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ANNOUNCEMENT

How pension savings are protected in different countries

International experience shows that countries use various mechanisms to protect pension savings depending on the specifics of their national pension system.

In most countries, the protection of pension system participants' rights is ensured by mechanisms such as insurance against the risk of default on pension payment obligations, state oversight of pension funds and management companies, and the establishment of requirements for their financial stability and risk management systems. Consequently, the primary focus is on creating a **robust regulatory system, effective oversight, and the distribution of responsibilities** between the state, funds, and management companies.

In the **United States**, defined benefit (DB) corporate pension plans are protected by the federal insurance system through the Pension Benefit Guaranty Corporation (PBGC)[1], which ensures that employees' pension obligations under the corporate pension plan are met (up to statutory limits) in the event of the employer's default on the employee's retirement savings.

In the **United Kingdom**, the Pension Protection Fund (PPF)[2] performs similar functions. Similar mechanisms exist in **Germany**. However, these insurance systems **only apply to defined benefit (DB) corporate pension plans** and do not apply to defined contribution (DC) pension plans.

Some countries provide mechanisms to ensure a **minimum return** on pension savings. These can be set either in absolute nominal terms (e.g., Belgium, Switzerland, Malaysia, Singapore) or in relative terms, i.e., compared to a certain benchmark, such as the average return (in Latin American countries). In **Belgium and Switzerland**, legislation sets a minimum nominal rate of return on mandatory occupational pension funds, which is used to calculate the employer's obligations under its employee's pension plans.

In **several Latin American countries** (Chile, Colombia, El Salvador), the minimum return is determined relative to the average return among the corresponding types of pension funds. If the pension fund manager (AFP) fails to meet the minimum return, the difference is covered by established reserves (guarantee reserve).

A **number of Asian countries** also have minimum return requirements for pension savings. In Malaysia, the Employees' Pension Fund (EPF) guarantees a nominal return on pension savings of at least 2.5% per annum. In Singapore, the Central Provident Fund (CPF)

[1] Who we are | Pension Benefit Guaranty Corporation
[2] https://www.ppf.co.uk/?utm

provides a minimum nominal return of 2.5% to 4% per annum (depending on the account type).

In **virtually all OECD countries**, the activities of pension funds and management companies are subject to risk-based government oversight, accompanied by strict requirements for capital adequacy, reserve formation, risk management systems, and compliance with professional investment standards for client assets.

Thus, as funded pension systems develop, the emphasis is increasingly shifting to effective regulation, risk-based supervision, and expanding the rights and investment opportunities of contributors.

Kazakhstan's pension system is also developing in this direction. As a reminder, legislative changes provide for expanded opportunities for citizens to manage their pension savings. Contributors will be able to independently select one or more management companies offering various investment strategies and portfolios and entrust them with the management of up to 100% of their savings.

With expanding investment opportunities and the implementation of measures to improve pension provision, approaches to preserving pension savings are also changing. Effective January 1, 2027, the state guarantee will be to ensure the preservation of compulsory pension contributions and compulsory occupational pension contributions to the Unified Accumulative Pension Fund (UAPF) in the amount of actual contributions. The state's primary obligations, however, focus on maintaining the adequacy of the state component of pensions (basic and solidarity pensions).

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)

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