EVALUATING THE IMPEDIMENTS IN THE EFFECTIVE PERFORMANCE OF PENSION SCHEMES

CASE STUDY: NSSF UGANDA

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Dedication

To my family members more especially my parents who laid the first stone to my success.

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List of Abbreviations

CVI:	Content Validity Index
MoFPED:	Ministry of Finance, Planning and Economic Development
MoGLSD:	Ministry of Gender, Labour and Social Development
NSSF:	National Social Security Fund
SPSS:	Statistical Package for Social Scientists
UMU:	Uganda Martyrs University
UPC:	Uganda People’s Congress

Abstract

Well-functioning regulatory, investment and governance strategies usually result into an effective pension scheme. In this context, a study was carried out to examine the impediments affecting the effective performance of pension schemes in Uganda; a case of NSSF Uganda. The specific objectives were to establish the effects of regulatory, investment and governance impediments on the effective performance of pension schemes in Uganda. The study adopted a case study design in which both qualitative and quantitative approaches were applied. There were 96 NSSF staff and 11 pension sector actors that responded to the study. Data was analysed using SPSS programme to generate descriptive statistics, Pearson correlations and multiple linear regression results. Likert scale was used to find out the views of NSSF staff on regulatory impediments, investment impediments, governance impediments and the performance of pension scheme at NSSF Uganda. The study findings revealed that regulatory impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda (β=-0.232) after performance of a multiple linear regression analysis. Correlation analysis results showed that there was a moderate negative correlation between regulatory impediments and effective performance of pension scheme at NSSF Uganda ($r=-0.223^*$, $p<0.05$). Results further showed that investment impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda (β=-0.234). Correlation analysis results showed a moderate negative correlation between investment impediments and effective performance of pension scheme at NSSF Uganda ($r=-0.198^*$, $p<0.05$). Multiple linear regression analysis indicated that governance impediments also had a weak negative effect on the effective performance of pension scheme at NSSF Uganda (β=-0.078) although it was statistically insignificant. On the other hand, Pearson Correlation coefficient (r) showed that there was a moderate negative correlation between governance impediments and effective performance of pension scheme at NSSF Uganda ($r=-0.107^*$, $p<0.05$). Qualitative data confirmed governance impediments had a significant effect on the effective performance of pension scheme at NSSF Uganda. In conclusion, the study findings revealed that regulatory, investment and governance impediments had a significant negative effect on the effective performance of NSSF pension scheme. This therefore calls for strategies to minimise or eliminate the effect of these impediments. To this end therefore, the study recommends; harmonization of conflicts between the NSSF act 1985 and URBRA act 2011, lobbying for increased investment opportunities and electing of pension contributor representative on the NSSF board.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The Pension scheme has become a basic service and a human right that is either public or private, set to tackle risks of vulnerability arising from income insecurity and social deprivation. Pension Schemes are widely acknowledged to contribute to economic growth by raising labour productivity and enhancing social stability (Bukuluki and Mubiru, 2014).

This chapter presents the background to the study, problem statement, objectives of the study, research questions, scope of the study, significance of the study, justification of the study, conceptual framework and definition of key terms.

1.1 Background to the Study

Pension funds have become a major source of retirement income for millions of people in different parts of the world. In the United States of America, 82% of retirees depend on pension income (Toro *et al.*, 2015). Similarly, the percentage in France is 80%. Although slightly lower than France, in South Africa and Kenya, 75% and 68% of retirees depend of pension income respectively.

In addition to being a major source of income, pension funds are also a great player in the economic development of nations due to their contribution to the Gross National Product. Pension funds stimulate capital markets through financial intermediation and serving as substitute for banks (Oluoch, 2013) and further complement banks through buying of long term debt securities or investing in long term bank deposits thereby increasing long term economic growth of the country (Davis, 2005). Another school of thought developed by (Bakuluki & Mubiru, 2014), argues that pension schemes play an important role in economic growth by raising labour productivity and enhancing social stability.

As demonstrated above, the growth in the significance of pensions schemes has been growing directly proportionate to the performance of pension schemes worldwide. By the end of 2013, pension assets in countries such as the Netherlands, Iceland, Switzerland, Australia, Japan, the United States of America and the United Kingdom were in excess of 100%. The United States Social Security Trust Fund is valued at US$2.8 trillion while Japan government pension investment fund is valued at US$ 1.2 trillion (ILO, 2014).

Growth in performance of pensions schemes has also been registered in emerging economies such as South Africa and Brazil. The two countries have the largest pension fund investments in Africa and south America valued at US$133.4 billion and US$72 billion respectively.

Pension schemes in Africa particularly in Ghana, Nigeria, Kenya and South Africa cultivate competition and improve the effectiveness of loans and primary securities markets as contending mediators for household savings and corporate financing, resulting into a lower spread between lending and deposit rates, and lower costs to access capital markets (Brunner, Hinz and Rocha, 2008).

Pension funds in most countries are invested in liquid long-term instruments such as stocks and bonds. Most OECD countries invest half of their pension fund assets in fixed income (52.1%) and cash (55.3%). A meagre proportion of the pension funds (31.5%) is spent on equity and other investments such as infrastructure, private equity, real estates and hedge funds (Impavido, O'Connor and Vittas, 2008).

Despite the growing performance, a report by International Labour organization indicates that only 27% of the working age population across the world have some form of pension. Over 5.2 billion people, which accounts for 73% of the world population, do not have any form of pension fund. These are mainly persons who work in informal sector and those below the poverty levels which continues to hamper economic development. (ILO, 2014).

On a global scale, the social security coverage rate is 27%, which although it is quite low, albeit higher than Africa's 6% (ILO, 2014). The Uganda's social security coverage rate stands at 14% according the Uganda Retirement Benefits Regulatory Authority 2017 annual report (URBRA, 2018). Such low coverage ratios can be attributed to various inefficiencies in pension systems, legal and policy frameworks and financial systems, all of which collectively affect the return provided to members.

Roots of pension funds stem from the 1660's in Germany, where the Duke Ernest the Pious of Gotha decreed a creation of a fund to support widows of clergymen. Later in the 17th and 18th pensions under the form of annuities would become common across Europe.

The origin of modern pension schemes however, can be traced in the late 19^{th} century in Germany when the Bismarckian social welfare system was established (Keohane and Rowell, 2015). The world war II however, was a turning point in the history of state pension in the United Kingdom(UK) and United States of America(USA) when wage freezers prohibited outright increases in workers' pay. In the UK, the 'National Insurance Act 1946' which replaced the 'Poor law of 1834' was created and completed the universal coverage of social security. This gave a minimum income to those not paying national insurance.

Social security in form of pension funds is now recognised by the United Nations as a basic human right under the declaration of Philadelphia (1944) and the Universal Declaration of Human Rights (1948). Currently, many developing countries including Uganda are signatories to the agreement although majority of them are yet to put it in practice (Bukuluki and Mubiru, 2014).

In Uganda, the pension schemes can be traced from 1935 among the colonial government forces. The pension scheme was established to provide social protection to the Armed forces. Public sector pension scheme was established on 1^{st} January 1946 to provide retirement benefits to civil servants and overtime, this culminated into the establishment of the department of compensation and the enactment of the pension act. Later, in 1948, the colonial government formed a social security department and further, introduced the teachers fund in 1953, merging it into the public pension scheme (Kasente *et al.*, 2002).

National Social Security Fund (NSSF) was established as a provident fund in 1967 to provide formal social security for the private sector employees in Uganda. This was as a result of the enactment of the Social Security Act no.21 under the Ministry of Labour. NSSF was later established as a corporate body in 1985 under the National Social Security Fund Act no.8. NSSF pays several benefits as lump sum such as old age, invalidity, survivors, withdraw and emigration grants. According to NSSF act no.8 of 1985, every employer with a minimum of five employees was supposed to deduct and remit 5% of each employee's gross pay to NSSF each month and for themselves as employers contributed 10% of each employee's gross salary to the NSSF (DEAR, 2014).

The funds under NSSF are invested by fund managers who are governed by the NSSF act 1985. This act has guidelines on the limits of exposure for each asset class it trades in in line with the investment policy guidelines. The NSSF act 1985 also requires pension funds to have custodians whose main role is to ensure that members' investments are safe. The pension administrators ensure efficient running of the schemes while the trustees ensure that the interest of the fund members are in line with the provisions of the NSSF act 1985.

According to Bukuluki & Mubiru (2014), members contributions at NSSF had grown by 14% from Ugshs 558 billion in the financial year 2012/2013 to Ugshs 638.2 billion in the financial year 2013/2014. The interest credited to members' accounts increased from Ugshs 278 billion in the financial year 2013/13 to Ugshs 366 billion in the financial year 2013/2014. In 2013, NSSF declared an interest rate of 11.5% to be paid to its members. NSSF asset base had grown by 26% from Ugshs 3.5 trillion in the financial year 2012/2013 to Ugshs 4.4 trillion in financial year 2013/14. These funds were invested in fixed income (Ugshs 2.7 trillion), equities (Ugshs 391 billion) and real estate (Ugshs 175 billion) in the financial year 2013/2014.

Presently, NSSF is the largest pension scheme in Uganda with over 1.45 million registered members of whom 458,000 members are active (Jones and Ntambirweki-Karugonjo, 2014). NSSF has also invested some of its funds in neighbouring countries. In 2014, NSSF invested 432 billion Ugshs in Kenya infrastructure bonds while in Rwanda, NSSF invested 75 billion Ugshs in government bonds (Jones and Ntambirweki-Karugonjo, 2014).

Pension schemes in Uganda are currently regulated by the Uganda Retirement Benefits Regulatory Authority act 2011. The act is aimed at ensuring that all pension schemes and service providers are licensed prior to undertaking business. Uganda Retirement Benefits Regulatory Authority was spearheading the liberalization bill of pension sector to add more players as a way of improving governance, savings, investments, trust and confidence among pension contributors. There are numerous pension schemes apparently operating in Uganda; Public service pension scheme, NSSF, Parliamentary Pension scheme, Makerere University retirement benefits scheme and Bank of Uganda retirement scheme among others (Jones and Ntambirweki-Karugonjo, 2014).

Meng & Pfau (2010) reveal that the need for better managed pension funds across many nations has been necessitated by growing populations. According to Oluoch (2013), the sound financial performance of pension funds therefore, becomes critical in addressing the sustainability of the pension system, and which is a cornerstone for economic development in many nations.

Recently, the issue of pension fund management has attracted considerable attention by policy makers, practitioners, and development agencies. One of the main motivations is that public pension funds have been mismanaged resulting into poor performance (Iglesias and Palacios, 2000). In many pension funds, investment decisions typically occur in a regulatory vacuum, with little public accountability, limited access to information, and obscure management processes. In addition, nominated members often lack the expertise necessary to manage large and complex financial institutions, and responsibilities are blurred. The result is that, where there are pension reserves, investment policies are risky, governed more by political influence than by the interests of pension scheme members (Robalino, 2005).

The situation may not be different with NSSF Uganda given that the performance of the fund has been faced with regulatory, investment and governance impediments. Citing a number of inefficiencies in the fund, the President of Uganda in 2009 was compelled to replace the management of the Fund and also the Minister of Finance, Planning and Economic Development whose role was to oversee the activities of the fund (Bukuluki and Mubiru, 2014).

It is against this background therefore that a study to examine the impediments in the effective implementation of pension schemes, a case of NSSF Uganda was conducted to generate new knowledge.

1.2 Statement of the Problem

In a bid to improve performance of pension funds in Uganda and particularly NSSF, the Government of Uganda established the Uganda Retirement Benefits Regulatory Authority(URBRA) in 2011 governed by the URBRA Act 2010. These efforts were aimed at minimizing regulatory, investment and governance impediments that were curtailing the performance of pension funds in Uganda (URBRA Act, 2010).

Currently, despite the monopoly of NSSF, the performance of NSSF continues to fall below expectations. According to the annual retirement benefits sector report for 2016, Uganda’s NSSF had only 45.5% of its 1,143,910 registered members active, with an employer activity rate of 64% of its 24,667 registered employers. Further still, this number declined to 56% in 2017 (URBRA, 2017). According to URBRA (2017), the annual retirement benefits sector performance report for 2017, out of 1,788,876 firms eligible for NSSF contributions, only 574,628 were compliant, thus rendering 67.9% of the fund’s collection base inactive. Following the above challenges, the pension liberalization bill was tabled on the floor of Ugandan parliament to open up the pension sector to other players. This bill was later, rejected in order to protect NSSF as a way to boost its performance.

However, despite the favorable legislation that compels employer and employees to save and the various innovations to bring voluntary savers from the informal sector on board, the performance of NSSF remains wanting as it registers performance levels below targets and peers that could result into reduced investment returns, low asset growth and a reduction in the number of contributors.

In response to this problem, this study was conducted to examine the impediments affecting the effective performance of pension funds in Uganda taking the case of NSSF Uganda.

1.3 Objectives of the Study

1.3.1 General objective

To examine the impediments affecting the effective performance of pension schemes in Uganda; a case of NSSF Uganda.

1.3.2 Specific Objectives

i. To ascertain the effect of regulatory impediments on the performance of pension funds.

ii. To examine the effect of investment impediments on the performance of pension funds.

iii. To analyse the effect of governance impediments on the performance of pension funds.

1.4 Research Questions

i. What is the effect of regulatory impediments on the performance of pension funds?

ii. What is the effect of investment impediments on the performance of pension funds?

iii. What is the effect of governance impediments on the performance of pension funds?

1.5 Study Scope

The study scope covered three elements that is content, geographical and time scope.

1.5.1 Content scope

The study covered the impediments in the effective performance of pension schemes, looking at impediments as the independent variable conceptualized in the form of regulatory, investment and governance impediment. The dependent variable was the performance of pension funds and was measured in terms of investment returns, growth of assets and growth of contributors. This measurement was in line with previous studies that measured the variables in the same manner (Jones & Ntambirweki-Karugonjo, 2014; World Bank, 2014; Gakure & Gekara, 2015).

1.5.2 Geographical Scope

The study was limited to Uganda as a country and NSSF Uganda was used a case study covering data of all NSSF members across Uganda. Data was acquired through the National Social Security Fund Uganda head office located at Workers House, Plot 1 Pilkington Road in Kampala city, Uganda. The study area was chosen because NSSF is subjected to public scrutiny given that it is a public fund. This was easier in terms of data collection compared to the voluntary schemes that are not subjected to public reporting requirements.

1.5.3 Time scope

The research focused on the period between July 2007 and July 2017. This period of 10 years was long enough to show performance trends of pension funds at NSSF Uganda.

1.6 Significance of the Study

At national level, the study will guide pension policies and decisions that are being taken by the Ministry of Finance, Planning and Economic Development, Ministry of Gender, Labour and Social Development, Bank of Uganda as well as Uganda Retirement Benefits Regulatory Authority. This will enable the government of Uganda to put in place appropriate regulations to enhance the sustainable performance of pension schemes.

The research findings will also benefit the management of National Social Security Fund Uganda who will use the findings to examine their level of performance. The research will also help the management of NSSF Uganda to identify loopholes in their administration and come up with a mechanism of boosting the performance of the fund.

Finally, the study will provide reference for future researchers and scholars, add to the existing literature on the subject matter and provoke further research on the effective implementation of pension funds in Uganda and elsewhere thereby generating further concrete management and policy recommendations.

1.7 Justification of the Study

Prior studies for example, Awino (2013), Njeru (2014) of Kenya and Badulkhan, (2011) of South America have been done on Pension schemes and their performance worldwide. More studies have also been carried out countries such as Australia, Austria and France, South Africa, and the United States of America but there is paucity of research about pension schemes in Uganda. Although, these studies looked at the performance of pension funds, none of them looked at how impediments affect effective performance of pension funds. Therefore, the basis for the choice of this study was to empirically establish and examine the impediments in the effective performance of pension schemes in Uganda; a case of NSSF Uganda. The result of this study are hoped to contribute positively to the field of pension scheme management in NSSF and other organizations that will have access to read this dissertation.

1.8 Definition of Key Terms

Asset Allocation and Management Policy: It refers to a fund's policy exposure to major asset classes and the extent to which the selected asset classes are actively managed (Davis, 2005).

Asset Classes: These are instruments that a fund can be invested in for example, fixed income, equity, real estate and private equity among others (ILO, 2014).

Effectiveness of investment: It refers to relative increment of assets on a fund member's account caused by the investment results achieved, adjusted by the fees charged by the pension fund company (Impavido, O'Connor & Vittas., 2008).

Fund governance: It refers to a system of checks and balances and work performed by the governing body (board) of an investment fund to ensure that the fund is operated in the best interests of the fund and its investors (Brunner, Hinz and Rocha, 2008).

Pension scheme: It refers to an arrangement in which an employer provides pension for employees when they retire, income for the families of members when they die and deferred benefits to members who leave (Toro *et al.*, 2015).

Performance: This is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It shows a firm's overall financial health over a given period of time (Gakure and Gekara, 2015).

Provident fund: This is an element of social security that pool risks with a view to pay a benefit to qualifying members as may be stated by law or an instrument creating them (Bukuluki and Mubiru, 2014).

1.9 Conceptual Framework

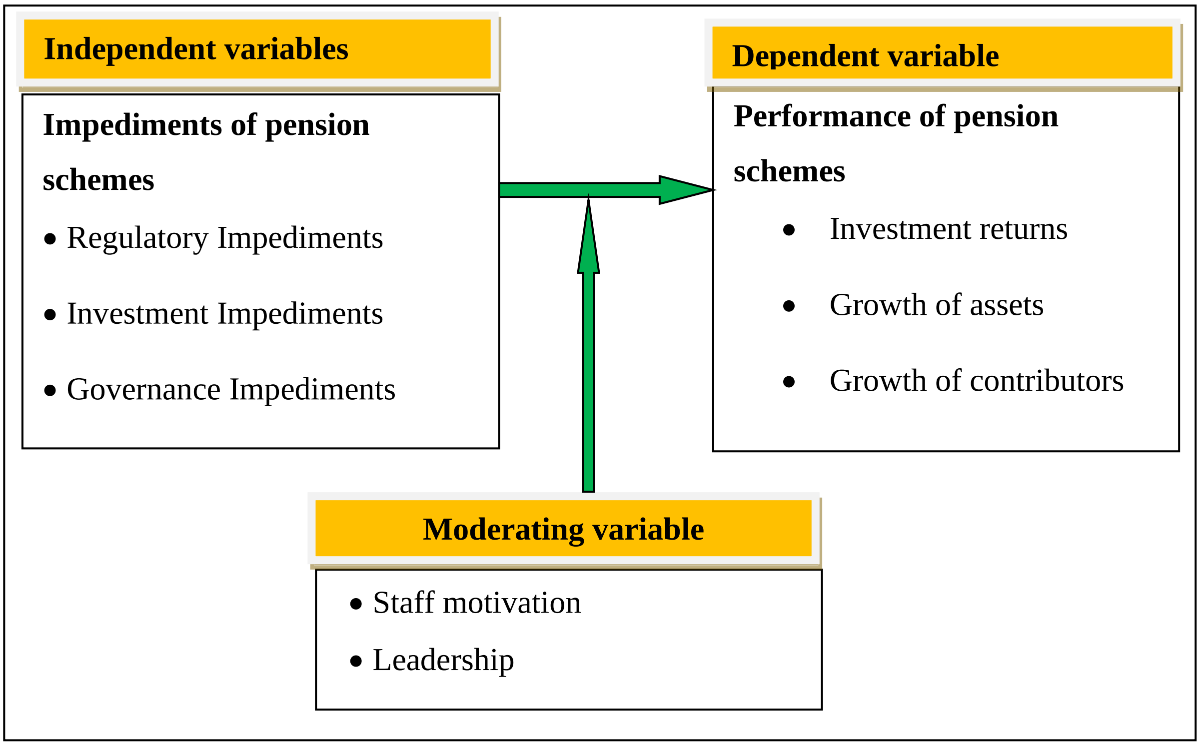
According to Mugenda & Mugenda (2003), a conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables. In this study, independent variable was impediments and the dependent variable was the performance of pension funds.

The researcher constructed the current conceptual framework basing on the works of Davis (2005); Bukuluki and Mubiru (2014) and Gakure and Gekara (2015).Following their works, Davis (2005) for example underscored the effect of regulatory and investment impediments on pension schemes within emerging markets.

Bukuluki and Mubiru (2014) examined the challenges and opportunities of social security system in Uganda. They specifically outlined the governance structure of NSSF Uganda under Ministry of Finance, Planning and Economic Development.

Gakure and Gekara (2015) analysed the financial performance of registered individual retirement schemes in Kenya. Given that Kenya is neighbouring Uganda and it was in the east African community, there was a likelihood of similar regulatory, investment and governance impediments having an influence on the performance of pension scheme at NSSF Uganda.

Figure 1.1: Conceptual Framework on Impediments affecting the performance of Pension Schemes



Source: Adopted from Bukuluki & Mubiru (2014); Davis (2005); Gakure & Gekara (2015). As modified by the researcher.

According to the Conceptual framework in Figure 1.1, the performance of pension scheme at NSSF Uganda improves with low or no regulatory, investment and governance impediments. For example, existence of a favourable regulation brings about increased investment returns, asset growth and growth of contributors. Although, favourable regulations, investment and governance structure brings about high performance of pension schemes in Uganda and particularly NSSF Uganda, moderating variables such as staff motivation and existing leadership could hinder the achievement of high performance of pension schemes.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses reviewed literature including a theoretical review on impediments affecting the performance of pension schemes. This chapter also discusses published and anecdotal information in the subject area that was studied to providing a foundation and support for a new insight to the study contributed by the researcher.

2.1 Theoretical Framework

The study adopted systems theory and modern portfolio theory to examine the impediments in the effective performance of pension schemes in Uganda.

2.1.1 Systems Theory

The systems theory was propagated by Davis in 2005 in which he looked at a pension scheme as an open system that receive inputs and convert them into outputs. The resultant output is then delivered to stakeholders (Davis, 2005).

Pension schemes receive scarce financial resources in the form of contributions and investment funds (inputs) and convert them into pension fund value and retirement funds (outputs). Pension schemes like any other system collects and accumulates contributions from the contributing members. It invests these funds in different investment avenues and holds the proceeds in stewardship for the benefit of the members upon retirement.

The systems theory argues that a pension scheme is regarded efficient if it succeeds in maximizing the financial outputs by the efficient use of the financial resources which are regarded as inputs. Efficiency is hence a function of internal management hence pension fund managers have to operate at the lowest possible cost in order to optimize on the returns generated on investments and benefits payable to the retirees (Keohane and Rowell, 2015).

The strength of the theory is that it presents the justification why the government should play a key role in the administration of a social security programme. Besides, systems theory is an integrative framework combining the ideas of scientific management, human relation school, behavioural science and management science approaches into a unified and cohesive whole (Osifo and Omoregbe, 2011).

Despite its relevance, the systems theory has a number of limitations. The theory assumes that pension schemes operate effectively under a monopoly market system initiated by the government. This is not right since pension schemes can operate and perform effectively under a liberalized economic environment (Mwangi, 2014).

Osifo & Omoregbe (2011) argues that systems theory does not specify when and how collaboration with the organization takes place. The theory does not indicate what to do when there is an existing or potential conflicts between the organizational environment, work environment, work, and the structure of the organization.

The systems theory assumes that the boundaries between the organization and its environment are distinct which is not true. This is because differentiating boundaries and transforming them is not easy especially when organizations have multiple nodes of interactions and communication lines. Critics of the systems theory also argue that it gives little direct guidance as to which aspects of the system of interest should be manipulated to achieve policy objectives (Amagoh, 2008).

The theory is premised that most people invest their resources in pension funds with a hope that they will live and work long enough to retire. This however, excludes many people especially in informal sectors and also in organizations with less than 5 employees. The current study brings out the need for NSSF Uganda to raise member contributions by tapping the informal sector and also other able-bodied employers with less than 5 employees but with capacity to remit money every month to the fund. In addition, systems theory regard organizations such as NSSF Uganda as both open and closed systems depending on the effect of external environment (Zamuee, 2015). This theory is therefore relevant to the study particularly in the examination of impediments affecting the effective performance of pension scheme at NSSF Uganda.

2.1.2 Modern Portfolio Theory

Modern Portfolio Theory was propagated by Harry Markowitz in 1952 to estimate the expected risks and returns for the portfolio invested (Markowitz, 1952). He came up with an efficient diversification of portfolios by combining assets to reduce the portfolio risk and improve the rate of return. He identified three variables; return, standard deviation of the return and the coefficient of correlation of each security that is necessary in determining the efficient set of portfolios from other stocks.

Modern portfolio theory is crafted following an old saying "don't put all your eggs in one basket". Two types of portfolio strategies were proposed that is passive portfolio strategy relying on diversification and active portfolio strategy that utilizes available information and forecasting techniques.

Modern Portfolio Theory was based on alpha and beta of investment. Alpha of investment calculates the difference between what the portfolio actually earned and what it was expected to earn given the level of systematic risk (beta value). On the other hand, Beta is a measurement of volatility of an asset or a portfolio relative to a selected benchmark that is usually a market index.

A beta value greater than 1.0 implies a higher volatility and a beta value less than 1.0 shows a lesser volatility when measured against a benchmark. Similarly, a positive alpha indicates return of the asset or the portfolio exceeds the general market expectation. A negative alpha value shows return of the asset or the portfolio falling short of the general market expectations (Yao *et al.*, 2002).

Modern portfolio theory provides a framework to build efficient portfolios. An investor therefore, needs a stock market plan that guides them in making choices of investments, how to acquire investments, how long to keep investments in their portfolio and when to sell (Miriti, 2014). Without a proper investment strategy, it will be very difficult to achieve the return which investors would want and reduce the risks of the portfolio.

Although Modern Portfolio Theory is popular, the theory assumes that investors act rationally and hence have exact idea of potential returns (Gakure and Gekara, 2015). This is not necessarily true given that investors also have biased expectations of returns.

Additionally, the implementation of this theory is difficult given the challenges in estimating and identifying the type of data for correlation matrices. It is also difficult to implement the theory because it requires a lot of time and money for generating an efficient portfolio. Critics further argue that investors seldom have a single period perspective for determining their asset allocation which contradicts the assumption that investors take a single period perspective.

The Modern Portfolio theory proposes investors to diversify investments by not putting all eggs in one basket. In addition, the theory indicates that when investors shift their investments from more conservative to riskier portfolios such as real estates and offshore assets, there is a likelihood of higher returns. This theory was therefore very relevant to the study given that it presented the contribution of investment and governance impediments on the performance of pension scheme.

2.2 Actual Literature Review

2.2.1 Regulatory Impediments and Performance of pension schemes

NSSF has set up a modality for payment of standard contribution of employees in Uganda. For instance, every contributing employer is expected to pay the fund within fifteen days following the last day of the month for which the relevant wages are paid. A standard contribution of 15 percent calculated on the total wages is paid during that month to that employee (Kasente *et al.*, 2002). Failure to observe this legislation results into a decline in the growth of the pension fund since there would be less member contributions collected in comparison to the eligible contributors.

NSSF in Uganda pays a number of benefits; age benefit which is payable to members who have attained an age of 55 years whether working or not; withdrawal benefit payable to a member aged 50 years who has been out of work for a period of 12 months; Invalidity benefit is payable to disabled and incapacitated members who are no longer able to work. Survivors benefit is payable when a member dies, in which case wives, husbands and dependents have a priority claim. Emigration grant is payable to a member who is leaving the country permanently. However, some categories of people are exempt from contributing to NSSF; members of the government pension scheme, army, police force, prisons and teachers (DEAR, 2013; Bukuluki and Mubiru, 2014). The exclusion of some members of the public such as police and persons in the informal sector hinders the effective performance of pension fund at NSSF Uganda.

Like in Uganda, most other African countries also have fragmented legal and policy frameworks guiding their pension sectors. For instance, Kenya has retirement benefit Act, 1997, retirement benefit (amendments) Act 1998, the National Social Security Fund Act, the National Health Insurance Fund Act, the Pension’s Act and Pensions (increase) Act. As if that is not enough, the legislative frameworks in Kenya have been subjected to changes in political regimes leading to some acts passed by different governments as per their development agenda (Gakure and Gekara, 2015). Pension sector in Uganda is governed by two legislations that is NSSF Act 1985 and the URBRA Act 2011. This phenomenon has resulted into significant challenges in the performance of pension scheme at NSSF Uganda.

Tax treatment on pension fund is one of the impediments influencing the performance of pension schemes. A tax policy in which pension scheme contribution is done out of pre-tax income has a bearing on the performance of pension funds which it generates a higher contribution to the fund. An alternative tax policy in which pension fund is deducted after taxation of a beneficiary contribution is likely to generate minimal contribution to the pension fund which is not sustainable (Daykin, 2007). It should be noted that in some countries, tax incentives on pension provision have been allowed on members' salaries in which pension fund is deducted out of pre-tax income. In other countries, pension contribution is treated as an expense in determining the income of a pension beneficiary and the associated taxes to be deducted from a pension contributor.

Governments come up with regulations to govern pension fund industry to protect consumers in case of market failures and to maintain stability in the pension fund industry. This is due to the fact that pension funds are public goods that require an effective regulation and supervision. These regulations put a limit on the share of investment assets to be held by the pension plans for instance they set ceilings and floors on the fund that can be invested in given assets (Jones and Ntambirweki-Karugonjo, 2014).

Although many countries have strict pension regulations, it should be noted that some countries relax quantitative regulations of investment funds as the pension industry matures. A case example is Chile in which pension fund can be invested to a maximum of 40% in equities, 20% in commercial paper, 50% in government securities, 5% in self-investments and 12% in foreign investments. In Argentina, 98% of pension funds have to be invested in Argentinean investments (Miriti, 2014).

In many countries, there is a regulation restricting early withdrawal of funds by the pension fund beneficiary. This restriction enables pension funds to have a long term liability which encourages holding of high risk and high return instruments (Oluoch, 2013). These funds are put into several investments to ensure growth of the fund and provision of future needs of the beneficiaries. These investments can include among others; corporate equities, secured loans, foreign holdings of the instruments, government bonds, real estates, money market instruments, corporate debt in the form of loans or bonds as well as the deposits as forms of liquidity (Yao *et al.*, 2002).

A written code of conduct is one of the best ways of ensuring that a regulatory framework is put in place in pension fund management. The code of conduct is based on a duty of care and loyalty among the office bearers of a pension fund. In Canada, the Canada's CPP investment Board is expected to implement and disclose a code of conduct and this includes tight controls on the personal investing of directors and employees. In New Zealand, the pension guardians, commissioners and members of staff must disclose any pecuniary or beneficial interest in and material to any matter considered by the commission. It is also a requirement to report if there are any cases of attempted political influence on investment decisions (Yermo, 2008).

The pension fund governing body which is often a government ministry or board of directors is usually assisted by an investment committee which advises on the investment strategy and an executive committee which is charged with operational management. Asset management committee is sometimes delegated externally especially if the governing body lacks the expertise to handle asset management. Both external and internal auditors should carry out annual audit of the fund. This is because effective regulation of the pension schemes calls for the institution of both internal and external control. Pension funds relevant information especially on the performance should be disclosed to the public and a mechanism should be put in place to address complaints from the general public (Yermo, 2008).

According to Impavido, O'Connor, & Vittas (2008), pension schemes require a strong monitoring and controlling system of both financial market and operational risks. In Norway, a comprehensive information system is installed to control pension fund procedures. This system separates investment decisions from back office operations such as record keeping, settlement of claims as well as the performance measurement. An internal audit department has been set up in the Norwegian pension fund and is required to report to the audit committee of the executive board.

2.2.2 Investment Impediments and Performance of pension schemes

Research from the World Bank show that the returns on investments of pension schemes in Africa in the last four decades has been negative (World Bank, 2014). These schemes have been forced to extend the losses registered to the individual member contributions which has resulted into poor benefits accrued to the members. Pension funds are often invested to safeguard the value of its member's contributions from the effects of inflation and other economic shocks. The sustainability of pension schemes and increased benefits depend on the investment income generated. Pension schemes are able to mobilise funds in terms of members' contributions and investment incomes in various sectors to safeguard member's interests by paying improved benefits and providing quality services.

Lack of a good investment policy is one of the investment impediments that affects the performance of pension schemes globally. Pension fund trustees have the power to produce an increased income by proper investment of the pension funds following a sound investment policy. However, it is often a challenge to have prudent investment managers and trustees who succeed in implementing a sound investment policy in most African countries (Keizi, 2006). The investment policy serves as an important tool in the management planning of financial assets which shows the requirements of each benefit plan. The investment plan focuses on the profitability needs and cash flow projections. Regular studies on assets and liabilities are taken to update the investment performance regularly.

In Kenya, Pension scheme follow diversification of investment guidelines from the Pension Regulatory Authority on how funds should be invested. For example it allows for a maximum of 30% of the scheme fund to be invested in property. This is intended to reduce risk and safeguard members' benefits. If a pension scheme is to invest more than 30%, the firm must submit a proposed action plan to the regulatory authority indicating how they will come into compliance with a specified time. For instance it can show how it will divert new contributions and income to alternative investments (Gakure and Gekara, 2015).

High levels of inflation have affected the performance of pension funds in most countries. This has resulted into negative real rate of investment returns. In countries with nominal interest rates exceeding inflation, the returns on public pension reserves are below equity market returns and below returns achieved by private pension funds. According to Impavido, O'Connor & Vittas (2008), the poor track record of pension funds often bring about the need to build pension reserves and revamp governance structures in order to build a strong economy.

Insufficient diversification and inappropriate portfolio adjustments impede effective performance of pension funds. In the provident fund of Malaysia, portfolio diversification has imparted into a pension fund returns (Thillainathan, 2003). Poorly diversified pension schemes result into poor returns and inability to meet the scheme administration. In situations when retirement benefits paid out recurrent cash flows, it places extreme pressure on a firm's financial position and eventually it may be unable to meet its obligations to retirees.

There are two concepts of pension fund regulation that is; rule based and risk based regulations. Rule-based regulation refers to inflexible bright line requirements such as direct restrictions on investments, and is more appealing from a compliance perspective. However, in theory, rule-based regulation may yield lower risk adjusted returns when binding. The regulatory impediments imposed by source country governments and restrictions on investment practices imposed by the trustees of these institutions. In most developing economies, pension fund regulations limit the exposure to equities, and particularly the exposure to international equities (Mwangi, 2014). In Nigeria, a requirement of 75% investment exposure to Nigeria creates a stumbling block to pension funds investment in private equity.

Additionally, high costs associated with administration of pension funds constrain the returns on investments (Yermo, 2008). Pension funds are therefore charged with a responsibility of increasing returns and reducing administrative costs in order to strengthen their performance. The returns payable at retirement of beneficiaries or even withdrawal have to be higher or adequate in relation to the income earned during active employment. This is mostly achieved after a successful investment of pension funds. In the United States of America, declining rates of returns on investment resulted into underfunding situations which forced employers to make unbudgeted contributions to the pension funds.

According to Semango (2015), high administrative costs in the management of pension funds have limited the performance of pension funds. For instance, administrative spending in Tanzania was 48% of the annual contributions. In Swaziland, it was 50%, while in Zambia it was 70%. These costs were driven by the high staffing levels and employee benefits. This consequently reduces investible funds which could otherwise generate interest income and consequently investment income from the pension funds.

In Tanzania, pension funds investment portfolio structure comprises of fixed and non-fixed income instruments. They include government securities such as the government stocks, treasury bonds, treasury bills, bank fixed deposits, corporate bonds, equity and shares, loans as well as the real estates. For Uganda, NSSF has invested in bonds for countries of Rwanda and Kenya but not Uganda. Similarly, NSSF pension funds have been invested in real estate for instance in the construction of Workers house which is now generating a lot of investment revenue from tenants.

In Hong Kong, Hospital Authority Provident Fund Scheme (HAPFS) is one of the successful schemes with an ambitious investment plan. The scheme has outsourced an external investment manager to invest in a specific asset class such as Hong Kong equities. The scheme employs currency overlay strategies to hedge against adverse currency risks for the European and Japanese equity portfolios. This is because the euro and Japanese yen currencies had been fluctuating sharply for a period of three years. The euro fluctuation was as a result of Eurozone debt crisis while the Japanese yen was responding to the Abenomics which resulted into Bank of Japan policies to depreciate yen and inflate the economy. Indeed, HAPF scheme employs multiple approaches that are both active and passive to hedge against investment risks which are further reviewed by the scheme investment committee (Ma *et al.*, 2016).

According to OECD, investment risk is one of the major challenges that affects the performance of pension funds. This calls for appropriate mechanisms to control these investment risks particularly the development of a risk management system. This system entails designing of a reasonable assurance to meet investment objectives in terms of effectiveness, efficiency, resilience of operations, reliability of financial reporting and compliance with laws and regulations (Yermo, 2008).

2.2.3 Governance Impediments and Performance of pension schemes

Political interference is a governance impediment that has made the public raise a lot of questions associated with management of NSSF in Uganda and elsewhere. The government taking over control of the fund including influencing decisions on management and investment have been reported in Uganda. A case example is the government transfer of NSSF supervision role from the Ministry of Gender, Labour and Social Development (MoGLSD) to the Ministry of Finance, Planning and Economic Development (MoFPED) in 2007 (DEAR, 2013).

Compliance and methods of collecting contributions have to be thorough and efficient in pension fund governance. For instance, NSSF act in Uganda allows employers to pay the workers contributions however in some other instances, pension funds employ a workforce to collect contributions and also detect employers who are not remitting their contributions and that of their workers (Kasente *et al.*, 2002). This calls for inspectors to move from place to place visiting the registered employers and also recruiting new companies with atleast five employees (Impavido, O'Connor & Vittas., 2008).

The contributors of NSSF in Uganda do not participate in the decision making and management of their investment funds. The contributors are also not given an opportunity to participate in the monitoring of activities for NSSF funds. This has made contributors not sure if their pension was remitted by the employer or even captured within the NSSF system. Pension funds including their investment can perform effectively if they are fully supported by the contributors themselves (DEAR, 2013).

The Uganda pension sector has been affected by corruption and mismanagement of beneficiary funds. For example the Ugshs 169 billion meant to clear outstanding pension claims of 1,018 former East African Community workers went missing between February and October 2012. The funds were siphoned through a financial institution by top officials of Ministry of Public Service and Ministry of Finance, Planning and Economic Development (Bukuluki and Mubiru, 2014). Similarly, in the public service pension scheme, mismanagement of pension records resulted into the enrolment of 3,000 ghost pensioners between the years 2009 and 2012. This caused a loss of Ugshs 165 billion (US$66 million) hence it resulted into the suspension and delay of pension payments for about 60,000 retirees up to a year (World Bank, 2014).

Political interference is one of the governance impediments that influences the performance of pension schemes. In countries such as Korea, Japan and Norway where the fund's governing body are housed within a government ministry or parliament, there is a greater interference on investment decisions from politicians. For instance in Korea and Japan, the governments influenced the buying of shares using pension funds to support the crumbling stock market in the 1997/1998 Asian financial crisis. In 2001, the Korean pension fund deposited part of its annual receipts with a government agency to invest in rural areas, infrastructure and bail out loans to the poor and small companies with approval from the pension contributors (Yermo, 2008).

Impavido, O'Connor & Vittas (2008) linked poor performance to undue political interference in the investment decisions of public funds. It is argued that governments in absence of mandates demand for pension schemes to finance their public expenditure or even demand for securities to finance well connected and public enterprises.

In late 1980s, the government of Uganda borrowed NSSF funds and paid without interest which made the beneficiaries receive very low wage base. Also, Government companies used NSSF money with no interest including the Uganda People's Congress (UPC) that used it to build Uganda house. The high inflation rates between 1970 and late 1980s also dwindled NSSF savings and investments which made the government of Uganda intervene in currency devaluation in 1989 (Bukuluki and Mubiru, 2014).

The characteristics of good pension governance include; discipline, diligence, accountability, responsibility, independence, transparency, fairness and social responsibilities. OECD guidelines indicate that good pension governance include;

trustee, representation, training and assessment, investment governance, fund documentation as well as conflict of interest management (Kasente *et al.*, 2002).

According to Yermo (2008) pension funds should have a governance structure that ensures an appropriate division of operational and oversight responsibilities as well as the suitability and accountability of these staff with such responsibilities. The governing body of the pension scheme has an ultimate responsibility of the fund and is accountable to its beneficiaries. The leaders of the pension governing body should possess clear fiduciary duties and mandate to manage the fund.

In developed countries particularly the UK and Australia, governance issues among the pension scheme providers are discussed through a network of institutional investors. They come up through a dedicated institutional umbrella to represent the common interests of all pension scheme providers and also provides a platform to shape and influence a wider sphere of corporate governance. A leading governance platform in the UK is called the Institutional Investor Committee (IIC) in the UK and it comprises of the Association of British Insurers, the Investment Management Association and the National Association of Pension funds. This group formulates the code of best practices, does monitoring and evaluation of the effectiveness, providing advice to its members, conducts research and analysis, consults with representative groups on whether a particular company complies with good corporate governance practices (Securities Commission Malaysia, 2011).

Failure of pension fund managers to exhibit good governance characteristics has played a key role in undermining the performance of pension funds globally. Governance indicators entail leadership, stewardship, monitoring and reporting within pension fund management (Gakure and Gekara, 2015). The aim of good pension governance is to strengthen internal pension fund management structures and practices with an aim of achieving greater efficiency and investment targets.

Lack of transparency is a major governance impediment arising from lack of sharing pension management actions to stakeholders especially to the beneficiaries. This results into lack of trust on the performance of the pension fund which consequently brings about high cases of non-payments of the contributions on a regular basis. Transparency is an important governance tool because it controls staff behaviours within the firm which eventually minimizes corruption tendencies (Iglesias and Palacios, 2000).

Pension funds are expected to exercise a high level of accountability however, this is not usually the case. Pension funds need to update regularly members on how much they have saved. Financial statements should be issued to both the employer and the employee over the last period which confirms that the finances paid reached the pension fund. Public accountability through display of statements in newspapers and public places helps the contributors to make personal plans and judge the performance of the scheme (Impavido, O'Connor & Vittas., 2008).

Governance weaknesses in pension fund management are very common in many countries despite the regulatory and industrial initiatives put in place. Governance of pension funds involves the managerial control of the organizations, how they are regulated, accountability from the management and how they are being supervised. This is aimed at reducing the potential agency problems and conflict of interest between fund managers and those responsible for the fund management. Good governance brings about trust amongst all stakeholders, reducing the need for prescriptive regulation and facilitation of supervision (Gakure and Gekara, 2015).

One of the ways of improving accountability is through remuneration of staff particularly the board of directors as an incentive to strengthen the checks and balances on the management and performance of pension schemes. However, it should be noted that not all board of directors are remunerated for instance the French Pension Fund supervisory board serve on voluntary basis. On the other hand, the Swedish AP Fonden which supervises pension schemes are remunerated based on the government policies (Yermo, 2008).

A number of studies show a significant relationship between governance impediments and the performance of pension funds. These studies present governance impediments to include; poor selection processes of the governing board of directors, lack of self-evaluation of board effectiveness, weak oversight role played by the board of directors, failure to delegate, board micro-management as well as non-competitive compensation policies within the pension funds (Impavido, O'Connor & Vittas., 2008; Maina, 2014; Yermo, 2008).

Lack of resources such as skills and experience in pension fund management hampers the performance of pension schemes worldwide (Keizi, 2006). Some key governance positions are occupied by personalities without adequate expertise in social security and pension since they are often political appointees. These occupy key positions such as chairperson, board of directors or even managing director in which they are required to make key investment decisions that affect the performance of pension funds (Bukuluki and Mubiru, 2014). It is little wonder therefore that most of the pension schemes in sub-Saharan Africa do not perform well due to governance impediments.

Investment managers with less experience and relevant skills in managing investment of pension schemes is yet another impediment on the performance of pension schemes (Mwangi, 2014). An external management agency with expertise and adequate staff should be hired to manage the assets of the fund. This agency is usually in position to manage long term investment assets and are familiar with the markets in which the assets of the fund are to be invested. The recruited staff should also be experienced in selecting, managing and monitoring the performance of external asset managers. There is also a need for investment managers to put in place an information system to track the performance of the pension fund investments.

2.3 Knowledge Gap

From the reviewed literature, it is important to observe that there were few studies in developing countries linking performance of pension funds with impediments of regulatory, investments and governance. Most of these studies were done outside Sub-Saharan Africa especially in Norway, Sweden, Australia, Canada and the UK and hence could not fully present the socio-economic and political situation in which NSSF Uganda operates. Indeed, no study had been conducted to examine the impediments affecting the effective performance of pension schemes in Uganda. Therefore, this study bridged the knowledge gap.

The current study presents a detailed report on how regulatory; investment and governance impediments have affected the effective performance of pension scheme at NSSF Uganda. This was missing in the reviewed studies particularly in those conducted in developed economies.

The reviewed literature shows presence of strong governance structures of pension schemes globally. The current study shows a significant level of political interference in the investment and management of pension funds contrary to many studies reviewed that indicated presence of strong governance structures.

Whereas a number of studies reviewed had adopted different methodologies including cross sectional and experimental study designs, the current study adopted a case study design with a combination both quantitative and qualitative data analysis techniques. Rigorous analysis was performed including descriptive, correlations and regression analyses. Previous studies delved mostly on descriptive statistics as well as correlations hence the study bridged methodological gaps.

Lastly, most of the studies were done over 5 years ago and hence may not present trend of events in the regulatory, investment and governance aspects of pension schemes especially in developing countries. The current study at NSSF Uganda presents current information that is key in explaining how regulatory, investment and governance impediments affect the effective performance of pension schemes in Uganda.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research methodology that was used for this case study regarding the evaluation of impediments affecting the effective performance of pension scheme at NSSF Uganda. The research design, area of study, study population, sampling procedure, data collection methods and instruments, quality control methods, data management and processing, data analysis, ethical considerations and limitations of the study are presented in this chapter.

3.1 Research Design

The researcher adopted a case study research design combining both quantitative and qualitative research approaches to examine the impediments in the effective performance of pension scheme at NSSF Uganda. A case study design was adopted because it allowed the researcher to conduct an in-depth examination of a single phenomenon at a given time (Amin, 2005). This is key in arriving at findings applicable to a broader phenomenon that the case represents.

The qualitative approach was therefore useful in providing an in-depth respondents' opinions and perceptions on impediments in the effective in the effective performance of pension schemes in NSSF (Mugenda and Mugenda, 2003).

The quantitative approach was valuable in the generation of descriptive statistics as well as in the answering of research questions using Pearson Correlation coefficient and multiple linear regression analyses (Barifaijo, Basheka and Oonyu, 2010).

3.2 Area of Study

The study was conducted at National Social Security Fund Uganda head office located at Workers House, Plot 1 Pilkington Road in Kampala city, Uganda.

3.3 Study Population

A study population of 181 was considered for the study and it included 160 NSSF Uganda staff at Kampala head office, 1 pension regulator, 5 fund managers, 5 fund custodians, and 10 fund administrators. The staff comprised of personnel from the different departments of NSSF; marketing and communication, business, Compliance, investments, finance, Operations, as well as Legal and Board affairs (NSSF, 2017). This study population was considered because they were in better position to present fully their experiences with the regulatory, investment and governance impediments as well as the performance of pension funds.

3.4 Sampling Procedures

The study adopted a sample size and sampling techniques as explained below.

3.4.1 Sample Size

A sample of 123 respondents out of 180 study population was considered for the study and was determined using 1970 Krejcie and Morgan technique table (Krejcie and

Morgan, 1970) as shown in Appendix III. This technique provides a sample size in terms of standard numbers arising from a given population as shown in Table 3.1.

3.4.2 Sampling Techniques

The study adopted systematic random sampling, census and purposive sampling techniques in data collection. Systematic random sampling is a statistical method involving the selection of elements from an ordered sampling frame (Amin, 2005). In this regard, respondents will be selected from each department of NSSF Uganda.

Census approach was used in the selection of 1 pension regulator, 5 fund managers, and 5 fund custodians. Census approach is a method in which all the study population is selected for the study. On the other hand, purposive sampling was used in the selection of 5 fund administrators. Purposive sampling is a technique in which a researcher identifies the respondents that he or she deems appropriate to provide the required responses for the study. This technique is appropriate in interviewing a targeted number of respondents in a short time (Mugenda and Mugenda, 2003).

A list of NSSF Uganda staff at head office in Kampala was used as a sampling frame. Random number tables were used to earmark the names of NSSF staff in each department from which the researcher visited for data collection.

Table 3.1: Sample selection of respondents and procedure used

Category	Population	Sample	Sampling procedure
NSSF staff	160	107	Systematic random sampling
Pension Regulator	1	1	Census
Fund managers	5	5	Census
Custodians	5	5	Census
Administrators	10	5	Purposive sampling
Total	**181**	**123**	

Source: Adopted from NSSF annual report (2017)

3.5 Data Collection Methods and Instruments

Data collection methods included; questionnaire survey, interview and documentary review (Barifaijo et al., 2010; Amin, 2005).

3.5.1 Questionnaire Survey

Questionnaire survey refers to a method where a set of questions on a form are asked to a group of persons who are deemed to have particular information required by a particular researcher (Amin, 2005). The questionnaires used were closed and in English as these target mainly respondents that are literate. According to Kothari (2004), questionnaires are free from interviewer's bias because the responses represents interviewee's perceptions. Besides, the responses were in the interviewee's own words.

A questionnaire was used in collecting quantitative data by administering it among NSSF staff working at the Kampala head office (Appendix I). The questionnaire was used in this case since it generated a lot of information from a large number of respondents in a short period of time (Mugenda and Mugenda, 2003).

3.5.2 Interviewing

Interviews are friendly fact finding conversations formulated in question form (Barifaijo, Basheka and Oonyu, 2010). Interviewing is key in any research study because they are enriched with information and tell what is happening at the time of narration, present, past and future time (Mugenda and Mugenda, 2003).

To this end therefore, interviews were conducted using an Interview guide. Interviewing encourages probing for deeper information from the respondents hence will be appropriate for the study (Frechtling, 2002). Interviewing method was appropriate for representatives of pension regulator, fund managers, fund custodians, and fund administrators since they were well informed about the performance of NSSF and the associated impediments.

An interview guide was used in collecting qualitative data by administering a set of questions associated with impediments to effective performance of pension fund to pension regulator, fund managers, fund custodians and fund administrators (Appendix II). According to Amin (2005), administering an interview generates in-depth information necessary for the study especially through probing. The interview guide was structured in such a way that it had probing questions and statements which ask for appropriate responses from the respondents.

3.5.3 Documentary Review

It is the process of analyzing all of the documentation and books to answer the study objectives (Kothari, 2004). Documentary review involved extraction of relevant data from reports and other documents. A documentary review checklist was followed during the review. This information was used to supplement other methods of data collection in understanding the core areas and variables of the study (Kothari, 2004).

A documentary review check list was employed in the extraction of relevant information for the study from various existing documents (Appendix III). The documentary review checklist was structured to have a list of all the key documents that were reviewed to inform the study. It was structured to have key documents such as the NSSF acts, NSSF annual reports, NSSF Strategic Investment Plan, Uganda Bureau of Statistics Reports, University Research Publications, and journal articles.

3.6 Quality Control Methods

Validity and reliability of data collection instruments were adhered to during data collection.

3.6.1 Validity

Validity refers to the degree in which a research instrument measures what it sets out to measure (Amin, 2005). Content validity indicates a complete range of the attributes that are under study depicted by the content. To estimate the content validity, literature review was undertaken in an attempt to clearly define the objectives of the study. Experts in the fields of business and management including my academic supervisor were consulted to review the tool items to ensure its consistency with the study objectives and the literature review. Each item on the instrument was rated by the experts as relevant, Neutral or Irrelevant.

Content Validity Index (CVI) was computed to indicate the validity of the research instrument.

C.V.I=Items rated relevant by both judges divided by the total number of items in the questionnaire as shown hereinafter.

$$CVI=\frac{\text{No. of items rated relevant (R)}}{\text{Total no. of items(R+N+IR)}}$$

Where; R is Relevant, N is Neutral, and IR is Irrelevant.

Content Validity Index (CVI) was computed to indicate the validity of the research instrument as shown in Table 3.2.

Table 3.2: The Content Validity Index (CVI) for the questionnaire

Items rated	Number of items	Experts	CVI
Regulatory impediments	6	3	0.721
Investment impediments	6		0.821
Governance impediments	7		0.781
Performance of pension scheme	5		0.801
Total	**24**		**0.781**

Source: Field Data., 2018

After computations, Content Validity Indices of the questionnaire items (regulatory impediments=0.721; investment impediments=0.821; governance impediments=0.781 and performance of pension scheme=0.801) were found above 0.7 that is considered for a valid research instrument as recommended by scholars such as Amin (2005) and Mugenda and Mugenda (2003).

3.6.2 Reliability

Reliability is the degree to which a research instrument generates consistent results after repeated trials (Amin, 2005). Reliability was determined by piloting the research instruments at Public Service Pension Scheme in the Ministry of Public Service, Kampala Uganda.

The study adopted Cronbach Alpha Coefficient reliability test to find out the reliability of instruments as shown in Table 3.3.

Table 3.3: The Cronbach Alpha Coefficient (CVI) of Internal Consistency

Questionnaire Section	Number of Items	CVI
Regulatory impediments	6	0.611
Investment impediments	6	0.875
Governance impediments	7	0.652
Performance of pension funds	5	0.754
Total	**24**	**0.723**

Source: Field Data., 2018

From the findings, Cronbach Alpha coefficient of internal consistency for the questionnaire items were computed (regulatory impediments=0.611; investment impediments=0.875; governance impediments=0.652 and performance of pension scheme=0.754). On the overall, the Cronbach Alpha Coefficient was 0.723 which was above the recommended threshold of 0.7 for a reliable research instrument (Mugenda and Mugenda, 2003).

3.7 Data Management and Processing

Quantitative data collected from the field was cleaned to remove errors and then coded before entering it into Statistical Package for Social Scientists (SPSS) for analysis. The errors were checked by revisiting the questionnaires and coding missing data as “999”. The blank and not applicable data were coded “0”.

Qualitative data gathered through interviews were checked to remove errors and information from respondents was transcribed by writing down the responses in a note book.

3.8 Data Analysis

Both quantitative and qualitative data was analyzed after completion of data entry and cleaning processes.

3.10.1 Quantitative Data Analysis

Statistical Package for Social Scientists (SPSS) programme was used in the analysis of quantitative data. Quantitative data analysis involved use of both descriptive and inferential statistics and three levels of analysis was performed; univariate, bivariate and multivariate analysis.

Descriptive statistics was performed to determine measures of central tendency such as mean; frequency distributions; and percentages and the results were presented using frequency distribution tables, pie-charts and bar graphs. Similarly, standard deviation was computed as a measure of dispersion of the study variables.

Inferential statistics was performed using Pearson Correlation and regression analysis to test the research questions. According to Sekaran (2003), the two analyses were the most appropriate to conduct the study in the natural environment of an organization with minimum interference by the researcher and no manipulation.

3.10.2 Qualitative Data Analysis

Thematic and content analysis based on the study objectives was adopted in the analysis of qualitative data. In content analysis, qualitative data were edited and reorganized into meaningful shorter sentences. In thematic analysis, data findings were organized into codes and key themes. All the findings were reported in verbatim using quotation marks (Golafshani, 2003).

3.9 Ethical Considerations

Ethics in research studies are emphasized because they involve interaction with people or sensitive documents hence it is important to mind about proper conduct during these interactions (Macmillan and Schumacher, 2010). To this end therefore, the researcher sought permission to interview respondents and also access relevant documents by presenting an introductory letter from Uganda Martyrs University, Nkozi.

Informed consent was sought from respondents prior to involving them in research. The respondents was informed that the research is for academic purposes only and the respondents were assured that the study would not cause any danger directly or indirectly and that their participation was voluntary.

The respondents were assured that the findings would not be revealed to the management of NSSF Uganda but rather would only be used for academic purposes. Confidentiality was ensured during data collection by keeping safely the findings away from people who were not part of the research. Additionally, the names of respondents were not asked or written on the research instruments. Only direct speech and quotations was used in report writing in a bid to ensure confidentiality.

3.10 Limitations of the Study

The researcher faced a number of challenges during data collection at NSSF headquarters as explained;

During the study, the researcher experienced respondents who were not willing to share all relevant information to the study. However, this was minimized by building rapport with the respondents and explaining to them that the findings would be used for academic purposes only.

There was an issue of incomplete information due to time limitation on the side of respondents. The researcher minimized this challenge by leaving the questionnaires behind with the respondents to fill them at a convenient time. These questionnaires were later picked by the researcher.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents study findings, analysis as well as the discussion of the findings on the impediments affecting the effective performance of pension schemes in Uganda, taking a case of NSSF Uganda. This chapter also presents the response rate, respondent's background characteristics, descriptive statistics, correlations and regression analysis results.

4.1 Response rate

Table 4.1 presents the response rate on the study about the impediments affecting the effective performance of pension schemes in Uganda; a case of NSSF Uganda.

Table 4.1: Response rate for the study

Category	Sample Size	Respondents covered	Response rate (%)
NSSF staff	107	96	89.7
Pension Regulator	1	1	100.0
Fund managers	5	3	60.0
Custodians	5	3	60.0
Administrators	5	4	80.0
Total	**123**	**107**	**86.9**

Source: **Field data, 2018**

Table 4.1 indicates that the study had a higher response rate (86.9%) which gave an opportunity to the researcher to have a good representation of NSSF staff and pension key players in Uganda.

It was quite difficult to get responses from all the respondents because some of the NSSF staff and other pension key players did not return the questionnaires while others were out of office for official and non-official activities.

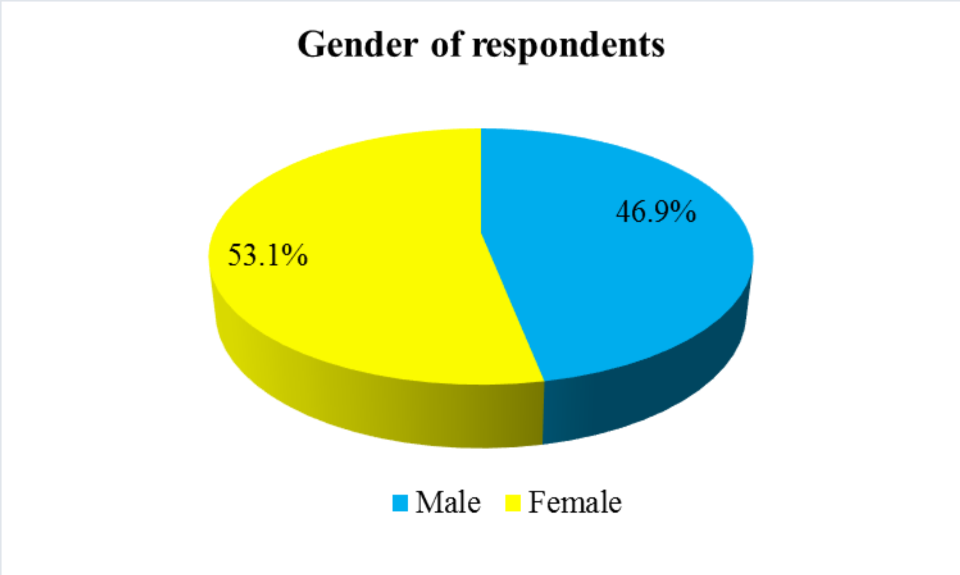
However, according to Amin (2005), 70% of the respondents are enough to represent the sample size set for the study in order to generate valid findings implying that the study had a very good response rate of 86.9 %.

The study responses were gathered from 1 pension regulator (Uganda Retirement Benefits Authority), 3 fund managers (African Alliance, Sanlam Investments (EA) Ltd and Gen Africa Asset Managers), 3 custodians (Stanbic Bank, Standard Chartered Bank and Housing Finance Bank) and 4 administrators (Liaison Financial Services Ltd, Octagon Uganda Ltd, Minet Uganda and Alexander Forbes).

4.2 Background characteristics of the respondents

4.2.1 Distribution of the respondents by gender

The percentage distribution of NSSF staff that responded to the study disaggregated by gender is shown in Figure 4.1.



Source: **Field data, 2018**

Figure 4.1: Percentage distribution of the respondents by gender

The study revealed that majority of the NSSF staff that responded to the study were females (53.1%, 51/96) in comparison to the male respondents (46.9%, 45/96). Generally, a substantial number of females working at NSSF could be due to equal opportunity environment provided by NSSF Uganda where both males and females compete equally for the available job opportunities.

4.2.2 Distribution of the respondents by age group

During the study, respondents were asked about their age and results are presented in the Table 4.2.

Table 4.2: Percentage distribution of the respondents by age group

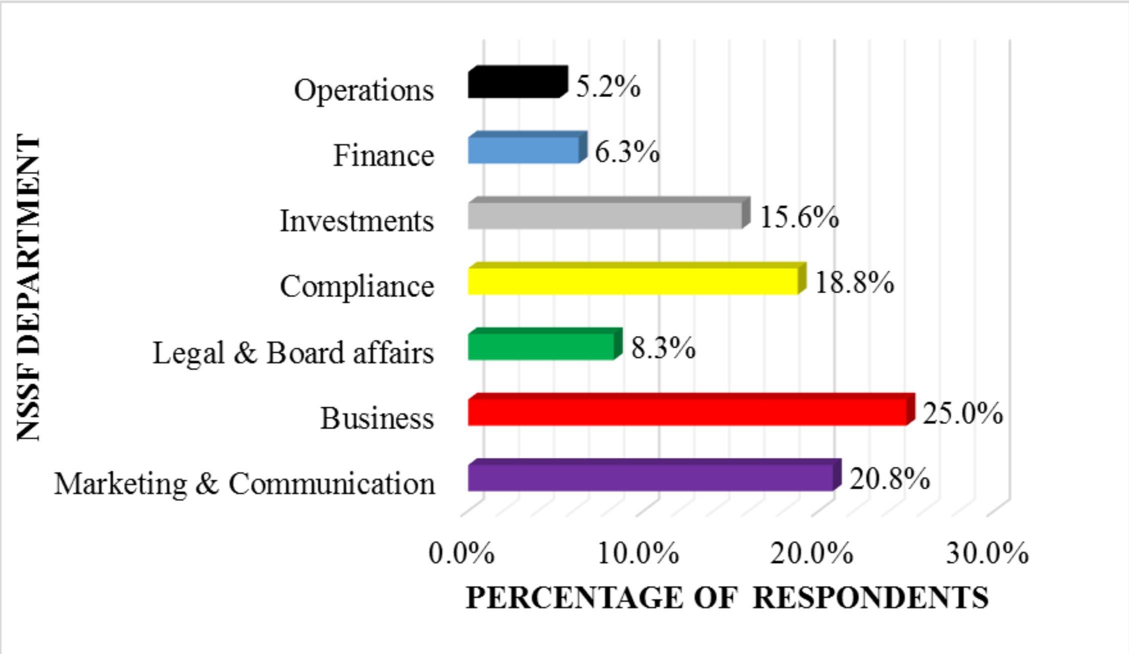
Age of the respondent	Frequency	Percentage (%)
20-29 Years	30	31.3
30-39 Years	41	42.7
40-49 Years	18	18.8
50-60 Years	7	7.3
Total	**96**	**100**

Source: **Field data, 2018**

Majority of the NSSF staff that responded to the study were aged 30-39 years (42.7%) followed by respondents who were aged 20-29 years (31.3%). There were significantly very few NSSF staff aged 50-60 years that responded to the study. This perhaps could be due to the fact that NSSF employs mostly youthful population before their retirement years.

4.2.3 Distribution of the respondents by work department

Respondents were asked the name of the NSSF Uganda department in which they worked and the results are presented in the Figure 4.2.



Source: **Field data, 2018**

Figure 4.2: Percentage distribution of the respondents by Work Department

Results show that most of the NSSF respondents were working in department of business (25.0%, 24/96) followed by those in marketing and communication department (20.8%, 20/96). The rest of the respondents were from compliance (18.8%, 18/96), investments (15.6%, 15/96), finance (6.3%, 6/96), operations (5.2%, 5/96), legal and board affairs (88.3%, 8/96) departments respectively. This implies that the findings are representative since respondents from all NSSF departments were interviewed.

4.2.4 Distribution of the respondents by educational level

Respondents were asked about their highest level of education attained and results are presented in the Table 4.3.

Table 4.3: Percentage distribution of the respondents by educational level

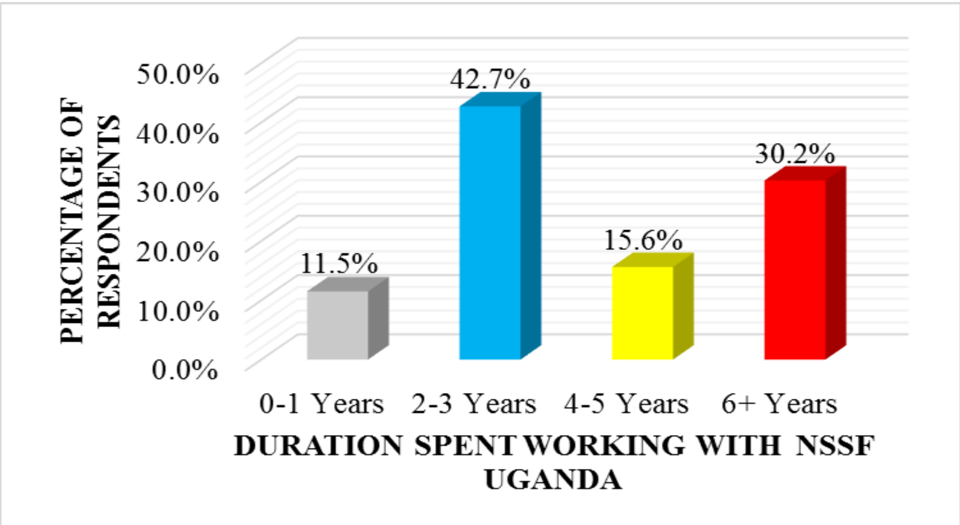
Highest level of Education	Frequency	Percentage (%)
Diploma	4	4.2
Bachelor's degree	54	56.2
Master's degree	33	34.4
Others(e.g CPA,CIPS & ACCA)	5	5.2
Total	**96**	**100**

Source: **Field data, 2018**

The percentage distribution of NSSF Uganda staff who responded to the study by highest level of education indicates that majority of them had a bachelor's degree (56.2%) followed by those with Master's degree (34.4%). There were fewer respondents with diploma education (4.2%) and professional trainings such as CPA, CIPS and ACCA (5.2%) as indicated in Table 4.2. Majority of the respondents had atleast a bachelor's degree because it is the minimum requirement for most of the employment positions at NSSF Uganda.

4.2.5 Duration spent working with NSSF Uganda

Figure 4.3 presents the percentage distribution of respondents by the number of years spent working with NSSF Uganda.



Source: **Field data, 2018**

Figure 4.3: Duration spent working with NSSF Uganda

The percentage distribution of NSSF Uganda staff that responded to the study in Figure 4.3 indicate that majority of them (42.7%, 44/96) had spent 2-3 years working with NSSF Uganda. These were followed by NSSF Uganda staff that had worked for 6+ years (30.2%, 29/96) and 4-5 years (15.6%, 15/96) with the institution respectively. The findings show that only 11.5% (11/96) of the respondents had worked for 0-1 year with NSSF Uganda.

4.3 Descriptive Statistics

This section presents the descriptive statistics concerning regulatory, investment and governance impediments at NSSF Uganda. It also shows the descriptive statistics on the performance of pension funds at NSSF Uganda. The findings are presented following a likert scale as indicated; *SD=Strongly Disagree, D= Disagree, NS=Not sure, A= Agree* and *SA= Strongly Agree.* The results from quantitative data were triangulated with data from qualitative study and documentary review.

4.3.1 Views of respondents on the regulatory impediments at NSSF Uganda

Table 4.4 presents the views of respondents on the regulatory impediments affecting the performance of pension scheme at NSSF Uganda.

Table 4.4: Views of respondents on the regulatory impediments at NSSF Uganda

Variable (n=96)	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	Std
Operations at NSSF Uganda follow stringent regulatory guidelines	21.9	17.7	3.1	38.5	18.8	3.2	1.5
Laws and policies on pension schemes in Uganda conflict with each other & are not uniform	11.5	18.8	3.1	27.1	39.6	**3.7**	1.5
The institutional mandate of NSSF is not very clear and there is duplication of efforts	14.6	11.5	2.1	35.4	36.5	**3.7**	1.4
The pension liberalization bill is a risk to the performance growth of NSSF Uganda	21.9	22.9	5.2	29.2	20.8	3.0	1.5
Staff who contravene NSSF regulations are given weak penalties	8.3	20.8	3.1	36.5	31.3	**3.6**	1.3
The laws governing pension in Uganda have more loopholes than in neighbouring countries.	7.3	12.5	3.1	46.9	30.2	**3.8**	1.2
Mean of Means						**3.5**	

Source: **Field data, 2018**

Findings revealed that out of the 6-variable parameters that NSSF Uganda staff were asked about the regulatory impediments affecting the effective performance of pension scheme, 4-items had data means above 3.5 and 2-items had data means below 3.5. Based on the scale of 1-strongly disagree to 5-strongly agree, any data mean of above 3.5 indicates support of the existence of the variables used to measure the status of regulatory impediments at NSSF Uganda.

This therefore implies that majority of the respondents were of the view that regulatory impediments had a strong effect on the performance of pension scheme at NSSF Uganda since the results confirm the statistical claim based on the mean results above 3.5. For example, majority respondents agreed that laws and policies on pension schemes in Uganda conflict with each other and are not uniform (Mean=3.7). The variation in the responses from different respondents on the above statement was wide with a standard deviation of 1.5 (Std=1.5). Similarly, majority respondents agreed that the institutional mandate of NSSF was not very clear and there was duplication of efforts (Mean=3.7) at a standard deviation of 1.5 (Std=1.5). Also, majority respondents agreed that staff who contravene NSSF regulations are given weak penalties (Mean=3.6; Std=1.3). There were also majority respondents agreeing that the laws governing pension in Uganda have more loopholes than in neighbouring countries (Mean=3.8; Std=1.3).

There were two variable statements that seemed to have denied the statistical claim that regulatory impediments had a strong effect on the performance of pension scheme at NSSF Uganda as portrayed by their data means below 3.5. Findings reveal that minority respondents disagreed that operations at NSSF Uganda followed stringent regulatory guidelines (Mean=3.2; Std=1.5). Similarly, fewer respondents disagreed that pension liberalization bill was a risk to the performance growth of NSSF Uganda (Mean=3.0; Std=1.5).

On the overall, given that the mean of means is 3.5 out of a 5-point scale (means of means=3.5), it implies that 50% of the respondents were in agreement that regulatory impediments had a strong effect on the effective performance of pension scheme at NSSF Uganda. Similarly, 50% of the respondents disagreed with the statement above.

4.3.2 Views of respondents on the investment impediments at NSSF Uganda

Table 4.5 presents the views of respondents on the investment impediments affecting the performance of pension scheme at NSSF Uganda.

Table 4.5: Views of respondents on the investment impediments at NSSF Uganda

Variable (n=96)	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	Std
NSSF investment policy guidelines in Uganda is very stringent than in neighbouring countries	18.8	34.4	3.1	30.2	13.5	2.9	1.4
NSSF has fewer investment opportunities in Uganda than abroad	10.4	20.8	6.3	34.4	28.1	**3.5**	1.4
Fund managers for NSSF Uganda have not diversified enough into new investments	3.1	10.4	2.1	44.8	39.6	**4.1**	1.1
High administrative costs at NSSF Uganda take a big proportion of member contributions	2.1	12.5	1	35.4	49	**4.2**	1.1
The board of NSSF interferes in the investment decisions of authorised fund managers	9.4	24	1	30.2	35.4	**3.6**	1.4
NSSF has been getting declining investment returns for the last five years	30.2	30.2	0	28.1	11.5	2.6	1.5
Mean of Means						**3.5**	

Source: **Field data, 2018**

It was found out that out of the 6-variable parameters representing the views of NSSF Uganda staff on investment impediments of pension schemes, 4-items had data means of above 3.5 and 2-items had data means below 3.5. Based on the scale of 1-strongly disagree to 5-strongly agree, any data mean of above 3.5 indicates agreement with the existence of investment impediments on the effective performance of pension scheme at NSSF Uganda.

To this end therefore, the findings suggest that majority of the respondents support the statistical claim that investment impediments had a strong effect on the performance of pension scheme at NSSF Uganda. For instance, half of the respondents agreed that NSSF had fewer investment opportunities in Uganda than abroad (Mean=3.5). The variation in the responses from different respondents on the above statement was wide with a standard deviation of 1.4 (Std=1.4). Majority respondents agreed that Fund managers for NSSF Uganda had not diversified enough into new investments (Mean=4.1; Std=1.1). Majority respondents also agreed that high administrative costs at NSSF Uganda took a big proportion of member contributions (Mean=4.2; Std=1.1). Lastly, most respondents agreed that the board of NSSF interferes in the investment decisions of authorised fund managers (Mean=3.6; Std=1.4).

On the other hand, 2-variable parameters seem to deny the statistical claim that investment impediments had a strong effect on the effective performance of pension scheme at NSSF Uganda given that their data means are below 3.5. Findings show that minority respondents disagreed that NSSF investment policy guidelines in Uganda was very stringent than in neighbouring countries (Mean=2.9; Std=1.4). In addition, minority respondents disagreed that NSSF had been getting declining investment returns for the last five years (Mean=2.6; Std=1.5).

On the overall, given that the mean of means is 3.5 out of a 5-point scale (means of means=3.5), it implies that 50% of the respondents were in agreement that investment impediments had a strong effect on the effective performance of pension scheme at NSSF Uganda. Similarly, 50% of the respondents disagreed with the statement above.

Indeed, documentary review shows that NSSF Uganda has an ambitious plan of improving its performance in the long run. NSSF 2015-2025 strategic plan indicates that the pension scheme at NSSF Uganda intends to invest its resources in real estate assets, regional markets, infrastructure projects private equity targeting Small and Medium Enterprises via stock markets, corporate bonds and asset backed securities (NSSF Uganda., 2017).

4.3.3 Views of respondents on the governance impediments at NSSF Uganda

Table 4.6 presents the views of respondents on the governance impediments affecting the performance of pension scheme at NSSF Uganda.

Table 4.6: Views of respondents on the governance impediments at NSSF Uganda

Variable (n=96)	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
Aware of political interference in the operations of NSSF Uganda	16.7	31.3	1	30.2	20.8	3.1	1.5
There is irregular reporting on financial performance of NSSF Uganda	18.8	19.8	5.2	27.1	29.2	3.3	1.5
NSSF contributors rarely interact with NSSF management	17.7	28.1	2.1	32.3	19.8	3.1	1.5
NSSF lacks a sophisticated internal control system in place to stop corruption	9.4	18.8	2.1	40.6	29.2	**3.6**	1.3
NSSF Uganda has fewer staff with long experience in pension investment	20.8	37.5	7.3	26	8.3	2.6	1.3
Majority of the NSSF board members rarely attend board meetings	6.3	19.8	1	42.7	30.2	**3.7**	1.3
There are so many government ministries influencing the running of NSSF	19.8	31.3	4.2	35.4	9.4	2.8	1.4
Mean of Means						**3.2**	

Source: **Field data, 2018**

It was found out that out of the 7-variable parameters that NSSF Uganda staff were asked about their views on governance impediments affecting the performance of pension schemes, only 2-variable had data means of above 3.5 and 5-variables had data means below 3.5. Based on the scale of 1-strongly disagree to 5-strongly agree, any data mean of above 3.5 indicates support of the existence of the variables used to measure governance impediments at NSSF Uganda.

To this end therefore, the study results reveal that majority of the respondents disagreed that governance impediments had a strong effect on the effective performance of pension scheme at NSSF Uganda. The findings therefore seem to reject the statistical claim given that majority of the data means were below 3.5. For instance, majority respondents disagreed that they were aware of political interference in the operations of NSSF Uganda (Mean=3.1) with a standard deviation of 1.5 (Std=1.5). Also, majority respondents disagreed that there was irregular reporting on financial performance of NSSF Uganda (Mean=3.3; Std=1.5). Majority respondents disagreed that NSSF contributors regularly interact with NSSF management (Mean=3.1; Std=1.5). It was also revealed that majority respondents disagreed that NSSF Uganda had fewer staff with long experience in pension investment (Mean=2.6; Std=1.3). Lastly, majority respondents disagreed that there were so many government ministries influencing the running of NSSF (Mean=2.8; Std=1.4).

On the other hand, there were 2-variables that seemed to confirm the statistical claim given that their data means were above 3.5. Accordingly, it was revealed that minority respondents agreed that NSSF lacked a sophisticated internal control system in place to stop corruption (Mean=3.6; Std=1.3). In addition, minority respondents agreed that majority of the NSSF board members rarely attended board meetings (Mean=3.7; Std=1.3).

On the overall, given that the mean of means is below 3.5 out of a 5-point scale (means of means=3.2), it implies that majority of the respondents were in disagreement that governance impediments had a strong effect on the effective performance of pension scheme at NSSF Uganda.

4.3.4 Views of respondents on the performance of NSSF Uganda

The views of respondents on the performance of pension funds at NSSF Uganda is presented in Table 4.7.

Table 4.7: Views of respondents on the performance of NSSF Uganda

Variable (n=96)	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
There is some decline in the rate of investment returns at NSSF Uganda for the past 5 years	30.2	36.5	5.2	22.9	5.2	2.4	1.3
There is no substantial increment in the growth of NSSF assets for the past 5 years	13.5	15.6	3.1	37.5	30.2	**3.6**	1.4
NSSF customers go through hard processes in claiming their pensions after clocking 55 years	3.1	3.1	1	40.6	52.1	**4.4**	0.9
Cases of NSSF fund mismanagement have been reported in the last 2 years	7.3	11.5	2.1	36.5	42.7	**4.0**	1.3
The proportion of NSSF contributors is less than half of the eligible NSSF contributors in Uganda	4.2	17.7	1	40.6	36.5	**3.9**	1.2
Mean of Means						**3.6**	

Source: **Field data, 2018**

The study respondents were asked their views on the performance of pension scheme at NSSF Uganda. The findings show that out of the 5-variable statements asked, majority 4-variable statements had data means above 3.5 while 1-variable statement had data mean below 3.5.

The findings therefore show that majority of the NSSF Uganda staff that responded to the study were in agreement that the performance of pension scheme at NSSF Uganda was poor. This is backed by the variable statements that had data mean above 3.5 that confirmed the statistical claim. For example, majority respondents agreed that there was no substantial increment in the growth of NSSF assets for the past 5 years (Mean=3.6). The variation in the responses from different respondents on the above statement was wide with a standard deviation of 1.4 (Std=1.4). Further, majority respondents agreed that NSSF customers go through hard processes in claiming their pensions after clocking 55 years (Mean=4.4; Std=0.9). Majority respondents also agreed that cases of NSSF fund mismanagement have been reported in the last 2 years (Mean=4.0; Std=1.3). Lastly, majority of the respondents agreed that the proportion of NSSF contributors was less than half of the eligible NSSF contributors in Uganda (Mean=3.9; Std=1.2).

There was however, 1-variable statement that seemed to deny the statistical claim that the performance of pension scheme at NSSF Uganda was poor. This is due to the fact that its data mean was below 3.5. In this regard, majority of the respondents disagreed that there was some decline in the rate of investment returns at NSSF Uganda for the past 5 years (Mean=2.4; Std=1.3).

On the overall, given that the mean of means is above 3.5 out of a 5-point scale (means of means=3.6), it implies that majority of the respondents were in agreement that the performance of pension scheme at NSSF Uganda was poor.

In agreement with the quantitative data, the qualitative findings with fund administrators showed that the performance of pension scheme at NSSF Uganda was not performing optimally thus:

> *NSSF operates a big suspense account. When money comes, it is put on the suspense account. Some of this money is denied to the people who have passed on. The reserve fund is also very big however their use is not efficient. Although, processes have been streamlined, the actual performance still needs to be improved. C.M.* Alexander Forbes, NSSF Administrator. 23rd March 2018.

In addition, a fund manager representative in a key informant interview noted that atleast 60% of NSSF was invested in bonds, treasury bills and fixed deposits thus:

> *NSSF has invested in Stanbic bank, Umeme, Uganda Clays and Equity Bank. The performance has varied in relation to the sectors. It is up in the banking sector and utilities but down in construction. Infact, NSSF invests in equities, bonds, treasury bills and fixed deposits of which the last 3 take 60% of the fund.* W.A. African Alliance, NSSF Fund Manager. 28th March 2018.

On the other hand, one of the pension players in the Ugandan market indicated that pension scheme at NSSF Uganda was relatively performing well thus:

> *The performance of pension scheme at NSSF Uganda has been good. Funds are largely invested in bonds, stocks, real estate and fixed deposits. Investments are fairly balanced and quite diversified. P.K.* Housing Finance Bank, NSSF custodian. 24th March 2018.

There is a significant number of dormant customers for NSSF which slows down the effective performance of the fund as explained thus:

> *On the side of NSSF customers, there are members who are dormant. Almost three quarters of the registered members are dormant and only a quarter are active savers. This means that the rate of growth of the fund will be discouraged. There are a lot of costs associated with dormant accounts hence the scheme cannot grow.* C.V. URBRA, NSSF regulator. 20th March 2018.

Documentary review presents the financial performance report for NSSF Uganda as detailed in Table 4.8.

Table 4.8: Financial report overview for NSSF Uganda from 2008-2016

Indicator	Year								
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Profit after tax (Ugshs Million)	491,444	647,782	452,417	344,609	238,837	83,854	132,202	-19,779	60,576
Total Assets (Ugshs Million)	6,585,798	5,550,391	4,402,946	3,479,592	2,742,962	2,128,948	1,703,911	1,336,743	1,122,023
Return on Average Investment (%)	11.3	16.4	12.9	12.4	12.3	7.7	12.4	7.6	7.2
Members contributions (Ugshs Million)	785,498	688,094	622,354	552,684	472,861	388,125	294,163	262,998	184,331
Interest rate on member funds (%)	12.3	13.0	11.5	11.2	10.0	6.0	7.0	3.0	14.0

Source: **NSSF financial reports 2008-2016**

Findings revealed that NSSF Uganda had experienced both growth and declines in their financial performance as per the different financial indicators from 2008-2016. On profit after tax, NSSF Uganda made a loss of 119,779 million shillings in 2009. Although NSSF Uganda experienced an increase in profit from 2010 to 2015, the fund experienced a profit decline in 2016 of Ugshs 491,444 million up from Ugshs 647,782 million realised in 2015. Total assets experienced an increase from Ugshs 1,122,023 million in 2008 to Ugshs 6,585,798 million in 2016. The return on average investment for NSSF experienced declines in 2011 and 2016. NSSF member contributions experienced an increase from Ugshs184,331 million in 2008 to Ugshs785,498 million in 2016. The interest rate on member funds experienced a decline from 14.0% in 2008 to 3.0% in 2009. There was also a decline of interest rate from 7.0% in 2010 to 6.0% in 2011. In the same vein, interest rate declined from 13% in 2015 to 12.3% in 2016.

4.4 Correlation analysis

This section provides correlation analysis results on the impediments affecting the effective performance of pension schemes in Uganda with a case of NSSF Uganda. Pearson Correlation Coefficient was computed to establish the relationships between regulatory, investment and governance impediments with the performance of NSSF Uganda.

4.4.1 Regulatory impediments and performance of NSSF Uganda

Pearson correlation coefficient (r) was used to find out the relationship between regulatory impediments and performance of pension scheme at NSSF Uganda and the findings are presented in Table 4.9.

Table 4.9: Correlation between regulatory impediments and performance of NSSF Uganda

Correlations		**Regulatory impediments**	**Performance of NSSF Uganda**
Regulatory impediments	Pearson Correlation (r)	1.000	
	Sig. (2-tailed)	0.000	
	N	96	
Performance of NSSF Uganda	Pearson Correlation (r)	**-0.223***	1.000
	Sig. (2-tailed)	0.029	0.000
	r^2=**0.049**		
	N	96	96

* Correlation is significant at the 0.05 level (2-tailed).

Source: **Field data, 2018**

Findings show that there was a moderate negative correlation between the regulatory impediments and effective performance of pension scheme at NSSF Uganda **($r=-0.223$*)**. This implies that an increase in regulatory impediments will bring about a decline in the performance of the pension scheme at NSSF Uganda.

Since correlation does not imply causal-effect, a coefficient of determination (r^2) which is a square of the correlation was computed and expressed as a percentage to determine the change in the performance of pension scheme at NSSF Uganda attributed to regulatory impediments.

The findings on the coefficient of determination therefore shows that regulatory impediments accounted for 4.9% change in the performance of pension scheme at NSSF Uganda **($r^2=0.049$)**. This implies that only 4.9% of pension scheme performance can be attributed to regulatory impediments while 95.1% is attributed to other factors.

The qualitative study findings further confirm the relationship between regulatory impediments and their effect on the effective performance of pension funds at NSSF Uganda thus:

> *NSSF Act confines NSSF to a catchment area i.e limited to formal sector and private sector institutions with 5+ employees. There is also mid-term access to funds and the investments must be domiciled within the East African markets only.* O.A. Stanbic Bank, NSSF custodian. 13th March 2018.

Similarly, the qualitative findings with fund administrators showed the effect of regulatory impediments on the effective performance of pension scheme at NSSF Uganda thus:

> *There is over-regulation in all processes for example the licencing process of pension actors such as fund managers. Pension exposure to other asset classes brings about some exposure on offshore assets. There is also too many requirements that are unnecessary in the regulation. C.M.* Alexander Forbes, NSSF Administrator. 23rd March 2018.

Qualitative findings further revealed that there were parallel laws and acts governing the operations of NSSF that is the NSSF act 1985 and URBRA act 2011 as detailed thus:

> *There are parallel laws and dual acts governing the performance of NSSF pension scheme. We have NSSF act 1985 and URBRA act 2011 all running concurrently which causes contradictions. URBRA is the regulator of pensions in Uganda but sometimes it is overpowered by the NSSF act 1985.* P.A. Liaison Financial Services Ltd, Pension Administrator. 13th March 2018.

Documentary review revealed that there are very many legal frameworks that influence the performance of pension schemes in Uganda. Besides, different retirement schemes fall under different regulatory framework to the extent that there is no single framework that regulates pension schemes in Uganda. For example there is the NSSF act 1967, the NSSF act 1985 and the 1995 Uganda constitution, National Development Plan 2010-2015, Uganda Vision 2040 and the 2009 Uganda national policy for older persons among others. Article XIV of Uganda's constitution (1995) states thus, "All Ugandans enjoy rights and opportunities and access to education, health services… decent shelter, adequate clothing, food security and pension and retirement benefits". The National Development Plan (NDP) shows government's plans to "develop and implement direct income support programmes including cash transfer programmes, to the elderly, persons with disability and the poorest quartile of the population". Similarly the Uganda Vision 2040 confirms government commitment to support vulnerable people by developing and implementing a comprehensive social protection system (NPA, 2013).

Pension schemes in Uganda are regulated by the Uganda Retirement Benefits Regulatory Authority (URBRA) established in 2011. This authority regulates the establishment, management and operation of the retirement benefits pension schemes, supervises institutions providing pension products and services. URBRA also protects the interest of the scheme members and beneficiaries as well as promoting the overall development of the pension sector. This is particularly put in place by setting of minimum professional standards for licensing, legal reform, governance, conduct, supervision, disclosure and audit of all pension schemes in Uganda. URBRA spells out the duties of the trustees, members, investment managers, administrators, custodians, lawyers, auditors and actuaries (URBRA., 2017).

On the institutional framework, Ministry of Gender, Labour and Social Development (MoGLSD) is responsible for policy development and oversight of pension schemes and other social protection programmes and interventions in Uganda. On the other hand, the Ministry of Finance, Planning and Economic Development (MoFPED) mobilizes, allocates and releases funds in the national budget to finance social security in the social development and other sectors. MoFPED further participates in the governance of public and private pension schemes. For instance, MoFPED is responsible for fiscal arrangement and appointment of board and management of NSSF in Uganda. Bank of Uganda is responsible for vetting and approving a new board and executive management, reviewing and approving of interest rates payable to pensioners as well as consenting to a major long term and medium term investment decisions (DEAR, 2013; Bukuluki and Mubiru, 2014).

According to the NSSF act of 1985, pension scheme member contributors have a number of benefits; age benefit which is payable to members who have attained an age of 55 years whether working or not; withdrawal benefit payable to a member aged 50 years who has been out of work for a period of 12 months; invalidity benefit which is payable to members who are disabled and incapacitated that they are no longer able to work as a result; Survivors benefit which is payable when a member dies, in which case wives, husbands and dependents have a priority claim; emigration grant is payable to a member who is leaving the country permanently. The following categories of people are exempt from contributing to NSSF; members of the government pension scheme, the army, the police force, prisons and teachers. A member qualifying to receive NSSF claim gets a whole balance amount of money on the members account including contributions from the employer and member as well as the interest accrued (NSSF Act, 1985).

The findings indicate that the Pension Liberalization bill 2011 for Uganda was shelved by the parliament of Uganda in 2018 after the Ugandan cabinet proposed the amendment of the NSSF act cap 22. The amendment was aimed at making NSSF Uganda remain the basic national scheme that collects all mandatory contributions by workers in the formal and informal sector. Amendments to the NSSF Act enables the fund to make independent decisions and transform from a provident fund offering lumpsum benefits to offering both lumpsum and pensions (New vision, page 24; Thursday 22nd March 2018).

The Pension Liberalization bill 2011 was tabled in Ugandan parliament in 2011 and it was aimed at ending the monopoly of NSSF Uganda by allowing other schemes to compete for savers, pay monthly pension instead of lump sum provident on retirement and allow those who have saved for over 10 years to access 30% of their money to secure mortgages or loans from financial institutions. The bill also seeks to allow the public service pension scheme to admit both government and civil servants to make contributions to the scheme. The bill also intended to allow all workers in the formal and informal sector to make contributory saving by removing the 5 workers and above cap in the NSSF Act (URBRA., 2017).

The findings revealed that the operations at NSSF Uganda do not follow a stringent regulatory guideline. Indeed, similar findings had been found by another study in which it was revealed that NSSF Uganda lacked the capacity to enforce the payment of members contributions within 15 days of a new month in accordance with NSSF act (Kasente *et al.*, 2002). NSSF has set up a modality of payment of standard contribution of employees in Uganda. For instance, every contributing employer is expected to pay the fund within fifteen days following the last day of the month for which the relevant wages are paid. A standard contribution of 15 percent calculated on the total wages is paid during that month to that employee (Kasente *et al.*, 2002).

Although the findings revealed that Uganda has a list of fragmented legal and policy frameworks, studies elsewhere show similar findings. For instance, Gakure & Gekara (2015) notes that Kenya has retirement benefit Act, 1997, retirement benefit (amendments) Act 1998, the National Social Security Fund Act, the National Health Insurance Fund Act and the Pension’s Act and Pensions (increase) Act. As if that is not enough, the legislative frameworks in Kenya have been subjected to changes in political regimes leading to some acts passed by different governments as per their development agenda (Gakure and Gekara, 2015).

In Uganda, member contributions to the NSSF are deducted before taxation which significantly reduces the amount of salary accrued to the members. Tax treatment on pension fund is one of the impediments influencing the performance of pension schemes. A tax policy in which pension scheme contribution is done out of pre-tax income has a bearing on the performance of pension funds in which it generates a higher contribution to the fund. An alternative tax policy in which pension fund is deducted after taxation of a beneficiary contribution is likely to generate minimal contribution to the pension fund which is not sustainable (Daykin, 2007). It should be noted that in some countries, tax incentive on pension provision has been allowed on members' salaries in which pension fund is deducted out of pre-tax income. In other countries, pension contribution is treated as an expense in determining the income of a pension beneficiary and the associated taxes to be deducted from a pension contributor.

Governments come up with regulations to govern pension fund industry to protect consumers in case of market failures and to maintain stability in the pension fund industry. This is due to the fact that pension funds are public goods that require an effective regulation and supervision. These regulations put a limit on the share of investment assets to be held by the pension plans for instance they set ceilings and floors on the fund that can be invested in given assets (Jones and Ntambirweki-Karugonjo, 2014).

Although many countries have strict pension regulations, it should be noted that some countries relax quantitative regulations of investment funds as the pension industry matures. A case example is Chile in which pension fund can be invested to a maximum of 40% in equities, 20% in commercial paper, 50% in government securities, 5% in self-investments and 12% in foreign investments. In Argentina, 98% of pension funds have to be invested in Argentinean investments (Miriti, 2014).

Like elsewhere, pension scheme at NSSF Uganda restricts early withdrawal of pension contributions before 55 years of age for the contributor. In many countries, there is a regulation restricting early withdrawal of funds by the pension fund beneficiary. This restriction enables pension funds to have a long term liability which encourages holding of high risk and high return instruments (Oluoch, 2013). These funds are put into several investments to ensure growth of the fund and provision of future needs of the beneficiaries. These investments can include among others; corporate equities, secured loans, foreign holdings of the instruments, government bonds, real estates, money market instruments, corporate debt in the form of loans or bonds as well as the deposits as forms of liquidity (Yao *et al.*, 2002).

The researcher did not find a written code of conduct at NSSF Uganda except the client's charter. A written code of conduct is one of the best ways of ensuring that a regulatory framework is put in place in pension fund management. The code of conduct is based on a duty of care and loyalty among the office bearers of a pension fund. In Canada, the Canada's CPP investment Board is expected to implement and disclose a code of conduct and this includes tight controls on the personal investment of directors and employees. In New Zealand, the pension guardians, commissioners and members of staff must disclose any pecuniary or beneficial interest in and material to any matter considered by the commission. It is also a requirement to report if there are any cases of attempted political influence on investment decisions (Yermo, 2008).

In Uganda, pension scheme at NSSF Uganda is governed by the Ministry of Finance, Planning and Economic Development. This is in line with findings from other countries according to Yermo (2008). The pension fund governing body which is often a government ministry or board of directors is usually assisted by an investment committee which advises on the investment strategy and an executive committee which is charged with operational management. Asset management committee is sometimes delegated externally especially if the governing body lacks the expertise to handle asset management. Both external and internal auditors should carry out annual audit of the fund. This is because effective regulation of the pension schemes calls for the institution of both internal and external control. Pension funds relevant information especially on the performance should be disclosed to the public and a mechanism should be put in place to address complaints from the general public (Yermo, 2008).

According to Impavido, O'Connor, & Vittas (2008), pension schemes require a strong monitoring and controlling system of both financial market and operational risks. In Norway, a comprehensive information system is installed to control pension fund procedures. This system separates investment decisions from back office operations such as record keeping, settlement of claims as well as the performance measurement. An internal audit department has been set up in the Norwegian pension fund and is required to report to the audit committee of the executive board.

4.4.2 Investment impediments and performance of NSSF Uganda

Pearson correlation coefficient (r) was used to find out the relationship between investment impediments and performance of pension scheme at NSSF Uganda and the findings are presented in Table 4.10.

Table 4.10: Correlation between investment impediments and performance of NSSF Uganda

Correlations		**Investment impediments**	**Performance of NSSF Uganda**
Investment impediments	Pearson Correlation (r)	1.000	
	Sig. (2-tailed)	0.000	
	N	96	
Performance of NSSF Uganda	Pearson Correlation (r)	**-0.198***	1.000
	Sig. (2-tailed)	0.043	0.000
	r^2=**0.039**		
	N	96	96

* Correlation is significant at the 0.05 level (2-tailed).

Source: **Field data, 2018**

The findings in Table 4.10 reveal a moderate negative correlation between investment impediments and effective performance of pension scheme at NSSF Uganda **(r=-0.198*)**. This implies that an increase in investment impediments brings about a decline in the performance of the pension scheme at NSSF Uganda.

The findings on the coefficient of determination therefore shows that investment impediments accounted for 3.9% change in the performance of pension scheme at NSSF Uganda (**r^2=0.039)**. This implies that only 3.9% of pension scheme performance could be attributed to investment impediments while 96.1% is attributed to other factors.

In line with the quantitative findings, the qualitative findings also showed the effect of investment impediments on the effective performance of pension scheme at NSSF Uganda thus:

> *There are few investment options and alternative assets for the NSSF. The regulator should increase allocation to things that are more capital preservative. The pension funds are not return oriented but capital preservative hence if they insist on diversification, then the market should be opened up. C.M.* Alexander Forbes, NSSF Administrator. 23rd March 2018.

Further, key informants particularly pension key actors showed that local companies that were not listed on the stock markets could not access NSSF for economic growth thus:

> *NSSF is not allowed to invest outside the listed companies or structures. Hence cannot print placement which brings about missed opportunities in the market. The downside is that local businesses cannot access NSSF capital because they are not listed and this limits growth in the company and the NSSF.* W.A. African Alliance, NSSF Fund Manager. 28th March 2018.

Again, it was brought out in the key informant interview that NSSF fund was over saturated in few investments which hampered the growth of Uganda Securities Exchange thus:

> *"There is oversaturation into the bond market which leaves little investment in growing the Uganda Securities Exchange".* W.A. African Alliance, NSSF Fund Manager. 28th March 2018.

Similar findings were echoed on lack of new products into the market and loopholes in the investment guidelines by another fund manager thus:

> *"Capital markets are relatively undeveloped and only restricted to shares. We would like to see more products like REIs, ETFs, derivatives and alternative assets. There is also a challenge in investment guidelines because having a minimum in a certain asset*

> *class would give you less interest rates and earnings in comparison to another asset. This causes restrictions on tactical investment allocations.* Y.X. Gen-Africa Asset Managers, NSSF Fund Manager. 22nd March 2018.

Investment within property by NSSF was given a limited allocation asset class as detailed in the findings thus:

> *There is limited allocation of resources for property asset class by NSSF. It has affected the asset allocation mix of the funds resulting into low return from investments. Besides, there is no regulation on Real Estate Investments (REIs).* G.O. Octagon Uganda Ltd, Pension Administrators. 19th March 2018.

Through documentary review, it was found out that NSSF Uganda had a number of holdings in the Ugandan market as follows; Bank of Baroda (Ugshs 6.5Bn, 2.0%), DFCU bank (Ugshs 26.6Bn, 5.9%), Stanbic Bank (Ugshs 34.6Bn, 2.05%), New Vision (Ugshs 9.0Bn, 19.61%), Umeme Holding (Ugshs 109Bn, 14.27%) and Equity Bank Holding (Ugshs 150.7Bn, 2.3%) (NSSF Uganda., 2017).

For the rest of East Africa, NSSF Uganda has the following holdings; Safaricom Holding in Kenya (Ugshs 134.4Bn, 0.60%), Centum Holding in Kenya (Ugshs 9.6Bn, 0.73%), Kenya Commercial Bank Holding (Ugshs 114.8Bn, 2.05%), Bank of Kigali in Rwanda (Ugshs 56.6Bn, 6.36%) and Tanzania Breweries Limited Holding (Ugshs 82.6Bn, 0.52%) (NSSF Uganda., 2017).

It was also found out that NSSF Uganda had invested in real estate development although some of these investments had stalled thereby affecting the growth of the contributor’s money. The NSSF generated rental income from the Workers house and Social Security house in Kampala city. However, Pension Towers on Lumumba Avenue had stalled for over 10 years while Temangalo housing estate was involved in financial scandals and the project had also stalled after buying land at an inflated price (NSSF Uganda., 2017; URBRA., 2017).

Based on the URBRA report for 2016, NSSF Uganda had 1,143,910 total number of registered members, 521,603 total number of active members, 45.5% member activity rate out of the 1,143,910 registered members, 24,667 total registered employers, 15,717 total active employers, and 64% employer activity rate of 24,667 registered employers (URBRA., 2017).

From the NSSF report, it was found out that the board members did not attend all the board meeting which affected the effective performance of pension scheme at NSSF Uganda. For instance, in 2015, the MD attended only 47% of the board meetings (8/17), P.O, Non-Executive Director attended 59% (10/17), P.B, Non-Executive Director attended 71% (12/17), S.W, Non-Executive Director attended 88%(15/17), R.B, Non-Executive Director attended 94% (16/17). On overall, 81% attendance rate of board meetings was registered (NSSF., 2016).

The operating costs of NSSF Uganda in 2015 amounted to Ugshs 68.8 Billion while in 2014, it amounted to Ugshs 66.6 Billion. The administrative expense alone were Ugshs 52.1 Billion in 2015 and Ugshs 45.8 Billion in 2014. The staff costs alone were Ugshs 30.6 Billion in 2015 and Ugshs 29.6 Billion in 2014. The Executive Directors allowances were Ugshs 505,745,000 in 2015 and Ugshs 391,500,000 in 2014 (NSSF., 2016).

Studies done elsewhere confirm the existence of a relationship between investment impediments and their effect on the performance of pension scheme at NSSF Uganda. Research from the World Bank show that the returns on investments of pension schemes in Africa in the last four decades has been negative (World Bank, 2014). These schemes have been forced to extend the losses registered to the individual member contributions which has resulted into poor benefits accrued to the members. Pension funds are often invested to safeguard the value of its member's contributions from the effects of inflation and other economic shocks. The sustainability of pension schemes and increased benefits depend on the investment income generated. Pension schemes are able to mobilise funds in terms of members' contributions and investment incomes in various sectors to safeguard member's interests by paying improved benefits and providing quality services.

Keizi (2006) argues that lack of a good investment policy is one of the investment impediments that affects the performance of pension schemes globally. Pension fund trustees have the power to produce an increased income by proper investment of the pension funds following a sound investment policy. However, it is often a challenge to have prudent investment managers and trustees who succeed in implementing a sound investment policy in most African countries (Keizi, 2006). The investment policy serves an important tool of the management planning of financial assets which shows the requirements of each benefit plan. The investment plan focuses on the profitability needs and cash flow projections. Regular studies on assets and liabilities are taken to update the investment performance regularly.

In Kenya, Pension scheme follow diversification of investment guidelines from the Pension Regulatory Authority on how funds should be invested. For example it allows for a maximum of 30% of the scheme fund to be invested in property. This is intended to reduce risk and safeguard members' benefits. If a pension scheme is to invest more than 30%, the firm must submit a proposed action plan to the regulatory authority indicating how they will come into compliance with a specified time. For instance it can show how it will divert new contributions and income to alternative investments (Gakure and Gekara, 2015).

Impavido, O'Connor & Vittas (2008) shows that high levels of inflation have affected effective performance of pension funds in most countries. This has resulted into negative real rate of investment returns. In countries with nominal interest rates exceeding inflation, the returns on public pension reserves are below equity market returns and below returns achieved by private pension funds. According to Impavido, O'Connor & Vittas (2008), the poor track record of pension funds often brings about the need to build pension reserves and revamp governance structures in order to build a strong economy.

The findings revealed that NSSF Uganda has not diversified a lot and explains the low returns attained. A study done in Malaysia reported similar situation in which insufficient diversification and inappropriate portfolio adjustments impeded effective performance of pension funds. In the provident fund of Malaysia, portfolio diversification has imparted into a pension fund returns (Thillainathan, 2003). Poorly diversified pension schemes results in poor returns and inability to meet the scheme administration. In situations when retirement benefits paid out recurrent cash flows, it places extreme pressure on a firm's financial position and eventually it may be unable to meet its obligations to retirees.

According to Mwangi (2014), there are two conceptions of pension fund regulation that is; rule based and risk based regulations. Rule based regulation refers to inflexible bright line requirements such as direct restrictions on investments, and is more appealing from a compliance perspective. However, in theory, rule based regulation may yield lower risk adjusted returns when binding. The regulatory impediments are imposed by source country governments and restricts on investment practices imposed by the trustees of these institutions. In most developing economies, pension fund regulations limit the exposure to equities, and particularly the exposure to international equities (Mwangi, 2014). In Nigeria, a requirement of 75% investment exposure to Nigeria creates a stumbling block to pension funds investment in private equity.

Additionally, the findings revealed that NSSF spend a substantial amount of money on administration including payment of allowances and expenditures for the Executive Director. This is in line with other studies that found out that high costs associated with administration of pension funds constrain the returns on investments (Yermo, 2008). Pension funds are therefore charged with a responsibility of increasing returns and reducing administrative costs in order to strengthen their performance. The returns payable at retirement of beneficiaries or even withdrawal have to be higher or adequate in relation to the income earned during active employment. This is mostly achieved after a successful investment of pension funds. In the United States of America, declining rates of returns on investment resulted into underfunding situations which forced employers to make unbudgeted contributions to the pension funds.

According Semango (2015), high administrative costs in the management of pension funds have limited the performance of pension funds. For instance, administrative spending in Tanzania was 48% of the annual contributions. In Swaziland, it was 50%, 70% in Zambia. In Tanzania, pension funds investment portfolio structure comprises of fixed and non-fixed income instruments. They include government securities such as the government stocks, treasury bonds, treasury bills, bank fixed deposits, corporate bonds, equity and shares, loans as well as the real estates. For Uganda, NSSF has invested in bonds for countries of Rwanda and Kenya but not Uganda. Similarly, NSSF pension funds have been invested in real estate for instance in the construction of Workers house which is now generating a lot of investment revenue from tenants.

In Hong Kong, Hospital Authority Provident Fund Scheme (HAPFS) is one of the successful schemes with an ambitious investment plan. The scheme has outsourced an external investment management to invest in a specific asset class such as Hong Kong equities. The scheme employs currency overlay strategies to hedge against adverse currency risks for the European and Japanese equity portfolios. This is because the euro and Japanese yen currencies had been fluctuating sharply for a period of three years. The euro fluctuation was as a result of Eurozone debt crisis while the Japanese yen was responding to the Abenomics which resulted into bank of Japan policies to depreciate yen and inflate the economy. Indeed, HAPF scheme employs multiple approaches that are both active and passive to hedge against investment risks which are further reviewed by the scheme investment committee (Ma *et al.*, 2016).

According to OECD, investment risk is one of the major challenges that affects the performance of pension funds. This calls for appropriate mechanisms to control these investment risks particularly the development of a risk management system. This system entails designing of a reasonable assurance to meet investment objectives in terms of effectiveness, efficiency, resilience of operations, reliability of financial reporting and compliance with laws and regulations (Yermo, 2008).

4.4.3 Governance impediments and performance of NSSF Uganda

Pearson correlation coefficient (r) was used to find out the relationship between governance impediments and performance of pension scheme at NSSF Uganda and the findings are presented in Table 4.11.

Table 4.11: Correlation between governance impediments and performance of NSSF Uganda

Correlations		Governance impediments	Performance of NSSF Uganda
Governance impediments	Pearson Correlation (r)	1.000	
	Sig. (2-tailed)	0.000	
	N	96	
Performance of NSSF Uganda	Pearson Correlation (r)	**-0.107***	1.000
	Sig. (2-tailed)	0.029	0.000
	r^2=**0.011**		
	N	96	96

* Correlation is significant at the 0.05 level (2-tailed).

Source: **Field data, 2018**

Similarly, the findings in Table 4.11 reveal that there was a weak negative correlation between governance impediments and performance of pension scheme at NSSF

Uganda **(r=-0.107*)**. This implies that an increase in the governance impediment brought about a decline in the performance of the pension scheme at NSSF Uganda.

The findings on the coefficient of determination showed that governance impediments accounted for 1.1% change in the performance of pension scheme at NSSF Uganda (**r^2=0.011)**. This implies that only 1.1% of pension scheme performance can be attributed to governance impediments while 98.9% is attributed to other factors.

The above findings are further supported by the qualitative findings that showed how governance impediments affected the effective performance of pension funds in Uganda thus:

> *"There is a problem of investment asset class limits being overweighed on the government paper. This has an incredible effect on the effective performance of NSSF". P.K.* Housing Finance Bank, NSSF custodian. 24th March 2018.

In another instance, too much involvement of the government of Uganda into NSSF affairs is a governance impediment that affected the effective performance of pension funds in Uganda. This is further echoed in the qualitative findings thus:

> *"NSSF is ran like a Government parastatal and yet it holds monies for both formal and informal sector. This is because management remains answerable to Government".* O.A. Stanbic Bank, NSSF custodian. 13th March 2018.

In addition, qualitative study findings related governance impediments to inadequate trainings and experience and this had a bearing on pension performance thus:

> *The biggest issue is the lack of trustee training. This comprehensive training comes at a cost which is quite high and thus the investment and legislative training is lacking. When you have an external respected consultant, it reduces some of the conflict of interest that are driven by lack of motivation. C.M.* Alexander Forbes, NSSF Administrator. 23rd March 2018.

Unclear procedures in the appointment of senior management staff at NSSF was also brought out as one of the governance impediments that affected the effective performance of pension funds thus:

> *"One issue is the appointment of management at NSSF, the procedures of appointing senior management staff are not clear. This affects the reputation of the funds thus leading to lack of trust from the public".* G.O. Octagon Uganda Ltd, Pension Administrators. 19th March 2018.

Documentary review of the NSSF act 1985 indicated that the governing body of NSSF had a board of directors comprising of a chairperson, Managing director and 8 other members. The NSSF board chairperson and the Managing Director were appointed by the Minister of Finance, Planning and Economic Development on 3 year term. Board meetings were supposed to take place atleast once in 3 months. On the other hand, NSSF administration was composed of the Managing Director, Deputy Managing Director, Secretary to the fund, Staff and Inspectors (NSSF Act 1985). In 2007, the supervision role of NSSF was transferred from the Ministry of Gender, Labour and Social Development to Ministry of Finance, Planning and Economic Development (DEAR, 2013).

The representatives to the NSSF Uganda board included; permanent secretaries of the Ministry of Finance, Planning and Economic Development and Ministry of Gender, Labour and Social Development. Representatives also included a representative from each of the Federation of Uganda Employers (FUE), National Organization of Trade Unions (NOTU), a representative of the Central Organization of Free Trade Unions (COFTU), Board Chairperson and the NSSF managing director (Bukuluki and Mubiru, 2014).

Political interference was another governance impediment that affected the effective performance of pension funds. This made the public raise a lot of questions associated with management of NSSF in Uganda. The government take-over of control of the fund including influencing decisions on management and investment were brought out in the study. A case example was the government transfer of NSSF supervision role from the Ministry of Gender, Labour and Social Development (MoGLSD) to the Ministry of Finance, Planning and Economic Development (MoFPED) in 2007 (DEAR, 2013).

In March 2018, the Minister of Gender, Labour and Social Development indicated in a statement that the decision to retain the NSSF as a sole recipient of mandatory workers contributions was to minimise complete surrender of both banking and non-banking financial sectors to foreign capital. The ministry argued that it would outcompete indigenous firms and prevent them from playing an active role in the pension sector (New vision, page 24; Thursday 22nd March 2018).

Although the relationship between governance impediments and effective performance of pension schemes was statistically insignificant at multiple linear regression, a number of studies reveal that a relationship exists. For instance, Bukuluki & Mubiru (2014) reports that pension schemes in sub-Saharan Africa do not perform well as a result of governance impediments. They argue that some key governance positions are occupied by personalities without adequate expertise in social security and pension since they are often political appointees. These occupy key positions such as chairperson, board of directors or even managing director in which they are required to make key investment decisions that affect the performance of pension funds (Bukuluki and Mubiru, 2014).

Similarly, Keizi (2006) agrees that lack of resources such as skills and experience in pension fund management hampers the performance of pension schemes worldwide. Mwangi (2014) supplements this fact that investment managers with less experience and relevant skills in managing investment of pension schemes cause drastic effect on the performance of pension schemes. This explains why some pension schemes hire external management agencies to managing long term investment assets. Such agencies usually have a number of staff with a long experience and skills in the markets in which the assets of the fund are to be invested. In addition, pension schemes are usually expected to put in place an information system to track the performance of the pension fund investments.

According to a study done in Asia and Europe, political interference in pension scheme management hampered its effective performance. Countries such as Korea, Japan and Norway faced greater interference on investment decisions from politicians because the fund’s governing bodies are housed within a government ministry or parliament. For instance in Korea and Japan, the governments influenced the buying of shares using pension funds to support the crumbling stock market in the 1997/1998 Asian financial crisis. In 2001, the Korean pension fund deposited part of its annual receipts with a government agency to invest in rural areas, infrastructure and bail out loans to the poor and small companies with approval from the pension contributors (Yermo, 2008).

The World Bank reported that the Uganda pension sector was affected by corruption and mismanagement of beneficiary funds. For example, the Ugshs 169 billion meant to clear outstanding pension claims of 1,018 former East African Community workers went missing between February and October 2012. The funds were siphoned through a financial institution by top officials of Ministry of Public Service and Ministry of Finance, Planning and Economic Development (Bukuluki and Mubiru, 2014). Similarly, in the public service pension scheme, mismanagement of pension records resulted into the enrolment of 3,000 ghost pensioners between the years 2009 and 2012. This caused a loss of Ugshs 165 billion (US$66 million) hence it resulted into the suspension and delay of pension payments for about 60,000 retirees up to a year (World Bank, 2014).

Impavido, O'Connor & Vittas (2008) linked poor performance to undue political interference in the investment decisions of public funds. They argued that governments in absence of mandates demand for pension schemes to finance their public expenditure or even demand for securities to finance well connected and public enterprises.

According to Bukuluki & Mubiru (2014), the government of Uganda in late 1980s, borrowed NSSF funds and paid without interest which made the beneficiaries receive very low wage base. Also, Government companies used NSSF money with no interest including the Uganda People’s Congress (UPC) that used it to build Uganda house. The high inflation rates between 1970 and late 1980s also dwindled NSSF savings and investments which made the government of Uganda intervene in currency devaluation in 1989 (Bukuluki and Mubiru, 2014).

Kasente et al., (2002) maintains that the characteristics of good pension governance include; discipline, diligence, accountability, responsibility, independence, transparency, fairness and social responsibilities. OECD guidelines indicate that good pension governance include; trustee, representation, training and assessment, investment governance, fund documentation as well as conflict of interest management (Kasente *et al.*, 2002).

According to Yermo (2008) pension funds should have a governance structure that ensures an appropriate division of operational and oversight responsibilities as well as the suitability and accountability of these staff with such responsibilities. The governing body of the pension scheme has an ultimate responsibility of the fund and is accountable to its beneficiaries. The leaders of the pension governing body should possess clear fiduciary duties and mandate to manage the fund.

In developed countries particularly in the UK and Australia, governance issues among the pension scheme providers are discussed through a network of institutional investors. They come up through a dedicated institutional umbrella to represent the common interests of all pension scheme providers and also provides a platform to shape and influence a wider sphere of corporate governance. A leading governance platform in the UK is called the Institutional Investor Committee (IIC) in the UK and it comprises of the Association of British Insurers, the Investment Management Association and the National Association of Pension funds. This group formulates the code of best practices, monitoring and evaluation on the effectiveness of pension fund management. The group also provides advice to its members, conducts research and analysis as well as consulting with representative groups on whether a particular company complies with good corporate governance practices or not (Securities Commission Malaysia, 2011).

According to another study, failure of pension fund managers to exhibit good governance characteristics has played a key role in undermining the performance of pension funds globally. Governance indicators entail leadership, stewardship, monitoring and reporting within pension fund management (Gakure and Gekara, 2015). The aim of good pension governance is to strengthen internal pension fund management structures and practices with an aim of achieving greater efficiency and investment targets.

Iglesias & Palacios (2000) reports that lack of transparency is a major governance impediment arising from lack of sharing pension management actions to stakeholders especially to the beneficiaries. This results into lack of trust on the performance of the pension fund which consequently brings about high cases of non-payments of the contributions on a regular basis. Transparency is an important governance tool because it controls staff behaviours within the firm which eventually minimizes corruption tendencies (Iglesias and Palacios, 2000).

Although pension funds are expected to exercise a high level of accountability, this is not usually the case. This is because pension funds need to update regularly members on how much they have saved. Financial statements should be issued to both the employer and the employee over the last period which confirms that the finances paid reached the pension fund. Public accountability through display of statements in newspapers and public places helps the contributors to make personal plans and judgement on the performance of the scheme (Impavido, O'Connor & Vittas., 2008).

Gakure & Gekara (2015) reports that governance weaknesses in pension fund management are very common in many countries despite the regulatory and industrial initiatives put in place. Governance of pension funds involves the managerial control of the organizations, how they are regulated, accountable and supervised. This is aimed at reducing the potential agency problems and conflict of interest between fund managers and those responsible for the fund management. Good governance brings about trust amongst all stakeholders, reducing the need for prescriptive regulation and facilitation of supervision (Gakure and Gekara, 2015).

Worthy to note also is the need to improve accountability through remuneration of staff particularly the board of directors as an incentive to strengthen the checks and balances on the management and performance of pension schemes. However, it should be noted that not all board of directors are remunerated for instance the French Pension Fund supervisory board serve on voluntary basis. On the other hand, the Swedish AP Fonden which supervises pension schemes are remunerated based on the government policies (Yermo, 2008).

A number of studies show a significant relationship between governance impediments and the performance of pension funds. These studies present governance impediments to include; poor selection processes of the governing board of directors, lack of self-evaluation of board effectiveness, weak oversight role played by the board of directors, failure to delegate, board micro-management as well as non-competitive compensation policies within the pension funds (Impavido, O'Connor & Vittas., 2008; Maina, 2014; Yermo, 2008).

In a study by Kasente et al. (2002), the NSSF act in Uganda allows employers to pay the workers contributions however in some other instances, NSSF pension fund employs a workforce to collect contributions and also detect employers who are not remitting their contributions and that of their workers. This consequently brings about inspectors moving from place to place visiting the registered employers and also recruiting new companies with atleast five employees (Impavido, O'Connor & Vittas., 2008).

In line with the study findings, it was found out that NSSF Uganda does not have contributors' representative on the board of directors. Also, it does not involve contributors in the planning and general management of the fund. These findings concur with DEAR (2013) that reported that NSSF never involved contributors in decision making and management of the investment funds. The contributors were also not given an opportunity to participate in the monitoring of activities for NSSF funds. This made contributors unsure if their pension was remitted by the employer or even captured within the NSSF system. To this end therefore, involvement of pension contributors could increase effective performance of pension scheme at NSSF Uganda.

4.5 Multiple linear regression Results

Results in Table 4.12 presents multiple linear regression results on the impediments affecting the effective performance of pension schemes in Uganda with a case of NSSF Uganda.

Table 4.12: Multiple linear regression results on the impediments affecting NSSF Uganda

Model	Unstandardized Coefficients		Standardized Coefficients		p-value
	β	Std. Error	Beta	t	
(Constant)	4.624	0.370		12.49	0.000
Regulatory impediments	-0.174	0.076	-0.232	-2.280	**0.025***
Investment impediments	-0.155	0.066	-0.234	-2.347	**0.021***
Governance impediments	-0.048	0.063	-0.078	-0.768	0.444
Dependent Variable: **Performance of pension scheme at NSSF Uganda**					
R=**1.326**					
R Square=**0.107**					
Adjusted R Square=**0.077**					
Std. Error=**0.870**					
F=**3.659**					
Sig.=**0.015**					

Statistically significant at 0.05 level (2-tailed).

Source: **Field data, 2018**

The findings in Table 4.12 show a linear relationship between regulatory impediments, investment impediments and governance impediments on the effective performance of pension scheme at NSSF Uganda (Sig.=**0.015,** F=**3.659**).

Given that R^2=0.107, it can be concluded that regulatory, investment and governance impediments explain 10.7% variation in the effective performance of pension scheme at NSSF Uganda.

On the coefficients, it should be noted that the size of the coefficient for each independent variable gives the size of the effect that a variable is having on the dependent variable, and the sign on the coefficient (positive or negative) gives a direction of the effect.

To this end therefore, regulatory impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda (**β=-0.232**). This implies that a 23.2% increase in regulatory impediments brought about a 23.2% decline in the performance of pension scheme at NSSF Uganda.

In addition, investment impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda (**β=-0.234**). This implies that an increase in investment impediments by 23.4% brought about a 23.4% decline in the performance of pension scheme at NSSF Uganda.

Governance impediments had a weak negative effect on the performance of pension scheme at NSSF Uganda (**β=-0.078**). This implies that a 7.8% increase in governance impediments brought about a 7.8% decline in the performance of pension scheme at NSSF Uganda. There was however no significant relationship between the two variables with multiple linear regression since the p-value (p=0.444) was greater than 0.05 at 95% confidence interval.

On the overall, investment impediments affected most the effective performance of pension scheme at NSSF Uganda (**p=0.021*<0.05**) followed by regulatory impediments (**p=0.025*<0.05**) and governance impediments (p=0.444>0.05) respectively.

In support of the quantitative study findings, qualitative findings from the pension sector players in Uganda also showed the effect of regulatory impediments on the effective performance of pension scheme at NSSF Uganda thus:

> *There are restrictions on investment options with NSSF. The funds are restricted to only East African region for investments. Most of*

the funds are also monopolised to NSSF as the only authorised pension collector for mandatory amounts. This is why there is a pension liberalization bill in parliament of Uganda. The primary obligation of the NSSF is to reserve capital and thus the performance of investments in other markets would subject the fund to market volatilities that could deplete it. C.M. Standard Chartered Bank, NSSF custodian. 9th March 2018.

Other findings showed delays in NSSF investments due to a lot of approvals required including from the Minister of Finance, Planning and Economic Development thus:

If NSSF is to invest in shares, they need the approval from the Minister of Finance, Planning and Economic Development. Remember that the trader does not wait for customers hence whoever comes will purchase the shares. Also, NSSF goes through PPDA in the procurement of investment ventures which also takes a long process. C.V. URBRA, NSSF regulator. 20th March 2018.

Similarly the qualitative findings also confirmed that investment impediments affected the effective performance of pension scheme at NSSF Uganda as elaborated thus:

The investment impediments for NSSF Uganda include limited investment options. Most fund investments are in two asset classes' i.e equities and fixed income which is not diversified enough. In East Africa, the Ugandan stock market is not fully developed and hence has minimal investment options. Additionally, Tanzania and Kenyan market succumb the fund to foreign currency risk. C.M. Standard Chartered Bank, NSSF custodian. 9th March 2018.

Although the effect of governance impediments on the effective performance of pension scheme at NSSF Uganda was not statistically significant at multiple linear regression analysis, the qualitative findings confirm a strong effect. This is in supplement to the statistically significant correlation between governance impediments and performance of pension scheme at NSSF Uganda (r=-0.107*, p=0.029). The qualitative findings confirm the effect thus;

The fund managers sometimes are not able to invest according to the Investment Policy Statement (IPS) guidelines given by the client. This is due to the market conditions and secondary some investments are not available and thus this document is succumbed to revision. There is also conflict of interest because some members who contribute to IPS framework are not necessarily learned or well

> *conversant with economic environment thus it may not reflect the market conditions in which the funds are to be invested. Note that some IPS are a complete reflection or a copy from other funds in different countries. C.M.* Standard Chartered Bank, NSSF custodian. 9th March 2018.

Governance impediments were consistently echoed in the qualitative findings as having an effect on the effective performance of pension scheme at NSSF Uganda as indicated thus:

> *Some trustees are not aware of their roles they are undertaking. There is also conflict of interest in the laws. Trustees would prefer to infer their personal ideas onto the NSSF. We also have an issue of failure to constitute the boards as required by the law. For instance, member nominated should be a third of the board and the sponsored nominated members should also be a third of the board. Leaving this alone, some auditors are not able to check the scheme affairs and others do not appreciate the pension business. Lastly, there is no representative of pension contributors on the NSSF board of directors*. R.N. URBRA, NSSF regulator. 23rd March 2018.

4.6 Conclusion

This chapter has covered the background characteristics of the respondents, descriptive statistics, correlation analyses and multiple linear regression analysis results. Findings from interviews and documentary review are also presented. These findings were discussion in accordance with the previous studies done on impediments affecting the performance of pension schemes.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of study findings, conclusion, recommendations and suggestions for further research.

5.1 Summary of Findings

The summary of study findings on the impediments affecting the effective performance of pension schemes in Uganda with a case of NSSF Uganda are presented below.

5.1.1 Regulatory impediments and performance of NSSF Uganda

The study findings reveal that there was a moderate negative correlation between the regulatory impediments and effective performance of pension scheme at NSSF Uganda ($r=-0.223^*$) using Pearson Correlation coefficient.

Similarly, multiple linear regression analysis showed that regulatory impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda ($\beta=-0.232$).

Qualitative study findings revealed that the NSSF act limits its catchment area to formal sector with 5+ employees and also to invest in the East African market only. There are parallel laws and dual acts governing the performance of NSSF pension scheme that is NSSF act 1985 and URBRA act 2011. It was also revealed that NSSF experienced overregulation in all processes including investments which limited its effective performance.

5.1.2 Investment impediments and performance of NSSF Uganda

The study findings revealed a moderate negative correlation between investment impediments and effective performance of pension scheme at NSSF Uganda ($r=-0.198^*$) after the computation of Pearson Correlation coefficient.

Similarly, multiple linear regression analysis showed that investment impediments had a moderate negative effect on the effective performance of pension scheme at NSSF Uganda ($\beta=-0.234$).

Qualitative study findings revealed few investment options and alternative assets for the NSSF, NSSF is not allowed to invest outside the listed companies or structures hence most local companies cannot do business with NSSF Uganda. There is also oversaturation into the bond market which leaves little investment in growing the Uganda Securities Exchange. Findings also indicated lack of new products into the market and loopholes in the investment guidelines. There is limited allocation of resources for property asset class by NSSF. It has affected the asset allocation mix of the funds resulting into low return from investments. Besides, there is no regulation on Real Estate Investments (REIs).

5.1.3 Governance impediments and performance of NSSF Uganda

The study findings revealed that there was a moderate negative correlation between governance impediments and effective performance of pension scheme at NSSF Uganda (r=-0.107*).

On multiple linear regression analysis, governance impediments also had a weak negative effect on the effective performance of pension scheme at NSSF Uganda (β=-0.078). The relationship was statistically significant at correlation analysis (r=-0.107, $p=0.029<0.05$) but on multiple linear regression analysis, it was statistically insignificant at 95% confidence interval ($p=0.444 >0.05$).

Qualitative study findings revealed a problem of investment asset class limits being overweighed on the government paper, too much involvement of the government of Uganda into NSSF affairs, failure to have contributors' representative on the NSSF board of directors, lack of trustee trainings on pension management and unclear procedures in the appointment of NSSF senior management staff.

5.2 Conclusions

The study findings reveal that regulatory, investment and governance impediments had a significant negative effect on the effective performance of pension scheme at NSSF Uganda. This was found out after performance of Pearson Correlation analysis, multiple linear regression analysis, content and thematic analysis of qualitative data. Although the relationship between governance impediments and effective performance of pension schemes emerged statistically insignificant, the correlation analysis, content as well as thematic analysis of qualitative data confirmed the existence of the relationship. This therefore calls for strategies to minimise or eliminate the effect of regulatory, investment and governance impediments on the effective performance of pension scheme at NSSF Uganda. With strategies in place, the returns accrued to contributors will grow tremendously and even expand the Ugandan economy.

5.3 Recommendations

Based on the findings, the study proposes a number of recommendations in a bid to promote effective performance of pension fund at NSSF Uganda;

There is need to harmonise and take away the conflict between NSSF act 1985 and URBRA act 2011 to streamline the pension sector. After harmonization, mutual agreements should be reached to enable URBRA as a regulator to put in practice the laws governing the whole pension sector instead of operating following parallel laws between the two institutions.

There is need to review the regulatory laws and policies for NSSF to tap into both formal and informal sectors. The restriction on registration of employers with 5 and above employees should be revised to enable all formal and informal institutions that wish to save with NSSF Uganda join the institution. A large population in the informal and formal sectors was not saving for retirement and yet they had a potential to increase their contributions, return on investment and growth of the NSSF.

There is need to delink NSSF from direct oversight and approvals by the government of Uganda in order to improve on investment decisions and turnaround time. The purpose of this is to reduce on government bureaucracies which hinder quick decision making necessary to increase the performance of pension scheme at NSSF Uganda.

Given that there is less investment opportunities in Uganda, there is need to lobby for increased investment opportunities especially through the Uganda Capital Markets Authority. The fund managers should also be empowered to study the market and come up with investment proposals for adoption in a bid to increase effective performance of pension scheme at NSSF Uganda.

NSSF Uganda should outsource service providers to minimize on the conflict of interest. Technical services in the investment value chain such as fund management, custodianship and administration should be outsourced to professional service providers with clear targets.

There is need to open up the investable space to outside East Africa so as to enhance returns. NSSF should access international capital markets like the New York Stock Exchange and the London Stock Exchange to enable it compete with like sized funds. This is because the outcomes of joining these markets would bring competition and dollar returns to the Ugandan market.

There is need to elect a representative of the pension contributors on the NSSF board. This is to improve on the governance of NSSF by ensuring that the decisions of pension contributors are taken into consideration in the investment decisions and policy formulations. This will also increase transparency, monitoring and consequently effective performance of pension scheme at NSSF Uganda.

There is need for regular trainings of pension trustees including the NSSF board members to provide better oversight role performance in the management of pension scheme. Case study visits should be conducted in other countries with good pension management strategies so that lessons learnt could be applied to improve NSSF performance in Uganda.

A bigger study should be conducted in all NSSF Uganda offices and branches to understand which impediments contribute most to low performance of pension scheme at NSSF Uganda. This will be very instrumental in the designing of fund policies and operational frameworks that will iron out such impediments.

5.4 Suggests for Further Research

The future area of research include the following;

- The role of pension sector players in increasing members returns at NSSF Uganda.
- The contribution of custodians, fund managers and administrators on the effective performance of pension scheme at NSSF Uganda.

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APPENDICES

Appendix 1: Questionnaire for NSSF Uganda staff

Dear Sir/Madam,

My name is Gloria Ahikiriza, a student of Uganda Martyrs University undertaking a Master degree in Business Administration. Am conducting my academic research on the topic "**Evaluating the impediments in the effective performance of pension schemes. A case of NSSF Uganda".** You have been chosen to take part in this study by filling a questionnaire on the above topic. The information you will provide will be used for academic purposes only.

I would like to request you to give me some of your time and answer a few questions. The study will take about 20 minutes only. I would appreciate your honest opinions. All your responses will be kept confidential.

Thank you

QUESTIONNAIRE NUMBER	

Section A: Background Information (Tick appropriate response)		
01	Gender of respondent	1)Male ☐ 2)Female ☐
02	Age of the respondent	1) 20-29 Years ☐ 2) 30-39 Years ☐ 3) 40-49 Years ☐ 4) 50-60 Years ☐ 5) 60+ Years ☐
03	Department in which you work	____________________
04	Highest level of Education	1)Diploma ☐ 2)Bachelor ☐ 3)Master's degree ☐ 4)Others ☐ (Specify)………………..
05	For how long have you been working at NSSF Uganda?	1) 0-1 Years ☐ 2) 2-3 Years ☐ 3) 4-5 Years ☐ 4) 6+ Years ☐

For the following questions, please tick the number of your choice as indicated in the Key

1. Strongly Disagree	2. Disagree	3. Not Sure	4. Agree	5. Strongly Agree

INDEPENDENT VARIABLES						
Section A: Regulatory impediments at NSSF Uganda						
1.	Operations at NSSF Uganda follow stringent regulatory guidelines	1	2	3	4	5
2.	Laws and policies on pension schemes in Uganda conflict with each other and are not uniform	1	2	3	4	5
3.	The institutional mandate of NSSF is not very clear and there is duplication of efforts	1	2	3	4	5
4.	The Uganda Retirement Benefits Sector liberalization bill is a risk to the performance growth of NSSF Uganda	1	2	3	4	5
5.	Staff who contravene NSSF regulations are given weak penalties	1	2	3	4	5
6.	The laws governing pension funds in Uganda have more loopholes in comparison to her neighbouring countries.	1	2	3	4	5
Section B: Investment impediments at NSSF Uganda						
7.	NSSF investment policy guidelines in Uganda is very stringent in comparison to the neighbouring countries	1	2	3	4	5
8.	NSSF has fewer investment opportunities in Uganda than abroad	1	2	3	4	5
9.	Fund managers for NSSF Uganda have not diversified enough into new investments sectors to mitigate pension risks	1	2	3	4	5
10	High administrative costs at NSSF Uganda take a big proportion of member contributions	1	2	3	4	5
11	The board of NSSF interferes in the investment decisions	1	2	3	4	5

	of authorised fund managers					
12	NSSF has been getting declining investment returns for the last five years	1	2	3	4	5
Section C: Governance impediments at NSSF Uganda						
13	Am aware of the existence of political interference in the operations of NSSF Uganda	1	2	3	4	5
14	There is irregular reporting on financial performance of NSSF Uganda	1	2	3	4	5
15	NSSF contributors rarely interact with NSSF management	1	2	3	4	5
16	NSSF lacks a sophisticated internal control system in place to stop corruption	1	2	3	4	5
17	NSSF Uganda has fewer staff with long experience and training in pension fund investment	1	2	3	4	5
18	Majority of the NSSF board members rarely attend board meetings	1	2	3	4	5
19	There are so many government ministries influencing the running of NSSF	1	2	3	4	5

DEPENDENT VARIABLE						
Section D: Performance of pension funds at NSSF Uganda						
20.	There has been some decline in the rate of investment returns at NSSF Uganda for the past 5 years	1	2	3	4	5
21.	There is no substantial increment in the growth of NSSF assets for the past 5 years	1	2	3	4	5
22.	NSSF customers go through hard processes in claiming their pensions after clocking 55 years.	1	2	3	4	5
23.	Cases of NSSF fund mismanagement have been reported in the last 2 years	1	2	3	4	5
24.	The proportion of NSSF contributors is less than half of the eligible NSSF contributors in Uganda	1	2	3	4	5
Thank you						

Appendix II

Interview guide for pension fund key players

Dear Sir/Madam,

My name is Gloria Ahikiriza, a student of Uganda Martyrs University undertaking a Master degree in Business Administration. Am conducting my academic research on the topic "**Evaluating the impediments in the effective performance of pension schemes. A case of NSSF Uganda".** You have been chosen to take part in this study by answering a few questions. The information you will provide will be used for academic purposes only. I would like to request you to give me some of your time and answer a few questions. The study will take about 30 minutes only. All your responses will be kept confidential.

Thank you

Institution of representation: ____

Position: ____

Date of Interview: ____

Questions

1. Tell me about your qualifications and experience in pension sector?
2. What are some of the regulatory impediments affecting effective implementation of NSSF pension funds? To what extent has the regulatory impediments affected effective implementation of NSSF pension funds?
3. What are some of the investment impediments affecting effective implementation of NSSF pension funds? To what extent has the investment impediments affected effective implementation of NSSF pension funds?

4. What are some of the governance impediments affecting effective implementation of NSSF pension funds? To what extent has the governance impediments affected effective implementation of NSSF pension funds?
5. What are some of the strategies that can be put in place to improve the performance of pension funds at NSSF Uganda? (probe for details)
6. Any other comments you would like to share?

Thank you

Appendix III: Documentary review checklist

The documents and reports listed below will help to supplement the data obtained from other data collection methods:

1. NSSF Acts
2. NSSF Annual reports 2007-2017
3. NSSF Strategic Investment Plan
4. Minutes of NSSF Board meetings
5. Reports from NSSF fund managers
6. Retirement benefits Sector reports by URBRA
7. Periodicals and journal articles on NSSF pension fund performance

Appendix IV: Sample Size Determination Table

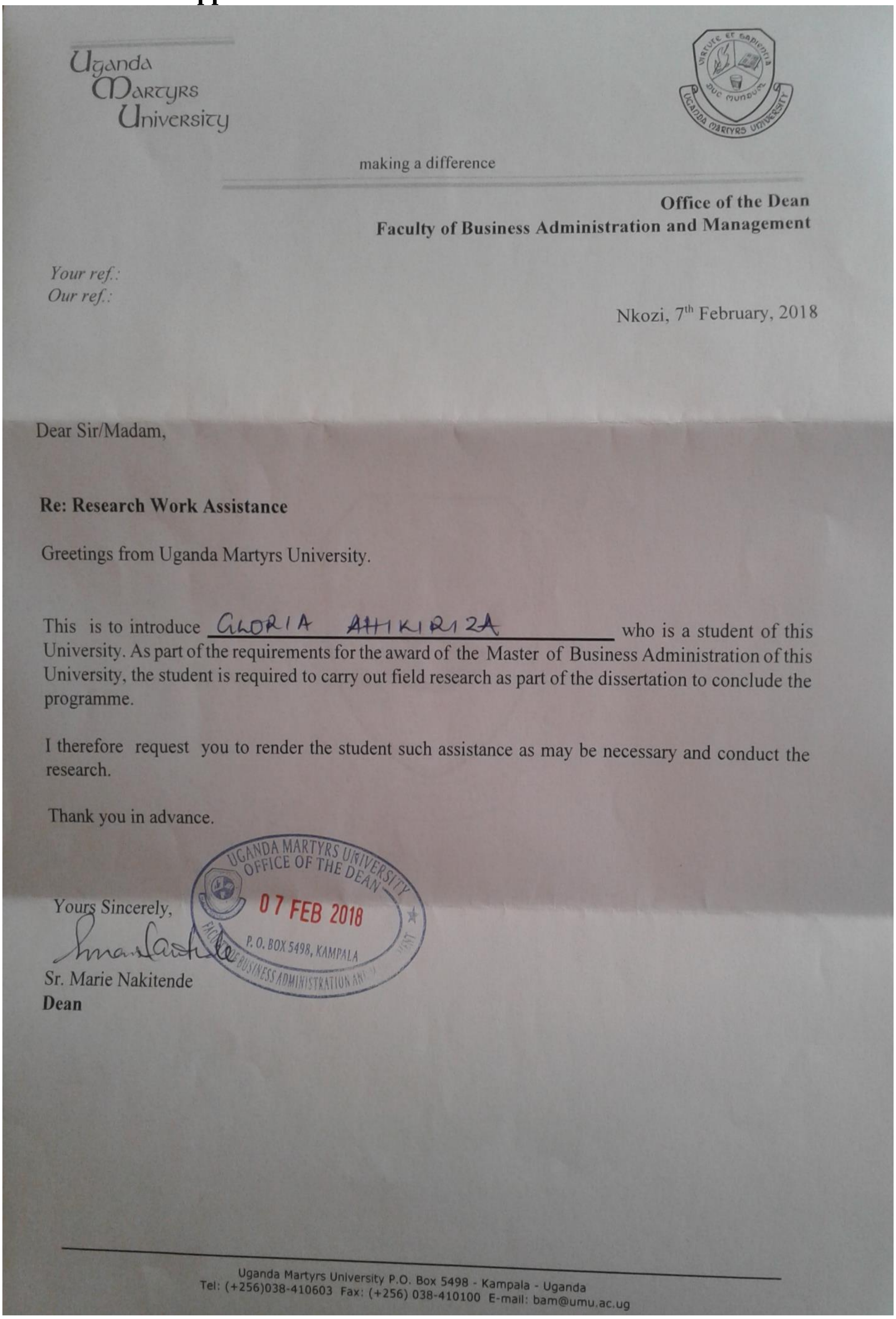
SAMPLE SIZE DETERMINATION TABLE BASED ON A GIVEN POPULATION

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: Krejcie & Morgan (1970)

Note. *N* is population size. *S* is sample size.

Appendix V: Data Collection Introduction Letter



Uganda Martyrs University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 7th February, 2018

Dear Sir/Madam,

Re: Research Work Assistance

Greetings from Uganda Martyrs University.

This is to introduce GLORIA AHIKIRIZA who is a student of this University. As part of the requirements for the award of the Master of Business Administration of this University, the student is required to carry out field research as part of the dissertation to conclude the programme.

I therefore request you to render the student such assistance as may be necessary and conduct the research.

Thank you in advance.

UGANDA MARTYRS UNIVERSITY OFFICE OF THE DEAN 07 FEB 2018 P. O. BOX 5498, KAMPALA FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

Yours Sincerely,

Sr. Marie Nakitende
Dean

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