

ANNOUNCEMENT

Choose your pension benefit payment method

The pension system in Kazakhstan provides contributors (beneficiaries) with more and more opportunities to participate in the planning of pension capital and their material security after the end of employment. A competitive environment is being formed in the field of asset management with the possibility of their transfer to an investment portfolio manager (IPM) and the choice of different investment strategies. Subject to the sufficiency of pension savings, before the retirement age, they can be used to improve housing conditions or pay for medical treatment. The most far-sighted contributors (beneficiaries) when forming their future pension, in addition to the compulsory types of contributions, add voluntary.

Today, UAPF contributors (beneficiaries) can choose different sources of benefits thanks to an alternative type of pension provision - a pension annuity offered by insurance companies. A pension annuity is a financial insurance instrument that allows UAPF contributors to receive a “pension” ahead of schedule, but subject to the sufficiency of pension savings. Along with pension benefits from the UAPF, it is intended to pay for post-employment needs when other sources of income may not be available.

The sufficiency of pension savings is determined by the terms of the pension annuity agreement with an insurance company, which we recommend that you carefully read when deciding on the transfer of pension savings. When concluding a pension annuity agreement with an insurance company, their pension savings are transferred from the UAPF to the selected company in the manner prescribed by law.

In order to increase the availability of pension annuities, in February 2023, changes were made to the legislation, in accordance with which the minimum indexation rate of benefits increased from 5% to 7%, and the maximum rate of return - from 6% to 9%. Also, as part of the new changes, the average life expectancy of persons with disabilities and those working in hazardous working conditions was taken into account.

In addition, it is possible to use the so-called “deferred” pension annuity from the age of 45, but pension benefits on it can be received from the age of 55. At the same time, persons who have at least 5 years of work experience in hazardous working conditions can acquire such an annuity from the age of 40, but with benefit payments from the age of 50.

Since 2022, another pension instrument has appeared - a joint (or family) annuity. A joint pension annuity for couples and close relatives is an insurance product that provides the opportunity to pool their savings and receive lifetime benefits without waiting for official retirement. For example, couples can use it if one spouse does not have enough pension savings to purchase a retirement annuity, and the second has a surplus.

Note that if the contributor transferred all pension savings from the UAPF to an insurance company and further pension contributions to the UAPF are not made, then from the moment the retirement age is reached, payments from the Fund will not be made. Kazakhstanis who have a surplus in the UAPF account will be able to receive both insurance benefit from the insurer and pension from UAPF in the future.

Annuity Features:

- it is possible to receive pension benefits before the official retirement age;

- payments are made until the end of life, even if their amount exceeds the amount of the transferred savings to the insurance company;
- annually the size of the pension is indexed by 7%;
- the recipient of insurance payments (beneficiary) when buying a pension annuity transfers the ownership of the savings to the insurance company, that is, he will not be able to use them for alternative needs, withdraw them when moving to permanent residence in another country, in the event of his death, the savings will not be able to be inherited by relatives. However, under the pension annuity agreement, it is possible to provide for a guaranteed period of pension benefit payments, during which certain payments will be transferred first to the beneficiary, and in the event of his death, to the heirs. Thus, when the recipient of pension benefit payments passes away, monthly benefits will be made to his heirs until the end of the guaranteed period. In this case, the minimum amount for registration of a pension annuity in this case will be higher.
- benefit amounts are clearly defined and known in advance.

Before deciding to transfer pension savings to an insurance organization, we advise you to carefully analyze both proposed methods for receiving a pension: from the UAPF and through a pension annuity.

The calculation on the calculator on the UAPF website of the expected future pension from the Fund, as well as, for comparison, the possible insurance benefit from an insurance company under a pension annuity agreement, can help in making a decision.

From November 2022, Kazakhstanis have the right to a partial refund from the insurance company back to the UAPF. Persons who have concluded a pension annuity agreement have the right not earlier than two years from the date of its conclusion to apply to an insurance company with an application to change the terms of the agreement in terms of reducing the amount of insurance benefits and returning money to the UAPF. At the same time, the insurance organization must retain an amount that ensures for life the size of the monthly insurance benefit of at least 70% of the subsistence minimum in force on the date of amendments to the pension annuity agreement. Insurance organizations are obliged within 20 calendar days from the date of the insured's application to transfer to the UAPF the amount of money to be returned.

If we talk about fresh statistics, then in 2022, KZT25.99 billion was transferred to insurance organizations from the UAPF, the number of contributors (beneficiaries) - 2,985. At the same time, the return of the redemption amount, that is, part of the savings that the insurance company returns in case termination of the contract amounted to KZT3.37 billion for 493 contributors.

From the beginning of 2023, as of May 1, 2023, the amount of transfers of pension savings to insurance organizations amounted to about KZT5.96 billion, the number of contributors - 1,428. Return of the redemption amount - KZT3.43 billion to 602 contributors (beneficiaries).

The UAPF was established on August 22, 2013 on the basis of GNPf APF JSC. The UAPF founder and shareholder 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. UAPF pension assets are managed by the National Bank of the Republic of Kazakhstan. From January 1, 2016, the functions for developing proposals to improve the management of pension assets were transferred to the National Fund Management Council. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, compulsory occupational pension contributions, voluntary

pension contributions, pension benefits, individual accounting of pension accumulations and benefits, provides the contributor (beneficiary) with information on the status of his pension accumulations (for more information visit www.enpf.kz)