of pensionable emoluments respectively.
iii. Combines Defined Benefit (DB) and Define Contribution (DC) elements
iv. Retains employees of 55 years in current arrangements if they wish to (optional)

4.0. THE EXPECTED OUTPUTS AND COSTS

4.1. Expected outcomes

i. Migration from a non-funded, non-contributory system to a funded and contributory pension system;
ii. An affordable Pension scheme with respect to the financing capacity of the society and individuals;
iii. A Pension Fund that guarantees fiscal sustainability in the long run;
iv. Guaranteed retirements benefits for all public servants in the short, medium and long term;
v. A robust and efficient public service pension fund that provides for timely payment of retirement benefits.

4.2. Expected costs

In the initial years, Government shall meet the cost of establishing the fund for the first two to three years as follows:-

i. In the FY 2025/2026 UGX. 5,144,876,520 shall be required to implement pre-reform activities;
ii. There are 97,695 pensioners on the payroll as at November, 2024, with an annual pension obligation of UGX. 1,184,965,146,036 and Gratuity of UGX. 270,374,692,105. This presents a total liability of UGX. 1,455,339,838,141 to be catered for in the (FY 2024/2025). See table 1.

Table 1 : Funds required in the FY 2025/26

A	Item/ Cost Centre	(UGX)
1	Startup Funds (FY 2025/2026)	5,144,876,520
2	Pension Budget based on FY 2024/2025	1,184,965,146,036
3	Gratuity budget based on (FY 2024/2025)	270,374,692,105
4	10% Employer Contributions	0
5	Accrued pension liabilities	0
	TOTAL	**1,460,484,714,661**
B	**Available funds in FY 2024/2025**	**1,455,339,838,141**
C	**Additional Budget for FY 2025/2026**	**5,144,876,520**

Source: Data from MoPS & PBO Computations

iii. In the FY 2026/2027 UGX. 15,933,800,000 shall be required to cover capital expenditure, wage and non-wage recurrent. See table 2.

Table 2: Funds required in the FY 2026/27

A	Item/ Cost Centre	(UGX)
1	Startup Funds (FY 2026/2027)	15,933,800,000
2	Pension Budget based on FY 2024/2025	1,184,965,146,036
3	Gratuity budget based on (FY 2026/2027)	224,072,946,542
4	10% Employer Contributions	408,438,622,583
5	Compensatory Salary Increment by 5%	204,219,311,292
6	Accrued pension liabilities	0
	TOTAL	**2,037,629,826,453**
B	**Available funds (based on) FY 2024/2025**	**1,455,339,838,141**
C	**Additional Budget for FY 2026/2027**	**582,289,988,312**

Source. Data from MoPS & PBO Computations

iv. In the FY 2027/28 UGX. 12,794,700,000 shall be required to cover wage and recurrent cost.

5.0. THE TRANSITION

5.1. The transition plan

- According to the transition plan there are 323,628 public servants who qualify to join the Public Service Pension Scheme in July, 2026, of which 34,934 shall be left with less than 5 years to retire. Once the reform is implemented, government shall bear the gratuity liability from the consolidated fund for five years from FY 2026/2027 until FY 2030/2031, as shown in the table 3.

Table 3: Liabilities of employees left with less than 5 years to retire

Financial Year	No of retirees	Pension	Gratuity	Total
FY 2026/2027	5,095	29,876,392,872	224,072,946,542	253,949,339,414
FY 2027/2028	6,512	35,683,138,286	267,623,537,145	303,306,675,431
FY 2028/2029	7,663	42,160,567,409	316,204,255,570	358,364,822,979
FY 2029/2030	8,635	47,127,187,671	353,453,907,533	400,581,095,204
FY 2030/2031	7,029	37,237,533,592	279,281,501,940	316,519,035,532
TOTAL	**34,934**	**192,084,819,830**	**1,440,636,148,730**	**1,632,720,968,560**

Source: Data from MoPS & PBO Computations

Note· The projections are based on the current length of service and pensionable emoluments. These are expected change

- The accrued pension liability for the 323,628 Members of the scheme shall amount to UGX. 22,061,265,166,322 spreading over 46 years ending in FY 2071/2072 at UGX. 258,264,650.
- Based on the mortality established on the Actuarial valuation, pension liability for the past service is estimated at UGX. 9,852,215,159,418 and this is expected to be discharged by

FY 2086/2087.

5.2. Financing

a) Pension and gratuity budget estimates of UGX.1,455,339,838,141 is available in the budget of FY 2024/25

b) Additional budget requirement of UGX. 408,438,622,583 mainly to cater for employer contributions at rate of 10 percent is required in the first year of commencement of the fund and shall be considered within the Medium Term Expenditure Framework (MTEF). The certificate of financial implications (CFI) indicates availability of UGX.363.34billion. However, the amount indicated in the certificate of financial implication is less than the required government contribution in the in the first year of commencement by UGX.45.098 billion.

c) The 5 percent compensatory salary increment need to be prioritized in the financial year of commencement of the fund and UGX, 204,219,311,292 shall be required based on the current financial years' salary levels.

d) The Scheme shall be self-financing after three years of commencement in accordance with the provisions of the Regulator.

5.3. Budgetary implications

The migration from the current pension's scheme to the defined benefit and contributory scheme in short and medium term is high on the part of government but with much higher benefits in a long run when implemented.

According to the certificate of financial implication by the Ministry of Finance Planning and Economic Development (MFPED), the bill has a total budget implication of UGX.19.736 Trillion, of which UGX. 363.34 billion (projected) is required in the first year of implementation and UGX.I.901billion for pre-reform activities.

6.0. COMPARISON WITH OTHER AFRICAN COUNTRIES

See table below

Kenya	1/480	Period of public service	Basic pay	25%, 20:1	Adhoc, infrequent	7.50%
Zambia	1/660	Period of public service	Basic pay + pensionable special additions	Actuarially neutral	Discretionary	7.25%

Botswana	1/450	Period of public service	Basic pay + pensionable allowances averaged over 3 years	25%, 12.5:1	Discretionary	Nil
Lesotho	1/600	Period of public service	Basic pay averaged over 3 years	Not defined	Discretionary	5%
South Africa	1/600 + LS = 1/500	Period of public service	Basic pay averaged over 2 years	Paid on top, but converts to 25%, 12.5:1	Discretionary	7.50%
Tanzania	1/545	Period of public service	Basic pay + cost of living over last 12 months	50%, 15.5:1	Discretionary	5%
Uganda	**1/500**	**Period of public service**	**Effectively Consolidated**	**33%, 15:1**	**Guaranteed**	**Nil**

Source: MoPs