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TRANSFORMING PENSION SAVINGS INTO RETIREMENT INCOME: KAZAKHSTAN'S EXPERIENCE WITH PENSION ANNUITIES

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KAZAKHSTAN'S PENSION REFORM OF 1998

International Experience

based on the Chilean Model Adapted to Kazakhstan's Conditions.

Mandatory Pension Contributions

10% of income is contributed to an individual pension account.

Personal Ownership

pension savings belong to the contributor and can be inherited.

System Continuity

citizens with pre-1998 work records retained their right to a solidarity pension.

STAGES OF THE EVOLUTION OF KAZAKHSTAN'S PENSION SYSTEM

1998 – 2013

PENSION FUND COMPETITION

Foundation of the funded pension system was established.

Private pension funds and the State Accumulative Pension Fund operated in the market. Contributors were free to choose a fund to manage their pension savings.

2013

SYSTEM CONSOLIDATION

Centralized management of pension savings.

All pension assets were consolidated into a single fund. The Unified Accumulative Pension Fund (UAPF) was established.

2021 – 2026

GREATER SYSTEM FLEXIBILITY

Expanded opportunities for citizens to manage their pension assets.

Citizens gained the right to use part of their pension savings for housing and medical expenses. They were also allowed to transfer a portion of their assets to private investment portfolio managers (IPMs).

STAGES OF THE EVOLUTION OF KAZAKHSTAN'S PENSION SYSTEM



THE SYSTEM TODAY

Tier	Description	Source of Funding
State Pension		
Basic Pension	A guaranteed pension benefit provided by the state to all citizens. Its amount is linked to total employment history and the subsistence minimum.	State Budget
Solidarity Pension	A legacy pay-as-you-go component based on intergenerational solidarity. It is financed from the state budget and paid only to citizens with employment history prior to January 1, 1998. This component is gradually being phased out and is expected to disappear by the 2040s.	
Mandatory Funded Pensions		
Mandatory Pension Contributions	10% of an employee's monthly income is contributed to an individual account in the Unified Accumulative Pension Fund (UAPF).	Employee
Mandatory Employer Pension Contributions	A notional funded component introduced to compensate for the gradual phase-out of the solidarity pension. Since January 1, 2026, mandatory employer pension contributions have been set at 3.5% of an employee's income and are paid by the employer.	Employer
Voluntary Pension Savings		
Voluntary Pension Contributions	Individual contributions to the UAPF or voluntary pension savings programs.	Individual

SYSTEMIC CHALLENGES FACING KAZAKHSTAN'S PENSION SYSTEM

- Longevity Risk
- Pension Capital Depletion
- Inflation Risk
- Declining Replacement Rate
- Irregular Pension Contributions
- Increasing Employer Burden



PENSION ANNUITY

National Bank of Kazakhstan Resolution of July 25, 2003

The introduction of pension annuities gave citizens the right to transfer their pension savings to a life insurance company and receive guaranteed lifetime payments.

A pension annuity is a mechanism that converts pension savings into guaranteed lifetime income through a pension annuity contract with a life insurance company.

BENEFITS OF PENSION ANNUITIES

- Payments can begin before the statutory retirement age.
- Lifetime payments are guaranteed regardless of how long the client lives.
- A lump-sum payment is available once the pension annuity contract takes effect.
- Guaranteed payments may be inherited by beneficiaries in the event of the policyholder's death.
- Payments are protected by the Insurance Payments Guarantee Fund.
- A pension annuity secures lifetime retirement income while allowing future pension savings in the UAPF to be used for housing and medical expenses.
- The contract can be transferred to another life insurance company after two years.



TYPES OF PENSION ANNUITIES

ELIGIBILITY REQUIREMENTS	DEFERRED ANNUITY	IMMEDIATE ANNUITY
Lifetime payments	Lifetime	Lifetime
Eligibility Age for Contract Purchase	– Age 40+ for individuals with at least 60 months of mandatory occupational pension contributions (MOPC) – Age 45+	– Age 50+ for individuals with at least 60 months of mandatory occupational pension contributions (MOPC) – Age 53+ for women and age 55+ for men
Payments begin	At age 50/55	Immediately after the annuity premium is paid

Both deferred and immediate annuities may be structured as joint annuities, allowing two individuals (typically spouses) to combine their pension savings under a single contract.

MINIMUM PENSION SAVINGS REQUIRED TO PURCHASE A PENSION ANNUITY

With Mandatory Occupational Pension Contributions (USD)

MEN

age	amount	age	amount
40	15 872	52	16 392
41	16 019	53	15 897
42	16 168	54	15 407
43	16 317	55	14 922
44	16 468	56	14 443
45	16 621	57	13 969
46	16 775	58	13 501
47	16 930	59	13 036
48	17 087	60	12 573
49	17 245	61	12 112
50	17 405	62	11 653
51	16 895	63	11 196

WOMEN

age	amount	age	amount
40	20 709	52	21 620
41	20 901	53	21 082
42	21 095	54	20 546
43	21 290	55	20 012
44	21 487	56	19 481
45	21 686	57	18 953
46	21 887	58	18 428
47	22 089	59	17 904
48	22 294	60	17 382
49	22 500	61	16 860
50	22 709	62	16 340
51	22 163	63	15 820

MINIMUM PENSION SAVINGS REQUIRED TO PURCHASE A PENSION ANNUITY

Without Mandatory Occupational Pension Contributions (USD)

MEN			
age	amount	age	amount
45	18 701	55	20 507
46	18 875	56	19 979
47	19 049	57	19 456
48	19 226	58	18 936
49	19 404	59	18 424
50	19 583	60	17 918
51	19 765	61	17 417
52	19 948	62	16 923
53	20 133	63	16 432

WOMEN			
age	amount	age	amount
45	23 421	55	25 682
46	23 638	56	25 072
47	23 857	57	24 461
48	24 078	58	23 850
49	24 301	59	23 238
50	25 340	60	22 627
51	26 408	61	22 016
52	26 652	62	21 406
53	26 899	63	20 797
54	26 291		

DEVELOPMENT OF THE PENSION ANNUITY MARKET IN KAZAKHSTAN

Insurance Premiums (USD million)



Insurance Premiums (KZT billion)





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