

11 September 2015

To our clients and friends

INFORMATION MEMORANDUM

Concerning Amendments to the Current Legislation of the Republic of Kazakhstan on Pension Security Issues

In the framework of the pension legislation reform, starting 1 January 2016, Kazakhstan is putting into effect the Law on Introduction of Amendments into Certain Legislative Acts of the Republic of Kazakhstan on Pension Security Issues (the Law).

The Law amends the provisions of such legislative acts of the Republic of Kazakhstan as the Civil Code, Labor Code, Code on Taxes and Other Mandatory Payments to the Budget, Administrative Code, Law on Customs in the Republic of Kazakhstan, Law on State Registration of Legal Entities and Record Registration of Branches and Representative Offices, Law on Military Services and Status of Servicemen, and other normative legal acts.

According to the Law, pension payments to citizens will consist of the following components:

- base pension (payable out of the funds of the national budget);
- cumulative component (formed by employee individual contributions in the amount of 10% of the employee's income);
- provisionally cumulative component (formed by employers' mandatory pension contributions (EMPC) in the amount of 5% of employees' income);
- voluntary pension savings.

Starting 1 January 2018, beside withholding 10% pension contributions from employees' income and transferring them to the Unified Cumulative Pension Fund (UCPF), the employer will have to additionally transfer to the UCPF at its own expense the EMPCs at 5% of employees' income.

The EMPCs are not the employees' property; they cannot be inherited and will be fixed in each employee's provisional pension account opened with UCPF.

Entitled to pension payments on account of EMPCs will be the persons reaching retirement age and having the provisional pension account opened in their name (provided that their employer has been transferring the EMPCs for at least 60 months in aggregate) and group I and II disabled persons with termless disability.

Pension payments on account of EMPC are assigned for life and are payable for the current month and through the month of death. The maximum amount of such EMPC payments cannot exceed twice the minimum subsistence amount established for the relevant financial year by the National Budget Law.

Furthermore, if previously the amount of base pension was the same for all, starting 1 July 2017, when calculating its amount the labor experience and term of participation in the pension system, as well as other factors, will be taken into account. If granting the state base pension payment, the term of participation in the pension system is to include the employment



duration over a period until 1 January 1998 and the period during which pension contributions were made. In case of absence of participation in the pension system the social payment is to be paid at 50% of the minimum subsistence amount. The said pension is assigned for life and is payable through the month of death or departure to the permanent place of residence outside Kazakhstan.

Hope that the above information will be of use to you. Should you have any additional questions in connection with this Information Memorandum, we would be happy to provide more detailed information.

Best regards
AEQUITAS Law Firm