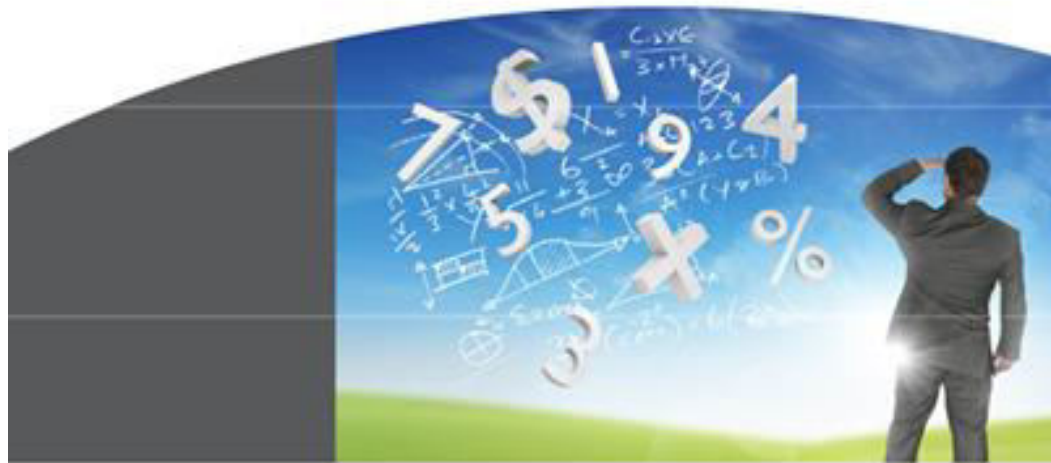


RETIREMENT PLANNING FROM THE CIVIL SERVICE PERSPECTIVE

A PRESENTATION AT THE ANNUAL JUDGES CONFERENCE AT SERENA HOTEL-KAMPALA ON 30TH JANUARY, 2019



BY

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Goals

- To discuss the importance of Planning for Retirement
 - » To acknowledge retirement facts
 - » Identify and list personal impediments to retirement planning;
 - » Develop individual strategies for a successful retirement planning; and
 - » Identify and document opportunities/ suitable investments opportunities and develop personal commitments towards achieving them.

Agenda

- » Introduction
- » Retirement planning
- » Facts about retirement
- » Challenges and Strategies for Retirement Planning
- » The Financial Retirement Planning Model.
- » The Pension Scheme of the Public Service, reforms and implication
- » Conclusion

Introduction

- » Aging and therefore retirement is an inevitable process of change that takes place during life and is an important and final phase of human growth.
- » Although retirement is fairly predictable, its prospect usually sends chills in many peoples' spines.
- » Retirement, however, can be both exciting and demanding, bringing new challenges, new experiences and new uncertainties.
- » Retirement planning is taking important decisions during ones active moments (living life) with the aim of having a fulfilling life.

Retirement Planning

- » Retirement planning involves determining retirement income goals and the decisions and actions necessary to achieve those goals.
- » It may include identifying sources of income, estimating and managing expenses and implementing an investment plan to achieve the goals. This calls for financial, physical, social and emotional planning



Retirement Planning...cont.

- Retirement planning in the case of Judges and Justices is more significant considering the fact that, Judges and Justices retire at 65 and 70 years of age respectively.
- Judges and Justices therefore are enjoined to reflect on the following questions:-
 - » How do I get back to my community after over 50 years of absence?
 - » How can me and my family sustain the current gains for the current and future generation?
 - » How do I get into personal investment/ productive life at advance age?
 - » What new goals can I pursue on retirement at a Prime Age?
 - » How can I strengthen my relationship with my family?

Some Retirement Facts

- » The population of old people is increasing globally;
- » Retired persons are living longer e.g. the oldest pension on the payroll has been on pension for 50 years having retired at age 55;
- » There is an increasing number of retired people taking care of dependants;
- » African Governments do not have enough money to provide for social security – old age pensions, affordable medicare (universal health insurance), housing, food, unemployment benefit etc;
- » Old age ailments are on the increase;

Some Retirement Facts...cont

- » Retired persons who receive lumpsums from the PSPS, NSSF or any other provident fund spent their lumpsum savings in less than 5 years;
- » Employees who have thought about their retirement in their mid age, and even exit early live better retirement life;
- » Most retired public servants in Uganda start business using their retirement income which unfortunately die within 3 years;
- » There is generally limited knowledge on investing for maximum returns. Where the knowledge exists, they are not transferred to the next generation

**KEY RETIREMENT QUESTIONS/ TIPS
FOR RETIREMENT PLANNING**

How Far can you see?



How CLEAR can you see?



Retirement Planning questions

- » What are the **obstacles** to my retirement journey?
- » What MUST I do **NOW** and **LATER** to overcome my Retirement obstacles?
- » What **advantage/ strengths** do I have which can be converted to my advantage?

Examples of obstacles to retirement journey?

- » **Ignorance and financial illiteracy** (difference between income, savings, investment, capital, loan, business, pension, provident fund, investment club);
- » **Lacking personal retirement plan;**
- » **Being detached from family and community;**
- » **Sticking to a plan (business, investment, job etc) which does not make any difference;**
- » **Lazy relatives/ siblings in the context of African Social setup resulting in shifting of obligations to others;**
- » **Not transforming savings into investment;**
- » **Lifestyle (food, alcohol, physical care, social etc);**
- » **No regular medical check-up. Habit of borrowing medicine e.g. pain killers, antibiotics etc.**

What **MUST** I do **NOW** and **LATER** to overcome my Retirement obstacles?

- » Identify and analyse my cost drivers;
- » Hold regular meetings with family, siblings and relatives;
- » Lifestyle change (food, alcohol, moral, physical etc);
- » Evaluation my relationship with family, peers, associates, workmates;
- » Identify suitable investment opportunities and trying to invest your money early enough so that as retirement approaches you are stable in the enterprise;
- » Routine check ups;

What advantage/ strengths do I have which can be converted to my favour?

- » Contacts
- » Salaried job;
- » Some savings;
- » Community challenges which provides business/
investment opportunities;
- » Stable and supportive family;
- » Some investments;
- » Some property such as land; and
- » Good health.

FINANCIAL MODEL OF RETIREMENT PLANNING

Pensions

Major source of retirement income for employees in the Public Service



Features of the PSPS for Judges and Justices

- The current Public Service Pension Scheme is an unfunded, non-contributory PAYGO Scheme that draws its funding wholly from the consolidated fund;
- Judges and Justices qualify for life time pension after serving for a minimum of 1 year as opposed to other Public Servants who qualify on serving for 10 continuous years;
- The computation of benefits are based on length of service, the pensionable emoluments (last annual salary), Rank and an accrual factor of 2.4% or a fraction of $1/500^{\text{th}}$

Features of the PSPS for Judges and Justices...Cont

- The scheme has no replacement rate implying that, a person who has served for 500 months or above 41.6 years gets more pension than the salary at retirement A retiree is entitled to a lumpsum (commuted Pension Gratuity and a reduced monthly pension;
- Pension (survivors') benefits are transferable to a dependant upon death for 15 years from the date of death;
- Benefits are subject to periodic reviews based on price (changes in core inflation)

Proposed Reforms for Judges and Justices

- A separate retirement benefits arrangements for the Judiciary.
- Retention of salary on retirement.
- Provision of other retirement benefits.

Implications of the Proposed reforms for Judges and Justices

- Provisions of Article 254(1) that pension computation be based on rank, salary and length of service;
- Uniform retirement benefits regardless of length of service;
- Judges and Justices who would have served for over 41 years being disadvantaged by the limitation to restrict benefits to the last salary;
- The limitations to exercise options for a lumpsum (commutation)
- Challenge of retaining the Judges and Justices on the proposal for a contributory pension scheme (financing and sustainability challenges)

Possible Investment options for Retirement

- » **Real Estates:** This may be inform of land or housing units for sale or rent. This should however, take into account income of the target community, location and financial capacity;
- » **Trading in shares:** these could be in companies listed in the stock exchange (currently 18 in Uganda) or which are unlisted companies (Private Equity);- How much must one invest in order to achieve real value from shares?;
- » **Government Securities:** These are instruments from which Government borrows money for development. They are inform of Bonds or Treasury Bills. How can an individual benefit from such an investment, amidst local giants like NSSF?;

Possible Investment options for Retirement...cont

- » **Private Equity:** Investment in companies not listed in the Securities Exchange. How established are you to withstand any risk (shocks) associated with investment in Private Equity?;
- » **Agri-Business:** could be in poultry farming, fish farming, animal farming, forestry , crop farming etc. Regarded one of the best in Uganda now, but how prepared are you in terms of risks of weather changes etc; and
- » **Investment Clubs:** This is where a group of individuals of less than 100 in number pools resources and comes together to invest in a private Venture.

Possible Investment options for Retirement..cont...

- » Oil and Gas;
- » Unit Trust Funds;
- » Investment companies.

Conclusion

- » The key to a happy and successful retirement life is planning for the retirement and living by the plan;
- » Most people, however, only consider financial interests and ignore the health, psychological, emotional and spiritual retirement concerns;
- » Do not shy away from your community today, they may provide viable support to you when you retire;
- » Finally, it is important to plan your retirement early.



***Start
planning
when you
have miles
to go.....***

***I Thank you very much
for your kind attention!***

