PENSION: GOVT INTRODUCES MINIMUM MONTHLY PAY



Pensioners sign in a book during a verification exercise at Hoima district headquarters on Monday, July 8, 2024

BY MARTIN KITUBI

While many Ugandans yearn to join the public service, some employees, especially those under the U8 salary scale, were retiring into misery.

On top of earning less than sh200,000 monthly salary, many of them retire with just sh5,000 in monthly pension, an amount that cannot pay for a decent meal in an urban area. However, in what will become an overhaul of the public service pension system, the Government seeks to phase out this meagre pay by introducing a minimum pension.

Under the new contributory pension scheme, whose implementation will start in July, the lowest pensioner will earn at least a quarter of their last salary as pension. This implies that a person who earns sh200,000 as monthly salary would take home at least sh50,000 as pension.

However, the public servants who will be covered under this criterion will forfeit their gratuity, which is a lump sum, and a one-off payment given to each public servant as soon as they retire.

The minimum pension is part of the reforms captured in the new Public Service Pension Fund Act of 2025, whose implementation started on February 1, 2026.

There are several public servants under this category who will benefit from the changes.

LEASE OF LIFE

The Minister for Public Service, Wilson Muruli Mukasa, said the reform of the pension sector, including the introduction of a minimum pension, is intended to retire civil servants with dignity.

He said the country will also have regional offices where retirees will have access to services, saving them from running up and down.

On her part, Grace Mary Mugasa, the state minister of public service, said: "Most countries had reformed their pension sector and introduced contributory schemes. They are doing better than us. For a long time, our retirees have been embarrassed with not just little pension, but usually affected by budget cuts. The reform will change this cycle."

NEW RETIREMENT RULES

The new law has also expanded ways within which one can retire from public service, from about five to 12, including allowing men to retire on marital grounds provided the person has served for five years.

The retirement on marital grounds, public service officials said, was a colonial practice reserved for women, who would retire either to go look after their sick husbands, children or loved ones, or where their spouses relocate upcountry or abroad.

However, the new provision has opened that window for men. This means that men who retire under marital grounds will also be entitled to retirement benefits like it has been for women over the years.

According to the new law, a person who retires under marital grounds and has served for less than 10 years, will be entitled to a marriage gratuity equivalent to five times the annual amount of pension.

On top of the attainment of the mandatory retirement age of 60 years, the other modes of retirement include retiring after 20 years of continuous service, and when someone clocks 45 years for those seeking early retirement.

The other modes of retirement include death, abolition of office or retrenchment, retirement from probationary appointment, retirement from the service in public service, dismissal, transfer to other public service where a member is by law required to subscribe to any other retirement benefits.

MISSING PEOPLE

Initially, public servants retired under public interest, absconded or were dismissed from service and would retire empty-handed. However, as part of the reforms, families of a missing employee or a public servant presumed dead will be entitled to receive the benefits of such a person.

However, Victor Leku Bua, the commissioner in charge of compensation at the public service ministry, said the planned regulations will provide finer guidelines on how some of these provisions will be handled.

"There will be controls. The regulations will also explain how the country would handle such a case in the event that the public servant reappears. Such controls are important to curb the possibility of abusing this provision and saving them from abductions," he said.

As part of the changes, Bua said the pensioners will not be required to have life-certificates like it has been with the old system.

Instead, every quarter, beneficiaries will have biometric verifications at the nearby service centre or local government.

Bua also added that under the new reforms, no pensioner will be allowed to secure a bank loan using his or her pension.

HOW NEW LAW WILL WORK

Under the contributory pension scheme, the workers will contribute 5% of their salaries to the pension fund, while the Government will contribute 10%, bringing the total contributions to 15% a month.

According to the government plan, the new scheme will start in July 2026, and employees will start contributions in July 2027.

While sh1.4trillion is available for pension and gratuity in the current budget of 2025/2026, an additional estimated budget of about sh408.4b has been proposed mainly to cater for employer contributions in the first year of commencement of the fund.

Under the first year of the fund, the Government plans to prioritise a 5% salary increment for public servants and that it will cost sh204.2b based on the current financial year's salary levels.

It is expected that the contributory pension will be self-financing after three years of commencement, thereby reducing the burden on the Government.

According to the government plan, a total of 323,628 of the 360,000 public servants are expected to join the new contributory pension scheme.

Those with less than five years to the mandatory age of retirement will be given the chance to decide whether to join the new system or not.

Once operationalised, the Government is expected to collect at least sh1.3 trillion annually in workers' contributions.

This is expected to reach sh26 trillion in the first 15 years, making it the fastest growing retirement benefits scheme.

Benjamin Mukiibi, the chief manager corporate strategy at the Uganda Retirements Benefits Regulatory Authority (URBRA), said: "This scheme will provide a lot of funding for investments. This will be a win for the members since they will get interest."

On the regulation, Daisy Nabakooza, the chief manager prudential supervision at URBRA, said the contributory pension scheme has provided for penalties for accounting officers over failure to send the workers' contributions on time.

The computation of benefits will be based on the past service and the future service.

The past service covers the period a civil servant served before the contributory system was introduced, whereas the future service covers the period of service under the contributory pension scheme.

The two periods (past and future) will be added at the time of retirement and a lump sum will be awarded to the pensioner.

Thereafter, the Government will also determine a monthly benefit for the pensioner.

As part of the benefits, the contributory pension scheme will not depend on budget allocations from the Government, and that, therefore, it will not be affected by budget cuts. In addition, the Government says, the new scheme will eliminate incidences of accumulated arrears due to budget cuts.

Currently, the public service pension scheme under the Pensions Act, Cap. 89 has presented a number of challenges relating to its governance, accountability and sustainability owing to its non-contributory character and parametric weaknesses.

These challenges, public service officials said, necessitated urgent reforms of the public service pension scheme.