

BILLS SUPPLEMENT

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Bill No. 4 *Parliamentary Pensions (Amendment) Bill* **2014**

**THE PARLIAMENTARY PENSIONS (AMENDMENT) BILL,
2014**

MEMORANDUM

1. The object of the Bill.

The object of the bill is to amend the Parliamentary Pensions Act, 2007, Act No. 6 of 2007 to—

- (a) make the Parliamentary pension scheme a body corporate with perpetual succession and a common seal;
- (b) provide for additional powers of the board of trustees;
- (c) provide for continuity of the Board membership;
- (d) change the pensionable period of service from five years to ten years;
- (e) provide for additional voluntary contributions;
- (f) include the staff of the scheme as members of the scheme;
- (g) change the duration for actuarial valuation from five years to three years; and
- (h) provide for payment of trivial pension.

2. Defects in the existing law.

- (a) there is ambiguity as to whether the scheme is clothed with the legal status to enter into legally binding transactions with other persons and entities. Amending the Act to give the scheme corporate status would remove the apparent ambiguity so as to enable the scheme to enter into such transactions in its corporate name.
- (b) the Act provides for five years as the pensionable period of service of a member to qualify for pension. However, overtime, it has been observed that the five years period is a short time and it is proposed that the five years be increased to ten years.
- (c) it has also been noted that certain former members get small amounts of pension which have unnecessarily *increased the administrative expenses incurred by the scheme*. It is therefore proposed that these small amounts of pension be declared *trivial pension and be paid to the former members as a lump sum payment*.
- (d) the Act restricts contributions to the scheme by the members to those provided by the Act. It does not allow members who are willing to make additional contributions to their member accounts to do so. The proposal therefore is that members should be allowed to make additional voluntary contributions to their member accounts.
- (e) the Act does not comprehensively provide for the powers of the board of trustees. It is therefore proposed that these powers be provided for under the Act.
- (f) the Act provides for an actuarial review to be carried out once in every five years. It has been observed and noted that this is a long period of time and as such there is need

to reduce this period to three years or give the board the mandate to request for an actuarial valuation to be conducted at such time as the board may determine.

- (g) the current benefits due to a Member of Parliament is not benefitting of an honorable member. There is therefore need for a scheme redesign for Members of Parliament and staff of the Parliamentary Commission.

Provisions of the Bill.

3. Clause 1 of the Bill seeks to amend section 2 of the Parliamentary Pensions Act (the principal Act) by repealing and substituting the definition of “Authority” means the Uganda Retirement Benefits Regulatory Authority; “retirement” to mean “retirement as, or ceasing to be, a member after a period of ten continuous years of service as a member and on attainment of forty five years of age” The reason is to increase the pensionable years from five to ten for one to qualify for pension since it has been observed that five years is a short time. In addition, clause 2 repeals and substitutes the definitions of “actuary” “Custodian” to align them with similar definitions in the Uganda Retirement Benefits Regulatory Authority Act; and the definition of “member” to include the staff of the Parliamentary Pensions Scheme.

4. Clause 2 seeks to amend section 4 of the principal Act by inserting a new subsection (3) to provide for the scheme to be a body corporate with perpetual succession and a common seal. The reason is to clearly cloth the scheme with corporate personality. The clause also makes provision for the staff of the Parliamentary Pension Scheme.

5. Clause 3 seeks to amend section 5 of the principal Act by making provision for staff of the Parliamentary Pensions Scheme.

6. Clause 4 seeks to amend section 6 of the principal Act by providing that the Parliamentary Pension Scheme shall be the sponsor for the staff of the Parliamentary Pensions Scheme.

7. **Clause 5** seeks to amend the principal Act by inserting immediately after section 6 a new section 6A to allow members to make additional voluntary contributions to the scheme which will form part of the scheme credit and will be paid to the member in lump sum with interest to be determined from time to time by the board.
8. **Clause 6** seeks to align section 7B of the principal Act with section 70 of the Uganda Retirement Benefits Regulatory Authority Act to provide for early access of benefits for medical treatment.
9. **Clause 7** seeks to amend section 10 of the principal Act to provide for the staff of the Parliamentary Pension Scheme.
10. **Clause 8** seeks to amend section 10A of the principal Act to provide for trivial pension as one of the payments that can be made from the fund.
11. **Clause 9** seeks to amend section 12 of the principal Act by *increasing the pensionable years from five to ten.*
12. **Clause 10** seeks to amend section 12A of the principal Act by repealing section 12A.
13. **Clauses 11, 12 and 13** seek to amend the principal Act by increasing the pensionable years from five to ten and expand the membership of the scheme to include staff of the parliamentary pensions scheme.
14. **Clause 14** seeks to amend the principal Act by repealing section 15A.
15. **Clause 15** seeks to amend section 18 of the principal Act by inserting paragraph (f) which provides for the clerk to Parliament to be a member of the board of trustees and substituting for subsection (4) that the Clerk shall be the secretary to the board and principal signatory to the scheme.

16. Clause 16 seeks to amend section 18 of the principal Act by inserting a new section 18A to provide for powers of the board. The reason is to categorically provide for the powers of the board.

17. Clause 17 seeks to amend section 23 of the principal Act by providing for an actuarial review to be carried out once in every three years or at such times as the board may determine. The reason is that five years have proved to be a long time for an actuarial review studies to be carried out.

18. Clause 18 seeks to amend section 23A of the principal Act by referring all appeals against any decision of the board to the Authority.

19. Clause 19 seeks to amend section 24 of the principal Act by repealing the requirement for parliamentary approval of statutory instruments enacted under this Act.

20. Clause 20 seeks to amend Schedule 1 of the principal Act by redesigning the formula.

21. Clause 21 seeks to extend the term of the current members of the board elected under section 18(1) (d) and (e) to provide for continuity.

AKOL ROSE OKULLU, MP
Chairperson, Parliamentary Pensions Board of Trustees.

ARRANGEMENT OF CLAUSES.

Clause

1. Amendment of section 2 of the *Parliamentary Pensions Act, 2007*.
2. Amendment of section 4 of the principal Act.
3. Amendment of section 5 of the principal Act.
4. Amendment of section 6 of the principal Act.
5. Insertion of a new section 6A of the principal Act.
6. Amendment of section 7B of the principal Act.
7. Replacement of section 10 of the principal Act.
8. Amendment of section 10A of the principal Act.
9. Amendment of section 12 of the principal Act.
10. Amendment of section 12A of the principal Act.
11. Amendment of section 13 of the principal Act.
12. Amendment of section 14 of the principal Act.
13. Amendment of section 15 of the principal Act.
14. Repeal of section 15A of the principal Act.
15. Amendment of section 18 of the principal Act.
16. Insertion of a new section 18A of the principal Act.
17. Amendment of section 23 of the principal Act.
18. Amendment of section 23A of the principal Act.
19. Amendment of section 24 of the principal Act.
20. Amendment of Schedule 1.
21. Transitional provision.

A Bill for an Act

ENTITLED

**THE PARLIAMENTARY PENSIONS (AMENDMENT) ACT,
2014**

An Act to amend the Parliamentary Pensions Act, 2007, Act No. 6 of 2007 to make the Parliamentary pension scheme a body corporate with perpetual succession and a common seal; to provide for additional powers of the board of trustees; to change the pensionable period of service from five years to ten years; to change the duration for carrying out actuarial valuation from five years to three years; and to provide for payment of trivial pension and for other related matters.

BE IT ENACTED by Parliament as follows:

1. Amendment of section 2 of the Parliamentary Pensions Act, 2007.

Section 2 of the Parliamentary Pensions Act, 2007 in this Act referred to as “the principal Act” is amended by—

(a) substituting the interpretation of the following words,

(I) “actuary” means a person recognized as such by the Institute of Actuaries in England, the Faculty of Actuaries in Scotland, the Canadian Institute of Actuaries, the Society of Actuaries of the United States of America, the Institute of the Actuaries of Australia or a person holding such equivalent qualification as the Board of the Uganda Benefits Regulatory Authority may, by notice in the Gazette, prescribe”;

(II) “custodian” means a financial institution whose business includes taking responsibility for the safe custody of the funds, securities, financial instruments and documents of title of the assets of the scheme funds and licensed under the Uganda Retirement Benefits Regulatory Authority Act”;

(III) “member” means a Member of Parliament, a member of staff of the Parliamentary Commission on permanent and pensionable terms, and a member of staff of the Parliamentary Pension Scheme contributing to the Fund”;

(IV) “retirement” to mean retirement as, or ceasing to be, a member after a period of ten continuous years of service as a member and on attainment of forty five years of age;

(b) inserting immediately before the interpretation of beneficiary the following—

“Authority” means the Uganda Retirement Benefits Regulatory Authority;

(c) deleting the interpretation of “disability”.

2. Amendment of section 4 of the principal Act.

Section 4 of the principal Act is amended—

(a) in subsection (2) by inserting between the words “members” and “and” the following—

“the Parliamentary Pension Scheme”;

(b) by inserting immediately after subsection (2), the following—

“(3) The scheme shall be a body corporate with perpetual succession and a common seal and shall be capable of suing and being sued in its corporate name and shall do all such other things a body corporate may lawfully do”.

3. Amendment of section 5 of the principal Act.

Section 5 for of the principal Act is amended in subsection (1) by—

- (a) deleting the word “and” appearing before the phrase “members of staff”;
- (b) Inserting immediately after the word “Commission” the following—

“and members of staff of the Parliamentary Pension Scheme”;

4. Amendment of section 6 of the principal Act.

Section 6 of the principal Act is amended—

- (a) in subsection (2) by inserting immediately after the word “Government” the following—

“and the Parliamentary Pension Scheme”;

- (b) by inserting immediately after subsection 5 the following—

“(6) The Government contribution made under subsection 2 shall be for the benefit of the Members of Parliament and members of staff on permanent and pensionable terms of the Parliamentary Commission and the Parliamentary Pension Scheme contribution shall be for the benefit of members of staff of the Parliamentary Pension Scheme.”

5. Insertion of a new section 6A of the principal Act.

The principal Act is amended by inserting immediately after section 6 the following—

“6A. Additional voluntary contributions.

(1) Notwithstanding section 6, a member may make an additional voluntary contribution to the scheme.

(2) The contribution made under subsection (1) shall be paid, notwithstanding section 20A, with interest as determined by the board as a lump sum to the member at the time of the member’s retirement from the scheme.

(3) Section 7B (1) shall not apply to voluntary benefits.”

6. Amendment of section 7B of the principal Act.

Section 7B of the principal Act is amended by substituting for subsection (2) , the following—

“(2) Notwithstanding section 7 and subsection (1), a prescribed proportion of the benefits accruing to a member may be assigned and used by the member to—

- (a) secure a mortgage or a loan for purchasing a residential house from any institution and on such terms as may be prescribed in regulations made under this Act;
- (b) pay for medical treatment in respect of a member, or pensioner on recommendation of the Uganda Medical Board.”

7. Amendment of section 10 of the principal Act.

Section 10 of the principal Act is amended in subsection (1) by—

- (a) deleting the word “and” immediately after the word “emoluments”; and

- (b) inserting immediately after the word “Government” the words “and the Parliamentary Pension Scheme”.

8. Amendment of section 10A of the principal Act.

Section 10A of the principal Act is amended—

- (a) in paragraph (b) by deleting the word “and”; and
- (b) by inserting a new paragraph (d) as follows—
“(d) trivial pension”.

9. Amendment of section 12 of the principal Act.

Section 12 of the principal Act is amended—

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

“(1) Pension shall be paid to a member who ceases to be a member on or after attaining forty five years of age. subject to service as a member for a continuous period of ten years or more”;

- (b) in subsection (5) by substituting for the words “twenty five percent”, the words “thirty three and one third percent”.

10. Amendment of section 12A of the principal Act.

The principal Act is amended by repealing section 12A.

11. Amendment of section 13 of the principal Act.

Section 13 of the principal Act is amended—

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

“(1) A member who ceases to be a member whose age is less than forty-five years, or who has had less than ten years of pensionable service, shall be entitled to a refund of his or her scheme credit”.

- (d) In subsection (2) by inserting immediately after the word “Government” the words “and the Parliamentary Pension Scheme”.

12. Amendment of section 14 of the principal Act.

Section 14 of the principal Act is amended by substituting for subsection (1) the following—

“(1) Notwithstanding the provision of subsection (1) of section 13, a member whose membership ceases before he or she attains the age of forty-five years, but whose pensionable service is ten years or more, may leave his or her contribution in the Scheme as deferred benefits until he or she attains the age of forty-five years”.

13. Amendment of section 15 of the principal Act.

Section 15 of the principal Act is amended by—

- (a) substituting for paragraph (a) the following—

“(a) where the member has had ten years or more of pensionable service, a pension under section 12, notwithstanding that he or she has not attained the age of forty-five years; or”

- (b) substituting for paragraph (b) the following—

“(b) where the member has less than ten years of pensionable service, a refund of the member’s contributions together with the contribution made by the Government and the Parliamentary Pensions Scheme on his or her behalf calculated with interest as may be determined by the board”.

14. Repeal of section 15A of the principal Act.

The principal Act is amended by repealing section 15A.

15. Amendment of section 18 of the principal Act.

Section 18 of the principal Act is amended -

- (a) in subsection (1) by inserting immediately after paragraph (c), the following—

“(f) the Clerk to Parliament.”;

- (b) by substituting for subsection (4), the following—

“(4) The Clerk to Parliament shall be the secretary to the board and principal signatory to the scheme”;

16. Insertion of a new section 18A of the principal Act.

The principal Act is amended by inserting immediately after section 18 the following—

“18A. Powers of the board.

(1) Notwithstanding subsection 5 of section 18 and any other law, the board shall in addition and without prejudice to all powers conferred upon trustees by any other law, have the following powers—

- (a) to delegate any of its functions to any other person;
- (b) to raise or borrow any sum of money in such manner and upon such terms as the board may deem necessary;
- (c) to commence or carry on or defend proceedings relating to the scheme or the determination of any rights of the members and others therein;
- (d) to invest any monies forming part of the scheme as it deems fit;

- (c) to underwrite or sub-underwrite and enter into agreements for underwriting or sub-underwriting any investments or securities whether on issue or sale and whether jointly with other persons or not and to do all things incidental thereto;
- (f) to apply any monies forming part of the scheme in effecting or maintaining any insurance which in the opinion of the trustees is suited for the purpose of the scheme to vary the terms of surrender, sell or otherwise dispose of any insurance or exchange the same for a substituted insurance;
- (g) to form subcommittees of the board as and when desired to execute certain duties;
- (h) to determine trivial pension on the advice of the actuary to be paid in lump sum; and
- (i) execute and do all such acts and things as the trustees may consider necessary or expedient for the maintenance and preservation of the scheme and of the rights of the members and others therein.

(2) Except as otherwise expressly provided in this Act, the board may carry out its functions notwithstanding any vacancy in its membership.

17. Amendment of section 23 of the principal Act.

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

“(1) The board shall at least once in every three years appoint a duly accredited actuary to review the performance and operations of the scheme and the fund and make appropriate recommendations to the board.”

18. Amendment of section 23A of the principal Act.

Section 23A of the principal Act is amended in subsection (1)(b), by substituting for the words “an arbitrator in accordance with the Arbitration and Conciliation Act” with the words “the Authority”.

19. Amendment of section 24 of the principal Act.

Section 24 of the principal Act is amended by substituting for subsection (3) the following—

“(3) A statutory instrument made under this section shall be laid before Parliament for information”.

20. Insertion of a new section 27 of the principal Act.

The principal Act is amended by inserting immediately after section 26 the following—

“27. Transitional provision.

Notwithstanding section 18(7), the term of the current members of the board elected under section 18(1) (d) and (e) shall end on the 31st day of July 2017.

21. Amendment of Schedule 1.

In Schedule 1 of the principal Act, there is substituted for “Fr=75%” the following—

“Fr = 66 $\frac{2}{3}$ %”.