

## ANNOUNCEMENT

### **Kazakhstan increases the size of employer's compulsory pension contributions**

From January 1, 2025, the employer's compulsory pension contributions (ECPC) in Kazakhstan will be 2.5%.

Let us recall that from January 1, 2024, all employers began to participate in the formation of pension savings and transfer employer's compulsory pension contributions (ECPC) to the UAPF in favor of their employees. Thus, the funded system of Kazakhstan was supplemented with a new component.

According to the Social Code, in contrast to the 10% of compulsory pension contributions (CPC) paid by employees from their income, ECPC are transferred from the employer's own funds. The ECPC size will gradually increase annually (1.5% in 2024, 2.5% in 2025, 3.5% in 2026, 4.5% in 2027) and will be 5% in 2028. The amount of employee income accepted by the employer for calculating the ECPC is not less than one minimum wage (MW) and not more than 50 MWs established for the relevant calendar year.

Employers are exempt from paying ECPC in favor of the following employees - persons of retirement age, persons with permanent disability of groups 1 and 2, military personnel and persons equivalent to them, as well as persons born before January 1, 1975. Control over the timeliness and completeness of ECPC payments by employers is assigned to the State Revenue Committees of the Ministry of Finance of the Republic of Kazakhstan.

It is worth considering that, unlike CPC, which is credited to individual pension accounts of employees, ECPC is credited to conditional pension accounts and is not the property of employees. Accordingly, savings formed at the expense of ECPC, employees cannot inherit. ECPC is intended for the payment of pensions on a solidarity (distribution) principle. Therefore, ECPC, which were previously paid for persons who subsequently lost their citizenship of Kazakhstan or died, will be distributed among the remaining participants and will be paid for life.

The introduction of the ECPC is aimed at providing pensions to workers born in 1975 and later, given the absence or insignificance of their work experience before 1998 to receive a solidarity pension. In the future, their total pension will consist of three components: a basic pension from the state, a funded pension from their CPC to the UAPF, and a notionally funded pension from employer contributions.

*UAPF was founded on August 22, 2013 on the basis of GNPf APF JSC. The founder and shareholder of the UAPF 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. Trust management of UAPF pension assets is carried out by the National Bank of the Republic of Kazakhstan. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, employer's compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, as well as carries out enrollment and accounting of voluntary pension contributions formed at the expense of the unclaimed amount of guaranteed compensation for the guaranteed deposit, transferred by the organization carrying out mandatory guarantee of deposits, in accordance with the Law of the Republic of Kazakhstan "On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan", ensures the implementation of pension benefits. The Fund also carries out accounting of target assets and target requirements, accounting and crediting of target savings (TS) to target savings accounts, payments of TS to their recipients in bank accounts, accounting for returns of TS in the manner determined by the Government of the Republic of Kazakhstan within the framework of the National Fund for Children program (More details at [www.enpf.kz](http://www.enpf.kz))*