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Approved

by decision of the Board of Directors of UAPF JSC

Minutes dated October 08, 2021 No. 2

**Corporate Development Strategy  
of the Unified Accumulative Pension Fund Joint Stock Company  
for 2022-2026**

## Introduction

The corporate development strategy of UAPF JSC" for 2022-2026 was developed in accordance with the principles of social policy defined in the *Kazakhstan-2050 State Strategy* from 2012, the *Concept of further modernization of the pension system of the Republic of Kazakhstan until 2030* from 2014 (hereinafter - the Concept ), the *Concept for the development of financial technologies and innovations for 2020-2025* from 2020 and is a continuation of the main development directions defined by the Corporate Development Strategy of UAPF JSC for 2017-2021, approved by the Board of Directors of UAPF JSC on October 11, 2017 (Minutes No. 5).

The aim of the Concept is to modernize the pension system, which will ensure the adequacy of pension benefits for a decent standard of living at retirement age. The measures implemented within the framework of the Concept are designed to ensure the preservation of the replacement rate by total pension benefits at the level of at least 40% of lost earnings until 2030 with at least 35 years of experience in the pension system and the regularity of contributions 12 times a year (at the level of international standards).

The concept provides for the distribution of responsibility for pension provision between the state, employer and employee. The state guarantees citizens a basic minimum pension. Employers, with the help of employers, form individual pension savings, while the amount of savings for each employee depends on his personal labor contribution. A multi-level and multi-component pension system has been implemented in Kazakhstan. The first level includes pension benefits at the expense of the state budget (joint and basic pension benefits). The second tier is a compulsory accumulative system, which includes pension benefits at the expense of 10% compulsory pension contributions (CPC) of employees and 5% compulsory occupational pension contributions (COPC) of employers, paid in favor of persons employed in hazardous working conditions. The third level is a voluntary accumulative system, which includes pension benefits from voluntary pension contributions (VPC) of individuals and legal entities.

At present, payments of solidarity (PAYG) pensions from the state budget prevail in the aggregate pension of citizens, since most of the current pensioners had significant work experience until 1998, when the accumulative pension system was introduced in our country for the first time. Thus, the average replacement rate (RR) with the total pension of labor income for all beneficiaries of pensions in 2020 was 56%, including 45% from the state budget (PAYG and basic pension) and 11% from personal pension savings of citizens in UAPF formed at the expense of CPC. The relatively low contribution of the accumulative component of pensions at the expense of CPC is mainly due to the still incomplete period of formation of citizens' pension savings. The full cycle of formation of the participant's pension savings is 40 years. As the solidarity component of pensions is objectively reduced and the accumulative component develops, benefits from pension savings will acquire an increasing share in the total pension to achieve an adequate level of pension provision close to international standards, respectively, the role of the accumulative component of pension will only grow.

The only administrator of the accumulative pension system (second and third levels) is UAPF JSC (hereinafter - UAPF, Fund).

UAPF was established on August 22, 2013 on the basis of the state accumulative pension fund - GNPF APF JSC. The founder and shareholder of the UAPF is the Government of the Republic of Kazakhstan. Fiduciary management of UAPF shares is carried out by the National Bank of the Republic of Kazakhstan (NBRK).

Fiduciary management of UAPF pension assets is carried out by the NBRK (default manager) and from 2021 by investment portfolio managers (IPM) at the choice of the contributor.

UAPF advises contributors and beneficiaries on the accumulative pension system, engages CPC, COPC, VPC, maintains personalized accounting of pension savings and ensures the implementation of pension benefits.

The report of the international organization The Allianz Group, published in May 2020, presents a rating of the world's leading pension systems. The rating is compiled according to such criteria as: economic and demographic factors, stability and adequacy of pension systems. In the Allianz pension rating, Kazakhstan ranks 20th among 70 countries, ahead of Israel, Switzerland,

Germany, France, Singapore and other advanced countries. This confirms the effectiveness of the pension model chosen in our country and the directions for further development, identified in 2014 by the Concept.

## **1. Mission, vision, values**

### **Mission**

Reliable accounting of pension savings and the provision of high-quality pension services available to every contributor

### **Vision**

High-tech financial institution with a personalized approach to the formation and planning of accumulative pension

### **Values**

*Human-centered and consumer-oriented* - the Fund sees in everyone, first of all, a person with an inherent personality. The interests of UAPF clients are the most important, and the Fund does everything to ensure that its pension services are accessible, understandable, timely and meet the current and future needs of clients.

*Commitment to quality* - well-coordinated work of a team of professionals who share the goals and values of the Fund, who comply with the established quality standards.

*Manufacturability* - the Fund uses modern technologies in its activities, the Fund's staff constantly learns and applies new skills and knowledge in order to be ready for the requirements and challenges of the time.

*Reliability* - The Fund is aimed at maintaining high standards of corporate governance, carries out its activities strictly within the framework determined by the legislation of the Republic of Kazakhstan.

*Responsibility* - the management and employees of the UAPF are responsible to contributors and beneficiaries of pension savings for the continuous improvement of the Fund's activities, economical and rational use of resources.

*Transparency and openness* - the Fund is open for communication with the public, regularly publishes information on the state of pension savings and its current financial condition in open information sources.

## **2. Goals and objectives**

### **1. Personalized approach to the provision of pension services and communications with each participant, taking into account the best world practice**

1.1. Development and modernization of communication channels with contributors and beneficiaries, taking into account their individual needs

1.2. Development of personal counseling and information

1.3. Compliance with established quality standards and improvement of the Fund's processes

### **2. Effective interaction with the public and UAPF counterparties on the issues of the accumulative pension system and other areas of activity of the UAPF**

2.1. Raising public awareness in the field of pension provision and other areas of activity of the UAPF, as well as strengthening public confidence in the funded pension system and the UAPF

2.2. Interaction with agents-payers of pension contributions

2.3. Interaction with government agencies

2.4. Interaction with other counterparties of the UAPF

**3. Development of proposals and implementation of legislation on the further development of the accumulative pension system of Kazakhstan**

3.1. Formation of an information and statistical base, improvement of actuarial modeling tools for analysis and development of proposals for the areas of further development of the APS

3.2. Introduction of a new component of the accumulative pension system - the employer's compulsory pension contributions

3.3. Exercising the functions of the UAPF as the Competent Body under the Agreement on Pension Provision of Workers of the EAEU Member States

3.4. Improving the parameters and mechanisms for the implementation of pension benefits

**Chairman of the Executive Board**

**Zh. Kurmanov**