

# IOPS COUNTRY PROFILE: KAZAKHSTAN

## DEMOGRAPHICS AND MACROECONOMICS



|                               |        |
|-------------------------------|--------|
| Nominal GDP (USD bn)          | 170,54 |
| GDP per capita (USD)          | 8 840  |
| Population (000s)             | 18 034 |
| Labour force (000s)           | 9 151  |
| Employment rate               | 95.2   |
| Population over 65 (%)        | 7.4    |
| Dependency ratio <sup>1</sup> | 15.02  |

Data as of 2019

1. Ratio of over 65 year-old/labour force

Source: OECD, various sources

## KAZAKHSTAN: COUNTRY PENSION DESIGN

### STRUCTURE OF THE PENSION SYSTEM

#### Public pensions

- Public pensions depending on service years
- PAYG pension (subject to length of service until 1 January 1998)

#### Private pensions: mandatory

- Compulsory funded system that includes 10% of payments by employees and 5% of payments by employers for employees with hazardous working conditions
- Compulsory notional defined contribution that includes 5% of payments by all employees (effective as of 2020)

#### Private pensions: voluntary

- Collective pension savings accounts
- Individual pension savings accounts

Source: OECD/IOPS Global Pension Statistic

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## KAZAKHSTAN: THE PENSION SYSTEM'S KEY CHARACTERISTICS

### PUBLIC PENSION

State social benefits are payable to individuals whose pension is less than the minimum pension specified by the Government and those individuals without entitlements to contributory benefits. The benefit is paid according to the value of the living wage, and financed by the general tax. A minimum state basic pension amounts to KZT 16,137.00 as of 2019 and is guaranteed by the Government.

#### *Old-age solidarity pension:*

Old-age solidarity pension is paid:

For men: from 1 July 2001: Age 63 with 25 years of contributions.

For women: from 1 January 2020 - age 59.5 with 25 years of contributions, with a further progressive increase in retirement age to attain age of 63 on 1 January 2027.

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

It covers part of the workforce in Kazakhstan who were in employment at least 6 months before 1 January 1998.

The contribution rate is 10% of salary from employees. Although there is no explicit contribution requirement from the Government, fiscal assistance will be used, if needed. The benefit is 60% of monthly earnings based on the best three years after 1995 irrespective of any breaks in employment, plus 1% of earnings for each additional year but not more than 75% of income used to calculate pension contributions after 25 years (men) and 20 years (women) in work.

#### *Partial pension:*

Partial pension is paid if the person has insufficient years of covered employment for the full pension at the normal retirement age in case of available working experience of at least 6 months before 1 January 1998.

#### *State basic supplement pension (old-age):*

Social basic supplement pension is paid to recipients of the mandatory individual account or the old-age solidarity pension.

State basic pension payment are made in case of participation during 10 years or less in the pension system, amounting to 54% of living wage with its increase by 2% for each full year of pension system participation but not more than 100% of living wage specified by the Law of State budget.

*State social benefits (old-age):* State social benefits are 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. Employers are obligated to make monthly contributions in the amount of 10% of the employees' salary to the Unified Accumulative Pension Fund (UAPF) which was established on 22 August 2013.

The Government of the Republic of Kazakhstan, represented by the Committee for State Property and Privatization of the Ministry of Finance, is the founder and shareholder of the UAPF. The UAPF state-owned block of shares is under trust management of the National Bank of Kazakhstan.

The National Bank of Kazakhstan jointly with the Council for National Fund Management under the President of the Republic of Kazakhstan conducts management of the UAPF's pension assets.

### *Contributions*

The contribution rate is 10% of employees' salary, and 5% contribution rate by employer for hazardous working conditions. In addition, compulsory notional defined contribution system was implemented that includes 5% payments for all employees made by employers (from 2020).

### *Benefits*

This is a DC pension scheme. The depositor doesn't participate in pension assets management process and doesn't share the responsibility for future pension payments. The pension benefit is paid out based on the mandatory pension contributions, occupational mandatory pension contributions and accrued investment returns. Pensions are paid on a monthly basis. However, if the value of the total pension accumulations is 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 63 (women), whereas for women the pensionable age is being gradually increased from 59 (1 January 2019) to 63 (1 January 2027).

Meanwhile, if the accumulated pension is sufficient to finance a benefit at least equal to the minimum pension, a pensionable age of 55 (men) and 50 (women) is permitted.

Other eligibility conditions include first and second degrees of disablement in case if a disablement was determined as infinite, or people that have changed permanent residence outside of Kazakhstan.

### *Taxation*

Contributions and investment income are tax exempt. Benefits are taxed.

## MARKET INFORMATION

### *Occupational mandatory*

Table 1: Occupational mandatory pension contributions to the UAPF:

| Year | Total assets<br>(in thousands KZT) | Number of contributors |
|------|------------------------------------|------------------------|
| 2014 | 25 870 751,00                      | 348 889                |
| 2015 | 31 133 131,00                      | 390 993                |
| 2016 | 100 704 163,00                     | 419 966                |
| 2017 | 142 376 723,00                     | 442 946                |
| 2018 | 197 449 243,00                     | 479 526                |

Source: the UAPF website

There is only one pension fund in Kazakhstan which is the Unified Accumulative Pension Fund (UAPF) – the legal entity that carries out activities regarding the pension contributions and pension payments.

National Bank of Kazakhstan is the only manager of UAPF assets.

Table 2: Asset restrictions of pension funds as of 2005:

| <b>Asset category</b>   | <b>Limit</b>       |
|---|--------------------|
| State debt  | min. 20%, max. 50% |
| Municipal debt  | max. 10%           |
| Bonds of the international financial organizations                    | max. 35%           |
| Shares issued by Kazakhstan's organizations and foreign organizations | max. 20%           |
| Corporate bonds of Kazakhstan's issuers excluding commercial banks    | max. 15%           |
| Banks' financial instruments, including deposits                      | max. 50%           |
| Shares of foreign corporations, including depository receipts         | max. 15%           |

Source: Investment declaration of the UAPF

Pension fund investments in Kazakhstan are subject to quantitative asset limits. As shown in the above table, for example, at least 20% and not more than 50% of the assets should be invested in the state debt, and maximum 50% can be invested in financial instruments including bank deposits.

### POTENTIAL REFORM

- Increase individual choices and enhance pension fund performance;

- Strengthen the current pension legislation;
- Introduce the opportunity for the contributors (members) of the UAPF to transfer pension assets under the management of private management companies based on contributors choice.

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## REFERENCE INFORMATION

### KEY LEGISLATION

The Law of the Republic of Kazakhstan on Pension Provision in the Republic of Kazakhstan, 21 June 2013

### KEY REGULATORY AND SUPERVISORY AUTHORITIES

The Ministry of Labour and Social Protection; <http://www.enbek.kz/>

The National Bank of Kazakhstan; <https://nationalbank.kz>

### KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

OECD, Global Pension Statistics project, [www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps).

Map source : <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>