

## ANNOUNCEMENT

### 5 questions - MARCH

**1. I read that pension accounts of UAPF contributors will be closed if no contributions are made? I am currently unemployed, does this mean that my account will be closed? Where, then, will my savings go?**

In connection with the introduction of 03/01/2021. of the *Rules for keeping records of pension savings from compulsory pension contributions, compulsory occupational pension contributions and voluntary pension contributions to individual pension saving accounts (IPSA) of contributors (beneficiaries)*, approved by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated February 12, 2021 No. 27, we explain that the IPSA of the UAPF contributors, on which, after 1 (one) month, there are no pension savings are to close. That is, the “empty” IPSA, for which no contributions are made, will be closed. For example, earlier a contributor opened an account, applying for a job, applied for opening an account, or entered into an agreement on pension benefits, but for some reason did not start paying contributions, perhaps even forgot about it.

It should be recalled here that since 2019, to open an IPSA in the UAPF for accounting for compulsory pension contributions (CPC), an individual does not need to apply, an account is opened in the UAPF information system automatically upon receipt of the first contribution, the identification of an individual is carried out according to the personal data specified in the electronic format of a payment order when transferring a pension contribution, and receives all the necessary information about the details of the current document and other details of the UAPF from the information systems of state bodies. The contributor is considered to have acceded to the agreement on pension provision at the expense of the CPC from the day the UAPF receives an electronic notification from the State Corporation "Government for Citizens".

Thus, if there are savings on IPSA, but it is temporarily not replenished, it will remain in the system, and investment income will continue to be accrued on it. Only accounts without savings will be closed. If a person gets a job again, or starts making a single aggregate payment, then a new account will be opened automatically from the first salary, that is, the emergence of "empty" accounts (without savings) for CPC accounting is excluded, and there will always be an opportunity for contributions payment to the new IPSA.

Also, IPSA will be closed, from which benefits payment and transfers of the entire amount of pension savings were made and after the payment or transfer was made within one month, no contributions were received.

As long as there is some amount of pension contributions on your IPSA, your account will not be closed.

**2. I would like to transfer my pension savings to investment management companies. How to do this and how much can I transfer?**

To transfer pension savings into trust by the investment manager (IM), first of all, the UAPF contributor needs to check whether there are sufficient pension savings in his individual pension saving account to transfer to IM. This can be done in your personal account on the [enpf.kz](http://enpf.kz) website or in the UAPF mobile application.

Pension savings can be transferred to IM:

- in the amount not exceeding the difference between the actual amount of the contributor's pension savings and the threshold for the minimum sufficiency of pension savings; or
- in an amount not exceeding the balance of pension savings due to compulsory pension contributions and (or) compulsory occupational pension contributions to its IPSA, if there is a concluded pension annuity agreement with an insurance organization.

After the contributor is convinced of the sufficiency of pension savings in his pension account, he can submit a written application to the UAPF for the transfer of a certain amount of savings to IM. If a person

has entered into a pension annuity agreement with an insurance company and he has accumulated savings on IPSA in the UAPF, he can also entrust them to IM.

The application can be submitted using an electronic digital signature through a personal account on the website [www.enpf.kz](http://www.enpf.kz), where there are detailed instructions for transferring savings or by personal contact to any regional branch of the UAPF, while you must have an identity document with you.

UAPF transfers part of pension savings in excess of the sufficiency amount to IM trust management within 30 (thirty) calendar days after the date of receipt of the application. The rest of the Applicant's pension savings will continue to be managed by the National Bank of the Republic of Kazakhstan.

The UAPF will keep a general record of savings in the contributor's individual pension account.

### **3. I am afraid of transferring my savings to investment management to private companies, what if they do not justify their trust? Can I return them to UAPF?**

The state guarantee of the safety of compulsory pension contributions, compulsory occupational pension contributions in the amount of actually paid compulsory pension contributions, compulsory occupational contributions, taking into account the inflation rate, is provided only for amounts under the management of the National Bank of the Republic of Kazakhstan.

IM in the event of a negative difference between the nominal return on pension assets received by IM and the minimum return on pension assets calculated in accordance with the Law and the ARFR regulatory legal act, reimburses the UAPF for this negative difference at the expense of equity capital in the manner and terms established by the regulatory legal act by the ARFR act, for the subsequent transfer of this amount to the contributor, whose pension accumulations were in trust management of this IM as of the end of the year preceding the year in which the compensation is made. At the same time, the specified amount is credited to the individual pension saving account of the contributor, opened with the UAPF.

The minimum level of return will be calculated from the weighted average return on pension assets transferred to the management of an IM operating in the market. Information on the indicators of the minimum return and the weighted average return on pension assets will be published monthly on the official Internet resource of the National Bank of the Republic of Kazakhstan.

According to the Law of the Republic of Kazakhstan *On Pension Provision in the Republic of Kazakhstan*, IMs are entitled to charge a commission for investment management. The limit value of IM remuneration cannot exceed 7.5% of the received investment income. The actual amount of the commission will be approved annually by the IM governing body and may not change more than once a year.

The contributor has the right:

- no more than once a year to submit an application for changing IM to transfer their pension savings into trust from one IM to another IM;

- submit to the UAPF an application for the return of pension savings held in trust by IM to the trust management of the National Bank (no earlier than two years after the initial transfer of pension savings to trust by IM).

10 calendar days before the contributor reaches retirement age, his pension savings, taking into account investment income, will be returned under the management of the National Bank of the Republic of Kazakhstan (if they were in IM trust management before this date) and used for the purpose of making pension benefit payments according to the schedule, conclusion of a pension annuity agreement or for other purposes stipulated by law.

### **4. My brother applied for an early withdrawal of funds, he was refused. Can he file again?**

As a result of the analysis of applications for receiving lump-sum pension benefits received from authorized operators, the following main reasons can be identified and advice on how to eliminate them and prevent them in the future can be given.

The first reason: in the contributor's application submitted to the authorized operator, an incorrect amount for withdrawal is indicated, including with an excess of existing pension savings.

Recommendation: check the current information about your pension savings, including information about the available amount (in your personal account on the [enpf.kz](http://enpf.kz) website, in the UAPF mobile application, on the [egov.kz](http://egov.kz) portal) immediately before submitting an application to an authorized operator for receiving one-time pension benefits.

The second reason is that the amount to be withdrawn is incorrectly indicated when choosing the method of payment for the individual income tax (ИТ).

Recommendation: in case of targeted withdrawal of savings (for housing, medical treatment), the contributor has the right to choose one of two methods of paying the ИТ. The first way is to take advantage of the deferred payment of the ИТ and pay the ИТ in equal monthly installments for no more than sixteen years after retirement (according to the established schedule of pension benefits from the UAPF). The second way is to pay tax in full immediately upon a lump sum pension benefit. The method of paying the ИТ should be indicated in the application to the authorized operator.

If the contributor decides to take advantage of the deferred payment of the ИТ, then it is necessary to indicate in the application the amount for withdrawal without deducting the ИТ.

If the contributor decides to pay the ИТ immediately in full, then he must indicate in the application the amount to be withdrawn minus the ИТ in the amount of 10%.

Both amounts are already indicated in the statement provided by the UAPF to the contributor, for his convenience and independent choice. The amount specified by the contributor for withdrawal will be transferred from the UAPF to his special account opened with an authorized operator.

The third reason: the contributor's application indicated the amount requested for withdrawal, without taking into account the minimum sufficiency threshold (for example, the entire amount of pension savings available in the individual pension account is indicated).

Recommendation: the application should indicate the amount, within the amount available for withdrawal and indicated in the statement, received by the contributor in the UAPF.

The fourth reason: the application indicated an irrelevant amount that does not take into account changes in the amount of pension savings due to market fluctuations in investment income as a result of changes in exchange rates or the value of financial instruments in the investment portfolio of pension assets.

Recommendation: Check the current information about your retirement savings, including information about the available amount, immediately before applying for a lump sum pension benefit.

Fifth reason: the contributor submitted repeated, duplicate applications.

Recommendation: wait. In accordance with the legislation, within five working days from the day the UAPF receives an electronic notification from the authorized operator, the UAPF transfers to the operator the amount of a lump-sum pension benefit for subsequent crediting to a special account of the contributor (beneficiary) opened by the authorized operator.

If the UAPF has not received an electronic notification of the refusal to transfer the benefit with an indication of the reason for the refusal from the UAPF, the contributor should wait five working days before the date of transfer of the amount of savings to his special account and not submit repeated applications to the authorized operator.

Recall that if a contributor to the UAPF has an amount that exceeds the sufficiency threshold, an application for its use can be submitted an unlimited number of times. If, for any reason, the contributor was denied the application for a lump-sum pension benefit, then, having eliminated the reason for the denial, you can reapply to the authorized operator. If the contributor wishes to use his savings for different purposes, then separate applications for these purposes can be submitted within the limits of the amount available for withdrawal.

## **5. I heard that the methodology for calculating benefits has changed. How is it calculated now?**

The size of the monthly pension benefit from the UAPF is determined as one twelfth of the annual amount of pension benefits, calculated in accordance with the provisions of the Decree of the Government of the Republic of Kazakhstan dated October 2, 2013 No. 1042 (Appendix 2 Methodology for calculating the amount of pension benefits). At the same time, the monthly pension benefit from the UAPF is carried out in the amount of at least 70% of the subsistence minimum. (Previously, the monthly pension benefit from the UAPF was carried out in the amount of at least 54% of the subsistence level).

In accordance with the Methodology for calculating the amount of pension benefits from April 1, 2021, the annual amount of pension benefits in the first year of making pension benefits will be calculated as the product of the amount of pension savings by the rate of payments of pension savings - 6.5%.

In subsequent years, the size of the monthly pension benefit will be recalculated by annually increasing the size of the monthly pension benefit for the previous year by the rate of indexation of pension benefits - 5%.

Let's give an example:

PA amount = KZT 6,000,000

The annual amount of pension benefits in the first year:  $6,000,000 * 6.5\% = \text{KZT } 390,000$ ;

The size of the monthly pension benefit in the first year:  $390,000/12 \text{ months} = \text{KZT } 32,500$ ;

The size of the monthly pension benefit for the second year:  $32,500 + 32,500 * 5\% = \text{KZT } 34,125$ .

In addition, the Methodology for calculating the amount of pension benefits provides for adjustment increasing coefficients for beneficiaries of certain categories: people with disabilities of groups 1 or 2, established indefinitely, as well as people who worked in hazardous industries, whose savings are formed from compulsory occupational pension contributions to aggregate of at least sixty months. In this case, for persons who satisfy more than one of the above conditions, the correction factor with the highest value is applied.

It should be noted that the specified methodology for calculating the amount of pension benefits applies to relations that have arisen since April 1, 2021.

For persons who have exercised their right to receive pension benefits from the UAPF before January 1, 2018, the annual pension benefit is at least thirty times the minimum pension (in 2021,  $30 * 43,272 = \text{KZT } 1,298,160$ ). Payments are made according to the previously selected schedule.

To persons who have exercised their right to receive pension benefits from the UAPF from January 1, 2018 to March 31, 2021 (inclusive), according to the new Methodology for calculating the amount of pension benefits, from January 1, 2022, monthly pension benefits will be increased by the rate of indexation of pension benefits in the amount of 5%, with subsequent annual indexation.

Thus, the new Methodology for calculating the size of pension benefits takes into account the peculiarities of the working conditions and health of beneficiaries, and will also contribute to an increase in the annual amount of payments from the UAPF.

Recall that pension benefits from the UAPF are paid out until the exhaustion of pension savings in the individual pension saving account.

*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))*