

KAZAKHSTAN



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	15 936
GDP per capita (USD)	8 535
Population (000s)	15 521
Labour force (000s)	8 415
Employment rate	93.4
Population over 65 (%)	7.7
Dependency ratio ¹	14.2

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Old-age solidarity pension
- State social benefits (old-age)
- State basic pension supplement (old-age)
- Employees in the public sector are covered by separate schemes

Private pensions: occupational (mandatory)

- This was introduced in 1998 following a major pension reform
- It is a fully funded DC pension plan
- It covers all workforce taking up their employment in 1998 and afterwards

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	173,593	263,795	337,752	503,348	630,781	ND	ND	ND
Total investments, as a % of GDP	5.34	6.99	7.32	8.57	8.46	ND	ND	ND
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	ND	ND	ND	ND	ND	ND	ND	ND
• Book reserves	ND	ND	ND	ND	ND	ND	ND	ND
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND	ND
By pension plan type								
• Occupational assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DB assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	ND	ND
• Personal assets	ND	ND	ND	ND	ND	ND	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	ND	ND	ND	ND	ND	ND	ND	ND
Fixed Income	ND	ND	ND	ND	ND	ND	ND	ND
Of which:								
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	ND	ND
• Loans	ND	ND	ND	ND	ND	ND	ND	ND
Shares	ND	ND	ND	ND	ND	ND	ND	ND
Land and Buildings	ND	ND	ND	ND	ND	ND	ND	ND
Other Investments	ND	ND	ND	ND	ND	ND	ND	ND
Contributions and Benefits								
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	4,630	5,400	6,160	6,970	7,610	ND	ND	ND
• % of Active membership	ND	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	15	16	16	16	14	ND	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

Note: Data refer to Kazakstani pension funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

KAZAKHSTAN: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

State social benefits cover such people whose pension is less than the minimum pension specified by the government and those people without entitlement to contributory benefits. The benefit is paid according to the value of the living wage, and financed by the general tax. A minimum pension of 6,700 tenge as of 2006 is guaranteed by the government.

Employees in the public sector, including governmental officials, teachers, those in the railway sector, and professional athletes and specific categories of performing artists, etc, are covered by special pension arrangements.

Old-age solidarity pension: Age 63 with 25 years of contributions (men) or age 58 with 20 years of contributions (women). Age 50 with 25 years of contributions (men) or age 45 with 20 years of contributions (women) and lived in ecologically damaged zones or in zones with a maximum radiation risk for at least 10 years between August 29, 1949, and July 5, 1963; age 53 for mothers living in rural areas with five or more children older than age 8.

It covers such workforce in Kazakhstan who were in employment at least 6 months before 1 January 1998. The contribution rate is 18% of salary from employers. Although there is no explicit contribution requirement from government, fiscal assistance will be used if needed. The benefit is 60% of annual earnings based on the best three consecutive years after 1995, plus 1% of earnings for each additional year after 25 years (men) and 20% years (women) in work.

Partial pension: Paid if the insured has insufficient years of covered employment for the full pension at the normal retirement age.

State basic pension supplement (old-age): Paid to recipients of the mandatory individual account or the old-age solidarity pension.

State social benefits (old-age): Paid to persons not eligible for an old-age solidarity pension.

OCCUPATIONAL MANDATORY

Coverage

The system covers all workforce in Kazakhstan who started employment since 1 January 1998.

Contributions

The contribution rate is 10% of salary solely from employees, while there is no contribution requirement from both employer and state.

Benefits

This is a DC pension scheme. The pension benefit is paid out based on the contributions and accrued investment returns. Pensions can be paid monthly, quarterly, or annually. However, if the value of the total

pension accumulations is less than 100,000 tenge or less than 12 times the government-set minimum pension, a lump sum payment is paid.

The eligibility requirements include the pensionable age of 63 (men) and 58 (women), minimum 35 years of contributions. However, the pensionable age could be reduced to 50 (men) and 45 (women) if employees live in ecologically damaged zones subject to certain restrictions. Meanwhile, if pension accumulation is sufficient to finance a benefit as least equal to the minimum pension, a pensionable age of 55 (men and women) is permitted.

Taxation

Contributions and investment income are tax exempt. Benefits are taxed

MARKET INFORMATION

Occupational mandatory

Year	Total assets		Number of contributors In Mn	No of pension funds	No of fund managers
	In Tenge bn	in USD bn			
2001		0.15	2		
2002	70	0.5	3.1	17	7
2003	368.3	2.6	6.1	n.a.	n.a.
2004	483.9	3.7	6.9	16	10
2005	596.4	4.4	7.1	14	10

Source: Cadogan Education (2006)

As shown in the above table, total pension assets as of 2005 were Tenge 596.4bn (i.e. USD 4.4 bn), while the number of contributor was 7.1 million. Meanwhile, there was 14 pension funds and 10 asset managers. Of the 10 asset managers, the largest one was Narodny Bank Kazakhstan, accounting for 25% of the whole market, while the second and third players were GNPF (21.9%) and Zhetysu (17.7%).

A list of fund managers as of 2005

Company	Asset in Tenge, mn	% of total
ABN AMRO Asset Management	40,827	8.4
Baylik Asset Management	41,764	8.6
Premier Asset Management	29,742	6.1
Alfa Trust	12,930	2.7
Zhetysu	85,630	17.7
Active-Invest	20,705	4.3
Nustrust	11,297	2.3
GNPF (State Pension Fund)	105,911	21.9
Kurmet Kazakhstan	14,419	3.0
Narodny Bank Kazakhstan	121,190	25.0

Total	484,415	100.0
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Source: Cadogan Education (2006)

Asset restrictions of pension funds as of 2005

Asset category	Limit
State debt	min. 50%
Municipal debt	max. 5%
Bonds of the international banks	max. 10%
Shares A listed on the stock exchange	max. 30%
Corporate bonds	max. 5%
Bank deposits	max. 10%
Shares of foreign corporations	max. 5%

Source: Cadogan Education (2006)

Pension fund investments in Kazakhstan are subject to quantitative asset limits. As shown in the above table, for example, at least 50% of the assets should be invested in the state debt, and maximum 5% can be invested in bank deposits. The administration fees charged by pension managers are on average 15% of annual investment returns. Meanwhile, individual choice is allowed for employees.

POTENTIAL REFORM

1. Increase individual choices and enhance pension fund performance
2. Strengthen the current pension legislation

REFERENCE INFORMATION

KEY LEGISLATION

The Law of the Republic of Kazakhstan On Pension Provision in the Republic of Kazakhstan, 20th June 1997

KEY REGULATORY AND SUPERVISORY AUTHORITIES

1. Ministry of Labour and Social Protection
<http://www.enbek.kz/>
2. Agency of Republic Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations