

Accumulate, save and increase!

It is no secret that many of our citizens still treat pension contributions as a mandatory but intangible payment, or even panic unreasonably, declaring that everything is gone, someone appropriated pension savings, and so on to the very limits of violent fantasy. Why such pessimism and negative forecasts? For older people who survived defaults, the loss of savings in banks in the 90s and other financial shocks, such thoughts are understandable, younger people doubt, it seems, for the company or out of ignorance. We decided to find out, is it worth worrying?

First of all, I turned to the “letter of the law” and asked Madina Syzdykova, head of the department for legal support of pension activities of UAPF JSC, to comment on it.

- *Article 50 of the Law of the Republic of Kazakhstan On Pension Provision in the Republic of Kazakhstan (hereinafter referred to as the Law) states that the rights of individuals to pension assets formed at the expense of compulsory pension contributions (CPC), compulsory occupational pension contributions (COPC) and voluntary pension contributions, belong to the category of property rights provided for by the Law and can be used exclusively for the purposes defined by the Law, including for the implementation of pension benefit payments, lump-sum pension benefits in order to improve housing conditions and (or) pay for medical treatment in accordance with the legislation of the Republic of Kazakhstan. Please explain it to the layman in a simple and accessible language.*

- In a “simple” language, **pension savings are the property of the contributor and the safety of CPC, COPC is guaranteed by the state.** Kazakhstan is perhaps the only country in the world where there is a state guarantee of the safety of pension contributions at the expense of CPC, COPC citizens. The Kazakhstan’s accumulative system, in accordance with Article 5 of the said Law, guarantees beneficiaries the safety of CPC and COPC in UAPF in the amount of actually paid CPC, COPC, taking into account the level of inflation at the time of obtaining the right to pension benefits from UAPF in accordance with the Law. In other words, for example, when a person reaches retirement age and the amount of pension savings in UAPF is less than the amount of actually paid CPC, COPC, taking into account inflation, the State Corporation "Government for Citizens" (State Corporation) calculates the amount of the difference and pays it to the beneficiary's bank account.

- *This means that fears about the safety of pension savings are in vain and you can be sure that they are reliably protected and this does not depend on how events develop in the financial markets and the situation with investment income. And when does the right to use this property come?*

- As we have already determined, pension assets belong to the category of proprietary rights. The right to pension benefits comes in the presence of the conditions determined by the Law. Pension benefit payments from UAPF are made from pension savings formed from compulsory pension contributions (CPC), compulsory occupational pension contributions (COPC) in the form of monthly pension payments according to the established schedule and (or) insurance payments from an insurance organization in accordance with a pension annuity agreement and (or) at a time when leaving for a permanent place of residence outside the Republic of Kazakhstan to foreigners and stateless persons who have submitted documents, determined by the legislation of the Republic of Kazakhstan, confirming the fact of departure.

Payments according to the schedule are assigned, first of all, upon the onset of retirement age (for men it is 63 years, for women - 61 years) or in case of disability of 1 or 2 groups, established indefinitely. At the same time, if the amount of pension savings of these persons on the date of the beneficiary's application for pension benefit does not exceed twelve times the minimum pension established by the law on the republican budget for the corresponding financial year, this amount is paid to the beneficiary from the UAPF in a lump sum (in 2023 this amount is 636,912 tenge (12 * 53,076 tenge)).

- *Can I use my pension savings before retirement age??*

- Before retirement age, as already mentioned, persons with disabilities of group 1 or 2, established indefinitely, are entitled to pension benefits according to the schedule from the UAPF.

Also, before the retirement age, you can use your pension savings at the expense of CPC, COPC in the form of lump-sum pension benefits, which are made in the manner and within the time limits also established by the legislation of the Republic of Kazakhstan, namely, in order to improve housing conditions and (or) pay for medical treatment in your own benefit or spouse or close relatives in the presence of one of the following conditions:

- if the amount of pension savings at the expense of CPC and (or) COPC, available on the individual pension saving account (s) (IPSA) of the contributor, exceeds the minimum pension savings adequacy threshold;
- if the amount of the pension, and for retired judges, the amount of the monthly allowance ensures the replacement rate of the beneficiary's average monthly income at a level of at least 40 percent, determined in the manner determined by the Government of the Republic of Kazakhstan;
- if the contributor has concluded a pension annuity agreement with an insurance company.

From January 2021, citizens have the right to use part of their pension savings at the expense of CPC, COPC for transfer to investment management companies managing investment portfolio - IPM. But let us clarify that this is not the receipt of pension savings, not withdrawing them from the pension system, but the opportunity to take part in the investment management of one's pension savings through the choice of the IPM investment strategy.

- And what will happen to pension savings if a person is going to leave Kazakhstan for good?

- Pension payments from UAPF to foreigners and stateless persons who have left for a permanent place of residence outside the Republic of Kazakhstan, who have submitted documents specified by the legislation of the Republic of Kazakhstan, confirming the fact of departure, are made at a time. But for this you need to go through the procedure of leaving for a permanent place of residence outside the Republic of Kazakhstan. To receive a payment from UAPF in connection with leaving for a permanent place of residence outside the Republic of Kazakhstan, it is necessary to submit to the UAPF a list of documents approved by the Government of the Republic of Kazakhstan.

- And if the contributor dies, who will get his savings?

- In the event of the death of a beneficiary, as well as a person who has pension savings in the UAPF and has not reached retirement age, first of all, his family or the person who performed the burial must apply to the UAPF for a lump sum payment for burial if the deceased person has pension savings in the IPSA in UAPF. This amount is equal to the amount of 52.4 times the monthly calculation index established for the corresponding financial year by the law on the republican budget (in 2023 it is equal to 180,780 tenge), but not more than the pension savings available on the PSA.

In the event that the balance of pension savings on the beneficiary's IPSA after the lump-sum payment for burial is an amount not exceeding the minimum pension established for the corresponding financial year by the law on the republican budget (in 2023 - 53,076 tenge), this balance is paid as a payment for burial.

Further, the heirs of a deceased person who has pension savings in the UAPF, as well as persons who have applied for pension savings recognized as escheat property by a judicial act, are paid from the UAPF in a lump sum.

- I don't want to end our conversation on a sad note. Our contributor is alive, healthy, and has lived to retirement age. Where can he apply for pension benefits?

- Upon reaching the retirement age, a person needs to apply to the State Corporation (PSC) and submit a single application there for receiving a pension from both the state (basic and solidary) and payments from the UAPF. UAPF transfers to the State Corporation the amounts of pension benefits of beneficiaries, calculated in accordance with the Decree of the Government of

the Republic of Kazakhstan, in accordance with the schedule of pension benefit payments of the State Corporation.

The State Corporation transfers the amounts of pension payments received from the UAPF to the bank accounts of the beneficiaries previously submitted by the beneficiarie to the State Corporation when assigning pension benefits by age and the state basic pension payment.

- Well, everything is clear, thanks for the conversation, Madina! Now I am calm and confident that my pension savings will not only wait for me until retirement age, but will also increase! I wish the same for all our readers!

By Baqyt Ospanov