

ANNOUNCEMENT

Investment portfolio managers: how to choose and what you need to know

As you know, our pension savings consist of pension contributions and accrued investment income. The investment of pension assets is carried out by the National Bank of the Republic of Kazakhstan, and from 2021 - by investment portfolio managers (IPM). The main purpose of such trust management of pension savings through compulsory pension contributions (CPC) and (or) compulsory occupational pension contributions (CPPC) is to invest in various financial instruments and generate income.

Recall that from January 2021, in accordance with the law, every citizen of Kazakhstan has the right to transfer part of their pension savings at the expense of CPC and (or) COPC to private management investment companies for trust management. This right can be used by contributors who have not reached retirement age and have pension savings at the expense of CPC and (or) COPC that exceed the “minimum sufficiency threshold”, as well as contributors who have concluded pension annuity agreements with insurance companies that provide them with lifelong annuity payments.

Which Companies Are Allowed to Manage Retirement Savings with CPC and/or COPC?

The Agency of the Republic of Kazakhstan for the regulation and development of the financial market (authorized body) has developed special requirements for IPM. IPM have a license to manage an investment portfolio, successful experience in the market and managing clients' assets, positive results of financial and economic activities over the past few years, sufficient equity capital to cover losses associated with investing pension assets, etc. IPMs are entered in the register of the authorized body. In addition, IPM must conclude an agreement with UAPF on trust management of pension assets, as well as have a tripartite custodial agreement with UAPF and a custodian bank.

As of April 1, 2023, the register of IPMs that meet all the requirements for managing pension assets includes five IPMs: Jusan invest JSC, BCC Invest JSC, Centras Securities JSC, Halyk Global Markets JSC. Their list is available on the website enpf.kz.

How to Choose Your Pension Savings Management Company?

Pension asset managers - the National Bank and IPM have their own strategy for investing pension assets and independently determine the structure of the investment portfolio within the framework of the investment declaration. Thus, IPM themselves determine which financial instruments within the list of permitted activities in accordance with the *Rules for the implementation of investment portfolio management activities* will be used for investing pension assets. These can be financial instruments in various sectors of the economy, different currencies in Kazakhstan and abroad.

Before transferring part of pension savings at the expense of CPC and (or) COPC to IPM's trust management, it is recommended that you familiarize yourself with the current list of IPMs on the market, study their investment declarations on the UAPF website, investment activity reviews, and learn more about the experience and results of the selected private company.

You can get acquainted with information about them and study their investment declarations on the website www.enpf.kz in the "Services" section - "[Register of Investment Portfolio Managers](#)". Detailed statistics on the transfer of pension savings at the expense of CPC and (or) COPC to trust management is also available on the website www.enpf.kz in the section "Indicators" - "[Transfer of pension savings to management companies](#)".

After choosing the IPM that best suits your investment preferences, you need to apply to the UAPF with an application for the transfer of pension savings at the expense of CPC and (or) COPC to the trust management of one or more IPM.

What Is Important to Know When Transferring Pension Savings to IPM?

- An application for the transfer of pension savings at the expense of CPC and (or) COPC to trust management in the UAPF can be submitted through a personal account on the enpf.kz website using an EDS or by contacting a branch.
- Pension savings from CPC and/or COPC are transferred within 30 calendar days from the date of receipt of the application. It can be canceled until the UAPF transfers the declared amount to IPM. The status of consideration can be checked in your personal account on the Fund's website.
- IPMs are entitled to charge an investment management fee not exceeding 7.5% of investment income. The actual amount of the commission is annually approved by the IPM management body and can change no more than once a year. Up-to-date information on the IPM commission fee for 2023 is available on the enpf.kz website in the section: "Services" - "[Register of Investment Portfolio Managers](#)".
- Pension savings from CPC and/or COPC can be transferred from one IPM to another no more than once a year. If you decide to return the savings to the management of the NBRK, then this can be done two years after the transfer of pension savings at the expense of CPC and / or COPC from the NBRK to IPM.
- 10 working days before the contributor reaches the retirement age, all pension savings at the expense of the contributor's CPC and (or) COPC are returned under the investment management of the National Bank.

All the necessary information and step-by-step instructions for transferring part of pension savings at the expense of CPC and (or) COPC to IPM are available on the website www.enpf.kz in the "Services" section - "[Transferring part of pension savings to trust management](#)".

Social Code Empowers

On March 16, 2023, the Senate of the Parliament of the Republic of Kazakhstan adopted a draft Social Code (scheduled to come into force on July 1, 2023), according to which contributors are given the right to transfer up to 50% of pension savings at the expense of CPC and (or) COPC to IPM, regardless of sufficiency threshold, voluntary pension contributions (VPC) - within the amount available in the individual pension saving account (IPSA). At the same time, the government provides a guarantee of the safety of pension savings at the expense of CPC and (or) COPC, taking into account the level of inflation, in that part of the savings that is managed by the National Bank of the Republic of Kazakhstan. Responsibility for

the safety of pension savings at the expense of CPC and (or) COPC transferred to IPM management lies with the IPM chosen by the contributor.

Responsibility of the Selected IPM to the UAPF Contributor

So, during the period when pension savings are under the control of the National Bank until the contributor reaches age of retirement, there is a guarantee of the safety of pension savings, taking into account the level of inflation. When transferring pension savings to IPM trust management, the state guarantee is replaced by the guarantee of the management company to ensure the minimum level of return on pension assets, which is calculated based on the weighted average return on pension assets transferred to the management of IPM operating on the market. Indicators of minimum yield and weighted average yield on pension assets are calculated monthly and published on the official website of the National Bank of the Republic of Kazakhstan.

In the event of a negative difference at the end of the year between the nominal yield received by IPM and the minimum value of the yield on pension assets, the management company is obliged to compensate this difference to the contributor at its own expense. Thus, IPM risks not only its reputation, but also its own capital. Therefore, the number of IPMs is small and the requirements are very high. They have sufficient capital to cover possible risks.

REFERENCE:

As of April 1, 2023, 3,421 people entrusted their pension savings at the expense of CPC and (or) COPC to IPM management, transferring KZT8.8 billion on 5,957 applications. Some contributors have chosen to transfer some of their CPC and/or COPC retirement savings to several IPMs. Average transfer amount: about KZT1.5 million. At the same time, the total amount of funds managed by IPM, taking into account investment income, is about KZT9.6 billion.

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)