

ANNOUNCEMENT

UAPF reminds of the importance of regular pension contributions

The pension system plays a key role in ensuring citizens' financial stability after retirement. Kazakhstan currently operates a **multi-tier pension system** consisting of a basic and solidarity pension (funded by the state), as well as compulsory and voluntary pensions (funded by existing pension savings and investment income).

The basic pension is accrued upon reaching retirement age and depends on the length of service in the pension system. Beginning in 2023, the minimum basic pension will be gradually increased annually over five years to 70% of the subsistence minimum (for up to 10 years of service). The maximum pension will be increased to 118% of the subsistence minimum in 2026 and 120% of the subsistence minimum from 2027 (for a total service of 34 years or more). Work experience after 1998 is confirmed exclusively by regular compulsory pension contributions.

CONCLUSION: Regular pension contributions confirm work experience and influence the amount of the basic pension.

A solidarity (PAYG) pension is paid to those with at least six months of work experience acquired before January 1, 1998. The amount of pension benefits depends on the length of service before 1998 and the average monthly income for any three consecutive years, starting from January 1, 1998, until reaching retirement age. Income is confirmed by the amount of monthly pension contributions.

CONCLUSION: Regular pension contributions confirm income and influence the calculation of the solidarity pension.

A funded pension is paid from individual pension savings and depends on the amount of accumulated funds: the more savings, the higher the payment.

The amount of monthly pension benefits is calculated in accordance with the approved methodology. Starting in 2021, the annual pension benefit amount in the first year is calculated as the product of the pension savings and the payment rate. The calculation formula is as follows:

*the amount of pension savings * 6.5% / 12 = the monthly benefit amount in the first year.*

In subsequent years, monthly pension benefits are determined by increasing the monthly pension benefit amount for the previous year by the pension indexation rate of 5%. Savings are paid out until the pension account is depleted.

CONCLUSION: The size of pension savings affects the amount and duration of pension benefits.

Therefore, participation in the funded system affects the total pension amount. With the reduction of the solidarity component and given current conditions (changes in the demographic structure, population aging, and labor market transformation), the importance of the funded component is increasingly increasing.

The funded pension system in Kazakhstan includes the following types of contributions: compulsory pension contributions (10% of the employee's salary, deducted monthly by the employer), compulsory occupational pension contributions (5% of the income of workers in hazardous and dangerous professions, paid by the employer from their own budget), and employer's compulsory pension contributions (ECPC) from 2024 for all employees born in 1975 and later (from 1.5% in 2024, gradually increasing to 5% in 2028, and 3.5% in 2026).

Also, effective January 1, 2026, in connection with the entry into force of the new Tax Code of the Republic of Kazakhstan and amendments to the Social Code of the Republic of Kazakhstan, updated special tax regimes (STRs) were introduced in Kazakhstan: for the self-employed, based on a simplified declaration, and for peasant farms (PF). These regimes regulate not only the payment of taxes by self-employed citizens but also compulsory pension contributions.

In particular, those using the STR for self-employed individuals pay compulsory pension contributions (CPC) and employer's compulsory pension contributions (ECPC) on their income:

- CPC – 1% of income,
- ECPC – 1% of income.

For self-employed individuals using this STR and operating through online platforms and/or mobile platform employment apps, the operator of the online platform will withhold and transfer the CPC and ECPC.¹

The pension contribution rates for the simplified declaration STR and the PF STR are standard and are:

- CPC - 10% of income,
- ECPC - 3.5% of income in 2026, with subsequent annual increases to 5% in 2028.

An additional component of pension capital formation is voluntary pension contributions. VPC can be made on behalf of relatives, and employers can contribute on behalf of their employees. Regularity is also important, as pension benefit payments from the VPC can be received before retirement age – starting at age 50.

The UAPF constantly recommends that its contributors (beneficiaries) monitor the status of their pension savings in their individual pension savings account (IPSA), including paying attention to the timely transfer/receipt of pension contributions/LSPBPs to your individual pension savings account with the UAPF. Unfortunately, there are cases where an employer fails to fulfill or partially fulfills their obligations. It is important to note that the Social Code clearly defines the obligation of employers to pay compulsory pension contributions. The State Revenue Committee is responsible for monitoring the timeliness and completeness of compulsory pension contributions by employers. If an employer commits any violations against an employee, it is necessary to contact the State Revenue Committee. Therefore, it is a good idea to regularly check the status of pension savings in your IPSA.

For continuous monitoring of your pension account, the fastest and most convenient way is to receive a statement through your personal account on the Fund's website or in the mobile app. Information about pension accounts can be accessed not only through the UAPF website but also through the e-government portal egov.kz or its mobile app, eGov mobile. The statement provides all the information a contributor needs. Specifically, the total amount of savings is separately indicated, including the accumulated funds by contribution type. The statement also shows which organization transferred pension contributions and when. You can also see the investment income for the requested period. This is convenient for citizens accustomed to receiving government services through a single platform.

Regular contributions foster a habit of saving and planning for their financial future. For contributors' convenience, UAPF offers the ability to forecast and plan their desired pension using a pension calculator and a personal pension plan, allowing you to calculate the level of future pension benefits and adjust your savings strategy. These tools are available on the UAPF website and mobile app. Using them will help not only in calculating your pension amount but also in solving current financial problems.

It's crucial to remember that pension savings are primarily intended to ensure a decent standard of living after retirement. Therefore, it's important to strive to have as much savings as possible by the time you retire. Active and regular participation in building your pension savings is essential to ensuring an adequate pension in the future.

UAPF consulting services are available through messaging apps (chatbot on WhatsApp and Viber at +7 777 000 14 18), the call center at 1418 (toll-free within Kazakhstan), the corporate website enpf.kz, and the official UAPF social media pages: Instagram, Facebook, VKontakte, Telegram, and Odnoklassniki.

¹ Internet platform operator (operator) - an individual entrepreneur or legal entity that provides services using an Internet platform to provide technical, organizational (including services involving third parties to provide work or services), informational and other capabilities using information technologies and systems to establish contacts and conclude transactions for the provision of services and the performance of work between contractors and customers registered on the Internet platform (Article 102 of the Social Code of the Republic of Kazakhstan)

UAPF was founded on August 22, 2013 on the basis of GNPF APF JSC. The founder and shareholder of the UAPF is the Government of the Republic of Kazakhstan represented by the State Institution Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan. Trust management of UAPF pension assets is carried out by the National Bank of the Republic of Kazakhstan. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, employer's compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, as well as carries out enrollment and accounting of voluntary pension contributions formed at the expense of the unclaimed amount of guaranteed compensation for the guaranteed deposit, transferred by the organization carrying out mandatory guarantee of deposits, in accordance with the Law of the Republic of Kazakhstan "On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan", ensures the implementation of pension benefits. The Fund also carries out accounting of target assets and target requirements, accounting and crediting of target savings (TS) to target savings accounts, payments of TS to their recipients in bank accounts, accounting for returns of TS in the manner determined by the Government of the Republic of Kazakhstan within the framework of the National Fund for Children program (More details at www.enpf.kz)