

A DIALOGUE RELEVANT TO EVERYONE

The pension system is a topic that affects everyone, regardless of age or profession. An individual's financial stability and confidence in the future depend on their understanding of how pension savings are accumulated.

In an interview with the Unified Accumulative Pension Fund as part of the "Dialogues on the Pension System" project, Yelena Bakhmutova, Chairwoman of the Council of the Association of Financiers of Kazakhstan, discussed key changes—both implemented and planned—within the pension system. She also addressed the role of personal savings, the importance of long-term financial planning, and other relevant issues.

On Reforms

Yelena Bakhmutova:

“Acting on a directive issued by the Head of State earlier this year, the Agency for Regulation and Development of the Financial Market undertook the development of a capital market development program—as it was named—spanning the period up to 2030.

A program was presented that outlined numerous new proposals aimed directly at improving the efficiency of pension asset management. It is worth noting that this is an ongoing reform; it encompasses both the broader scope of the Ministry of Labor and Social Protection of the Population—which is responsible for formulating approaches to citizen pension provision—and specific components, such as the management of pension savings.

What, then, was new in this program? It should be noted that this initiative did not emerge from a vacuum. The program had been in preparation since the beginning of the year, involving extensive discussions with market participants—specifically, investment portfolio managers. As you know, a mechanism already exists allowing Kazakhstani citizens to voluntarily transfer their savings to private management companies.

The regulator has proposed that these management companies offer a range of investment strategies tailored to individuals of different ages. Private management companies can now offer three distinct portfolios—high-risk, moderate, and conservative—allowing the contributor to make their own selection. Naturally, contributors do not manage the assets themselves; instead, they select a company to professionally manage their savings. Throughout this process, all regulatory standards—including asset preservation, the segregation of funds, and the custodial separation of the company's own assets from pension assets—remain in effect. Record-keeping will continue to be handled by the Unified Accumulative Pension Fund.

However, another option is emerging. The National Bank now has the potential to offer contributors a more diversified portfolio structure in the future. How is this expected to be implemented? Contributors will be gradually transitioned into this—shall we say—default portfolio based on age cohorts”.

On Inflation, Investing, and Efficiency

Yelena Bakhmutova:

"Just in the last month, thanks to the joint anti-inflationary measures implemented, we have managed to bring inflation down to 9.8%—below the 10% mark.

Of course, there have been spikes in inflation over the years; the situation was unstable at times, and there were crisis years, so performance naturally needs to be evaluated over a period of several years. Returning to the topic of portfolios: for a high-risk portfolio, it is appropriate to track performance over a period of about five years. For a moderate portfolio, it is three years. As for a conservative portfolio, you can, in principle, review it annually. So, it all depends on that.

Now, regarding the question of efficiency: private asset managers operate against benchmarks—that is the standard practice now. If they generate returns—as I mentioned—matching or beating the benchmark indicates efficiency. If a manager achieves a certain return, that's excellent; if it's lower, then the manager is considered inefficient. It is very easy to track this. The National Bank, for instance, didn't have a benchmark previously. However, under the current proposal, they will also be outsourcing management under specific mandates. The entities receiving these mandates—whether foreign managers (who operate against benchmarks relevant to the markets they manage) or domestic managers (who will work against benchmarks tailored to the specific mandate structure)—will all be operating against benchmarks. In this way, the National Bank will essentially shift to a benchmark-based system as well."

On Personal Responsibility and the Importance of Monitoring Pension Savings

The modern pension system relies on a tripartite responsibility shared by the state, the employer, and the contributor. Regular pension contributions and the investment income generated from them play an increasingly significant role in securing financial stability after one's working life ends. Today, contributors can track incoming contributions, the size of their accumulated savings, and accrued investment income via UAPF digital services. Such monitoring helps identify potential errors early, understand savings trends, and assess one's own readiness for retirement.

According to Yelena Bakhmutova, it is crucial not to put off pension planning for later. The sooner a citizen takes an interest in the status of their pension savings account, the greater their opportunity to build a decent income for the future.

Yelena Bakhmutova:

"Every contributor needs to know the return their pension savings are generating and the amount of savings they should have by the time they retire. In other words, they need to monitor, track, and stay informed about what is happening. I know contributors who log into the UAPF app every day to check the investment income they have earned. This simply needs to become the norm."

The Pension System is Changing Along with Society.

The pension system reflects prevailing economic and social conditions. Legislative changes, public participation, the development of digital services, and rising financial literacy among Kazakhstanis are key factors driving the system's future evolution.

As Yelena Bakhmutova noted, the sustainability of the pension system depends not only on the performance of state institutions but also on the active involvement of citizens themselves. A conscious approach to pension contributions, timely access to information, and personal financial planning help make future payouts more predictable.

An interview with Yelena Bakhmutova, Chairwoman of the Council of the Association of Financiers of Kazakhstan, highlighted that the subject of pensions extends beyond formulas, regulations, and official documents; it is a matter of personal choice and individual responsibility. The sooner citizens begin thinking about the future, the greater their opportunities to build financial stability. Therefore, an open dialogue about the pension system is essential—it helps people not only understand the existing mechanisms but also take the first step toward a secure life after their working years.

The full interview is available on the БЖЗК/ЕНПФ YouTube channel.

<https://youtu.be/7aOL1vROqU4?si=rPWAdLERy2hgROqj>