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## ANNOUNCEMENT

### **The 25th meeting of the Public Council under the UAPF was held**

On the eve of the entry into force of the Social Code, the first item on the agenda of the meeting of the Public Council was the discussion of this important document for the country. In order to clarify its main aspects, the Council invited **Nazgul Sagyndykova**, the Vice Minister of Labor and Social Protection of the Population of the Republic of Kazakhstan. The Vice Minister dwelled in detail on the coverage of the main novelties of the code, while drawing attention to its structure, where all the chapters are located according to the life cycle of a citizen of the country from birth to old age.

The speaker emphasized that the first novel is dedicated to the digital family map, which is formed on the basis of data from all existing information systems of state bodies and contains information about 6.3 million Kazakh families or 19.4 million citizens. The main goal of its implementation is to ensure equal access of Kazakhstanis to the system of state support. The digital map serves as a tool for forming social policy directions, as well as informing people about the state support they are entitled to, based on the social status and degree of well-being of family members. She also noted that benefits and payments will be assigned in a proactive format based on information system data.

The Vice Minister spoke about new approaches to social support for families with children, which will be carried out based on social status using a digital family card.

In addition, issues of targeted social support, increasing the availability of social services, novelties related to social insurance, as well as employment of the population were covered.

Particular attention was paid to the area of pension provision. Nazgul Yerikovna informed about changes in the parameters for calculating the size of basic and solidarity pensions, a gradual increase in the minimum size of basic pension benefits to 70%, the maximum to 120% of the subsistence minimum.

It was noted that the increase in the size of pensions will be facilitated, among other things, by the introduction of a notional funded pension component at the expense of employers' compulsory pension contributions (ECPC) in favor of employees. ECPC will be phased in over five years, starting at 1.5% in 2024 to 5% by 2027. This measure is aimed at increasing the level of pension provision for the younger generation of Kazakhstanis. The amount of their pension directly depends on pension contributions, and it consists of 3 components: a basic pension benefit and a solidarity pension from the state, a funded one from their own contributions and a notional funded one from contributions from employers.

Discussing the report of the Vice Minister, the members of the Council expressed the opinion that it is necessary to amend the legislation, introducing the personalized nature of the employee's savings at the expense of the employer's contributions, since this is in line with the principles of social justice and the ideology of the accumulative pension system -

the individual formation of one's pension savings during the period of employment for securing a life in retirement.

**Turning to the second issue**, the Council heard information from Acting Director of the Department for Accounting and Reporting of Pension Assets of UAPF JSC **Aliya Tusseyeva** on the specifics of accounting for pension savings. The speaker informed about the main legal acts regulating the process of accounting for financial instruments acquired in the portfolio of investments in pension assets, classification of financial assets (in comparison with IFRS standards and standards used by UAPF JSC), the procedure for classifying them as financial assets, their valuation at amortized and fair value in accordance with the valuation rules, etc., and also provided information on financial reporting standards applied by pension funds/operators in foreign countries.

After the presentation of the report, Council member **Murat Temirkhanov** noted that it is necessary to apply reporting on pension assets in accordance with International Financial Reporting Standards (IFRS), which guarantee its reliability and take into account the assessment of assets at fair value. He argued his opinion by the fact that thanks to the report, which reflects the real profit / loss from asset investments as of the current date, contributors and external users can objectively assess the effectiveness of pension asset management.

Representatives of the National Bank (NBRK) and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (ARKRDFM) invited to the meeting of the Council commented on this statement.

**Almabek Zhanbekov, Deputy Director of the Securities Market Department of the ARKRDFM**, **Almabek Zhanbekov**, explained that the accounting standards are determined by the NBRK, while UAPF JSC shows and discloses information in the annual audited report in full, there are no fundamental differences in accounting for assets of the adopted standards with IFRS standards.

However, in the context of a significant increase in rates, there is no need to constantly revalue long-term securities held to maturity at current rates, and, given the long-term nature of investments, it is more appropriate to classify them at amortized cost, which avoids the impact of frequent rate fluctuations and excessive volatility during one economic period. cycle, these fluctuations do not reflect the economic essence of return/loss in the long term.

**Assel Maldybekova, Deputy Director of the Accounting Department of the NBRK**, noted that the adopted reporting standards of UAPF JSC do not contradict IFRS standards. Each country has its own reporting standards. IFRS is a set of rules that determine how companies keep financial records, what business transactions to reflect in it and how to prepare reports. IFRS describes only the principles of preparing financial statements, which

involve the variability in the use of judgments, and the adopted national accounting standards strictly regulate the methods of its maintenance and execution. She stressed that UAPF JSC unequivocally evaluates assets at fair value. However, the issue of classification is relevant: what criteria should be used for it. She noted that sometimes there are situations when there is no need to reflect the instrument at current value, since the possible fixation of a temporary loss may affect the amount of pensions of those who are receiving it at the moment.

Since pension assets are “long” money, this approach was supported by members of the Council **Adil Mamazhanov** and **Azamat Dzholdasbekov**, who emphasized that when assessing long-term investments in the pension portfolio, first of all, it is necessary to take into account not short-term changes in indicators, but the correlation of the sufficiency of the value of assets to fulfill obligations to contributors.

At the end of the meeting, the Council resolved a number of organizational issues. In particular, the election of the leadership of the PC was held. Yerlan Burabayev, Managing Director of the Association of Financiers of Kazakhstan, was again elected Chairman of the Council, and well-known journalist Irina Ledovskikh was elected as his Deputy.

*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](http://www.enpf.kz))*