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ANNOUNCEMENT

The Public Council under the Unified Pension Saving Fund supported the proposals of a group of experts on the development of the pension system

A group of Kazakh experts who stood at the origins of the formation of the financial market and funded pension system in the republic Grigory Marchenko, Oraz Zhandossov, Bolat Zhamishev, Kadyrzhan Damitov, Anvar Saidenov, Elena Bakhmutova developed and sent for consideration to the Head of State a number of proposals to improve the financial stability and adequacy of the pension system Kazakhstan.

At the 27th meeting of the Public Council under the UAPF, Bolat Zhamishev spoke about the main proposals of the expert group. He noted that the decision to develop such proposals was made after studying the results of the international rating - the Mercer CFA Institute Global Pension Index (MCGPI), in which the pension system of Kazakhstan was first included in 2023. The MCGPI index included and analyzed pension systems of 47 countries, covering about 64% of the world's population.

Kazakhstan was rated quite highly in the “Sustainability” sub-index (7th place) and in the “Integrity” sub-index (14th place), which is based on the construction in our country of a sustainable multi-level pension system based on the participation of the state, employee and employer. At the same time, Kazakhstan received a relatively low score in the “Adequacy” sub-index (38th place), which requires taking systematic measures to increase the incomes and pension savings of our citizens. To further improve the Kazakh pension system, the Mercer CFA Institute made such basic recommendations as increasing the minimum level of support for the poorest elderly, encouraging households to increase their level of pension savings, and reducing the early outflow of pension savings during the period of their accumulation and investment.

In addition, the experts studied the materials of international organizations, which were presented by foreign experts in September 2023 in Almaty at the high-level international round table “Prospects for the development of compulsory funded and mixed pension systems”, organized by the UAPF jointly with the International Social Security Association (ISSA). 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.

Based on the international experience of countries with advanced pension systems, experts proposed systemic measures to ensure the adequacy of the Kazakh pension system, including:

• strengthen the state component of the multi-level pension system through strengthening the basic pension. This is especially important given the gradual decline in the size of the joint pension for retiring citizens who have less and less work experience built up before 1998. At the same time, in order to prevent depreciation of the value of state pensions of pensioners relative to the labor income of the working population, it is proposed to define the minimum wage (MW) as a single minimum social indicator for forecasting and calculating all pension benefits in the pension system. This approach is consistent with the international practice of constructing a stable parameterization of pension payments. A gradual transition to using the minimum wage will provide more adequate pensions compared to using the subsistence minimum. Considering that Kazakhstan is a socially oriented state, against the backdrop of a gradual decline in solidary pensions, it is necessary to stabilize and maintain state budget expenditures on the state. a pension of at least 3% of GDP (which corresponds to the level of 3-4% of GDP in such OECD countries as Australia, Mexico, Chile, etc., where a funded pension system also operates) by commensurately increasing the adequacy of the size of the basic pension. As a result, with the growth of the country’s economy and GDP, the level of government will grow accordingly. pensions (welfare of pensioners) and maintain the level of state. expenses for pensions from the budget;

• continue to develop the funded component of pension provision by: a) increasing the volume of savings in individual pension accounts and ensuring the lifetime of pension payments from the funded system; b) stimulating the coverage and growth of participation of the employed population in the funded pension system (completeness and regularity of payment of pension contributions); c) increasing the efficiency of investment management of pension assets, aimed at increasing the level of real (i.e., above-inflation) return in the long term.

For these purposes, it is proposed to introduce employer compulsory pension contributions (ECPC), introduced in 2024, the contributions of which by 2028 will reach 5% of the employee's income, to be sent:

- in the amount of 4% - to the individual pension saving accounts of investors (similar to the 10% compulsory pension contributions (CPC) of the employee himself) to ensure the adequacy of the growth of their individual savings (taking into account OECD actuarial calculations);

- in the amount of 1% - to the account for guaranteeing lifetime benefits to finance lifetime payments from the funded pension system in the event that the recipient exhausts his pension savings.

To increase the coverage of the funded pension system of all layers of the employed population, to include self-employed and informally employed citizens in it, experts propose to consider the possibility of state co-financing of compulsory pension contributions of individuals who do not have a permanent employer, but who have earned income and regularly (at least 12 times a day). year with an income of at least 1 minimum wage) make pension contributions on their own. As international practice shows, this contributes to the gradual emergence of such workers "from the shadows," the transparency of their income, and the growth of tax revenues. Participation in the pension system will also ensure that they develop a work history used to calculate the basic pension and pension savings for a funded pension.

A number of recommendations have also been formed to improve the efficiency of pension asset management for the National Bank and investment portfolio managers (IPM), taking into account international practice:

- the possibility of targeting profitability in the long term (except for periods of crisis) on external and internal pension assets;
- gradual increase in the share of the foreign currency portfolio (taking into account international practice and the gradual growth of the volume of pension assets);
- less conservative investment management (in order to increase return):
- for external assets – investments in growing assets;
- for domestic assets – a gradual reduction in the share of investments in government securities and securities of the quasi-public sector and an increase in investments in the economy through reliable corporate securities;
- introduction of multi-portfolio management with the right for investors to independently select one or more portfolios with different investment strategies from management companies (in order to develop a competitive management market and take into account the interests of investors).

Also at the meeting of the Public Council, the Chairman of the Executive Board of UAPF JSC Zhanat Kurmanov spoke, who cited international experience in ensuring the financial sustainability of pension systems in different countries of the world. Facts indicate that pay-as-you-go pension systems are financially unstable and require a constant increase in subsidies from the state budget. At the same time, funded pension systems improve the structure and increase the formalization of employment, because The investor's future pension payments directly depend on his contributions (deductions from income) with ownership of the savings. In addition, during periods of crisis, pension savings, being an internal source of investment, make it possible to reduce external borrowing and dependence on international markets, ensure sustainable GDP growth and stability of investments in the country's economy. Countries that have introduced funded pension systems, due to investment in capital, labor market growth and total factor productivity, receive additional annual GDP growth of 0.3 to 0.6%.

Having discussed what they heard, members of the Public Council by a majority vote decided to support the proposals of the group of experts, since they will contribute to the further improvement of the domestic pension system and providing Kazakhstanis with an adequate level of pension benefits.

The materials presented at the meeting of the OS under the UAPF can be found on the enpf.kz website in the "Public Council" section - Minutes of meetings and presentations.

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).