

ANNOUNCEMENT

Kazakhstan entered the top twenty countries with the best pension systems

The largest German insurance company and one of the world leaders in this industry, Allianz, has prepared a report on the quality of pension provision and the sustainability of national pension systems. The Allianz Global Pension Report used criteria for the financial stability of the pension system, demographics and the adequacy of pension benefits for 70 countries (data as of March 2020).

According to the results of the study, Kazakhstan entered the top twenty, gaining an indicator of 3.48 and became the leader among the countries of the Commonwealth of Independent States (CIS). Of the former USSR countries, only Latvia is ahead of Kazakhstan, which became the 13th. Estonia and Lithuania are located on the 25th and 27th lines, respectively. Russia took 33rd place in the ranking, and Ukraine - 56th.

Sweden became the best pension system with a score of 2.91, followed by Belgium with a small margin - 2.92; Denmark - 2.96; New Zealand is at 3.00 and the US rounds out the top five at -3.04. Australia, the Netherlands, Norway, Bulgaria and Canada are also in the top ten. Sri Lanka, UAE and Lebanon closed the list of 70 countries.

It should be noted that Allianz uses its own Allianz Pension Index (API), which is based on comprehensive analysis. The index consists of three subgroups and takes into account 30 parameters, which are evaluated on a scale from 1 to 7 points, with 1 being the highest grade. By summarizing all the weighted subtotals by subgroup, the API assigns a score of 1 to 7 to each of the 70 countries analyzed, providing a comprehensive view of the respective pension system.

The first subgroup covers issues of demographic trends and financial capacity. In particular, government spending on pensions, population aging, etc.

The second concerns the overall stability of the pension system. The peculiarity of the second subgroup is that Indonesia and Bulgaria, countries that have recently increased the retirement age and reduced the burden on the budget, have become leaders in these indicators. Saudi Arabia, Sri Lanka and Malaysia, where retirement ages are still 60 and below, and other demographic factors are absent, are at the bottom of the subgroup at number two.

The third subgroup assesses how the pension system can provide an adequate standard of living in old age. Here, the leaders are countries with high retirement benefits like Austria, Italy, New Zealand and the Netherlands. At the bottom of this subgroup are developing countries such as Nigeria and Laos.

Ludovic Subran, chief economist at Allianz, notes that less attention is now paid to pension issues than to other contemporary challenges.

- Even before the outbreak of the coronavirus infection Covid-19, we faced a costly problem - climate change. We need to address these and other serious problems now, but another one is brewing on which we need to shed light. So, given demographic changes, policies aimed at today's retirees are not in the interests of the younger generation, who will eventually have to pay their bills, literally and figuratively. We hope that our analyzes and ratings of pension systems around the world will help revitalize public debate about the correct structure of pension policy, the role of the state and pension funds (public and private). While everyone seems to be focusing on Covid-19 right now, pension policy is too important to be overlooked in the fight against the virus. A big crisis of the pension system around the world is impending and this problem must be solved today, - says Ludovic Subran.

Unfortunately, in the near future, almost all countries of the world will face pension problems, because in just 30 years, in 2050, the number of people of retirement age in the world will exceed 1.5 billion. The sharp demographic shift is best characterized by an increase in the global dependency ratio of retirees: by 2050, it will grow by a staggering 25-77%, i.e. faster than in the last 70 years since 1950. In

many developing countries, this figure will more than double over the next three decades, less than half the time it took in Europe and North America. The most striking example is China, where the dependency ratio will rise from 17% to 44%. However, the main cause for concern for developed countries is the absolute level of this indicator, reaching, for example, 51% in Western Europe.

This year, another challenge to the pension systems has appeared - the coronavirus (Covid-19) pandemic, which provoked a heavy blow to the economies of almost all countries of the world. A decrease in quotations on stock markets, a decrease in energy prices and a decrease in interest rates affected both the decrease in pension assets and private savings of citizens. But the Covid-19 factor should become temporary, since pension assets are long-term investments, which subsequently should not only return to their previous positions, but also increase yield. But here, again, everything depends on the economic recovery after the coronavirus pandemic.

Already, Allianz experts suggest that the governments of the countries begin gradually reforming pension systems, one of the measures of which is to adjust the retirement age in accordance with life expectancy, as well as the possibility of citizens' employment after reaching retirement age. At the same time, it is emphasized that the quality of life of pensioners should not suffer, and they should receive decent pension benefits.

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)