



On approval of the Rules for determining the amount and making pension payments at the expense of the employer’s mandatory pension contributions from the unified accumulative pension fund

Unofficial translation

Resolution of the Government of the Republic of Kazakhstan dated August 29, 2024 № 705

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In accordance with subparagraph 8) of Article 11 of the Social Code of the Republic of Kazakhstan the Government of the Republic of Kazakhstan **HEREBY RESOLVES**:

1. To approve the attached Rules for determining the amount and making pension payments at the expense of the employer’s mandatory pension contributions from the unified accumulative pension fund.

2. This resolution shall come into force from January 1, 2024 and shall be subject to official publication.

*Prime Minister
of the Republic of Kazakhstan*

O. Bektenov

Approved
by the Resolution of the Government
of the Republic of Kazakhstan
dated August 29, 2024 № 705

Rules for determining the amount and making pension payments at the expense of the employer’s mandatory pension contributions from the unified accumulative pension fund Chapter 1. General provisions

1. These Rules for determining the amount and making pension payments at the expense of the employer’s mandatory pension contributions from the unified accumulative pension fund (hereinafter referred to as the Rules) have been developed in accordance with subparagraph 8) of Article 11 of the Social Code of the Republic of Kazakhstan (hereinafter referred to as the Code) and determine the amount and making pension payments at the expense of the employer’s mandatory pension contributions from the unified accumulative pension fund (hereinafter referred to as EMPC).

2. The following basic concepts are used for the purposes of these Rules:

1) State Corporation “Government for Citizens” (hereinafter referred to as the State Corporation) is a legal entity established by the decision of the Government of the Republic of Kazakhstan to provide public services in accordance with the legislation of the Republic of

Kazakhstan, organize work on accepting applications for provision of state services and issuing their results to the service recipient according to the “one-stop-shop” principle, ensuring the provision of state services in electronic form;

2) Unified Accumulative Pension Fund (hereinafter referred to as UAPF) – a legal entity that carries out activities related to the collection of pension contributions and pension payments, as well as other functions defined by the Code;

3) pension payments from UAPF (hereinafter referred to as the pension payments) – payments of money to individuals, for whom EMPC were paid;

4) pension assets formed at the expense of EMPC (hereinafter referred to as the pension assets), – EMPC, investment income, funds received as penalties and damages, minus commission fees;

5) EMPC – money transferred by agents from their own funds to a conditional pension account in accordance with the procedure established by law of the Republic of Kazakhstan;

6) EMPC agent (hereinafter referred to as the agent) – an individual or legal entity, including a foreign legal entity, carrying out the activities in the Republic of Kazakhstan through a permanent establishment, branches, representative offices of foreign legal entities, calculating (accruing) and transferring EMPC to UAPF in the manner determined by law of the Republic of Kazakhstan;

7) recipient of pension payments (hereinafter referred to as the recipient) – an individual, who is assigned pension payments from UAPF;

8) conditional accumulated balance (hereinafter referred to as the CAB) – amount on the conditional pension account of an individual, including EMPC, other receipts, investment income, as of the date of the right to pension payments in accordance with the conditions stipulated by paragraph 3 of these Rules;

9) conditional pension liabilities (hereinafter referred to as the liabilities) – UAPF's obligations for pension payments from EMPC and other receipts in accordance with the legislation of the Republic of Kazakhstan;

10) conditional pension account - an account opened in the name of an individual in the UAPF, which records information on EMPC and other receipts received in accordance with the legislation of the Republic of Kazakhstan, as well as information on the amount of pension payments from EMPC for the relevant financial year;

11) balancing – the process of restoring financial balance when calculating pension payments using EMPC;

12) information system "Centralized database of persons with disabilities" (hereinafter referred to as the IS "CDPD") is a hardware and software complex designed to automate business processes for establishing disability, loss of ability to work, developing an individual habilitation and rehabilitation program, as well as for storing and processing data on persons who have undergone examination in the departments of medical and social expertise;

13) authorized state body (hereinafter referred to as the authorized body) - the central executive body that carries out management and intersectoral coordination in the field of social protection of the population in accordance with the legislation of the Republic of Kazakhstan.

3. Pension payments are provided to persons for whom EMPCs have been transferred for a total of at least sixty calendar months:

1) upon the occurrence of the conditions stipulated in paragraph 1 of Article 207 of the Code;

2) with a disability of the first and second groups, if the disability is established indefinitely.

4. The maximum amount of pension payments at the expense of EMPC cannot exceed 2 times the subsistence minimum established for the relevant financial year by the law on the republican budget.

5. Pension payments shall be assigned for life, shall be made for the current month and shall be carried out until the month of death or receipt from the information systems of state bodies of information on the invalidity of all documents certifying the identity of a citizen of the Republic of Kazakhstan, or a residence permit for a foreigner in the Republic of Kazakhstan, or a certificate of a stateless person issued by an authorized body of the Republic of Kazakhstan, in connection with leaving for a permanent place of residence or cancellation of a permanent residence permit in the Republic of Kazakhstan, or in connection with the loss of citizenship of the Republic of Kazakhstan, withdrawal from citizenship of the Republic of Kazakhstan by UAPF inclusive.

6. Pension assets are not the property of the agent and/or the individual for whom EMPCs are paid.

Chapter 2. Procedure for making pension payments at the expense of EMPC

7. In order to receive pension payments from UAPF, the applicant, upon the occurrence of the conditions stipulated in:

1) subparagraph 1) of paragraph 1 of Article 222 of the Code, shall submit an application to the State Corporation with the presentation of an identity document (for identification), as well as bank account information;

2) subparagraph 2) of paragraph 1 of Article 222 of the Code, shall submit in person to UAPF:

application for assignment of pension payments in the form approved by an internal document of UAPF (hereinafter referred to as the application);

identity document (for identification);

information about the bank account.

When applying via the UAPF Internet resource, the applicant shall submit an application certified by an electronic digital signature in the form approved by the UAPF internal document.

The procedure of application via the UAPF Internet resource shall be approved by the UAPF internal document.

When submitting an application by postal means, a copy of the identity document of the recipient specified in subparagraph 2) of this paragraph, as well as the signature of the recipient on the application, shall be notarized (provided that the notarization is carried out in the state of residence).

8. In cases where applicants are persons with disabilities of the first and second groups and the disability is established indefinitely, UAPF requests information on the establishment of disability for the recipient from the IS "CDPD".

In case of absence of information in IS "CDPD" about the applicant's established disability of the first or second group indefinitely UAPF refuses to accept the application on the day of the applicant's application with delivery of a receipt on refusal to accept documents with indication of the reason for refusal according to the form approved by the internal document of UAPF.

In case of withdrawal of the disability of the first or second group established indefinitely, pension payments are terminated from the month following the month of receipt of information from IS "CDPD" on withdrawal of disability.

The procedure and terms for providing information on the removal of disability are established by a relevant agreement concluded between UAPF and the authorized body.

9. In case of filing an application through a third party, in addition to the documents specified in subparagraph 2) of paragraph 7 of these Rules, the third party (attorney, legal representative) shall submit:

- 1) the original notarized power of attorney or its notarized copy;
- 2) an identity document of the third party (for identification).

In this case, a copy of the document certifying the identity of the recipient is notarized (provided that the notarization is carried out in the state of residence);

3) a document confirming the status of the legal representative, if the legal representative applies.

10. In order to make pension payments, UAPF may use digital documents of applicants in accordance with the legislation of the Republic of Kazakhstan. A copy of the identity document on paper is submitted in cases where there is no integration with the information technology facilities of state bodies and (or) state legal entities.

11. When accepting documents in person at the UAPF, the applicant or a third party is given a receipt for the acceptance of documents in the form approved by the internal document of the UAPF.

12. In cases where the applicant submits an incomplete set of documents established subparagraph 2) of paragraph 7, paragraphs 9 and 10 of these Rules, and (or) invalid identity documents, and (or) documents with an expired validity period, the UAPF refuses to accept the application on the day of application with the delivery of a receipt of refusal to accept documents in the form determined by the internal documents of the UAPF, or to execute the application by sending a notice within ten working days from the date of receipt of the documents stipulated by these Rules, indicating the reason for the refusal.

13. Pension payments are assigned from the date of application. In this case, the date of application for pension payments is considered to be:

for recipients, specified in subparagraph 1) of paragraph 1 of Article 222 of the Code, – the day of registration of the recipient's application in the State Corporation, provided that if the application is registered:

after the occurrence of the conditions specified in subparagraph 1) of paragraph 7 of these Rules, the day of application shall be considered the day of registration of the application;

prior to the occurrence of the conditions specified in subparagraph 1) of paragraph 7 of these Rules, the day of application shall be considered the day of occurrence of conditions, specified in subparagraph 1) of paragraph 7 of these Rules;

for recipients, specified in subparagraph 2) of paragraph 1 of Article 222 of the Code, – date of acceptance or submission of documents UAPF.

Pension payments shall be made to the recipients specified in subparagraph 2) of paragraph 1 of Article 222 of the Code within ten working days from the date of receipt or receipt by the UAPF of the documents provided for by these Rules.

14. For applications submitted to the State Corporation in accordance with subparagraph 1) of paragraph 7 of these Rules, the State Corporation shall interact with the UAPF in the manner and within the timeframes established by the relevant agreement concluded between the UAPF and the State Corporation, within the framework of which information on applications registered with the State Corporation is transferred to the UAPF.

The UAPF shall transfer to the State Corporation the amounts of pension payments of recipients calculated in accordance with paragraph 22 of these Rules, according to the schedule of pension payments established by the State Corporation.

The State Corporation shall transfer the amounts of pension payments received from UAPF to the bank accounts of the recipients specified in the application, in accordance with the pension payments schedule established by the State Corporation, but not earlier than the date on which the right to pension payments arises.

15. In cases where the recipient submits an incomplete set of documents established in accordance with subparagraph 1) of paragraph 7 of paragraph 7 of these Rules, and (or) invalid identity documents and (or) documents with expired validity period, the State Corporation shall refuse to accept the application on the day of application with a receipt of refusal to accept the application or to execute the application by sending a notice within ten

working days from the date of receipt of the documents provided for in these Rules, indicating the reason for the refusal.

16. The basis for termination of pension payments from UAPF to a recipient shall be receipt of information from information systems of state bodies and (or) UAPF about his death, invalidity of all identity documents of a citizen of the Republic of Kazakhstan, or residence permit of a foreigner in the Republic of Kazakhstan, or certificate of a stateless person issued by an authorized body of the Republic of Kazakhstan, in connection with departure for permanent residence outside the Republic of Kazakhstan, or cancellation of a permanent residence permit in the Republic of Kazakhstan.

17. Pension payments shall be transferred by UAPF to the bank account of the beneficiary specified in subparagraph 2) of paragraph 1 of Article 222 of the Code, the details of which shall be indicated in the application form.

Payment for banking services related to transfers, credits and pension payments from the employer's mandatory pension contributions shall be made from UAPF's own funds.

Chapter 3. Procedure for determining the amount of pension payments at the expense of EMPC

18. The following parameters are used to calculate pension benefits from the EMPC:

- 1) present value factor;
- 2) the balance ratio;
- 3) mitigated balance ratio.

19. The present value factor is the sum of the products of the indicator(s) of survival of the recipient of lifelong pension payments depending on age, the discount factor and the indexation rate in the corresponding degrees:

$$\ddot{a}_{x:\overline{m}|} = \sum_{t=0}^{t=m} v^t * {}_t p_x * (1+j)^t - \frac{m-1}{2 * m}$$

where:

$$\ddot{a}_{x:\overline{m}|}$$

– present value factor;

$$v = \frac{1}{1+i}$$

- discount factor;

i – effective interest rate of return;

j – indexation rate;

t p x – probability of survival of the recipient of lifetime pension payments from age x to age x+t;

x – age of the recipient on the date of commencement of receipt of lifetime pension payments;

n – number of years of receipt of lifetime pension payments;

m – frequency of pension payments;

t – variable taking values from 0 to n .

20. Balance ratio – ratio of pension assets to liabilities:

$$BT_t = \frac{\text{пенсионные активы}_{t-1}}{\text{обязательства}_{t-1}},$$

Where:

BT_t – balance ratio;

Pension assets $_{t-1}$ – pension assets at the end of a calendar year $t-1$;

liabilities $_{t-1}$ – liabilities at the end of a calendar year $t-1$.

The balancing process is activated at the beginning of the calendar year if at the end of the previous calendar year the liabilities exceed the pension assets.

The restoration of the financial balance is carried out by searching for the optimal ratio between the financial indicators.

21. Mitigated balance ratio – a number expressing the relationship between assets and pension liabilities in pension systems. The soft balance ratio for a year is 1 plus one-third of the difference between the balance ratio set for that year and 1, and is calculated using the following formula:

$$BT_t^* = \frac{BT_t - 1}{3} + 1,$$

where:

BT_t^*

– mitigated balance ratio;

t – calendar year.

22. The amount of pension payments is determined by the UAPF taking into account the present value factor calculated on the basis of mortality data, the average value of the projected inflation rate and the interest rate of return.

The amount of the monthly pension payment is determined by the following formula:

$$ПВ = \frac{УНБ}{12 * \ddot{a}_{x:\overline{n}}^{12}}$$

Where:

PP – amount of pension payment;

$$\ddot{a}_{x:\overline{n}|}^{12}$$

– present value factor.

When calculating the pension payment, all parameters of the present value factor are used in annual terms.

23. When calculating the present value factor of future pension payments UAPF, the following parameters are used:

- 1) mortality rates;
- 2) effective annual percentage rate of return;
- 3) payment indexation rate.

The parameters used to calculate the amount of pension payments from EMPC are set annually by the Government of the Republic of Kazakhstan.

24. The amount of pension payments is increased annually in accordance with the pension payment indexation rate approved for the relevant year:

- 1) if there is no need for the balancing process;
- 2) adjusted taking into account the relaxed balance coefficient, when the balancing process is activated.

25. UAPF annually recalculates the amount of pension payments taking into account the provisions provided for in these Rules. If at the end of the calendar year t-1 the liabilities exceed the pension assets, i.e. BT_t is less than 1, then at the beginning of the calendar year t the balancing process is activated:

1) when determining the amount of monthly pension payments for the relevant calendar year, the approved rate of indexation of pension payments is taken into account with the following adjustment applied:

$$j_t^* = (1 + j_t) \cdot BT_t^* - 1$$

where:

$$j_t^*$$

– adjusted rate of indexation of pension payments in calendar year t;

j_t – approved rate of indexation of pension payments in calendar year t;

$$BT_t^* = \frac{BT_{t-1}}{3} + 1$$

– mitigated balance ratio;

2) in subsequent years, the adjusted rates of indexation of pension payments will look like this:

$$j_{t+n}^* = (1 + j_{t+n}) \cdot BT_{t+n}^* - 1, \quad n = 1, 2, \dots$$

the annual balancing process will continue until

$$BT_{t+n}^* < \frac{1}{\prod_{i=0}^{n-1} BT_{t+i}^*};$$

3) if in a given year $t+n'$ the calculated sizep

$$BT_{t+n'}^*$$

will be greater than or equal to the value

$$\frac{1}{\prod_{i=0}^{n'-1} BT_{t+i}^*},$$

, then

$$BT_{t+n'}^* = \frac{1}{\prod_{i=0}^{n'-1} BT_{t+i}^*},$$

$$j_{t+n'}^* = (1 + j_{t+n'}) \cdot BT_{t+n'}^* - 1$$

and at this point the balancing process in the conditional funded pension system will be completed in the corresponding calendar year $t+n'$.