

ANNOUNCEMENT

Discussion continues on proposals from a group of Kazakhstani experts to improve the financial stability and adequacy of the pension system

The **proposals of the group of experts** to improve the sustainability and adequacy of the pension system of Kazakhstan aroused great attention and wide discussion.

The experts included well-known economists who were at the origins of the formation of the financial market and the funded pension system in the republic: Grigory Marchenko, Oraz Zhandosov, Bolat Zhamishev, Kadyrzhan Damitov, Anvar Saidenov, Yelena Bakmutova, with the participation of Gulfairus Shaikakova.

The proposals were developed by experts, based on extensive international experience and long-term economic calculations, with information and analytical support from the UAPF. Calculations were carried out using demographic and other data, as well as a comprehensive, calibrated actuarial model of the UAPF, previously developed jointly with British actuaries.

At the same time, **unreliable information and a distorted interpretation** of complex proposals from experts began to appear, in particular on the issues of withdrawal of pension savings.

In order to ensure reliable coverage of information, it is suggested that you familiarize yourself with a summary of the **main proposals of experts**, as well as related materials on the UAPF website. The materials include, inter alia, the presentation “Increasing the financial stability and adequacy of the pension system of Kazakhstan”, presented by a group of experts by B.B. Zhamishev. at a meeting of the Public Council (PC) under the UAPF.

Also, due to the high interest in the proposals and the numerous questions received, **experts are ready to provide their comments**. For this, experts propose to send them to the UAPF as part of effective coordination of communications.

Let us recall that the main proposals of the expert group were developed based on an analysis of the current state of the pension system and long-term actuarial calculations, as well as the study of international experience. In particular, the results of the Mercer CFA Institute Pension Index (MCGPI), in which the pension system of Kazakhstan was first included in 2023, were taken into account, as well as the results of discussions at the international high-level round table “Prospects for the development of mandatory funded and mixed pension systems”, organized jointly with the International Social Security Association (ISSA) in September 2023 in Almaty.

The round table featured reports from representatives of the World Bank, International Labor Organization, ISSA, OECD, IOPS, FIAP, Mercer CFA, KPMG, Allianz, Amundi, etc., as well as speeches from representatives of a number of countries, including Australia, Germany, Denmark, Israel, China, Saudi Arabia, Uruguay, Chile, Switzerland.

Main areas of proposals

Based on analysis and calculations, experts proposed a **number of systemic measures** in the following **main areas**:

- adequacy of the state pension and stability of budget expenditures on pension payments,

- adequacy of pension savings and lifetime payments from the funded pension system,
- expanding coverage, encouraging the completeness and regularity of payment of pension contributions,
- increasing the efficiency of investment management of pension assets.

Issues of early use of pension savings.

Regarding the issue of using part of pension savings for housing and treatment, which caused the most discussion, **the experts' proposals do not contain recommendations for establishing any ban.**

In international practice, there is the possibility of partially using one's pension savings, primarily for urgent medical purposes. At the same time, such withdrawals should not be permanent and lead to the fact that the main task is not solved - the formation of pension savings for pension provision in old age.

As part of solving the key task of **ensuring the adequacy of pensions**, the **constant withdrawal** of savings should be reasonably **limited**. Currently, the volume of withdrawals has exceeded and continues to exceed the volume of pension payments. Early payments should not become the reason for low pension savings for Kazakhstanis and inadequate pensions in the future that do not meet social standards.

Experts propose **preserving the right of citizens to use part of their pension savings**. At the same time, such a right can be exercised by those who **have provided themselves with an adequate lifelong pension** with payments of at least a certain social standard, gradually raised to international pension standards.

Complexity and interconnectedness of proposals.

Experts emphasize that the proposals made are aimed at **strengthening all components** of pension provision, are interconnected and should be taken into account as a whole.

In general, multi-level systems are recognized in the world as the most stable and fair, therefore it is **fundamentally wrong** to contrast a state pension with a funded pension and vice versa, since these components **do not contradict, but complement each other**. Multi-component pensions **together** ensure stability and adequacy of pension provision for citizens.

Representatives of the expert group are ready for further open discussion of issues of improving the Kazakh pension system.

If you have any questions, please send them by email: press@enpf.kz. **The information will be transferred to the experts, and they expressed their readiness to constructively consider proposals and answer incoming questions.**