

ANNOUNCEMENT

What will change in the accumulative pension system with the entry into force of the Social Code?

From July 1 this year, the Social Code will come into force, which provides for a number of innovations regarding the pension system.

Expansion of investment opportunities for contributors

When transferring pension savings from compulsory pension contributions and compulsory occupational pension contributions to trust management by an investment portfolio manager (IPM), the minimum pension savings adequacy threshold will no longer be taken into account. With the entry into force of the Social Code, the contributor will have the right to transfer up to 50% of the specified pension savings to the trust management of the IPM.

Also, contributors who have voluntary pension savings will be able to transfer up to 100% of the indicated pension savings to the IPM.

The term for the return of pension savings from the trust management of the IPM to the trust management of the National Bank of the Republic of Kazakhstan will be reduced upto 1 year. Currently this period is 2 years.

Use of pension savings for housing and medical treatment

Seniority pensioners who have retired on a well-deserved retirement will be able to use up to 100% of their pension savings, formed from compulsory pension contributions, to improve housing conditions and pay for medical treatment. This category of pensioners includes military personnel, employees of special state and law enforcement agencies, state courier service, as well as persons whose rights to have special ranks, class ranks and wear uniforms have been abolished since January 1, 2012, and persons whose medical positions have been reduced in the bodies of Internal Affairs of the Republic of Kazakhstan from July 1, 2022 and January 1, 2023, who at the time of the reduction of the post had at least twelve years of service and six months of continuous military service, service in special state and law enforcement agencies, state courier service, subject to their continued work in medical organizations located in pre-trial detention centers and institutions of the penitentiary (penal) system. The remaining pensioners retain the right to use up to 50% of their pension savings formed from compulsory pension contributions for the above purposes, if the amount of their pension payments provides an income replacement rate of at least 40%

Increasing payments for burial

The amount of the lump-sum pension benefit for burial in the event of the death of a person who has pension savings in the UAPF, VAPF, will increase 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 the funds available on the individual pension saving account deceased person. It can be paid to family members of the deceased.

Employer's compulsory pension contributions

From January 1, 2024, in addition to the existing functions of the UAPF, it is envisaged to attract employer's compulsory pension contributions (ECPC).

ECPC will be carried out only for employees born after January 1, 1975, at the expense of the employer's own funds and are established from the employee's monthly income: from January 1, 2024 in the amount of 1.5% and will increase annually by 1% - until reaching 5% in 2028. This phased introduction of ECPC will ease the burden on the employer.

Compulsory nature of pension contributions for all

Individuals permanently residing in the territory of the Republic of Kazakhstan, receiving income under civil law contracts, the subject of which is the performance of work (provision of services), concluded with individuals who are not tax agents, as well as individuals permanently residing in the territory of the Republic of Kazakhstan employees working in representative offices of international organizations in the Republic of Kazakhstan, diplomatic missions and consular offices of foreign states accredited in the Republic of Kazakhstan, are currently **entitled** to pay CPC to the UAPF. From July 1, 2023, this category of persons **will be required** to pay CPC to the UAPF. Thus, the coverage of the population with the funded pension system is increased to ensure adequate pension benefits in the future.

Reducing the commission fee of the UAPF

The UAPF commission fee will decrease from 0.01 percent of pension assets to 0.008 percent per month. At the same time, it cannot be more than the value determined as the product of 0.04-fold monthly calculation index 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 of contributors (beneficiaries) with pension savings, taking into account compulsory pension contributions opened in the UAPF as of the 1st day of the corresponding calendar month.

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)