

**BILLS SUPPLEMENT**

*to The Uganda Gazette No 70, Volume CXIV, dated 24th September, 2020*

Printed by UPPC, Entebbe, by Order of the Government.

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**Bill No. 19 National Social Security Fund (Amendment) Bill 2021****THE NATIONAL SOCIAL SECURITY FUND  
(AMENDMENT) BILL, 2021****MEMORANDUM****1. POLICY AND PRINCIPLES.**

The policy behind the Bill is to expand social security coverage by making contributions to the National Social Security Fund mandatory for all workers in the formal sector and also allowing workers in the formal and informal sectors to make voluntary contributions to the National Social Security Fund. In addition, the Bill seeks to enhance the spectrum of benefits available to workers and to improve management of the National Social Security Fund.

**2. DEFECTS IN THE EXISTING LAW.**

The current law was enacted in 1985 and does not adequately address emerging challenges in the management of social security in Uganda. The proposal to amend the NSSF Act particularly arises from the need to streamline the management of the Fund to expand the scope of social security coverage and benefits. The Act in its current state does not make express provision for the representation of workers, employers and other stakeholders on the board of directors. The appointment of the Managing Director and Deputy Managing Director by the Minister without the participation of the board undermines the ability of the board to supervise them.

## **Bill No. 19 National Social Security Fund (Amendment) Bill 2021**

Further, although it is in the best interest of all employees to save for retirement, the Act currently gives the Minister discretion to determine the category of employees who are eligible to contribute for their retirement. Currently, only workers in a company that employs five or more employees are eligible to contribute for their retirement which contradicts Paragraph VII of the National Objectives of Directive Principles of State Policy under the Constitution, the ILO Convention 102 on social security and the Social Protection Policy 2015 which all call for social security coverage of all persons regardless of the number of their employees.

In addition, expenditure by the Fund is subject to approval of the annual budget by the Minister. However, the Act does not make provision for a window for limited expenditure prior to approval of the annual budget by the Minister. Besides, despite the high cost of private fund managers, section 33 of the Uganda Retirement Benefits Regulatory Authority Act, 2011 requires that all funds of a retirement benefits scheme should be invested through a private fee charging fund manager yet some of the investments like the buying and selling of Government Securities can be done more cost effectively in-house by National Social Security Fund. The Act provides for taxation of contributions and scheme income which does not promote the culture of domestic long term savings that is critical for sustained economic transformation.

In addition, whereas the filing of annual returns by employers is important for purposes of monitoring workers' contributions, failure to do so is not an offence under the Act. Therefore, ensuring compliance in the absence of legal sanctions is difficult. Finally, the fines of ten thousand shillings in the Act can no longer serve the purpose for which they were imposed. There is need therefore to amend the law to address the above defects.

### **3. REMEDIES PROPOSED TO DEAL WITH THE DEFECTS.**

The object of the National Social Security Fund (Amendment) Bill, 2021 is to address the gaps that have been identified in the current law.

**Bill No. 19 *National Social Security Fund (Amendment) Bill* 2021**

**The Bill therefore seeks to amend the National Social Security Fund Act, Cap. 222—**

- (a) to provide for the appointment of a stakeholder board by the Minister comprised of representatives of Government, employers and employees;**
- (b) to transfer the regulation and management of the National Social Security Fund to the Minister responsible for finance;**
- (c) to expand social security coverage by providing for mandatory contribution by all workers, regardless of the size of the enterprise or number of employees and also allowing voluntary contributions to the fund;**
- (d) to empower the Fund to recover from a third party any sum owed to a defaulting contributing employer to cover any contribution, penalty or interest;**
- (e) to provide for midterm access to voluntary contributions and to members who are forty five years and above and have contributed to the fund for at least 10 years;**
- (f) to provide for the deference of taxes on contributions and scheme income to the time of payment of benefits;**
- (g) to provide for the appointment of the Managing Director and Deputy Managing Director by the Minister on the recommendation of the board for a term of five years renewable on satisfactory performance;**
- (h) to provide for the appointment of the Secretary to the board on a five year contract renewable on satisfactory performance;**

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- (j) to empower the Minister to prescribe by statutory instrument a threshold of expenditure by the Fund prior to approval of the annual budget;**
- (k) to empower the board to use in-house expertise and fund managers in the investment of scheme funds including lending to Government;**
- (l) to empower the board to introduce new benefits in consultation with the Minister;**
- (m) to provide for payment of an annual levy by the Fund to the Uganda Retirement Benefits Regulatory Authority; and**
- (n) to enhance fines in the Act.**

**HON. AMONGI BETTY ONGOM,  
*Minister of Gender, Labour  
and Social Development.***

**THE NATIONAL SOCIAL SECURITY FUND  
(AMENDMENT) BILL, 2021**

**ARRANGEMENT OF CLAUSES**

*Clause*

1. Commencement.
2. Amendment of section 1 of the National Social Security Fund Act.
3. Amendment of section 3 of principal Act.
4. Amendment of section 7 of principal Act.
5. Amendment of section 9 of principal Act.
6. Repeal of section 10 of principal Act.
7. Insertion of section 13A in principal Act.
8. Amendment of section 14 of principal Act.
9. Amendment of section 19 of principal Act.
10. Amendment of section 21 of principal Act.
11. Amendment of section 23 of principal Act.
12. Insertion of section 24A in principal Act.
13. Substitution of section 30 of principal Act..
14. Amendment of section 39 of principal Act.
15. Substitution of section 40 of principal Act.
16. Amendment of section 41 of principal Act.

**Bill No. 19 *National Social Security Fund (Amendment) Bill* 2021**

- 17. Amendment of section 43 of principal Act.**
- 18. Amendment of section 44 of principal Act.**
- 19. Amendment of section 45 of principal Act.**
- 20. Amendment of section 48 of principal Act.**
- 21. Insertion of section 54 in principal Act.**
- 22. Insertion of Third Schedule in principal Act.**

**SCHEDULE**

**THIRD SCHEDULE CURRENCY POINT**

**A Bill for an Act**

**ENTITLED**

**THE NATIONAL SOCIAL SECURITY FUND  
(AMENDMENT) ACT, 2021**

**An Act to amend the National Social Security Fund Act, Cap. 222; to establish a stakeholder board; to provide for mandatory contributions by all workers, regardless of the size of the enterprise or number of employees; to provide for voluntary contributions to the fund; to empower the fund to recover from a third party any sum owed to a defaulting contributing employer to cover any contribution, penalty or interest; to provide for midterm access to member's contributions; to provide for a five year term of office for the managing director and deputy managing director; to empower the Board to use in-house expertise and fund managers in the investments of scheme funds; to empower the board to introduce new benefits in consultation with the Minister; and for related matters.**

**BE IT ENACTED** by Parliament as follows:

**1. Commencement.**

**This Act shall come into force upon publication in the Gazette, except for section 24A which shall come into force on a date to be appointed by the Minister by statutory instrument on the advice of the Board.**

**2. Amendment of section 1 of the National Social Security Fund Act.**

The National Social Security Fund Act, in this Act referred to as the principal Act is amended in section 1—

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

“(f) “contributing employer” means an employer registered under section 7;”;

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

“(g) “contribution” includes standard contribution, voluntary contribution and special contribution;”;

(c) by inserting immediately after paragraph (g) the following—

“(ga) “currency point” has the value assigned to it in the Third Schedule to this Act;”;

(d) by substituting for paragraph (k), the following—

“(k) “employer” includes—

(i) the Government;

(ii) a company registered or incorporated under the Companies Act, 2012;

(iii) a partnership registered under the Partnership Act, 2010;

(iv) a trustee incorporated under the Trustees Incorporation Act;



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- (v) a business registered under any other law for the time being in force governing the establishment of business entities;
  - (vi) the governing body of an unincorporated association; and
  - (vii) a manager or a subcontractor who provides employees for the principal contractor; but where a person enters into a contract by which some other person is to provide employees for any lawful purpose of the manager and it is not clear from the contract which of the two persons is the employer, the manager shall be deemed, for the purposes of this Act, to be the employer;”; and
- (e) by substituting for paragraph (u), the following—
- “(u) “Minister” means the Minister responsible for finance;”.

**3. Amendment of section 3 of principal Act.**

The principal Act is amended by substituting for section 3 the following—

**“3. Board of Directors.**

The fund shall be governed by a stakeholder board of directors appointed by the Minister and consisting of—

- (a) a chairperson;
- (b) the permanent secretary of the ministry responsible for labour;
- (c) the permanent secretary of the ministry responsible for finance;

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- (d) four representatives of employees nominated by the Federations of Labour Unions;**
- (e) two representatives of employers nominated by the Federation of Uganda Employers; and**
- (f) the managing director who shall be an ex-officio member with the right to vote.**

**(2) A member of the board, except those stated under subsection (1) (b), (c) and (f) shall hold office for a term of five years and may be reappointed for one more term only.**

**(3) A member of the board may be removed from office by the Minister for—**

- (a) abuse of office;**
- (b) corruption;**
- (c) incompetence;**
- (d) physical or mental incapacity that renders him or her incapable of performing the functions of his or her office;**
- (e) misbehaviour or misconduct;**
- (f) being adjudged bankrupt by a court of law; and**
- (g) conviction for an offence involving dishonesty, fraud or moral turpitude.**

**(4) A member of the board may resign from the board by giving notice of not less than one month in writing addressed to the Minister.**

**(5) The members of the board shall hold office on terms and conditions specified in their instruments of appointment.**

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- (6) The Minister shall ensure that—**
  - (a) a member of the board is a person of high moral character and proven integrity;**
  - (b) there is a balance of gender, skills and experience among the members of the board; and**
  - (c) the members of the board provided for under subsection (1) (e), are contributing employers under section 7.”**

**4. Amendment of section 7 of principal Act.**

**The principal Act is amended in section 7—**

- (a) by substituting for subsection (1), the following—**

**“(1) Every eligible employee shall register as a member of the fund and shall make regular contributions to the fund in accordance with this Act and regulations made under this Act.”;**

- (b) by substituting for subsection (2), the following—**

**“(2) Every employer, irrespective of the number of employees, shall register with the fund as a contributing employer and shall make regular contributions for his or her employees in accordance with this Act and regulations made under this Act.”;**

- (c) by repealing subsection (3);**
- (d) in subsection (5) by repealing the words “of a class or description specified in an order made under subsection (1);” and**
- (e) in subsection (7) by repealing the words “of a class or description specified in an order made under subsection (1)”.**

**5. Amendment of section 9 of principal Act.**

Section 9 of the principal Act is amended by repealing paragraph (b).

**6. Repeal of section 10 of principal Act.**

The principal Act is amended by repealing section 10.

**7. Insertion of section 13A in principal Act.**

The principal Act is amended by inserting immediately after section 13 the following new section—

**“13A Voluntary contributions.**

(1) A member may make voluntary contributions to the fund over and above their standard contributions.

(2) A member who wishes to make a voluntary contribution under subsection (1) may authorise his or her employer in writing to deduct an agreed rate from the employee’s wage payment and remit the voluntary contribution to the fund.

(3) An employer authorised by an employee under subsection (2), shall, for every month, during which he or she pays wages for the member, pay to the fund, within fifteen days next following the last day of the month for which the relevant wages are paid, the voluntary contribution of the sum agreed.

(4) A person who is self-employed may apply for membership of the fund and shall make voluntary contributions to the fund.

(5) Notwithstanding subsection (1) and (4), any other person may apply for membership and make voluntary contribution to the fund.

(6) An employer who deducts a voluntary contribution under subsection (2) and fails to remit the contribution to the

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fund commits an offence and is liable, on conviction, to a fine not exceeding one thousand currency points or imprisonment not exceeding three years or both.

(7) The board shall, by regulations, prescribe the procedure for making voluntary contributions and benefits.”

**8. Amendment of section 14 of principal Act.**

Section 14 of the principal Act is amended by inserting the following new subsection immediately after subsection (2)—

“(3) Any amount of any contribution and any other sum together with interest or penalty on the contribution or any other sum due under this Act may be recovered from a third party who owes money to a defaulting contributing employer.”

**9. Amendment of section 19 of principal Act.**

Section 19 of the principal Act is amended by inserting immediately after subsection (1), the following new subsection—

“(1a) The board may, in consultation with the Minister, by statutory instrument, prescribe additional benefits.”

**10. Amendment of section 21 of principal Act.**

Section 21 of the principal Act is amended by substituting for subsection (2), the following—

“(2) Subject to section 19, a person who ceases to be a member of the fund by virtue of being employed in excepted employment shall, if contributions under this Act have been paid into the fund in respect of that member, be entitled to the full balance of his or her account in the fund.”

**11. Amendment of section 23 of principal Act.**

Section 23 of the principal Act is amended by substituting for subsection (1), the following—

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**“(1) Subject to section 19, a member of the fund who emigrates permanently from Uganda to a country with which no reciprocal arrangement under this Act has been made, where contributions under this Act have been paid in respect of that member to the fund, the member shall be entitled to the full balance of his or her account in the fund.”**

**12. Insertion of section 24A in principal Act.**

**The principal Act is amended by inserting the following section immediately after section 24—**

**“24A. Midterm access to benefits.**

**(1) A member who has made voluntary contributions to the fund shall be allowed midterm access to his or her benefits accrued from the voluntary saving on such terms and conditions and in a manner prescribed by the board.**

**(2) A member who is forty-five years of age and above and who has made contributions to the fund under section 7 for at least ten years, is eligible to mid-term access to his or her benefits, of a sum not exceeding 20 per cent of his or her accrued benefits.**

**(3) The minister shall, in consultation with the board, prescribe by statutory instrument the terms and conditions and procedure for accessing the accrued benefits under this section.”**

**13. Substitution of section 30 of principal Act.**

**The principal Act is amended in section 30 by inserting immediately after subsection (1), the following—**

**“(2) Notwithstanding the provisions of any other law, the board may use in-house expertise or fund managers in the investments under subsection (1).”**

**14. Amendment of section 39 of principal Act.**

Section 39 (1) of the principal Act is amended—

- (a) by substituting for subsection (1) the following—

“(1) There shall be a managing director of the fund appointed by the Minister, on the recommendation of the board.”; and

- (b) by inserting immediately after subsection (1), the following subsection—

“(1a) The managing director appointed under subsection (1) shall serve for a period of five years and may be reappointed, subject to satisfactory performance, for one more term only.”

**15. Substitution of section 40 of principal Act.**

The principal Act is amended by substituting for section 40 the following—

**“40. Deputy managing director.**

(1) There shall be a deputy managing director of the fund appointed by the Minister on the recommendation of the board.

(2) The deputy managing director appointed under subsection (1) shall serve for a period of five years and may be reappointed, subject to satisfactory performance, for one more term only.”

**16. Amendment of section 41 of principal Act.**

Section 41 of the principal Act is amended—

- (a) by substituting for subsection (1) the following—

“(1) The fund shall have a secretary who shall be appointed by the board, for a term of five years and may

be reappointed subject to satisfactory performance and on such terms and conditions as are specified in the instrument of appointment.”;

- (b) in subsection (2), by deleting the words “the Minister and”.

**17. Amendment of section 43 of principal Act.**

Section 43 of the principal Act is amended in subsection (4) by substituting for the words “ten thousand shillings or to a term of imprisonment not exceeding six months or to both such fine and imprisonment”, the words “five hundred currency points or imprisonment not exceeding one year or both.”

**18. Amendment of section 44 of principal Act.**

Section 44 of the principal Act is amended in subsection (1) by substituting for the words “ten thousand shillings or to a term of imprisonment not exceeding six months or to both”, the words “five hundred currency points or imprisonment not exceeding one year or both.”

**19. Amendment of section 45 of principal Act.**

Section 45 of the principal Act is amended by substituting for the words “ten thousand shillings or imprisonment not exceeding six months or to both such fine and imprisonment”, the words “five hundred currency points or imprisonment not exceeding one year or both.”

**20. Amendment of section 48 of principal Act.**

Section 48 of the principal Act is amended by inserting immediately after subsection (2) the following—

“(3) Any amount of contribution and any other sum together with interest and any penalty on the contribution or any other sum or interest may be recovered from a third party who owes money to a contributing employer who has defaulted in making contributions.”



**21. Insertion of section 54 in principal Act.**

The principal Act is amended by inserting immediately after section 53 the following section—

**“54. Amendment of Third Schedule.**

The Minister may, by statutory instrument, with the approval of Cabinet, amend the Third Schedule to this Act.”

**22. Insertion of Third Schedule in principal Act.**

The principal Act is amended by inserting immediately after the Second Schedule the following Schedule—

**“THIRD SCHEDULE**

*Sections 1 and 54.*

**CURRENCY POINT**

A currency point is equivalent to twenty thousand shillings.”

**Cross References**

**Companies Act, 2012, Act 1 of 2012.**

**Partnership Act, 2010, Act 2 of 2010.**

**Trustees Incorporation Act, Cap. 165.**



THE REPUBLIC OF UGANDA

## **CERTIFICATE**

**OF**

## **FINANCIAL IMPLICATIONS**

(Made under S.76 of the Public Finance and Management Act, 2015)

**THIS IS TO CERTIFY** that the National Social Security Fund (Amendment) Bill, 2021 under Section 76 of the Public Finance and Management Act, 2015 has been reviewed.

I wish to report as follows:

**a) Policy, Principles and Objectives of the Bill are to address the following key aspects:**

- i. To transfer the supervision of the National Social Security Fund (NSSF) to the Minister responsible for Finance;
- ii. To provide for mid-term access for those who are 45 years and above, and have made regular contributions for at least 10 years;
- iii. To expand social security coverage by providing mandatory contributions by all workers;
- iv. To provide for access to voluntary contributions, annual levy by the Fund, deference of taxes on contributions and scheme income to the time of payment of benefits;
- v. To empower the Minister to determine the expenditure threshold for the Fund; and
- vi. To empower the Board to introduce new benefits and use in-house expertise and Fund Managers in the investment of schemes.
- vii. To provide for the appointment of stakeholders' Board, Managing Director, Deputy Managing Director and Secretary to

*Mission*

*To formulate sound economic policies maximize revenue mobilization ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*

the Board;

**b) Planned Expenditure over the MTEF period:**

The funding required for the implementation of the proposed National Social Security Fund (Amendment) Bill, 2021 will be provided for each year in the budget for National Social Security Fund.

**c) Funding and Budgetary implications:**

The implementation of the National Social Security Fund (Amendment) Bill, 2021 will be met from the annual budgets of the Fund.

**d) Expected Economic gain to Government:**

- i. The Bill will enhance the workers' benefits, expand social security coverage by including workers from the informal sector to make voluntary contributions and improve the management of the Fund.
- ii. The operationalization of the Bill will contribute to increased national savings, household incomes, increase the level of investment by Government and economic wellbeing of the workers in the country.

Submitted to Parliament under my hand this <sup>25<sup>th</sup></sup>..... day of <sup>September</sup>..... 2021.

  
Matia Kasaija (M.P)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

**Received by:** .....

**Date:** .....

*Mission*

*To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development*