

UAPF answers actual questions

1. Good afternoon, can I receive lump sum pension benefits for medical treatment and housing from the compulsory occupational pension contributions?

From July 1, 2023, in accordance with the adopted Social Code of the Republic of Kazakhstan, one lump sum pension benefits for housing and medical treatment will be made from pension savings formed only from compulsory pension contributions (CPC).

From the same date, CPC contributors who are beneficiaries of seniority pensions (i.e. former military personnel and equivalent retirees) will also be eligible for lump sum pension benefits for housing improvement and/or medical treatment.

2. By chance, I found out that the one-time payment for burial for family members of the deceased has increased. What size of payment can I get?

On July 1, 2023, the Social Code of the Republic of Kazakhstan came into force, which provides for a number of innovations, including those relating to the conditions for benefit payments to the family for burial from the pension savings of the deceased person.

According to paragraph 3 of Article 242 of the Social Code, in the event of the death of a person who has pension savings in the UAPF, the members of his family of the UAPF are made a one-time payment for burial at the expense of the pension savings of the deceased person within the amount of 94 times the monthly calculation index (hereinafter - MCI) established for the corresponding financial year by the law on the republican budget, but not more than the funds of the deceased person available on the individual pension saving account (hereinafter - IPSA).

In the event that after the lump sum payment for burial, the balance of pension savings on the IPSA of the deceased person after the lump sum payment for funeral is an amount not exceeding the minimum pension established for the relevant financial year by the law on the republican budget, this balance is also paid for burial to family members deceased along with a one-time payment for burial.

Recall that earlier the Law of the Republic of Kazakhstan *On Pension Provision in the Republic of Kazakhstan*, which became invalid from July 1, 2023, provided that an application for a one-time payment for burial could also be submitted by persons who carried out the burial, and the payment amounted to an amount equal to 52.4 times MCI.

Now, from July 1, 2023, the amount of the lump-sum benefit payment for burial in the event of the death of a person who has pension savings in the UAPF has increased from 52.4 times to 94 times the MCI established for the corresponding financial year by the law on the republican budget, but not more than those available for IPSA in UAPF means the deceased person. At the same time, a one-time payment for burial from the UAPF can only be paid to family members of a deceased person who has pension savings in the UAPF.

3. What documents are required to receive a funeral benefit and how long can I receive a payment in the event of the death of my close relative?

The list of documents may vary depending on the age of the person who submits the documents. If this is a child under 14, then the documents must be submitted by his legal representative. If it is a minor from 14 to 18 years of age, the consent of his legal representative is required. In addition, the list of documents for family members of the deceased can be significantly reduced if the database of state bodies contains information about the death of the person, as well as information confirming family ties with the deceased person who has IPSA in the UAPF.

The full list of documents required for the UAPF to make lump sum payment for burial can be found on the UAPF website.

Lump-sum payments for burial from the UAPF in the event of the death of a person who has pension savings in the UAPF are made within 5 (five) business days from the date of receipt of documents by the UAPF.

If pension savings remain on the IPSA in the UAPF after the lump-sum payment for burial, then they are further inherited in the manner established by the Civil Code of the Republic of Kazakhstan.

4. What commission do investment portfolio managers, NBRK and UAPF charge for their services??

Starting from 2021, UAPF does not charge any commission on investment income. It is charged only by pension asset managers: the National Bank of the Republic of Kazakhstan and investment portfolio managers.

According to the Social Code, which entered into force on July 1, 2023, the commission fee of the UAPF is 0.008% per month of pension assets (there was a decrease from 0.001%). Also, the amount of the commission is additionally limited - it cannot be more than the amount defined as the product of 0.04 times the monthly calculation index (MCI) established by the law on the republican budget and effective as of January 1 of the corresponding financial year and the number of individual pension saving accounts (IPSA) contributors (beneficiaries) with pension savings according to the accounting of compulsory pension contributions (CPC) opened in the UAPF as of the 1st day of the corresponding calendar month.

The UAPF commission is used for the development of information and telecommunications services, hardware and software support, employee remuneration, postal and notification services, etc.

According to the Social Code, the NBRK has the right to charge a commission of no more than 2% of investment income. In 2023, it will be further reduced to 1.5%.

Investment Portfolio Managers (IPMs) are entitled to charge a commission on investment income not exceeding 7.5% of investment income. The actual amount of the commission is annually approved by the governing body of the IPM and can change no more than once a year. Up-to-date information on the IPM commission for 2023 is available on the enpf.kz website in the section: "Services" - "Register of Investment Portfolio Managers".

5. 5. Every time I check my personal account in the mobile application, I see how the investment income changes. What determines its size?

Investment income consists of income in the form of interest on securities (deposits and other transactions), market and currency revaluation of financial instruments, income on assets under external management, etc. Pension contributions received on individual pension saving accounts are invested by the trust manager of pension assets - the National Bank of the Republic of Kazakhstan (NBK) and investment portfolio managers (IPM) in reliable financial instruments of different sectors of the economy in various currencies in the Republic of Kazakhstan and abroad. Due to this diversification, the safety of assets and sustainable investment returns are ensured.

Pension assets managed by the NBRK are invested in accordance with the Investment Declaration approved by the Resolution of the Board of the NBRK dated February 24, 2020 No. 10, as well as the list of financial instruments allowed for IPM to be acquired at the expense of pension assets, in accordance with the resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and development of the financial market dated February 15, 2021 No. 29.

IPMs have their own strategies for investing pension assets within the framework of the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 15, 2021 No. 29 *On approval of requirements for investment portfolio managers to whom pension assets can be transferred for*

trust management, and independently determine the structure of the investment portfolio as part of the investment declaration. Accounting for all pension savings (even after the transfer of part of them to private management companies) is maintained by the UAPF.

Information on investment management of UAPF pension assets and financial instruments in which UAPF pension assets are placed are posted on the official website of UAPF (www.enpf.kz) in the “Indicators/Investment Activity” section on a monthly basis.

The amount of pension savings of contributors (beneficiaries) is recalculated and re-evaluated on a weekly basis in accordance with the results of investing pension assets. We emphasize that the investment income arising from investment is a variable value and depends on many factors, including the market value of securities and changes in exchange rates.

It should be noted that pension assets are characterized by a long investment horizon, and in the long term, a positive real return on pension savings is ensured for the entire period from the moment the accumulative pension system was introduced.

It should be noted that regardless of the results of investment activities in Kazakhstan, there is a state guarantee of the safety of compulsory types of pension contributions, taking into account the level of inflation. Even with a decrease in profitability in a particular period, which affected the accumulated profitability of the contributor when the right to pension benefits came into effect, the compensation for the difference is guaranteed by the state and is paid to the contributor automatically when he reaches retirement age, along with the first pension benefit.

Thus, in the accumulative pension system it is expedient to consider indicators of profitability and inflation over a long time horizon.