

Retirement.

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Every morning across Uganda's markets, farms, and roadside stalls, millions of workers begin another day of labour, with little certainty about what life will look like when they can no longer work.

From boda boda riders in Kampala to farmers in rural districts, most Ugandans have no formal retirement savings. In fact, only about four million Ugandans are covered by pension schemes, according to the 2024/25 Retirement Benefits Sector Annual Report, despite the sector growing rapidly.

The numbers illustrate the pressure that the country continues to struggle with, amid a significant growth in its aging population.

The Retirement Benefits Sector Annual Report by Uganda Retirement Benefits Regulatory Authority indicates that pension assets, in the 12 months to June 2025, expanded sharply to Shs30.7 trillion, marking a 21 percent increase.

The report also shows that the average 14.6 percent return on investment was impressive.

The growth reflects rising contributions, improved investment performance and increased financial awareness among employers and employees, which as a result, has seen retirement savings now account for 13.6 percent of Gross Domestic Product (GDP), a signal of the growing importance of pensions to the country's financial system.

However, the expansion masks a major challenge: only about four million Ugandans are currently covered by retirement benefit schemes, which leaves the majority of the workforce without formal retirement savings.

Why? The main reason is the country's labor structure, which is designed for workers in the formal sector, such as government employees and corporate staff.

Yet the informal sector dominates Uganda's economy, with about 84 percent of the 20 million workers, including farmers, traders, boda boda riders, domestic workers, and small business operators, remaining outside formal pension arrangements.

This gap tells the possibility of expansion in old-age poverty if reforms are not implemented to expand pension coverage.

Only 4 million Ugandans save for retirement: Why?



Data shows that the pension gap presents serious challenges for families and government. Only four million workers are covered by retirement schemes, leaving 84 percent without security in old age. PHOTO/FILE

Threat of an aging population

The challenge is becoming more urgent as Uganda's population gradually ages. The URBRA report indicates that the country currently has about 2.3 million elderly citizens, a number expected to more than double to over 5.4 million by 2050.

While Uganda still has a relatively

young population, the rapid growth in the number of older citizens will place increasing pressure on government resources if most workers reach retirement without savings.

It also risks increasing the dependence burden, which has been made worse by a young and youth population.

Thus, without adequate pension systems, future retirees may depend heavily on family support or government social assistance.

Reforms in the pension system

To address long-standing weaknesses in the pension system, government recently enacted the Public Service Pension Fund Act, 2025, which introduces a pre-funded contributory pension scheme for civil servants.

The reform aims to replace the traditional non-contributory system that relied heavily on government funding and had become increasingly expensive to sustain.

The new arrangement will help ensure more predictable and sustainable retirement benefits for public sector workers while reducing the fiscal burden on government.

The URBRA report also highlights how pension funds are invested across the economy. A large share of retirement savings is placed in relatively low-risk government securities.

The report shows that 80.25 percent of pension assets were, during the period, invested in government securities, while 10.94 percent and 5.27 percent were invested in quoted equities and in real estate. Smaller portions were placed in private equity and other investments.

While this strategy protects savings, greater diversification could generate higher long-term returns and stimulate economic growth through investments in infrastructure, private equity, and emerging industries.

The next big challenge

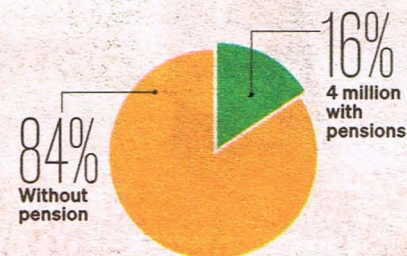
As Uganda seeks to grow its economy under the government's Tenfold Growth Strategy, policymakers see pension reform as essential to boosting domestic savings.

The strategy seeks to increase domestic savings from 21 percent to 40 percent of gross domestic product by 2040, with the retirement benefits sector expected to play a central role.

To achieve this, regulators are exploring new approaches including digital platforms, innovative pension products, and targeted schemes for informal sector workers.

Without such reforms, experts warn that millions of Ugandans could reach old age without financial security.

Retirement benefits sector coverage



Source: 2024/25 Retirement Benefits Sector Annual Report