

# **MANAGEMENT OF PENSION AND OTHER TERMINAL BENEFITS IN THE PUBLIC SERVICE**

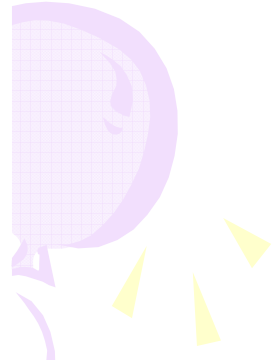
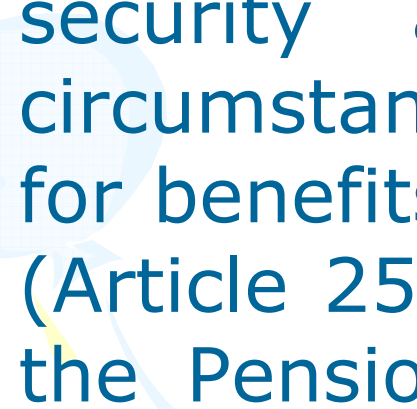
**A PAPER PRESENTED DURING THE INDUCTION  
TRAINING OF THE NEWLY RECRUITED  
MAGISTRATES GRADE 1 AT RIDAR HOTEL ,  
SEETA ON 24<sup>TH</sup> SEPTEMBER, 2012.**

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## **A. INTRODUCTION**


Pensions are terminal/retirement benefits awarded to a retired Public Officer as social security at the end of service. The circumstances and procedures for qualifying for benefits are contained in the Constitution (Article 254), the Pensions Act Chapter 281, the Pensions Regulations and the Standing Orders.





The current pension scheme for the Public Service is non-contributory and covers the following categories:-


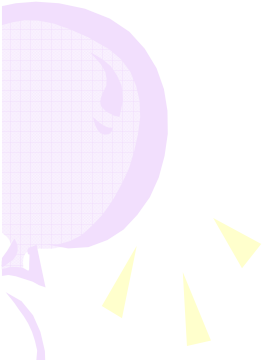
1. The Traditional Public Service
2. The Teaching Service
3. The Judiciary
4. Police and Prisons Service
5. The Local Government and
6. Recently the Military/Armed Forces.



The Ministry of Public Service is responsible for management and control of the scheme.



## **B. CIRCUMSTANCES IN WHICH PENSION BENEFITS MAY BE GRANTED :**

1. Compulsory retirement:
    - (i) At 60 years of age or
    - (ii) 55 years for Police Service,  
Maximum age limit)
  2. Normal retirement:
    - (i) 10 years service and 45 years of age and above.
    - (ii) 20 years of service with no age consideration.
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3. Compulsory retirement/retrenchment on grounds of restructuring or effecting Economy ( can either be a one off payment for short service gratuity or normal pension).
4. On medical grounds – due to illness or injury (short service gratuity or normal pension).
5. Upon death of a serving officer (death gratuity) can be paid.
6. On marriage grounds for female officers who may wish to retire to settle domestic interruptions (marriage gratuity).
7. On call to serve after retirement (contract gratuity)
8. On death of a pensioner – the family may get (survivors benefits).
9. On removal in public interest other than dismissal.

## C. PROCEDURES FOR PENSION BENEFITS

Step 1) Application for retirement will be initiated by the applicant through the immediate supervisor to the Ministry of Public Service for consideration.

Step 2) An approval or rejection will be communicated back to the applicant in case of approvals.

Step 3) The Ministry or District then submits the required pension papers to Ministry of Public Service.

Step 4) Ministry of Public Service computes and pays the benefits.

## D. FORMULAR FOR COMPUTING PENSION BENEFITS :

i)  $CPG = \text{Annual salary} \times \frac{LS(\text{Months})}{500}$


ii)  $\text{Monthly Pension} = \frac{CPG}{90}$

NB : The maximum number of months to be considered while computing pension benefits is 435 months as per the Pensions Act.



## **E. REQUIREMENTS FOR PROCESSING OF PENSION BENEFITS :**


1. Letters of first appointment.
2. Letters of confirmation.
3. Letters of promotion if any.
4. Last pay slip.
5. Certificates and testimonials (for teachers).
6. Pension forms – NS 14, 20B, 25B, 7 (for non teachers).
7. Pension forms ED 4 and submission papers for teachers.
8. Pension forms NS 13 and NS 20B for contract gratuities.



9. A death certificate and letters of Estates for death gratuity together with requirements in 1-7 for teachers.



10. A marriage certificate plus requirements in 1-7 as the case may be.



11. Letters of administration for survivor's benefits together with a marriage certificate for widows/widowers and birth certificates for children.



12. A testation forms plus requirements in 1.6 for Police and Prisons Officers.

# F. Other Terminal Benefits

These include

## **(i) Contract Gratuity**

This is paid for Officers engaged on contract at the expiry of each contract

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## **(ii) Death Gratuity**

This is paid in a lump sum upon death of an officer. It can be a one off payment if the officer did not qualify for pension. However if the officer qualified, the survivors' benefits are paid to next of kin as long as it is proved that the deceased has left children below 18 years

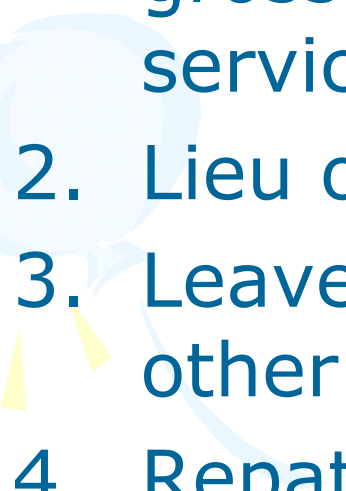



### **(iii) SEVERANCE PACKAGES**

Due to the on going reviews and restructuring in the Public Service. Public Officers can be retired out of restructuring and are entitled to repatriation/ severance packages. The packages are designed to facilitate the officer to leave the office and duty station immediately.



The packages may be a combination or one of the following:

1. Severance pay: - (equivalent to 3 months gross salary for every completed year of service) up to a maximum of 20 years.
  2. Lieu of notice: six months gross salary.
  3. Leave pay: one month salary plus any other extra authorized accumulated leave.
  4. Repatriation pay (transportation): - shs. 2,000= per Km from duty station to home district town plus shs 200,000 (flat rate) as town running costs.
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# G. PENSION REFORMS

Arising from the provision (article 254) of the 1995 Constitution, certain rights of pensioners had to be protected.

This necessitated amendments of the Pensions Act.


The amendments introduced in 1995 are:



i) Revalidation of pension i.e. recalculation of pension benefits using salaries of serving officers. This protects the amount of benefits payable to different salary generations of pensioners.



ii) Retrospective effect backdated w.e.f. 1<sup>st</sup> July 1998.




iii. Survivors benefits i.e. introduction of protected benefits for 15 years and if a pensioner died in between, the balance be passed on to the next of kin.

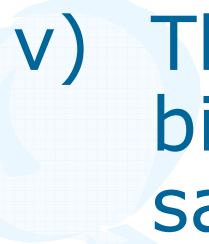


## H. PROBLEMS WITH CURRENT PENSION PROVISIONS


- i) The review and re-organization led to restructuring which resulted in retrenchment/compulsory retirements. All those retrenched were passes on from the salary payroll to the pension pay roll.
- ii) All former employees of East African Community were handed over to Government for benefits.
- iii) There have been massive retirements and death in the Army thereby attracting numerous widows and orphans compensations.



iv) The Local Governments have failed to raise adequate revenues to pay their pensioners and as such the Ministry of Public Service has taken over.



v) The pay reforms negated high pension bills and yet it is necessary to increase salaries of serving officers.



iv) Ultimately Government has incurred heavy indebtedness in pension arrears. The scheme is evidently unaffordable and none sustainable.



## **I. FURTHER CAUSE FOR PENSION REFORM**

Arising from the shortcomings enumerated herein, Government carried out a pension reform study in 1998 by IMF and another study by Consultants in 2001. The findings of these studies confirmed the inability of government to meet the accumulating pension bills. The studies recommended radical reforms which include:


1. Introduce a contributory scheme.
2. Abolition or reduction of lump sum payments.



3. Abolishment of marriage gratuities.

4. Indexing pensions to inflation rather than salaries.

5. Place all public service pensions under an authority



6. Introduce vesting arrangements whereby public officers should be able to qualify for pension after 5 years and be free to transfer their services elsewhere but freeze the benefits until final retirement.

7. Divestiture and privatization.



**NB: Government has put in place the Uganda Retirement Benefits Regulatory Authority which shall be charged with overseeing liberalization of the Pensions Scheme among other things when it becomes fully operational**

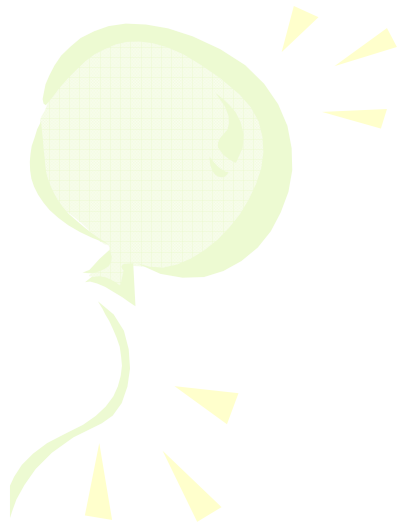


## **J. CONCLUSION**

The pension reforms are the only solution to current shortfalls in the scheme. The capacity, competence and facilitation accorded to the Compensation Department in the Ministry of Public Service cannot effectively cope with demands for service delivery.



A credible and professionally managed scheme is the answer.



**THANK YOU**

