



# ANNUAL REPORT

30 JUNE 2022

# TABLE OF CONTENTS

ABBREVIATIONS / ACRONYMS .....	iv
SCHEME INFORMATION.....	v
ABOUT THE FUND .....	vi
OTHER SERVICES .....	vii
SUSTAINABILITY REPORT .....	8
RISK MANAGEMENT AND CONTROL .....	8
ACKNOWLEDGMENT .....	9
BOARD OF TRUSTEES' STATEMENT.....	10
CUSTODY AND INVESTMENT ARRANGEMENTS.....	16
INTEREST TO MEMBERS .....	16
FUNDING STATUS.....	17
STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS .....	21
INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF THE PARLIAMENTARY PENSION SCHEME .....	23
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022....	27
STATEMENT OF NET ASSETS AS AT 30 JUNE 2022 .....	29
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 .....	31
FIVE YEAR FINANCIAL STATISTICS .....	61
ONE YEAR FINANCIAL PROJECTIONS .....	62
ONE YEAR FINANCIAL PERFORMANCE AGAINST PROJECTIONS 2021/2022 .....	63

## **LIST OF TABLES**

<b>TABLE 1:</b>	BOARD OF TRUSTEES	11
<b>TABLE 2:</b>	SCHEME MEMBERSHIP	15
<b>TABLE 3:</b>	NET ASSETS AS AT THE PERIOD ENDED 30 <sup>TH</sup> JUNE 2022	15
<b>TABLE 3(A):</b>	EXPLANATIONS FOR VARIANCES	16
<b>TABLE 4:</b>	NET ASSET BREAKDOWN	19
<b>TABLE 5:</b>	INCOMES FROM DIFFERENT ASSET CLASSES	20
<b>TABLE 6:</b>	SHARES SOLD AS AT JUNE 2022	41
<b>TABLE 7:</b>	INVESTMENT ASSET MIX	56
<b>TABLE 8:</b>	ASSETS AND LIABILITIES MATURITY GROUPINGS	57
<b>TABLE 9:</b>	5-YEAR FINANCIAL STATISTICS (IN UGX BILLION)	61
<b>TABLE 10:</b>	1 YEAR PROJECTION 2022/2023	63
<b>TABLE 11:</b>	1 YEAR PERFORMANCE AGAINST PROJECTIONS 2021/2022	64

## ABBREVIATIONS /ACRONYMS

<b>ALSI</b>	All Share Index
<b>BoT</b>	Board of Trustees
<b>EMDEs</b>	Emerging Markets and Developing Economies
<b>IAS</b>	International Accounting Standards
<b>IPS</b>	Investment Policy Statement
<b>ITA</b>	Income Tax Act
<b>LSI</b>	Local Share Index
<b>PPA</b>	Parliamentary Pensions Act
<b>PPDA</b>	Public Procurement and Disposal of public Assets
<b>PPS</b>	Parliamentary Pension Scheme
<b>RLS</b>	Rwanda Local Share Index
<b>TSI</b>	Tanzania Local Share Index
<b>URBRA</b>	Uganda Retirement Benefits Regulatory Authority
<b>USA</b>	United States of America

## SCHEME INFORMATION

### Registered Office

Development House,  
Room G 10,  
Parliamentary Avenue  
P. O. Box 7178,  
KAMPALA, UGANDA.

### Fund Managers

#### GenAfrica Asset Managers

AHA Towers  
P.O. BOX 75200, Kampala, Uganda

#### Britam Asset Managers

Britam Centre  
Plot 2A, Nakasero  
Akii-Bua Road,  
P.O. BOX 6583,  
Kampala, Uganda

### Custodian

#### Stanbic Bank,

Hannington Road  
P. O. Box 7131, KAMPALA.  
Kampala, Uganda

### Auditor

Auditor General  
P. O. Box 7083, KAMPALA.

### Actuarial Services

ARGEN Actuarial Solutions Ltd,  
39 President Street,  
Kroonstad,  
SOUTH AFRICA.

### Bankers

#### Centenary Bank,

Mapeera Branch,  
P. O. Box 1892,  
KAMPALA.

#### Standard Chartered Bank,

Plot 5, Speke Road,  
P. O. Box 7111, KAMPALA.

#### Stanbic Bank,

Hannington Road  
P. O. Box 7131, KAMPALA.  
Kampala, Uganda

#### Orient Bank,

Orient Plaza ,Kampala Road  
P. O. Box 3072, Kampala, Uganda

### Legal Services

Office of the General Counsel to  
Parliament  
Parliamentary Commission,  
P. O. Box 7178, KAMPALA.

## **ABOUT THE FUND**



### **Vision:**

A Society of dignified retired members of the Scheme.



### **Mission:**

Provision of quality retirement benefits services through efficient management and investment of Members' fund.



### **Values:**

The Core values of Parliamentary Pension Scheme are:

- Trust
- Innovativeness
- Teamwork
- Integrity
- Diligence
- Accountability



### **Strategic Objectives:**

- Improved efficiency and effectiveness in the delivery of the Scheme's business operations.
- Deliver retirement benefits to members that are responsive to the changing economic livehood.
- Optimize investment Fund Management to maintain the Scheme's long-term solvency and sustainability.
- Enhance Members' and Sponsor trust in the Scheme.
- Increase Institutional capacity in pension management.

## OTHER SERVICES

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### Member Education

Member sensitization seminars on retirement planning, financial literacy and healthy living.

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### Loans

The Scheme provides loans to its members in active service as one of its investment vehicles. The loans are repaid through monthly deductions from the members' emoluments.

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### Medical Treatment

When there are no other viable sources of funds to cover critical medical expenses, the Board may approve a proportion of the Members' credit to pay the medical bill in respect of a Member or Pensioner on recommendation from Uganda Medical Board or Medical Professional approved by the Board.

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### Mortgage

The Scheme may guarantee a loan to an active member for purposes of purchasing or construction of his/her residential house. The Scheme issues a guarantee for the down payment to the mortgage provider up to 20% of the mortgage. The exposure guaranteed for the loan is 50% of the members' Scheme credit.

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## PPS At A GLANCE



Members of the Scheme  
**1220**



Members' Contributions  
UgX.  
**44,709,532,091**



Investment Income  
UgX.  
**41,441,593,611**



Total Asset Value  
UgX.  
**349,128,272,670**



Benefits paid  
UgX.  
**8,105,072,258**



Loans disbursed  
UgX.  
**16,594,900,000**



# CHAIRMAN'S STATEMENT

On behalf of the Board of Trustees and Management of Parliamentary Pension Scheme, I welcome you all to the 11<sup>th</sup> Annual General Meeting. It is my delight to present the Annual report and Financial Statements for Parliamentary Pension Scheme for the year ended 30th June 2022.

## Review of the Business Environment

### Operating Environment

During the Financial year 2021/2022, the economy grew by 4.6 % compared to 3.5% in 2020/2021. This shows that the economy is on a path to full recovery from the COVID-19 disruptions<sup>1&2</sup>. The growth of the economy was driven by the industry and services sector which contributed 49.1% and 40.7% to the economic growth.

Growth in the industry sector was 5.4% in 2021/2022 from 3.5% the previous year. This was largely driven by mining and manufacturing activities which contributed 91% to the sector growth. The mining activities expanded by 21.8% while manufacturing sector increased to 3.9% from the 2.2% in FY2020/21.

The services sector grew by 3.8% higher than the previous fiscal year growth of 2.8% in June 2021.

The increase in growth is attributed to the continued recovery in wholesale and retail trade, education and tourism services, coupled with growth and expansion of real estate activities which contributed 38.5% to the sector growth. Trade, Human health and social work activities also made notable contribution to growth of the services sector. The services sector contributed 41.5% of GDP.

The Agricultural, Forestry and Fishing activities grew by 4.3% in FY2021/22 compared to 3.5% in 2020/2021. The growth was mainly boosted by food and cash crop production, livestock as well as recovery in fishing and livestock subsectors which when combined grew by 4.9% during the year compared to 4.1% the previous year. The agriculture sector contributed 24.1% to total economic output

In the Financial Year 2021/22, there was significant increase in prices for some of the essential commodities, services, fuel and building materials. As a result, the overall inflation increased considerably. The annual headline and core inflation rose to 6.8% and 5.5 % respectively in June 2022 causing considerable discomfort among the public<sup>3</sup>.

The increase in the prices of essential commodities was due to the slipping over effect of COVID-19 restrictions across the world, disrupted supply-chains, which consequently causing shortages of intermediate raw materials used to produce some essential commodities, high shipping costs and higher fuel prices. The Russia-Ukraine conflict has further disrupted supply of oil, cereals such as wheat, maize, and sunflower oil, as well as essential metals like aluminum and nickel.

Annual headline and core inflation increased from 2.5% and 3.5% in June 2021 to 7% and 6.1% respectively, in 2022. The inflation outlook was very uncertain and highly dependent on the evolution of the Russia-Ukraine war and possible measures to contain the conflict. The inflation within the EAC partner states has been on an upward trend. During the FY 2021/2022, Kenya's annual headline inflation was 7.10%, 4.0% and 9.9% for Tanzania and Rwanda respectively<sup>1</sup>.

During the FY 2021/22 the East African Economies grew by 5.5%, 6.8% and 5.3% for Kenya, Rwanda and Tanzania respectively<sup>6</sup>.

The Nairobi All Share Index (NASI) declined from positive 15.21% in June 2021 to negative 21.53% in June 2022. The Local Share Index (NSE 20) further depreciated to negative 12.64% in June 2022 from negative 4.36% in June 2021. The 91-day Treasury bills posted an average yield of 7.62%. The average inflation was 7.10% by June 2022. The Kenyan shilling slightly depreciated by 0.7 % against the US dollar<sup>3</sup>.

There was a decline in performance of stocks at the Uganda Securities Exchange. The All-Share Index (ALSI) fell from positive 9.37% in June 2021 to negative 23.27% in June 2022. The Local Share Index [LSI] performed poorly from positive 1.65% in June 2021 to negative 21.13% in June 2022<sup>4</sup>. The 91-day Treasury bills registered an average interest rate of 6.71% during the year. On average, the inflation was 6.3%. During the Financial year 2021/2022, the shilling depreciated by 2.6% against the US dollar.

In Tanzania, the All-Share Index [ASLI] dropped from positive 10.13% in 2021 to negative 5.58% in June 2022, while the local

share Index [TSI] improved from 4.76% in 2021 to 7.53% in June 2022<sup>4</sup>. The 91-day Treasury bills registered an average interest rate of 2.50% during the year. The average inflation was 3.8%. During the Financial year 2021/2022, the Tanzanian shilling remained relatively stable against the US dollar.

In Rwanda, the ALSI performance improved from negative 2.02% in June 2021 to negative 0.11% in June 2022, while the local share Index [RLS] also improved from negative 11.42% in 2021 to negative 0.52% in June 2022. The 91-day Treasury bills registered an average interest rate of 6.0% and the average inflation was 9.9%. During the financial year ended June 2022, the Rwandan Franc marginally depreciated by 0.2% against the US dollar.

## Outlook

The global economy is projected to slow down due to the high commodity prices induced by the Russian /Ukraine conflict. The war has caused severe disruptions to commodity supply causing widespread inflation pressures globally<sup>1</sup>.

The global economy is projected by the IMF to grow at 3.6% for both 2022 and 2023 much lower than the growth of 6.5% in 2021.

Global inflation remains high driven by war-induced high commodity prices, supply shocks on energy, agricultural commodities, and non-energy industrial goods, drought in Latin America and trade restrictions in some countries in addition to the Covid-19 related supply disruptions in Asia. Inflation has reached 40-year historical high in advanced economies. Annual inflation in the US moved to a record of 8.6%, while Euro area inflation accelerated to a record high of 8.1% and in the UK, inflation reached 9% in 2022.

Growth in Sub-Saharan Africa (SSA) is projected to slow to 3.7% this year from 4.2% in 2021, downgrading 60% of the regional economies. Price pressures, partly induced by the Russian Federation's invasion of Ukraine, are sharply reducing food affordability and real incomes across the region. More people in SSA are expected to fall into extreme poverty, especially in countries reliant on imports of foods and fuel. Fiscal space is narrowing further as governments ramp up spending on subsidies, support to farmers, and, in some countries, security. However, the impact of Russian – Ukraine war will vary across countries, as elevated commodity prices will help soften the damaging effects of high inflation in some large commodity exporters.

Among the risks to the forecast, prolonged disruptions to the food supply across the region could significantly increase poverty, hunger, and malnutrition, while persistent inflation could ignite stagflation risks and further limit policy space to support recoveries. An elevated cost of living could increase the risk of social unrest, especially in low-income countries. Growth is projected to firm slightly to an average of 3.9% in 2023-24, assuming further progress with pandemic containment, favorable terms of trade in commodity exports, and a gradual easing of global food price pressures.

In East Africa, growth for 2023 is projected at 6.2%, 5.7%, 7.9%, and 5.6% for Uganda, Kenya, Rwanda and Tanzania respectively<sup>7</sup>. The growth will be supported by accelerated vaccination rollout, increase in demand in the services sector following the reopening of schools and recovery in the hospitality

sector, government support to small and medium enterprises will help to drive continued economic recovery<sup>7</sup>.

Uganda is undergoing more extreme weather events such as flooding, as well as prolonged dry and warmer spells. Climate change impacts are felt mainly in agriculture, water, health, and human settlements. These effects are mirrored in the high food prices leading to inflation. Failure to adapt to climate changes could lead to high annual economic costs.

The economic recovery is expected to continue in 2022 and 2023, driven by services, following the reopening of schools in 2022 and recovery in the hospitality sector. As global value chains stabilize and consumer demand rises, manufacturing growth is projected to accelerate. The pandemic propelled expansion in mobile money transactions and is projected to continue. With increased economic activity, domestic revenue is expected to strengthen, underpinning further fiscal consolidation. High imports and a muted recovery in tourism will keep the current account deficit wide. External risks emerging from the Russia–Ukraine conflict include inflationary pressures due to higher food and oil prices and continued supply chain disruptions. Domestic risks relate to pressure to ramp up public infrastructure spending amid weak tax revenues, while poor rain patterns could undermine agriculture<sup>7</sup>.

## Performance Review

In the year ended June 2022, the Scheme continued to implement the Strategic Plan 2018-2023 through the annual operational plan. The Board invested members' funds in the most prudent way.

The Board constantly provided guidance to Management through Board resolutions and the Parliamentary Commission offered support to the Scheme through subvention grants, logistical and technical support.

The nominal investment income before tax increased from 38.2 billion to 41.4 billion by June 2022. The real investment income before tax declined from UgX. 50.84 billion to UgX. 3.90 billion, representing a 92% decrease compared to an increase of 72.02% in 2021. The decline was attributed to the poor performance of bond and the equity markets as result of the Kenyan elections and increase in inflation due to the Ukraine -Russian war which disrupted Global markets and global supply chains leading to high fuel and food prices. The assets under management steadily increased from UgX. 299.99 billion to UgX. 349.13 billion representing 16.37% growth. The Fund posted a return on average investable fund of 1.23% before tax and 3.93% after tax.

The Scheme paid out benefits of UgX. 8.11 billion compared to UgX. 90.06 billion paid out last year.

The Board shall continue to ensure superior service delivery to the Members, prudent investment of Scheme funds and prompt payment of members' benefits.

## Achievements

During the year, the Scheme registered the following achievements:



Promptly **paid out retirement benefits** to Members.



**Paid out Death benefits** amounting to **UgX. 772m**



**Disbursed Loans** totaling to **UgX. 16.59bn** to 149 members.



**Enhanced capacity of the Board of Trustees** and staff through training.



**Implemented the Strategic Plan 2018-2023** for year Three.



**Registered good attendance of Members** at the Annual General Meeting.



**Fully functional Pension Administration System.**

## Challenges

1. Few education seminars were conducted due to observance of standard operating procedures as a result of Covid -19 pandemic.
2. Members' slow response and failure to update their files.

## Appreciation

We express our deepest thanks to the Members of the Scheme for their tireless efforts and support to the Scheme. The Board appreciates the Parliamentary Commission for the timely remittance of Members' contributions, subvention grant, office space for the Secretariat, provision of Human Resource, Legal and Procurement advisory services which would otherwise have been a heavy cost to the Scheme. In an exceptional way, we further extend our gratitude to the Commission for the support they have given in the Management of the Loan product.

I would like to appreciate the Board of Trustees for their diligent commitment and oversight role that ensured proper running of the Scheme operations.

On behalf of the Board, I would like to acknowledge the service providers, Uganda Retirement Regulatory Benefits Authority and business partners for their contribution to the success and growth of the Fund and the Retirement Benefits Industry at large.

I further take this opportunity to appreciate Management and Staff of the Parliamentary Pension Scheme in serving Members and Stakeholders of the Scheme. Their efforts have largely contributed to the smooth operations of the Scheme.



.....  
**ARINAITWE RWAKAJARA (WORKERS' MP)**  
CHAIRPERSON, BOARD OF TRUSTEES

## CHIEF OPERATIONS MANAGER'S STATEMENT

The Scheme was well directed by the Board of Trustees, received all Members' contributions for the year and diligently undertook investments guided by the Investment Policy Statement. The staff capacity was enhanced through training and skill acquisition, enabling the staff to handle Scheme business efficiently.

Although the nominal income returns were higher compared to the previous year, the total return was greatly affected by the poor bond and equity performance in the last quarter of the year, posting huge unrealized losses. The Russia- Ukraine war and weakening Uganda shilling did pose a big impact on the returns of the Scheme in the year. The Scheme is still very Solid and a going concern.

Some operations such as Parliament open day and help desks were significantly affected by observance of the standard operating procedures to combat the spread of the new variant Omicron Covid-19 pandemic. The Scheme is progressively adapting to the new normal ways of doing business.

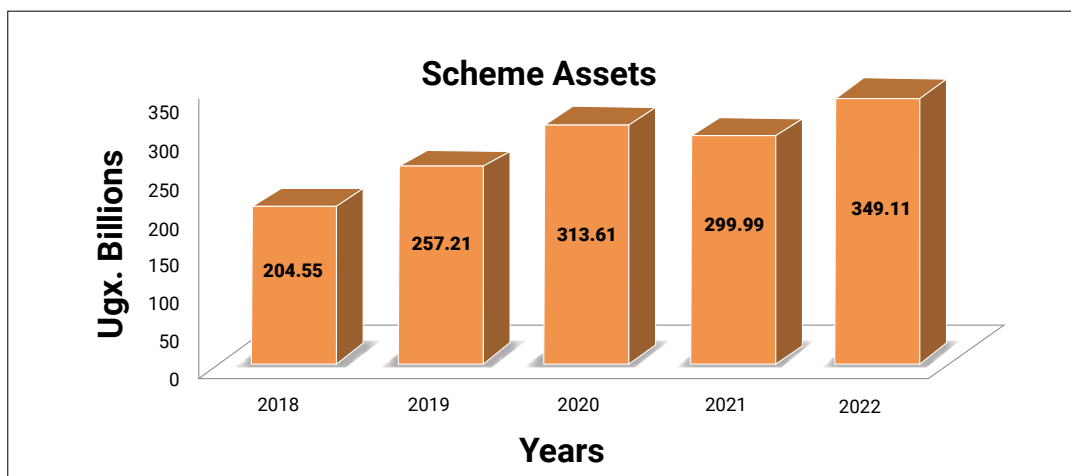
### Financial highlights and review

The Scheme assets increased from UgX. 299.99 billion to UgX. 349.13 billion which is 16.37% compared to -4.34% in 2021. The increase in growth was attributed to reduction in payouts during the year.

The growth in Members' contributions was 16.42% compared to 1.92% the previous year. The Increase was due to increase in the number of Members joining the Scheme.

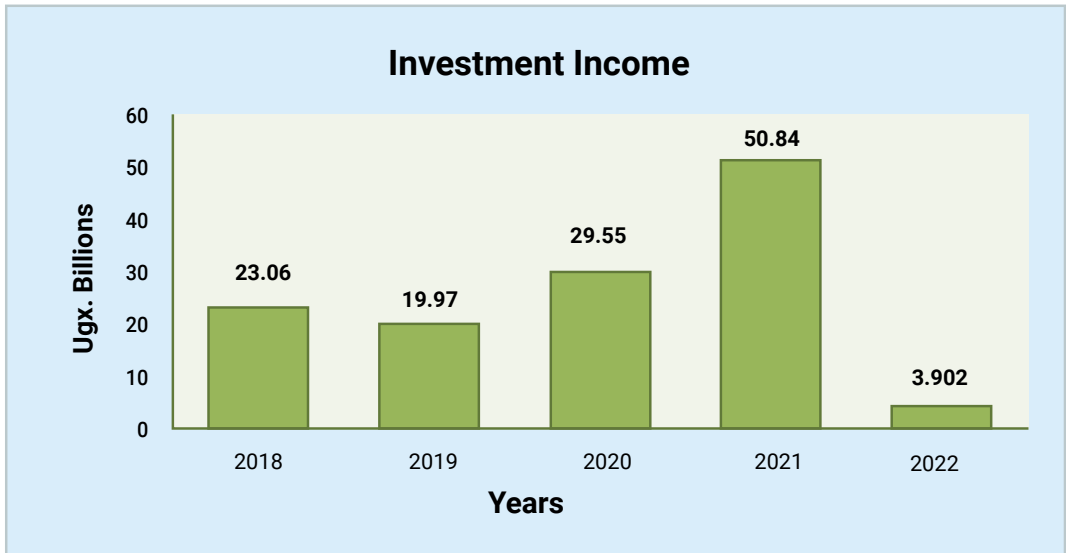
The graphs below show the 5-year performance trends of the Scheme

### Scheme Assets



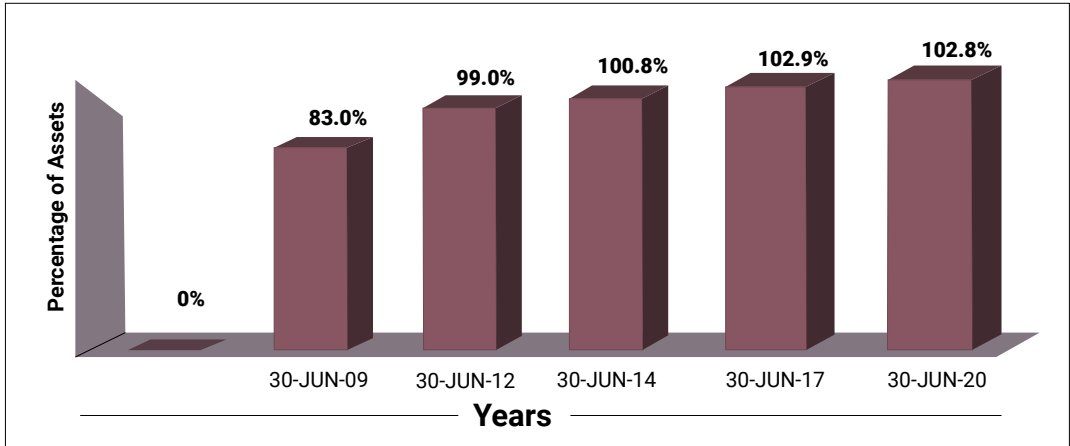
**Figure 1: 5- Year trend for the Scheme Assets**

## Investment Income



**Figure 2:** 5- Year trend for Investment Income

## Funding Level



**Figure 3:** Funding Level since 2007

The audited Financial Statements for the year ended 30<sup>th</sup> June 2022, are herewith presented to Members on Pages 27 to 59

## **SUSTAINABILITY REPORT**

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The Scheme's sustainability and business success is linked to the Investment Policy Statement developed with a goal to create shared prosperity and promote the wellbeing of the societies in which we operate. The Board invested in assets that seek to promote Social, Economic and Environmentally [SEE] friendly activities while avoiding high risk investments.

## **RISK MANAGEMENT AND CONTROL**

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The Board of Trustees is ultimately responsible for the overall management of the Scheme to deliver superior benefits to members without exposing it to undue risks. The Scheme's activities expose it to a variety of risks such as credit risk, market risk, interest rate risk, currency risk, non-financial risk, business risk and exchange rate risk. The overall risk management programme focuses on the identification and management of these risks in order to minimise adverse effects.

The Board has accordingly set up appropriate governance structures, policies, functions and systems to ensure effective management of the Scheme Funds.

The Internal Audit function through the Committee of Audit and Risk provides assurance on the operations, systems, investment decisions and internal controls put in place to ensure their effectiveness in risk mitigation. On annual basis the Scheme profiles the risk environment and monitors effectiveness of mitigation strategies in accordance with the Risk Management framework. The updated risk profile guided the Board on additional controls required to mitigate the risks.

In addition to the Internal Audit function, other risk management measures include creation of the Loan protection fund, insurance of loans and enforcement of credit limits. The Investment Policy Statement provides guidance on investment classes, the strategic and tactical ranges in which investments should be done.

The Board ensures engagement of competent staff who ably ensure compliance to relevant laws, regulations and policies to effectively avoid unnecessary risks.



## ACKNOWLEDGMENT

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I take this opportunity to thank the Board of Trustees for their guidance to Management and staff and dedication to Scheme business. I thank the Members for the exceptional cordial relationship they have accorded to the Scheme during the year. I also thank the staff, for their committed services to the Scheme and Members. Much appreciation goes to the Regulator for the continued support and guidance given to ensure compliance and safe guard of the Members' fund.

The Investment Asset Managers of the Scheme; GenAfrica and Britam prudently managed the business of the Scheme, while the Custodian, Stanbic Bank is appreciated for custody and protection of the Scheme assets. Other service providers and Stakeholders such as insurance companies, consultants, strategic partners and Auditors are duly appreciated for their services and guidance to the Scheme.



.....  
**NIGHTINGALE MIREMBE SSENOGA**  
CHIEF OPERATIONS MANAGER

## **BOARD OF TRUSTEES' STATEMENT**

### **CORPORATE GOVERNANCE**

#### **BOARD OF TRUSTEES**



**Hon. Arinaitwe Rwakajara**  
CHAIRMAN



**Hon. Nalule Aisha Kabanda**



**Hon. Akampulira Prossy**



**Hon. Dr. Francis Epetait**



**Mr. Aloysius Makata**



**Hon. Musasizi Henry**



**Mr. Kirunda Solomon**



**Hon. Adolf Kasaija Mwesige**  
SECRETARY

## Board Size, Composition and Appointment

The Scheme is governed on behalf and in the interest of Members by Eight [8] Trustees appointed in accordance with Section 18 of the Parliamentary Pensions Act. The Board of Trustees and their respective constituencies are listed in Table 1 below:

**Table 1: Board of Trustees**

Name	Position	Representing
Hon. Arinaitwe Rwakajara	Chairperson	Backbench Members
Hon. Akampulira Prossy Mbabazi	Member	Parliamentary Commission
Hon. Musasizi Henry	Member	Minister of Finance, Planning and Economic Development
Hon. Aisha Kabanda	Member	Backbench Members
Hon. Dr. Francis Epetait	Member	Retired Members of Parliament
Mr. Makata Aloysius	Member	Retired Staff of Parliamentary Commission
Mr. Kirunda Solomon	Member	Staff of Parliamentary Commission
Hon. Adolf Kasajja Mwesige	Member/Secretary	Office of the Clerk to Parliament

## Statement of Corporate Governance

Parliamentary Pensions Scheme was established by the Parliamentary Pensions Act, 2007 as a Contributory Hybrid Cash Balance retirement benefit plan for Members of Parliament and Staff of Parliamentary Commission. The Act came into force on the 1<sup>st</sup> July 2001. Since 2007 a number of amendments have been made and incorporated in the Act.

The mandate of the Scheme is to provide pensions and other retirement benefits to Members of Parliament and Staff of Parliamentary Commission and relief to the dependants of deceased Members.

## Role of the Board

The Board offers strategic guidance, leadership and oversees the operations of the Scheme in accordance with Parliamentary Pensions Act, Uganda Retirement Benefits Regulatory Authority Act and accompanying regulations.

It is responsible for prompt collection of members' contributions, sound investment of members Fund, payment of benefits and overall management of the Scheme in accordance with statutory provisions.

## **Skills, Training and Experience**

The Board appreciates the importance of training and skills acquisition in the efficient management of the Scheme. During the year ended June 2022, the Board undertook trainings to enhance knowledge and skills in Pension Management.

## **Board Meetings**

The Board meets on a quarterly basis as guided by the approved Annual Board Calendar. The meetings have an agenda informed by priority decisions and discussions necessary to drive the Scheme forward. Board business is based on areas of operations of the Scheme namely Benefits, Administration, Investments and Financial Performance, Human Resource and Assurance on internal controls. During the year the Board held 7 meetings to review investments performance, develop Strategic documents for effective management of the Scheme and payment of Member benefits among others.

## **Board Evaluation, Training and induction**

During the year, the Scheme received new Board of Trustees who were inducted in the fields of pension Management and standards of good governance. The new Trustees attended a Trustee Development Certification programme and various other trainings. They also attended conferences to enhance their pension knowledge and review performance of the Investment Asset Managers.

## **Conflict of Interest**

The Board of Trustees are under a fiduciary duty to act in honesty and in the best interest of the Scheme. Any business transacted with the Scheme must be at arm's length and fully disclosed to the Board. During the year, there were no conflicts of Interest recorded.

## **Board Committees**

The Board constituted four Committees to assist in the effective governance and oversight role of the Scheme. The Committees have specific mandates that are documented in their respective Terms of Reference to ensure accountability. The Board co-opted independent professionals on the Committees to provide technical expertise and guidance to the Trustees. The Committees, their membership and a summary of their mandates are detailed hereunder: -

- **Finance and Administration Committee (FAC)**

Hon. Aisha Kabanda	-	Chairperson
Mr. Makata Aloysius	-	Member
Mr. Patrick Wanyama Ngolobe	-	Co-opted Member
Hon. Mugume Roland	-	Co-opted Member

The Finance and Administration Committee assists the Board in ensuring best practice in governance and administration of Scheme operations.

- **Investment and Custody Committee (ICC)**

Hon. Akampulira Prossy Mbabazi	-	Chairperson
Mr. Makata Aloysius	-	Member
Mr. Solomon Kirunda	-	Member
Prof. Ocaya Bruno	-	Co-opted Member

The Investment and Custody Committee assists the Board in ensuring prudent investment of Members' fund so as to realize competitive rates of return without exposing the Fund to undue risk.

- **Benefits Administration Committee (BAC)**

Mr. Solomon Kirunda	-	Chairperson
Hon. Akampulira Prossy Mbabazi	-	Member
Hon. Aisha Kabanda	-	Member
Hon. Alice Alaso Asianut	-	Co-opted Member
Mr. Charles Olichó	-	Co-opted Member

The Benefits Administration Committee assists the Board of Trustees in ensuring that members' benefits are accurately computed and paid in time.

- **Audit and Risk Committee (A&RC)**

Hon. Dr. Francis Epetai	-	Chairperson
Hon. Musasizi Henry	-	Member
Mr. Fred Bawunha	-	Co-opted Member
Mr. Stephen Mugisha	-	Co-opted Member

The Audit and Risk Committee assists the Board of Trustees in overseeing the integrity and quality of financial statements, effectiveness of internal controls and compliance with statutory requirements.

- **Loans Committee**

Hon. Akampulira Prossy Mbabazi	- Chairperson
Mr. Solomon Kirunda	- Member
Prof. Ocaya Bruno	- Co-opted Member

The Loans Committee assists the Board in overseeing loans activities in the Scheme.

- **Committee Meetings**

During the reporting period, the Committees held a number of meetings as follows:

Finance and Administration Committee	- 3 meetings
Investment and Custody Committee	- 2 meetings
Audit and Risk Committee	- 5 meetings
Benefits Administration Committee	- 4 meetings
Loans Committee	- 2 meetings

- **Management**

The Scheme is internally administered by a team of Ten (10) qualified staff under the supervision of the Chief Operations Manager.

The Board has continued to strengthen the professional capacity of staff through training in order to improve service delivery. The Scheme's Management is comprised of:

<b>Name</b>	<b>Designation</b>
Ms. Nightingale Mirembe Ssenoga	- Chief Operations Manager
Ms. Elsie Kizito	- Finance Manager
Mr. Edward Basheka	- Benefits Administration Manager
Ms. Susan Nyamwezi	- Internal Audit Manager

## SCHEME MEMBERSHIP

At the end of the financial year, the Scheme had a membership of 1,220 comprised of 981 active members (women 352 and 629 men), 3 deferred members, 193 pensioners and 43 beneficiaries as summarized in Table 2 below:

**Table 2: Membership of the Scheme as at 30th June 2022**

	Active Members		Deferred Members		Pensioners		Beneficiaries	
	MPs	Staff	MPs	Staff	Staff	MPs	Staff	MPs
1st July 2021	539	428	0	2	36	155	4	35
New Entrants	16	9	1	1	4	-	4	-
Deceased	-	(2)	-	-	-	(2)	-	-
Leavers	(3)	(2)	(1)	-	-	-	-	-
Retired	-	(4)	-	-	-	-	-	-
As at 30th June 2022	552	429	-	3	40	153	8	35
<b>Membership as at June 2022</b>	<b>984</b>				<b>236</b>			

## Financial Review

The Scheme had net assets worth Ugx. 349,128,272,670 as shown in the statement of Net assets in Table 3 below:

**Table 3: Net Assets as at the period ended 30<sup>th</sup> June 2022**

	Jun-22	Jun-21
	UgX	UgX
	'000	'000
Contributions	44,709,532	38,402,097
Members payments	(8,104,072)	(90,056,140)
Net Additions from Members	36,605,460	(51,654,043)
Net Returns on Investments	12,753,869	37,958,859
Net Administration surplus	(225,116)	79,934
Net Increase (Decrease) in fund	49,133,213	(13,615,250)
Net assets at start of the year	299,995,059	313,610,309
Net assets at end of the year	349,128,272	299,995,059
<b>Increase (reduction) in growth</b>	<b>16.37%</b>	<b>(4.34%)</b>

The Table 3 (a) below shows the explanations for the variances in the performance as at June 2022.

**Table 3(a): Explanations for variances in the performance June 2022 and June 2021**

	<b>Jun-22</b>	<b>Jun-21</b>	<b>Cause of the Variance</b>
	<b>UgX</b>	<b>UgX</b>	
	<b>'000</b>	<b>'000</b>	
Contributions	44,709,532	38,402,097	Increase in the Number of Members.
Members payments	(8,105,072)	(90,056,140)	Decrease in benefits paid due to few Member exits.
Net Additions from Members	36,604,460	(51,654,043)	
Net Returns on Investments	12,753,869	37,958,859	Decrease was due to poor performance of bonds and equities during the year
Net Administration surplus	(225,116)	79,934	Better budget utilization during the year.
Net Increase in fund	49,133,213	(13,615,250)	
Net assets at start of the year	299,995,059	313,610,309	
<b>Net assets at end of the year</b>	<b>349,128,272</b>	<b>299,995,059</b>	

## **CUSTODY AND INVESTMENT ARRANGEMENTS**

In compliance with the Uganda Retirement Benefits Regulatory Authority Act (2011), the Board of Trustees appointed Stanbic Bank to provide custody services to the Scheme. Britam and GenAfrica Asset Managers were responsible for the management of the Scheme's investments.

## **LOANS TO MEMBERS**

The Scheme disbursed loans worth UgX. 16,594,900,000 to 149 members and the return on the loan portfolio was UgX. 2,313,748,966 contributing 5.58% of the total investment income.

## **INTEREST TO MEMBERS**

During the 10<sup>th</sup> Annual General Meeting held on 25<sup>th</sup> February 2022, the Board of Trustees declared an interest of 10.5% for the financial year 2020/2021. The additional interest of 2.5%, worth UgX. 4,535,094,722 was posted to the Members account after the Annual General meeting. The provisional interest for the current year 2021/2022 of UgX. 18,921,194,501 has been provided for and posted to the members' accounts. For the financial year 2021/2022 the Board has maintained an interest rate of 8%.



## FUNDING STATUS

The Board of Trustees conducts periodic actuarial valuation of Scheme assets in accordance with Section 71 of Uganda Retirement Benefits Regulatory Act. The Actuarial Valuation done as at 30<sup>th</sup> June 2020 indicated that the Scheme was financially sound with a funding level of 102.8%.

## INVESTMENT REPORT AND STRATEGY

### Investment Policy

The Board has adopted a moderate risk approach to drive the investment strategy of the Scheme. The Investment Policy Statement for the period 2018 – 2021 was used to guide the Investments of the Scheme for the FY 2021/2022.

The policy carefully balanced the intent of maximizing the long-term returns while minimizing short-term volatility and other risks.

The implementation of the policy is delegated to the Investment Managers whose performance is closely monitored by Management and overseen by the Investment and Custody Committee of the Board. The Board regularly engages an Investment consultant to advise on asset target allocations to respective investment asset classes.

### Strategic Asset Allocation

The strategic allocation of investable funds to different asset classes allowed for short-term deviations, management of emerging market conditions and exploitation of exceptional opportunities. The tactical ranges that were used are detailed hereunder.

Asset Class	Minimum (%)	Strategic Weight (%)	Maximum (%)
Term or Fixed Deposit	0.00	2.00	10.00
Cash and Demand Deposits	0.00	0.00	2.00
Uganda Treasury Bonds	60.00	70.00	80.00
Treasury bills	0.00	4.00	
Uganda Corporate Bonds	0.00	2.00	4.00
Domestic Equities	0.00	5.00	10.00
EAC Equities	0.00	5.00	10.00
CIS approved by CMA	0.00	5.00	8.00
Loans*	0.00	5.00	5.00
Private Equity	0.00	0.00	0.00
Property	0.00	0.00	0.00

\* Loans asset class is administered internally by the Scheme Management.

## Investment Environment

The majority of the Investments were held in Uganda at 95% while 5% was in Kenya.

During the financial year ended June 2022, there was an improvement in the economy attributed to continued recovery in aggregate demand due to the full re-opening of the economy in January 2022 as well as Government policy interventions to support private sector activity. The Commercial banks' average lending rates was 18.84% during the last quarter of the financial year 2021/ 2022. Interest rates on Treasury Bills for the 182- and 364-day tenors were 8.15% and 9.00%, respectively. The Central Bank Rate (CBR) remained unchanged at 6.5% during the period ended June 2022<sup>5</sup>. The Ugandan Shilling weakened by 2.6% against the US Dollar by the end of Financial year 2022 closing at UgX. 3764/USD. This was mainly driven by an increase in the demand for the dollar by importers.

In the first three quarters of 2021/2022, the Kenyan economy recovered supported by the easing COVID -19 restrictions and the impact of Government Interventions. The banking sector remained stable and resilient during the period. The private sector growth remained resilient growing at 8.6% in the second half of 2022. The foreign exchange market remained relatively stable despite increasing uncertainties in the global financial market and stronger US Dollar. The short-term interest rates remained stable supported by the Monetary stance and improved market liquidity. Interest rates on government securities increased marginally with the 91 Treasury bill at 7.26% while 182 bill at 7.98%. The average commercial banking rate was 12.15%. The Kenya central bank rate was retained at 7% noting the inflation expectations to encourage robust economic performance<sup>8</sup>. The Kenya shilling remained relatively stable both in the regional and major international markets despite the global uncertainties depreciated by only 0.2% against the US dollar closing at KES 117.8.

The poor performance in the Stock and Equity markets lowered the Scheme's return on investments in the reporting period.

## Strategy

The Scheme maintained a moderate approach to risk during the Year. During the year ended June 2022 investments in corporate bonds matured. The Member loans were maintained in the Investment portfolio at an average of 4.2% of total investment assets. The Scheme increased its investments in long term Treasury bonds to benefit from the low withholding tax rate on bonds of 10 years and above yet with the high interest rates. There were no investments in Treasury bills due to their high tax rate and low yields making them unattractive in the course of the year. More investments were made in Unit Trusts to take advantage of the tax relief and high returns. The strategy on regional equities was a conservative one. The Scheme sold 62.5% of the shares and funds were invested in long term and high yield bonds and Unit Trust. The Scheme focused on holding few counters that would give high yielding returns and those that would easily rebound back in case of adverse changes in the market conditions.

The breakdown of net assets as at the end of the reporting period was as follows:

**Table 4: Net asset breakdown**

Asset Class	Amount (UgX.Bn)	Proportions (%)	Amount (UgX. Bn)
	Jun-22	Jun-22	Jun-21
Equities	24.842	7.11	64.53
Government Bonds	236.267	67.67	210.70
Treasury Bills	0.00	0.00	0.803
Corporate Bonds	0.00	0.00	0.132
Loans	19.269	5.52	11.49
Fixed Deposit	18.288	5.24	19.65
Unit Trusts	36.017	10.32	0.00
Net current assets / Liabilities	14.445	4.14	(7.311)
<b>Total</b>	<b>349.128</b>	<b>100.00</b>	<b>299.995</b>

## Investment Performance

The gross investment income earned during the year increased from 38.21 billion in June 2021 to 41.44 billion representing 8.5% growth. This was due to increased volume in fixed income and Unit Trust investments during the year.

The net investment return declined from 50.84 billion in the previous year to UgX.3.90 billion, representing 92% decline. The net investment return after tax was UgX. 12.48 billion compared to UgX. 37.78 billion in FY 2020/2021.

<sup>1</sup>State of the Economy June, 2022

<sup>2</sup>Budget Speech 2022/2023

<sup>3</sup>Performance of the Economy Report June 2022

<sup>4</sup>Stock Market Reports June, 2022

<sup>5</sup>Monetary Policy Report June 2022, Uganda

<sup>6</sup>World Bank Report June 2022

<sup>7</sup>African Development Bank Report June 2022

<sup>8</sup>Monetary Policy Committee June 2022, Kenya.

The income realized from different asset classes is summarized in Table 5 below:

**Table 5: Income from different asset classes**

Asset Class	Amount	Proportions (%)	Amount
	(UGX.bn)		(UGX.bn)
	Jun-22		Jun-21
Equities	1.83	4.42	2.61
Government Bonds	35.26	85.08	28.20
Treasury Bills	0.05	0.12	3.95
Corporate Bonds	0.049	0.12	0.02
Loans	2.313	5.58	1.53
Unit Trusts	1.33	3.21	
Fixed Deposit	0.61	1.47	1.90
<b>Total</b>	<b>41.44</b>	<b>100.00</b>	<b>38.21</b>

The return on investable assets before tax was 1.23% compared to 16.69% in 2021 and the return after tax was 3.93% compared to 12.41% the previous year.

Signed on behalf of the Board of Trustees by: -

.....  
**CHAIRPERSON, BOARD OF TRUSTEES**

Date:19<sup>th</sup> October 2022

.....  
**MEMBER, BOARD OF TRUSTEES**

Date:19<sup>th</sup> October 2022

.....  
**MEMBER, BOARD OF TRUSTEES**

Date:19<sup>th</sup> October 2022

## STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The PPS Act, URBRA Act and regulations oblige the Trustees to make available to Scheme members and other parties, audited financial statements for each year which show a true and fair view of the financial transactions of the Scheme during the reporting period and of the amount and disposition at the end of the Scheme year of the assets and liabilities.

It also requires the Trustees to ensure that the Scheme assets are safe guarded and keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme.

### Responsibilities

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by URBRA Act and regulations, and for such internal controls as Trustees determined necessary to enable the preparation of financial statements, whether due to fraud or error.

The Board of Trustees hereby confirm that, during the period under review, they have complied with their duties imposed by URBRA Act 2011, Regulations and the rules of the fund, including the following:

- I. Ensured that adequate accounting records are kept inclusive of proper minutes of all resolutions passed by the Board of Trustees; and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities;
- II. Ensured that proper internal control systems were employed by or on behalf of the Fund;
- III. Ensured that adequate and appropriate information was communicated to the members including their rights, benefits, duties in terms of the rule of the fund;
- IV. Obtained expert advice on matters where they lacked sufficient expertise;
- V. Ensured that the rules, operation and administration of the fund complied with the URBRA Act and all other applicable legislations; and
- VI. Ensured that Scheme funds were invested and maintained in accordance with the fund's investment policy statement and investment regulations issued by URBRA.

## Approval of the Annual Financial Statements

The Board of Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS and Scheme rules. The Trustees are of the opinion that the financial statements give a true and fair view of the financial affairs of the Scheme and its operating results.

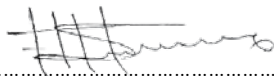
These financial statements have been reported on by **M/s AN Associates Certified Public Accountants** who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings.

The Board of Trustees believes that all their representations made to the independent auditors in the representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 23 to 26.

These financial statements were approved by the Board of Trustees on 19th, October 2022 and are to the best of the Board of Trustees' knowledge and belief, confirmed to be complete and correct and fairly represent the net assets of the fund as at 30th June 2022 as well as the results of its activities for the period then ended in accordance with IFRS.

We confirm that for the period under review, the Parliamentary Pension Scheme has submitted all regulatory and other returns and any other information as required by the provision of the URBRA Act 2011 and to the best of our knowledge all applicable regulations.

Nothing has come to the attention of the Trustees to indicate that the Scheme will not be able to meet its obligations for the next twelve months from the date of this statement and the requirements of the URBRA Act.



**CHAIRPERSON, BOARD OF TRUSTEES**

Date: 19<sup>th</sup> October 2022



**MEMBER, BOARD OF TRUSTEES**

Date: 19<sup>th</sup> October 2022



**MEMBER, BOARD OF TRUSTEES**

Date: 19<sup>th</sup> October 2022

## **INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF THE PARLIAMENTARY PENSION SCHEME**

### **Opinion**

I have audited the financial statements of the Parliamentary Pension Scheme (PPS) for the year ended 30<sup>th</sup> June 2022. These financial statements comprise of the Statement of Changes in Net Assets, Statement of Net Assets, Statement of Changes in Member Funds, Cash Flow Statement together with accompanying statements, notes and accounting policies.

In my opinion, the financial statements present fairly in all material respects, the financial position of the Parliamentary Pension Scheme as at 30<sup>th</sup> June 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Parliamentary Pensions Act, 2007 as amended, the Public Finance and Management Act 2015 and the Uganda Retirement Benefits Regulatory Authority Act 2011.

### **Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the guidelines issued by the Institute of Certified Public Accountants of Uganda. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Scheme in accordance with the Constitution of the Republic of Uganda, 1995 (as amended), the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B), and other independent requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters (KAM)**

Key audit matters are those matters that in my professional judgment, were of most significance of my audit of the financial statements of the current period. These matters were addressed in context of my audit of the financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

### **Other Matter**

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

- **Under absorption of Resources**

While reviewing the Scheme's performance, I noted that out of an approved budget of UGX. 7,181,024,069, the Scheme only absorbed UGX. 5,930,197,811, reflecting an absorption performance of 82.6%. Under absorption implies that the Scheme did not carry out all the year's activities, hence not meeting its intended objectives.

Management explained that the implementation of many activities was affected by the observance of the Standard Operating Procedures for the Covid-19 pandemic, and governance activities were delayed awaiting the constitution of a new Board after some Members exited in June 2021.

I advised management to anticipate operational changes as needed to support the Scheme and track performance, and roll over the activities not implemented in the year under review.

- **Licenses for members of the Board of Trustees**

The Uganda Retirement Benefits Regulatory Authority Act, 2011 (URBRA) requires members of the Board of Trustees of a Pension Scheme to be licensed annually and, upon expiry, renew the licenses. In case of changes in the composition of the Board members, the Uganda Retirement Benefits Regulatory Authority shall be informed to effect the same.

I was not availed current licenses for the five members of the Board of Trustees. I was therefore not able to confirm whether the Scheme complied with the above legal requirement.

Failure to renew licenses in time exposes the Scheme to penalties for noncompliance with the Uganda Retirement Benefits Regulatory Authority Act, 2011 and its requirements.

Management explained that it is fast-tracking the acquisition of all licenses by December 2022.

I advised management to expedite the process of obtaining the licenses of its Board members to comply with URBRA and its requirements.

## **Other Information**

Management is responsible for other information. This information does not include the financial statements and my independent auditor's report. My opinion on the financial statements does not cover other information, and I do not express any form of assurance thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.



## **Management Responsibilities for the Financial Statements**

Management is responsible for preparation and presentation of financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Schemes' ability to continue as going concern, disclosing, as applicable, matters relating to going concern using the going concern basis of accounting unless management either intends to liquidate the Scheme or to cease operation or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

## **Auditor's Responsibilities for the Audit of Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's

ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were most significant in the audit of the financial statements of the current period and are, therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

As required by the Parliamentary Pensions Act, 2007, I report to you, based on my audit, that;

- i) I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of my audit.
- ii) In my opinion, proper books of account have been kept by the Scheme so far, as appears from my examination of those books; and
- iii) The Scheme's Statement of Changes in Net Assets, Statement of Net Assets and Statement of Changes in Members' Fund are in agreement with the books of account.



John F.S. Muwanga  
**AUDITOR GENERAL**  
KAMPALA  
20<sup>th</sup> October, 2022

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 UgX	2021 UgX
Income from dealing with members			
Member contributions	1.1	14,901,818,199	12,800,699,204
Government contributions	1.2	29,807,713,892	25,601,398,412
Total contributions		44,709,532,091	38,402,097,616
Outgoing from dealings with members			
Benefits to members	2	(8,105,072,258)	(90,056,140,048)
Net additions/(withdrawals) from the dealings with members		36,604,459,833	(51,654,042,432)
Returns on investments			
Investment income	3	41,441,593,611	38,207,317,899
Fund expenses	4	(2,697,954,449)	(2,372,129,493)
Net investment income before tax		38,743,639,162	35,835,188,406
Other comprehensive incomes			
Change in the value of the equities	8.1	(7,414,926,096)	9,496,678,611
Changes in the value of bonds	7.5	(26,353,194,808)	5,500,016,168
Foreign exchange loss	8.5	(567,209,694)	(23,087,451)
(Loss)/profit on sale of investments	8.4	(492,129,364)	30,085,543
(Loss)/gain in the value in the investments		(34,827,459,962)	15,003,692,871
Change available for members before tax and guaranteed interest		40,520,639,033	(815,161,155)
Other incomes	5	2,909,164,925	2,910,747,673
Management expenses	6	(3,134,281,098)	(2,830,813,091)
Net administrative (deficit)/surplus	13	(225,116,173)	79,934,582
Increase in net asset before tax		40,295,522,860	(735,226,573)
Income Tax Credit(charge)	27	8,579,556,179	(13,052,217,384)

Increase in net asset after tax for the Year		48,875,079,039	(13,787,443,957)
Guaranteed Interests to Members	16	(18,921,194,501)	(21,997,154,118)
Net increase (decrease) in net assets		29,953,884,538	(35,784,598,075)



**Chairman, Board of Trustees**

Date: 19<sup>th</sup> October 2022



**Member, Board of Trustees**

Date: 19<sup>th</sup> October 2022



**Member, Board of Trustees**

Date: 19<sup>th</sup> October 2022

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2022

	Notes	2022	2021
		UgX	UgX
<b>Non-current assets</b>			
Property and equipment	22	506,058,501	198,971,116
Computer software	23.4	735,141,451	944,266,572
Medium/ long term investments	7.1	267,525,476,371	277,353,071,467
Sub total		268,766,676,323	278,496,309,155
<b>Current Assets</b>			
Short term investments	9	67,157,525,812	29,953,746,421
Receivables	10	807,437,247	461,270,929
Tax asset	30.1	291,113,898	95,906,434
Withholding tax receivable	30.1	12,472,849	37,633,377
Deferred tax asset	31	10,246,761,403	-
Cash and bank balances	11	3,714,527,678	3,893,954,030
Subtotal		82,229,838,887	34,442,511,192
<b>Current Liabilities</b>			
Creditors and accruals	12	1,867,280,623	8,473,627,105
General reserve account	19	961,917	961,917
Deferred tax liability	31	-	4,469,171,962
Subtotal		1,868,242,540	12,943,760,984
Total net current assets		80,361,596,347	21,498,750,208
Net total assets	21	349,128,272,670	299,995,059,362



**Chairman, Board of Trustees**

Date: 19<sup>th</sup> October 2022



**Member, Board of Trustees**

Date: 19<sup>th</sup> October 2022



**Member, Board of Trustees**

Date: 19<sup>th</sup> October 2022

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>UgX</b>	<b>UgX</b>
Cash-flows from operating activities			
Contributions	1.1/2	44,709,532,091	38,402,097,616
Taxes paid	28	(1,033,654,388)	(1,403,278,314)
(Loss)/gain in the value of investments		(34,827,459,962)	15,003,692,871
Other incomes		2,909,164,925	2,910,747,673
Expenses paid		(13,937,307,805)	(95,259,082,632)
(Decrease)/increase in payables		(6,606,346,482)	7,275,246,256
(Increase)/decrease in receivables		(37,549,945,709)	21,086,607,877
Net cash from operating activities		<b>(46,336,017,331)</b>	<b>(11,983,968,653)</b>
Cash-flows from investing activities			
Net investment income		36,282,622,124	32,708,224,141
Decrease/(increase) in investment		11,073,452,131	(20,218,594,002)
Purchase of assets		(1,199,483,276)	(53,510,000)
Net cash used in investing activities		<b>46,156,590,979</b>	<b>12,436,120,139</b>
Net (decrease)/increase in cash and cash equivalents		(179,426,352)	452,151,486
Movement in cash and cash equivalents			
Cash balance at start of the year		3,893,954,030	3,441,802,544
Net (decrease)/increase for the year		(179,426,352)	452,151,486
Cash balance as at 30 June		<b>3,714,527,678</b>	<b>3,893,954,030</b>

## STATEMENT OF CHANGES IN THE MEMBERS FUND AS AT 30 JUNE 2022

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>UgX</b>	<b>UgX</b>
Accumulated fund at the start of the year		298,246,138,327	312,113,516,866
Increase in actuarial reserve as at June 2021		-	(2,929,094,663)
Actuarial surplus at the start of the year	14	(8,553,842,000)	(5,624,747,337)
Unvested reserve	15	(37,591,448)	(37,591,448)
Net change available for members		30,179,000,711	(35,864,532,657)
Guaranteed interest to members	16	18,921,194,501	21,997,154,118
Unvested reserve	15	37,591,448	37,591,448
Accumulated actuarial reserve	14	8,553,842,000	8,553,842,000
Members accumulated fund as at June 30	21	<b>347,346,333,539</b>	<b>298,246,138,327</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

#### (a) Basis of preparation

The financial statements are prepared in compliance with the International Financial Reporting Standards. The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Board of Trustees.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

The Board identifies all significant accounting policies as documented in the accounting manual. The Financial statements have been prepared on accrual basis.

#### (b) Contributions and contributions receivables

The contributions from members and the Sponsor are accounted for in the period in which they fall due.

#### (c) Benefits payable

Pension and Benefits payable to members are taken into account in the period in which they fall due. Benefits due are accounted for in the period in which the Sponsor notifies the Trustees.

#### (d) Cash and cash equivalents

For the purpose of the cash flow, cash and cash equivalent comprises of cash at hand, cash at bank and cash deposits held on call.

#### (e) Revenue recognition

Revenue is recognised on accrual basis.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **(CONTINUED)**

#### **(f) Investment income**

Investment income includes interest and dividends from investments. The Interest income is recognised on an accrual basis using the effective yield method based on the actual purchase price.

#### **(g) Funding policy**

Parliamentary Pensions Scheme is a contributory Hybrid Cash Balance Retirement Benefit Plan for Members of Parliament and Staff of the Parliamentary Commission.

Members of Parliament may serve for five years or more whereas staff members of the Parliamentary Commission are generally on long term engagement.

#### **(h) Funding policy (continued)**

The benefits of members are based on the accumulated Scheme credit. This rate is reviewed by the Board of Trustees based on investment performance.

The Board of Trustees is required under the Parliamentary Pensions Act to maintain long-term solvency and sustainability of the Scheme. The Board is therefore committed to ensure full funding of the Scheme liabilities.

To realise the funding objective, the Scheme has a clear Contribution Schedule of 15% and 30% of the basic salary by the Member and Sponsor respectively. Further, investment of Scheme assets forms a major strategy in funding the Scheme liabilities.

#### **(i) Presentation currency**

The financial statements are presented in the functional currency of Uganda Shillings (UgX).

#### **(j) Financial instruments**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the scheme include term fixed deposits, treasury bills and bonds, corporate bonds and shares. The Board determines the appropriate classification of its financial instruments at the time of purchase.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **(CONTINUED)**

#### **Recognition**

The Scheme recognises fixed deposits, treasury bills, Government bonds, shares and Corporate Bonds on the date at which they are purchased. Regular purchases of financial assets are recognised on the trade date at which the Scheme commits to purchase.

For a financial asset initially measured at cost, the transaction costs that are directly attributable to its acquisition or issue shall be part of the value of the financial asset.

#### **Measurement:**

##### **Amortised cost measurement.**

Fixed income investments (Fixed deposits, Treasury bills and Corporate Bonds) are held to maturity and are measured at amortised cost less impairment losses if any. Amortised cost is calculated using the effective Interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

#### **(j) Financial instruments (continued)**

##### **Mark to market**

Financial instruments (Government bonds and shares) are measured initially at cost, including transaction costs. Subsequently, all available-for-sale assets are measured at fair value, except any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, plus transaction costs, less impairment losses. In the case of marketable securities, the fair value is market value.

##### **Fair value measurement principles**

The fair value of financial instruments is based on their market price at the period end date without any deduction for transaction costs.

A financial asset is derecognised when the Scheme loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **(CONTINUED)**

Investments that have a fixed redemption value and that have been acquired to match the obligations of the Scheme, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. Fair value gains/ (losses) arising on investments are credited/ (debited) to the statement of changes in net assets.

### **De-recognition**

The scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

### **Impairment**

At each statement of net assets date, the Scheme assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when the objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or

other observable data relating to a group of assets such as adverse changes in issuers in the Scheme, or economic conditions that correlate with defaults in the scheme.

During the year there was no evidence of impairment loss. Any impairment losses are made through the Statement of Other Comprehensive Incomes.

### **(j) Financial instruments (continued)**

#### **Valuation of the unlisted equities**

The Scheme as at 30 June 2022 did not have unlisted equities.

## Re-classifications;

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available for sale and re-measured at fair value, and the difference between its carrying amount and fair value is recognised in other comprehensive income. Held to Maturity are revalued at Amortized cost.

## (k) Impairment on loans

Anticipated defaults on loans is provided for in the loan protection fund. In line with the Loans Policy, a 2% charge on every loan given contributes to a default fund. As at 30<sup>th</sup> June 2022 the balance on the loan protection (default) fund account was UgX. 952,994,437. Further the Scheme purchases an insurance policy on loan defaults due to death and permanent disabilities. The insurance premiums are paid out of the Loans Protection Fund.

## (l) Government grants

Government grant is recognised over the period in which the Scheme qualifies to receive it and expense the related costs for which the grant is intended.

## (m) Property and equipment

The Property and equipment are stated at historical cost, less adjustment for depreciation.

### The depreciation rates:

Depreciation is calculated on straight-line basis at annual rate estimated to write down the cost of each asset to its residual value as follows:

Furniture and fitting	12.5%
Motor vehicles	25.0%
Office equipment	20.0%
Computer equipment	33.3%
Computer software	33.3%

Depreciation for assets acquired in the course of the year is calculated on a prorata basis depending on the number of months the asset has been in use.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

### **(CONTINUED)**

#### **(m) Foreign currency transactions**

Transactions in foreign currencies are converted into Uganda Shillings (Ugx) at the exchange rate ruling on the transaction dates. Gains or losses resulting from these transactions are recognised in the Statement of Changes in Net Assets under other Comprehensive Incomes. Gains or losses as a result of revaluation as at 30 June 2022 have been recognized in the Statement of Changes in Net Assets under other Comprehensive Incomes.

#### **(n) Employment benefits**

The Scheme makes contributions to a Statutory Provident Fund, the National Social Security Fund (NSSF). The contributions are determined under a statute and are shared between the employer and employee at 10% and 5% respectively. The Scheme also contributes to staff gratuity based on the employee basic salary.

#### **(o) Donated assets**

The transferred assets acquired from Parliamentary Commission have been recognized in the records of the Scheme using the IAS 20 which applies to government non-monetary grant using the Income approach. All donated assets have been fully depreciated.

#### **(p) Expenses**

Expenses are accounted for on an accrual basis.

#### **(q) Revaluation of assets**

A revaluation account created is periodically reduced by the depreciation value during the year.

#### **(r) Income tax**

The computation of the tax has been done based on annual computation method where withholding tax on fixed deposits is not treated as a final tax and used prorata to time. The income on dividends where withholding tax charged is at 5% for the companies on the NSE and 15% for companies on the USE has been treated as a final tax.

#### **(s) Comparatives**

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**1. Contribution income**

	2022	2021
	Ugx	Ugx
<b>1.1. Member's contribution</b>		
Staff contributions	3,800,078,199	3,663,357,349
MPs contributions	11,101,740,000	9,137,341,855
<b>Total members' contributions</b>	<b>14,901,818,199</b>	<b>12,800,699,204</b>

**1.2. Government Contribution**

Government's contributions for staff	7,604,233,892	7,326,714,703
Government's contributions for MPs	22,203,480,000	18,274,683,709
<b>Total government's contributions</b>	<b>29,807,713,892</b>	<b>25,601,398,412</b>

**2. Benefit to members**

Staff - Retirement lump-sum	380,112,717	608,511,741
Staff - Death in service benefit	557,272,917	7,379,261
Staff - Withdrawal benefit	276,258,929	343,131,524
MPs - Death in service benefit	20,687,398	1,070,289,017
MPs - Withdrawal benefit	1,185,790,818	65,641,062,953
MPs - Retirement lump-sum	-	19,890,927,547
Pensions	5,684,949,479	2,494,838,005
<b>Total benefits to members</b>	<b>8,105,072,258</b>	<b>90,056,140,048</b>

**3. Investment income**

Interest from treasury bills	50,573,217	3,947,428,771
Interest from fixed deposits	668,702,076	1,320,442,771
Interest from corporate bonds	4,951,526	18,490,410
Interest from unit trusts	1,326,798,040	581,994,870
Interest from government bonds	35,248,255,950	28,197,580,085
Dividend income	1,828,527,836	2,608,601,873
Interest income from loans	2,313,784,966	1,532,779,119
<b>Total Investment income</b>	<b>41,441,593,611</b>	<b>38,207,317,899</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

	<b>2022</b>	<b>2021</b>
<b>Note</b>	<b>Ugx</b>	<b>Ugx</b>
<b>4. Fund expenses</b>		
Annual general meeting and Board election	218,281,800	154,130,200
Fund management fees	852,309,329	816,413,400
Board of Trustees costs	4.1 1,033,837,237	940,520,411
Audit fees	24,980,000	24,308,000
Board of Trustees meetings	119,189,520	89,949,229
Organization structures	80,925,540	52,832,300
URBRA levy	1,500,000	158,194,529
Benefits administrations costs	358,133,637	135,781,424
Actuarial valuation fees	8,797,386	-
<b>Total fund expenses</b>	<b>2,697,954,449</b>	<b>2,372,129,493</b>
<b>4.1. Board of Trustees costs</b>		
Board of Trustees capacity building	757,542,237	667,070,411
Honorarium	276,295,000	273,450,000
<b>Total Board of Trustees costs</b>	<b>4 1,033,837,237</b>	<b>940,520,411</b>
<b>5. Other incomes</b>		
Grant revenue	2,728,081,004	2,728,081,004
Other sundry incomes	20,643,205	21,083,920
Investment income on operational funds	160,440,716	161,582,749
<b>Total other incomes</b>	<b>2,909,164,925</b>	<b>2,910,747,673</b>
<b>6. Management expenses</b>		
Personnel costs	2,189,836,392	2,128,190,279
Staff capacity building	431,138,274	371,874,873
Vehicle repairs and maintenance costs	37,867,645	9,082,255
Office administration supplies	142,332,572	124,266,851
Publicity and communications	-	1,900,000
Bank charges	12,474,463	11,016,268
Depreciation	320,631,752	184,482,565
<b>Total management expenses</b>	<b>3,134,281,098</b>	<b>2,830,813,091</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

	2022	2021
Note	Ugx	Ugx
<b>7. Investments</b>		
<b>7.1. Long term investments</b>		
Corporate bonds	7.2	126,012,500
Government treasury bonds	7.3	204,136,882,664
Loan portfolio	7.4	8,562,294,355
Shares and equities	8	64,527,881,948
<b>Total long-term investments</b>	<b>267,525,476,371</b>	<b>277,353,071,467</b>
<b>7.2. Corporate bond</b>		
African Development Bank - maturing in 2022	-	126,012,500
<b>Total corporate bond</b>	<b>-</b>	<b>126,012,500</b>
<b>Note:</b> During the year ended 30 June 2022, the investment in corporate bonds with African Development bank matured.		
<b>7.3. Government treasury bonds (Government of Uganda)</b>		
Three-year government treasury bond	604,076,383	2,956,130,660
Four-year government treasury bond	-	3,197,269,484
Five-year government treasury bond	18,709,618,596	30,633,158,808
Ten-year government treasury bond	81,276,476,562	91,931,538,237
Fifteen- year government treasury bond	85,187,746,370	68,766,014,509
Twenty - year government treasury bond	42,826,915,535	6,652,770,966
<b>Total government treasury bonds</b>	<b>228,604,833,446</b>	<b>204,136,882,664</b>
<b>7.4. Long term outstanding loan portfolio</b>		
Loans (More than one year)	14,078,679,602	8,562,294,355
<b>Total long term outstanding loan portfolio</b>	<b>14,078,679,602</b>	<b>8,562,294,355</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 7.5 Changes in the value of bonds

The changes in the value of Bonds arise as a result of the increase or decrease in the market price of the government bonds in the active market. The market prices are obtained as published by the Central Bank of Uganda for the bonds being traded in the market. In the period ended 30<sup>th</sup> June 2022, the fund increased its investment in government bonds which had high yields. Although there was general increase in interest rates by the Central Bank, it lowered the value of the existing bonds. The net decrease (unrealized loss) in value of the bonds was Ugx. 26,353,194,808 as reported in the Statement of Changes.

### 8 Investment in shares

The Scheme invested in equities as follows;

	Number of shares	2022 Value UgX	2021 Value UgX
Equities at the Uganda Securities Exchange (USE)			
Bank Of Baroda (U) Ltd	19,579,563	1,566,365,040	2,779,147,560
DFCU (U) Ltd	4,198,728	2,309,300,400	2,477,249,520
Stanbic Bank (U) Ltd	119,430,690	2,627,475,180	4,773,198,285
MTN	6,588,500	1,173,345,965	-
Umeme	4,880,592	1,166,510,293	1,068,849,648
<b>Total mmarket value of eequities at the Uganda Ssecurities Exchange (USE)</b>	<b>154,678,073</b>	<b>8,842,996,878</b>	<b>11,098,445,013</b>
Equities at the Nairobi securities Exchange (NSE)			
Atlas Development and Support Services	98,000	-	-
Bamburi	121,440	133,300,938	146,432,911
Barclays Bank Kenya	235,390	78,604,788	883,222,243
BAT Kenya	-	-	133,650,751
Centum Investments	-	-	27,699,564
CFC Stanbic of Kenya Holding Ltd	-	-	146,267,382
Cooperative Bank of Kenya	1,424,102	496,034,975	2,960,356,631
Diamond Trust Bank	207,080	330,535,686	404,895,445
East African Breweries Ltd	42,483	186,325,474	3,551,145,797
Equity Group Holding	2,266,749	3,114,702,662	8,337,186,650
Jubilee Holdings Ltd	4,667	38,700,793	59,764,441
Kenya Commercial Bank	3,162,977	3,906,521,671	9,017,929,058
NIC Bank (K)	480,057	362,034,130	781,697,305
Safaricom Ltd	9,176,018	7,315,929,521	26,685,829,695
Stanlib Fahari I-Reit	189,200	36,275,807	139,711,882
Standard Chartered Bank (K) Bank	-	-	153,647,180
Equities at the Nairobi Securities Exchange (NSE)	17,408,163	15,998,966,445	53,429,436,935
<b>Total</b>	<b>172,086,236</b>	<b>24,841,963,323</b>	<b>64,527,881,948</b>

**Note:** There was no active trading for Atlas Shares.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 8.1 Changes in the value of equities (shares)

The change in the value of equities (shares) arises as a result of the increase or decrease in the market price of the shares in the active market. The market prices are obtained as published by the Uganda Securities Exchange and the Nairobi Securities Exchange. In the financial year ended 30 June 2022, there was a reduction in market prices for equities that resulted into a cumulative unrealized loss of Ugx. 7,414,926,096.

### 8.2 Valuation of equities (shares)

The Scheme has used the Bank of Uganda's average exchange rate in the valuation of the shares for the regional equities.

### 8.3 Bonus shares

The Scheme received no bonus shares as at 30 June 2022.

### 8.4 Profit / loss on sale of investment

During the year, the Scheme sold equity shares as shown in Table 6 below:

**Table 6: Shares sold as at 30th June 2022**

Company	Number of shares sold
ABSA Bank	2,462,610
Bamburi Cement Limited	4,800
British American Tobacco	9,000
KCB	2,444,269
Jubilee Holdings Limited	500
Cooperative Bank	5,076,425
Equity Bank	4,178,851
East African Breweries Limited	552,869
Safaricom Limited	10,583,197
NCBA	448,871
Stanlib Farari- Riet	500,320
Bank of Baroda	3,580,000
CFC Stanbic	54,720
Centum Investment Co. Limited	48,240
Standard Chartered Bank	35,884
Stanbic Bank	60,690,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(CONTINUED)

The sale of shares was done to improve the performance of the portfolio and invested the funds in high yield assets. The proceeds from the sale of equity holdings resulted into a net loss of Ugx. 492,129,365. The net loss has been reported in the Statement of Changes in Net Assets.

### 8.5 Foreign exchange gain/(loss)

During the year, the Scheme registered a net unrealized loss of Ugx. 567,209,694. This arose from the revaluation of Kenyan dividends and the currency translation of Kenya Shillings. The net unrealized loss has been reported in the Statement of Changes in Net Assets.

	Note	2022 Ugx	2021 Ugx
<b>9 Short term investments</b>			
Fixed deposits investments	9.1	18,288,169,287	19,649,741,372
Treasury bills investments	9.3	-	802,980,419
Unit trusts	9.2	36,016,517,025	-
Corporate bonds due in 12 months	9.4	-	5,893,423
Loan portfolio	9.6	5,190,449,180	2,933,035,199
Treasury bonds due in 12 months	9.5	7,662,390,320	6,562,096,008
Total short-term investments		67,157,525,812	29,953,746,421
<b>9.1. Fixed deposits (Commercial banks)</b>			
Fixed deposits (maturing within 0-12 months)		18,204,823,749	19,619,345,856
Interest receivable on fixed deposits		83,345,538	30,395,516
Total fixed deposits		18,288,169,287	19,649,741,372
<b>9.2 Unit trusts</b>			
Unit trusts (maturing within 0-12 months)		34,689,718,985	-
Interest receivable on unit trusts		1,326,798,040	-
Total unit trusts		36,016,517,025	-
<b>9.3 Treasury bills (Bank of Uganda)</b>			
364-Day treasury bills		-	776,366,825
Interest receivable on treasury bills		-	26,613,594
Total treasury bills		-	802,980,419
<b>9.4 Corporate bonds interest receivable in 12 months</b>			
African Development Bank Bond		-	5,893,423
Total corporate bonds interest receivable in 12 months		-	5,893,423

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(CONTINUED)

### 9.5 Government treasury bonds interest receivable in 12 months

	Notes	2022	2021
		Ugx	Ugx
Three-year government treasury bond		11,169,211	22,701,089
Four-year government treasury bond		-	107,703,298
Five-year government treasury bond		405,433,899	585,738,867
Ten-year government treasury bond		3,106,619,143	2,937,624,730
Fifteen-year government treasury bond		3,527,630,742	2,821,894,274
Twenty-year government treasury bond		611,537,325	86,433,750
Total government treasury bonds interest receivable in 12 months		7,662,390,320	6,562,096,008

### 9.6 Short term outstanding loan portfolio

Loans recoverable		4,965,446,940	2,782,390,147
Interest receivable		225,002,240	150,645,052
Total short term outstanding loan portfolio		5,190,449,180	2,933,035,199

### 10 Receivables

Dividend income receivable		656,814,169	263,606,870
NALECO SACCO		39,447,000	39,447,000
Other debtors		111,176,078	112,397,700
Contributions receivable	10.1	-	45,819,359
Total receivables		807,437,247	461,270,929

### 10.1 Contributions receivable

Contributions due for 30 days	10	-	45,819,359
Total contributions receivable		-	45,819,359

### 11 Cash and cash equivalents

Centenary Bank		1,376,232,352	1,585,633,069
Standard Chartered Bank (Operations)		33,325,270	296,257,716
Standard Chartered Bank (Loans)		-	1,106,573,442
Orient Bank		952,994,437	680,184,571
Stanbic Bank (Loans)		843,541,392	-
Stanbic Bank (UGX) BTM		507,950,694	199,403
Stanbic Bank (UGX) GA		10,507	15
Stanbic Bank (KES) BTM		5	77,278,615
Stanbic Bank (KES) GA		21	147,317,199
Cash book		473,000	510,000
Total cash and cash equivalents		3,714,527,678	3,893,954,030

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**12. Creditors and accruals**

	<b>2022</b>	<b>2021</b>
Notes	<b>Ugx</b>	<b>Ugx</b>
Benefits payable	722,445,992	7,494,598,961
Pensions payable	195,275,412	39,379,463
Commission payables	6,429,678	24,111,117
Staff gratuity	371,361,638	256,151,468
Sundry creditors	571,767,903	659,386,096
Total creditors and accruals	<b>1,867,280,623</b>	<b>8,473,627,105</b>

**12.1. Benefits payable**

MPs death in service benefits due in 60 days.	51,043,893	818,917,277
MPs withdrawal benefits due in 60 days	-	5,669,228,608
Staff death in service benefits due in 60 days.	568,741,285	15,789,781
Staff withdrawal benefits due in 60 days.	102,660,814	445,792,333
MPs retirement benefits due in 60 days.	-	544,870,962
Total benefits payable	<b>12 722,445,992</b>	<b>7,494,598,961</b>

**13. Movement in the administrative reserve account**

Administrative reserve at the start of the year	1,037,415,044	945,730,458
Movement in the revaluation reserve	11,750,004	11,750,004
Administrative deficit/surplus for the year	(225,116,173)	79,934,582
Administrative reserve as at 30 June	<b>824,048,875</b>	<b>1,037,415,044</b>

**14. Movement in the actuarial revaluation reserve account**

For the year ended 30<sup>th</sup> June 2020, the Board carried out an actuarial review of the Scheme assets and by 30 June 2020, there was a surplus of Ugx. 8,553,842,000

	<b>2022</b>	<b>2021</b>
Note	<b>Ugx</b>	<b>Ugx</b>
Actuarial surplus at the start of the year	8,553,842,000	5,624,747,337
Increase in actuarial valuation as 30 June 2021		2,929,094,663
Accumulated actuarial reserve as at 30 June	<b>8,553,842,000</b>	<b>8,553,842,000</b>

**15. Movement in unvested reserve account**

Unvested reserve at the start of the year	37,591,448	37,591,448
Accumulated unvested reserve as at 30 June	<b>37,591,448</b>	<b>37,591,448</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 16. Interest to members

The PPA provides a guaranteed interest rate of 8% and a provision of Ugx. 18,921,194,501 for the year ended 30 June 2022 was made. The amount reported is derived by computing 8% interest on individual members' balances on a monthly basis and accumulated over the period for all members.

	<b>2022</b>	<b>2021</b>
	<b>UgX</b>	<b>UgX</b>
Guaranteed Interest (8%)	18,921,194,501	21,997,154,118
Total guaranteed interest	18,921,194,501	21,997,154,118

### 17. Declared interest

During the Annual general meeting held on 25<sup>th</sup> February 2022, the Board of Trustees declared 2.5% additional interest for the financial year 2020/2021.

### 18. Revaluation account

The revaluation account created as a result of the revaluation of the motor vehicle is reduced by the depreciation value of each year. The changes have been credited to the administrative reserve.

	<b>2022</b>	<b>2021</b>
	<b>Ugx</b>	<b>Ugx</b>
Revaluation of the motor vehicle	16,645,823	28,395,827
Changes in the administrative reserve	(11,750,004)	(11,750,004)
Revaluation reserve as at 30 June	4,895,819	16,645,823

### 19. General reserve account

General reserves account at the start of the year	961,917	961,917
General reserve as at 30 June	961,917	961,917

### 20. Loan protection fund

During the year, a loan protection fund of 2% was charged on all loans disbursed. Part of it was used to purchase an insurance policy on default due to death or permanent disability.

	<b>2022</b>	<b>2021</b>
	<b>Ugx</b>	<b>Ugx</b>
Loan protection fund at the start of the year	694,860,168	522,665,961
2% loan protection fee accumulated for the year	331,898,000	201,820,000
Insurance policy purchased	(100,923,507)	(63,025,560)
Bank charges	(442,750)	(609,500)
Interest earned on account balance	27,602,526	34,009,267
Loan protection fund as at 30 June	952,994,437	694,860,168

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**21. Total net assets**

Members accumulated fund		347,346,333,539	298,246,138,327
Administrative reserves	13	824,048,875	1,037,415,044
Loan protection fund	20	952,994,437	694,860,168
Revaluation reserve	18	4,895,819	16,645,823
Total net assets as at June 30.		<u>349,128,272,670</u>	<u>299,995,059,362</u>

**22. Property and equipment**

	<b>Furniture and Fittings</b> 12.50%	<b>Computer Equipment</b> 33.30%	<b>Office Equipment</b> 20%	<b>Motor Vehicle</b> 25%	<b>Total</b>
<b>Cost:</b>	<b>Ugx</b>	<b>Ugx</b>	<b>Ugx</b>	<b>Ugx</b>	<b>Ugx</b>
As at 1 July 2021	104,772,130	232,123,515	216,537,690	47,000,000	600,433,335
Fully depreciated assets as at June 2022	-	(167,388,245)	(12,913,490)	-	(180,301,735)
Additions during the year	16,135,576	5,392,600	20,299,000	297,656,100	339,483,276
As at 30 June 2022	<u>120,907,706</u>	<u>70,127,870</u>	<u>223,923,200</u>	<u>344,656,100</u>	<u>759,614,876</u>

**Depreciation:**

As at 1 July 2021	69,415,707	194,460,468	107,231,867	30,354,177	401,462,219
Accumulated depreciated for fully depreciated assets		(167,388,245)	(12,913,490)	-	(180,301,735)
Charge for the year	13,912,720	20,363,173	40,676,063	36,554,675	111,506,631
As at 30 June 2022	<u>83,328,427</u>	<u>47,435,396</u>	<u>134,994,440</u>	<u>66,908,852</u>	<u>332,667,115</u>

**Net Book value:**

As at 30 June 2021	<u>35,356,423</u>	<u>37,663,047</u>	<u>109,305,823</u>	<u>16,645,823</u>	<u>198,971,116</u>
WIP as 30 June 2022					79,110,740
As at 30 June 2022	<u>37,579,279</u>	<u>22,692,474</u>	<u>88,928,760</u>	<u>277,747,248</u>	<u>506,058,501</u>

**Note:** The costs of fully depreciated assets and their accumulated depreciation values have been removed

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 22.1. Property and equipment (continued)

The purchased assets during the year ended 30 June 2022 comprise of the following:

No.	Asset class	Asset	Note	Amount
				Ugx
1	Office equipment	Document scanner (1)	22	13,629,000
2		Generator (1)	22	4,920,000
3		Television (1)	22	1,750,000
4	Computer equipment	Desk top computer (2)	22	5,392,600
5	Motor vehicle	Motor vehicle (1)	22	297,656,100
6	Furniture and fittings	Office chairs (2)	22	6,480,000
7		Adjustable height desk (1)	22	1,400,000
8		Bookshelves	22	2,410,000
9		Partitioning of office	22	3,555,576
10		Office desk (1)	22	2,290,000
	<b>Total</b>			<b>339,483,276</b>

The WIP comprises of the following assets as in the PPE schedule as at June 2022:

No.	Asset class	Asset	Note	Amount
				Ugx
1	Office equipment	Road jump starter	22	4,720,000
2		Meeting recorder	22	4,602,000
3	Computer equipment	Application server	22	69,788,740
	<b>Total</b>			<b>79,110,740</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**23. Computer software**

**23.1 Oracle software, Document Management System (DMS) and website**

	<b>2022</b>	<b>2021</b>
	33.30%	33.30%
Cost:	Ugx	Ugx
As at 1 July	202,881,700	76,545,000
Additions (DMS)	-	77,366,700
Fully depreciated oracle software	(76,545,000)	-
Additions website	-	48,970,000
As at June 30, 2022	<u>126,336,700</u>	<u>202,881,700</u>
Amortization:		
As at 1 July	118,615,128	63,723,720
Accumulated depreciation of oracle software	(76,545,000)	-
Charge for the year	42,070,121	54,891,408
As at 30 June	<u>84,140,249</u>	<u>118,615,128</u>
Net Book value:		
As at 30 June	<u>42,196,451</u>	<u>84,266,572</u>
<b>23.2. Fund Master Software</b>		
Cost:		
As at July 01, 2021	-	-
Transfer from WIP	860,000,000	-
As at 30 June	<u>860,000,000</u>	<u>-</u>
Amortization:		
As at July 01, 2021	-	-
Charge for the year	167,055,000	-
As at 30 June	<u>167,055,000</u>	<u>-</u>
Net Book value:		
As at 30 June	<u>692,945,000</u>	<u>-</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**23.3. Work in progress (WIP)**

The Scheme signed a 3-year contract to upgrade the Pension Administration System. The upgrade of the pension administration system was fully completed and is in use.

	<b>2022</b>	<b>2021</b>
	<b>Ugx</b>	<b>Ugx</b>
Opening balance	860,000,000	937,366,700
Additions during the year:		
Transfer of Document Management System to Computer software	-	(77,366,700)
Transfer of Fund master software	(860,000,000)	-
Transfer of website to computer software		(48,970,000)
Website development	-	48,970,000
Work in Progress as at June 30.	-	860,000,000

Note:

The pension administration system has been transferred to computer software, Fund Master.

**23.4. Total computer software**

	<b>2022</b>	<b>2021</b>
	<b>Ugx</b>	<b>Ugx</b>
Oracle software	42,196,451	84,266,572
Fund master software	692,945,000	860,000,000
Total computer software as at 30 June	735,141,451	944,266,572

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**24 . Tax computation**

	Notes	2022	2021
		Ugx	Ugx
Investment income	25	41,622,677,532	38,389,984,568
Less: income where WHT is final tax	25.1	(37,127,357,003)	(34,753,610,729)
Income subject to income tax		4,495,320,529	3,636,373,839
Less: fund expenses	4	(2,697,954,449)	(2,372,129,493)
Less: operating expenses	6	(3,134,281,098)	(2,830,813,091)
Add back disallowable:			
Fund expenses	26	2,406,570,743	2,147,436,784
Operational Expenses	6	2,813,649,346	2,646,330,526
Depreciation	6	320,631,752	184,482,565
(Loss)/profit on sale of Investments		(492,129,364)	30,085,543
Less: wear and tear		(543,795,482)	(155,484,743)
Taxable Income after W&T	27	<b>3,168,011,977</b>	<b>3,286,281,930</b>

**25. Total investment income**

**25.1. Income where WHT is final**

Interest on treasury bills	3	50,573,217	3,947,428,771
Interest from government bonds	3	35,248,255,950	28,197,580,085
Dividend income	3	1,828,527,836	2,608,601,873
Total Investment Income where WHT is Final		<b>37,127,357,003</b>	<b>34,753,610,729</b>

The Withholding tax [WHT] deducted at source on the above investments is the final tax charged on the incomes.

**25.2 . Income where WHT is not final**

Interest from corporate bonds	3	4,951,526	18,490,410
Other sundry incomes	5	20,643,205	21,083,920
Interest income from operations	5	160,440,716	161,582,749
Interest income from unit trusts	3	1,326,798,040	581,994,870
Interest on fixed deposits	3	668,702,076	1,320,442,771
Interest income from loans	3	2,313,784,966	1,532,779,119
Total investment income where WHT is not final		4,495,320,529	3,636,373,839
Total Investment Income	24	<b>41,622,677,532</b>	<b>38,389,984,568</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 26. Fund expenses

Section 122 of the ITA states that all expenses where withholding tax is final shall not be allowed for the purposes of computing tax liability/asset for the year. The Scheme has apportioned the fund management fees based on the income approach as at 30 June 2022.

	Notes	2022 Ugx	2021 Ugx
Total fund expenses	4	2,697,954,449	2,372,129,493
Total investment income		41,622,677,532	38,389,984,568
Income where WHT is final		37,127,357,003	34,753,610,729
Investment income where WHT is not final		4,495,320,529	3,636,373,839
Proportion of total investment income where WHT is final		89%	91%
Proportion of total Investment income where WHT is not final		11%	9%
Disallowed Expenses:			
Fund expenses	24	2,406,570,743	2,147,436,784

Note: Percentage rounded off to whole numbers,

### 27. Tax expense

Taxable income	24	3,168,011,977	3,286,281,930
Tax charge @ 30%		950,403,593	985,884,579
Deferred tax charge	31	(14,715,933,363)	5,670,082,182
Add: Tax deducted at source (WHT)		5,185,973,591	6,396,250,623
Tax Expense charge for the year		(8,579,556,179)	13,052,217,384

### 28. Tax payment

During the year ended 30 June 2022, the Scheme paid provisional tax of Ugx. 1,033,654,388.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**29. Tax payable**

	Notes	2022	2021
		Ugx	Ugx
Tax charge payable	27	950,403,593	985,884,579
Opening tax liability		-	490,805,400
Less: Provisional tax paid for the year	28	(1,033,654,388)	(912,472,914)
Less: Final tax paid for the year		-	(490,805,400)
Less: WHT certificates		(111,956,669)	(169,318,099)
Tax payable	30	(195,207,464)	(95,906,434)

**30. Tax asset**

Opening balance		133,539,811	406,351,465
Opening tax liability		-	490,805,400
Tax payable for the year	29	195,207,464	95,906,434
WHT written off		(27,002,104)	(897,156,865)
Add: Withholding tax for the year		113,798,245	206,951,476
Less:			
Less: WHT claimed		(111,956,669)	(169,318,099)
Tax asset at year end		303,586,747	133,539,811

Note: Withholding tax written off relates to tax certificates not received and shall have expired due to passage of time.

**30.1. Cumulative split of tax asset and WHT receivables**

	2022	2021
	Ugx	Ugx
Tax credit with URA	291,113,898	95,906,434
Tax asset at year end	12,472,849	37,633,377
Tax asset at year end	303,586,747	133,539,811

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**31. Deferred tax**

Deferred tax is calculated in accordance with IAS 12 on all temporary differences under the liability method using a principal tax rate of 30%. The temporary differences arise between tax bases of assets and liabilities and their carrying amounts in the financial statements. The reconciliation of the deferred tax is as highlighted below:

	<b>2022</b>	<b>2021</b>	
	<b>Ugx</b>	<b>Ugx</b>	
Accelerated tax depreciation			
Carrying value as at 30 June	1,162,089,212	250,574,704	
Written down value as at 30 June	(982,629,949)	(326,942,156)	
Difference	179,459,263	(76,367,452)	
Deferred tax on fixed assets @ 30%	53,837,779	(22,910,236)	
Changes in fair value			
Changes in fair value	(33,768,120,904)	14,996,694,779	
Deferred Tax @ 30%	(10,130,436,271)	4,499,008,434	
Foreign Exchange losses			
Foreign Exchange losses	(567,209,694)	(23,087,451)	
Deferred Tax @ 30%	(170,162,909)	(6,926,235)	
Deferred tax charge for the year			
	<b>At 1 July</b>	<b>Credit/charge for the year</b>	<b>At 30 June</b>
	<b>2021</b>		<b>2022</b>
	<b>UgX</b>	<b>UgX</b>	<b>UgX</b>
Accelerated tax depreciation	(22,910,236)	76,748,015	53,837,779
Foreign exchange losses	(6,926,236)	(163,236,673)	(170,162,909)
Changes in fair value	4,499,008,434	(14,629,444,705)	(10,130,436,271)
<b>Net deferred tax asset/(liability)</b>	<b>4,469,171,962</b>	<b>(14,715,933,363)</b>	<b>(10,246,761,403)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**  
(CONTINUED)

**32. Investment allocation**

	<b>2022</b>	<b>2021</b>
	<b>UgX</b>	<b>UgX</b>
Government Treasury Bonds	236,267,223,766	210,698,978,672
Fixed deposits	18,288,169,287	19,649,741,372
Treasury bills	-	802,980,419
Unit trusts	36,016,517,025	-
Corporate bonds	-	131,905,923
Loans	19,269,128,782	11,495,329,554
Shares and equities	24,841,963,323	64,527,881,948
<b>Total investments (short and long term)</b>	<b>334,683,002,183</b>	<b>307,306,817,333</b>

Investment allocation

Gen Africa	165,003,201,256	156,415,473,076
Britam	148,779,399,991	137,991,866,258
Parliamentary Pension Scheme	20,900,400,936	12,899,477,999
	<b>334,683,002,183</b>	<b>307,306,817,333</b>

**32.1. Details of allocation GenAfrica**

Government treasury bond	124,593,074,857	103,716,374,016
Fixed deposits	3,003,207,611	13,156,071,232
Unit trusts	21,482,853,087	-
Corporate bonds	-	52,821,610
Shares and equities	15,924,065,701	39,490,206,218
<b>Total</b>	<b>165,003,201,256</b>	<b>156,415,473,076</b>

**Britam**

Government treasury bond	111,674,148,909	106,982,604,655
Fixed deposits	13,653,689,522	5,089,521,695
Treasury bills	-	802,980,419
Unit trusts	14,533,663,938	-
Corporate bonds	-	79,084,313
Shares and equities	8,917,897,622	25,037,675,176
<b>Total</b>	<b>148,779,399,991</b>	<b>137,991,866,258</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 32.1 Investment allocation (continued)

Parliamentary Pension Scheme

	2022	2021
	Ugx	Ugx
Loans	19,269,128,782	11,495,329,554
Fixed deposits	1,631,272,154	1,404,148,445
Total	20,900,400,936	12,899,477,999

### 33. Investment reconciliation (Member fund)

	Value as at 01/07/2021	Purchases at cost	Capitalized/ interest discounts	Sales /Proceeds/ Redemptions / Impairment loss	Changes in the Fair value	Value at 30.06.22
	Ugx	Ugx	Ugx	Ugx	Ugx	Ugx
Fixed deposits	19,649,741,372	269,970,155,449	83,345,538	(271,415,073,072)	-	18,288,169,287
Treasury bills	802,980,419	-	-	(802,980,419)	-	-
Corporate bonds	131,905,923	-	-	(131,905,923)	-	-
Shares	64,527,881,394	1,432,982,444	-	(33,703,974,419)	(7,414,926,096)	24,841,963,323
Loans	11,945,329,554	16,594,900,000	225,002,240	(9,496,103,012)	-	19,269,128,782
Unit trusts	-	34,689,718,985	1,326,798,040	-	-	36,016,517,025
Treasury bonds	210,698,978,672	82,278,895,648	7,662,390,320	(38,019,846,066)	(26,353,194,808)	236,267,223,766
<b>Total</b>	<b>307,756,817,334</b>	<b>404,966,652,526</b>	<b>9,297,536,138</b>	<b>(353,569,882,911)</b>	<b>(33,768,120,904)</b>	<b>334,683,002,183</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 34. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2022.

### 35 . Financial risk management

The Trustees are charged with the overall responsibility of oversight of the Scheme's risk management framework. The Trustees are responsible for developing and monitoring the risk management policies, identifying, analyzing, and mitigating the risks faced by the Scheme.

#### (a) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations on its financial liabilities. The Scheme undertakes regular Cash flow projections to identify and provide for financial obligations that may fall due. Immediate liquidity needs are settled from monthly contributions from the Sponsor.

#### Management of liquidity risk

The Scheme funds are raised mainly from contributions received from both Sponsor and members of the Scheme.

The Scheme strives to maintain a balance between continuity of funding and flexibility through the use of investment assets with a range of maturities. The Scheme continually assesses liquidity risk by identifying and monitoring changes in funding and adjust investment plans accordingly.

#### Management of investment risk

Key measures used by the Scheme for managing investment risk are the asset mix limits. Details of the asset mix at the reporting date were as shown in Table 7 below:

**Table 7: Investment asset mix**

Category of asset class	Limit	2022	%	2021	%
	As per IPS	Ugx		Ugx	
Government securities	60% - 80%	236,267,223,766	70.11	210,698,978,672	68.12
Treasury bills	0% - 80%	-	-	802,980,419	0.26
Unit trusts	0% - 8%	36,016,517,025	10.69	0	-
Corporate bonds	2% - 4%	-	-	131,905,923	0.04
Fixed deposits	0% - 10%	18,288,169,287	5.43	19,649,741,372	6.35
Domestic equities	5% - 10%	7,669,650,913	2.28	11,098,445,013	3.59
Regional equities	5% - 10%	17,172,312,410	5.10	53,429,436,935	17.27
Others (loans)	0% - 5%	19,269,128,782	5.72	11,495,329,554	3.72
Cash	0% - 2%	2,304,024,056	0.68	2,011,043,245	0.65
		<b>336,987,026,239</b>	<b>100</b>	<b>309,317,861,133</b>	<b>100</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

Table 8 below analyzes assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity dates:

**Table 8: Assets and liabilities into relevant maturity groupings**

	Up to 3 months	3-12 months	1 - 5 years	Over 5 years	Total
Government securities	-	7,662,390,320	76,197,568,553	152,407,264,893	236,267,223,766
Fixed deposits	3,000,000,000	15,288,169,287	-	-	18,288,169,287
Domestic Equities	324,071,923	538,718,655	430,974,927	6,375,885,408	7,669,650,913
Unit Trusts	-	3,601,651,703	32,414,865,323	-	36,016,517,025
Regional Equities	-	2,975,839,078	1,891,026,963	12,305,446,369	17,172,312,410
Loans	-	5,190,449,180	14,078,679,602	-	19,269,128,782
Cash at Bank	3,714,527,678	-	-	-	3,714,527,678
Receivables	-	767,990,247	39,447,000	-	807,437,247
Total Assets	7,038,599,601	36,025,208,470	125,052,562,367	171,088,596,670	339,204,967,108
Other Liabilities and accrued expenses	1,495,918,985	961,917	371,361,638	-	1,868,242,540
Total Liabilities	1,495,918,985	961,917	371,361,638	-	1,868,242,540
Liquidity gap					
<b>At 30 June 2022</b>	<b>5,542,680,616</b>	<b>36,024,246,553</b>	<b>124,681,200,729</b>	<b>171,088,596,670</b>	<b>337,336,724,568</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

(CONTINUED)

### **(b) Market risk**

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while optimizing the return on investment.

#### **Management of market risks**

The authority of management of the market risk is vested with the Scheme's investment managers.

#### **Interest rate risk**

The Scheme's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Scheme business strategies. Interest rate monitoring is done by the investment managers and Investment and Custody Committee of the Board. The Scheme does not have any significant interest rate risk exposures.

#### **Currency risk**

The Scheme is exposed to currency risk through transactions in foreign currencies. The Scheme's transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of changes in net assets available for benefits. In respect of monetary assets and liabilities in foreign currencies, the Scheme ensures that its net exposure is kept to acceptable levels. Monitoring of foreign currency fluctuations is done through the Scheme's investment managers. The Scheme's assets and liabilities are reported in Uganda shillings

### **(c) Non-financial risk**

In addition to the risks discussed above, the Scheme is also exposed to a number of non-financial risks. Non-financial risk encompasses operational risk and business risk.

#### **Operational risk**

This is the risk of direct or indirect impacts resulting from inadequate or failed internal processes or systems or from external events. Major sources of operational risk include implementation of strategic change, outsourcing of operations, fraud, error, regulatory compliance among others. Operational risk is managed and monitored by the Scheme's Trustees and the presence of the Internal Audit function.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

(CONTINUED)

### **Business risk**

This is the risk of adverse impact resulting from poor choice of strategy, markets, products, activities, or structures. Major potential sources of business risk include revenue volatility due to factors outside our control; inflexible cost structures; uncompetitive products or pricing; and structural inefficiencies. Parliamentary Pension Scheme is continuously reinforcing its commitment to the management of these risks. The Scheme will continue to implement advanced financial and non-financial risk management processes to mitigate losses and reduce exposure.

### **36. Related party transaction**

There were no related party transactions during the period ended 30 June 2022.

### **37. Impact of Russian - Ukraine War**

The Ukraine/ Russian conflict has contracted national economies globally and also in the East African region. The increased geopolitical risks induced by the Russian invasion of Ukraine weighed adversely on global economic conditions throughout 2022. Such effects disrupted the supply chain leading to scarcity and increase in prices of household items, high fuel prices boosting inflation significantly. Foreign investors sold shareholding leading to a fall in share prices. The high Inflation rate adversely affected financial markets.

Given the unforeseen circumstance from the conflicts it's difficult to anticipate the likely impact of such disruptions to the going concern of the Scheme. Management will continue to closely monitor the effects of such disruptions on the operations of the Scheme and make regular reports to the Board and the Regulator for appropriate remedial action.

## ACTUARIAL VALUATION REPORT

### Purpose

The actuarial valuation was done in order to determine the funding status of the Scheme as at 30<sup>th</sup> June 2020.

### Valuation Basis

A summary of the valuation assumptions is as follows: -

#### Financial assumptions

- A long-term investment return of 10% p.a is used to place a present value on future benefit payment.
- Pension increase of 4% p.a. and a guaranteed period of 15 years.

#### Demographic assumptions

- Rates of mortality after retirement was based on the "Pensioner Annuity", PA (90) ultimate mortality tables with mortality improvement of 1% per annum from age 60.

Valuation Results	JUNE 2020 (UGX. 000)	JUNE 2017 (UGX. 000)	JUNE 2014 (UGX. 000)
Total Value of Assets	312,113,763	152,133,644	66,384,457
Total value of Liabilities	(303,559,921)	(147,811,769)	(65,834,199)
Surplus	8,553,842	4,321,874	550,258
Funding Level	102.8%	102.9%	100.8%

### Valuator Statement

The Valuator hereby certifies that the Scheme is in a financially sound condition as at 30<sup>th</sup> June 2020.

The actuarial valuation was undertaken by **Mr. T.W. Doubell of ARGEN Actuarial Solutions**

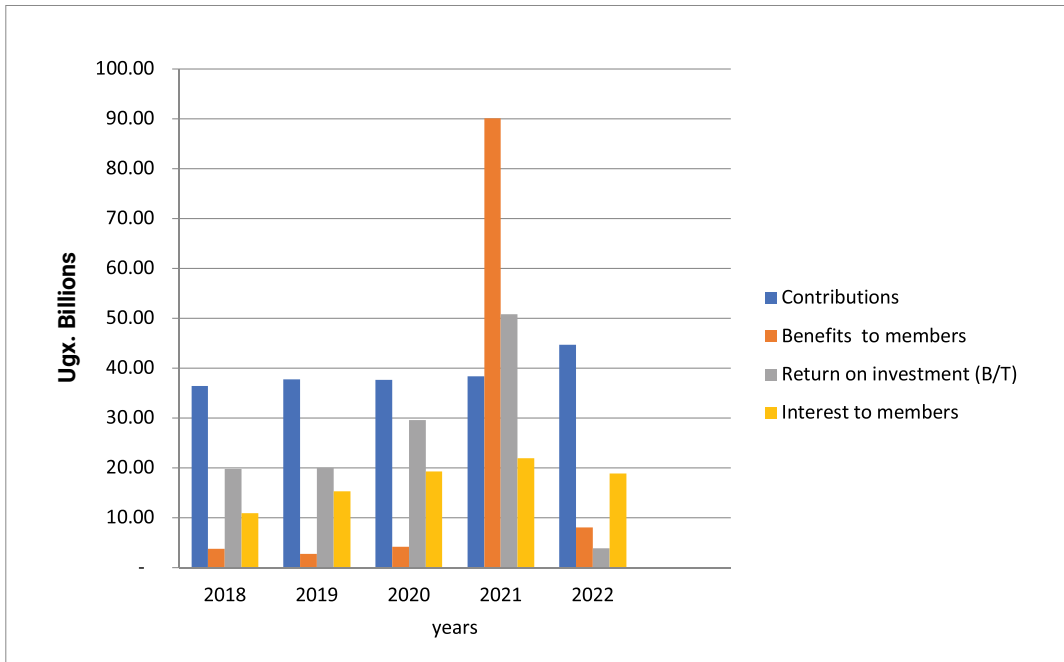
## FIVE YEAR FINANCIAL STATISTICS

The financial statistics shows the performance and growth of the Scheme over a period of 5 years.

**Table 9: 5-year financial statistics (in UGX Billion)**

Details	2018	2019	2020	2021	2022
Contributions	36.41	37.81	37.67	38.4	44.71
Benefits to Members	3.75	2.78	4.17	90.06	8.11
Return on Investment (B/T)	23.06	19.97	29.55	50.84	3.9
Interest to Members	10.97	15.3	19.24	21.99	18.92
<b>Total Fund &amp; Reserve</b>	<b>204.55</b>	<b>257.21</b>	<b>313.61</b>	<b>299.99</b>	<b>349.12</b>
Bank Balance	6.71	2.22	3.44	3.89	3.71
Fixed Deposit	18.05	20.51	12.02	19.65	18.29
Treasury Bills	31.13	19.34	26.94	0.803	0.000
Corporate Bonds	0.53	0.42	0.29	0.132	0.000
Government Bonds	92.52	149.15	207.87	210.69	236.27
Quoted Shares	45.69	47.95	50.36	64.53	24.84
Loans	10.82	14.65	10.78	11.490	19.27
Unit Trusts	0	0	0	0	36.02
Net Current Liabilities (assets)	(0.9)	2.97	1.91	(11.20)	10.72
<b>Net Assets</b>	<b>204.55</b>	<b>257.21</b>	<b>313.61</b>	<b>299.99</b>	<b>349.12</b>

**Figure 4: Summary of 5-year financial statistics**



## ONE YEAR FINANCIAL PROJECTIONS

The projection shows the incomes and Benefits to be made by the Scheme for a period of 1-year, 2022/2023.

**Table 10: 1 Year Projections (in UGX Billion)**

<b>Income</b>	<b>Amount [Bn] UgX.</b>
Fixed Deposit	0.694
Treasury Bills	0.314
Government Bonds	38.123
Quoted Shares	1.268
Unit Trust	2.817
Loans	2.875
<b>Total Projected Income</b>	<b>46.091</b>
Benefits	
Withdrawal	32.590
Retirements	1.630
Pensions	6.360
Death in service	2.280
<b>Total Projected benefit</b>	<b>42.860</b>

### Assumptions

1. Inflation changes and prices would not adversely affect investments of the Scheme.
2. There will be local demand for goods and services.
3. Recovery in the private sector.
4. Peace and security will be maintained.
5. Favorable weather conditions.
6. Increase in domestic borrowing.

## ONE YEAR FINANCIAL PERFORMANCE AGAINST PROJECTIONS 2021/2022

One-year financial performance of the Scheme against projection for incomes and Benefits to be made by the Scheme for year ended 2021/2022 is shown in Table 11 below:

**Table 11: 1 Year Performance against Projections (in UGX Billion) 2021/2022**

	<b>Projected Income 2021/2022</b>	<b>Actual Income 2021/2022</b>	<b>Variance 2021/2022</b>
	<b>Amount [UgX]</b>	<b>Amount [UgX]</b>	<b>Amount [UgX]</b>
<b>Income</b>			
Fixed Deposits.	2.25	0.67	(1.58)
Corporate Bonds	0.01	0.004	(0.006)
Loans	1.54	2.31	0.77
Treasury Bills	4.24	0.05	(4.19)
Bonds	33.52	35.25	1.73
Dividends	1.48	1.83	0.35
Unit Trusts	-	1.33	1.33
<b>Total Projected Income.</b>	<b>43.04</b>	<b>41.44</b>	<b>(1.60)</b>
<b>Benefits</b>	<b>Projected Benefits</b>	<b>Actual Benefits</b>	<b>Variance</b>
	<b>Amount [UgX]</b>	<b>Amount [UgX]</b>	<b>Amount [UgX]</b>
Withdrawal benefits	2.13	1.46	(0.67)
Retirement Lumpsum	1.41	0.38	(1.03)
Death in Service benefits	6.24	0.58	(5.66)
Pensions	3.55	5.68	2.13
<b>Projected Benefits</b>	<b>13.33</b>	<b>8.10</b>	<b>(5.23)</b>







## **PARLIAMENTARY PENSION SCHEME**

-  Plot 9-11 Parliament Avenue  
Development House  
P.O.Box 7178, Kampala-Uganda
-  Email: [pension@parliament.go.ug](mailto:pension@parliament.go.ug)
-  Tel: +256-414 377 860