

LAW OF THE REPUBLIC OF KAZAKHSTAN

ON PENSIONS IN THE REPUBLIC OF KAZAKHSTAN

Amended by Laws of the Republic of Kazakhstan:

#328-13?? of 22.12.1998 («Kazakhstanskaya Pravda” #243 of 26.12.1998);

#364-13?? of 05.04.1999 («Kazakhstanskaya Pravda” #64 of 07.04.1999).

The present Law shall define the legal and social foundations for provision of pensions for citizens of the Republic of Kazakhstan, it shall regulate participation of Government agencies, physical persons and legal entities irrespective of the form of ownership in realisation of the Constitutional right of citizens for pension.

SECTION I. PENSION FRAMEWORK.

SECTION II. PENSIONS PAID FROM THE CENTRE.

SECTION III. PENSIONS FROM PENSION ACCUMULATION FUNDS.

SECTION IV. PENSIONS FOR MILITARY AND INTERNAL AFFAIRS PERSONNEL (amended on 22.12.1998).

SECTION V. CONCLUSIVE PROVISIONS.

GENERAL PROVISIONS

Chapter 1. MAIN CONCEPTS USED IN THE PRESENT LAW

Article 1. The present Law uses main concepts as follows:

Affiliated person of the given person (affiliated person) shall mean any physical person or legal entity (except for Government agencies supervising activity of the given entity within the authority assigned to them) enjoying the right to determine – directly or indirectly – decisions and (or) influence the decisions made by the given person including pursuant to an agreement – including a verbal agreement- or any other deal, as well as any other person with respect to which the given person enjoys such a right. With respect to a joint stock company, all the joint stock company officials, a shareholder owing 10% and more of the joint stock company voting shares (for open public joint stock companies – 5% and more) shall be obligatory deemed as persons affiliated to the joint stock company (amended on 05.04.1999);

Custodian bank shall mean a bank providing services for custodying and accounting securities and money (amended on 05.04.1999) entrusted to it by clients;

Contributor to a pension accumulation fund (hereinafter referred to as a Contributor) shall mean a physical person of a legal entity paying pension contributions to the credit of the beneficiary of the pension benefit;

State Pension Accumulation Fund shall mean a legal entity collecting mandatory pension contributions from Contributors and paying pension benefits to Beneficiaries pursuant to the procedure set forth by legislation of the Republic of Kazakhstan as well as accumulating pension assets and investing them into Government securities, bank deposits, securities of international financial institutions (amended on 22.12.1998);

State Pension Payment Centre (hereinafter referred to as a Centre) shall mean a legal entity paying pension benefits to citizens eligible for pensions as per terms and conditions of the present Law from the resources allocated for payment of pensions from the Republican Budget, the given allocations being approved by the Law on the Republican Budget for the corresponding year (amended on 22.12.1998), accounting mandatory pension contributions and transferring them to pension accumulation funds and assigning social identification codes to individuals (amended on 05.04.1999);

Diversification shall mean binding requirements established by a Government securities market regulatory authority for placements of pension assets in order to reduce the risk to lose them;

Voluntary pension contributions shall mean money (amended on 05.04.1999) voluntarily paid by contributors to non-state pension accumulation funds to the credit of the Beneficiary, the procedure and amounts for such contributions being stipulated by legislation and by the pension contract;

“Golden Share” shall mean a share of a non-state pension accumulation fund introduced by a founder and not participating in the charter fund and not eligible for dividends. The “golden share” holder shall be entitled for the veto right with respect to decisions of a general shareholders’ meeting, Board and Supervisory Council on issues provided in the Charter;

Investment income shall mean money (amended on 05.04.1999) received through investing pension assets of pension accumulation funds pursuant to the procedure established by a securities market regulatory authority;

Individual pension account shall mean a personal Beneficiary’s account with pension accumulation funds, which receives and accounts (amended on 05.04.1999) Contributor’s pension contributions and investment income and from which pension benefits are paid to the owner of the individual pension account;

Custodial contract shall mean a contract for custodying and accounting securities and money (amended on 05.04.1999) signed between a custodian bank and its client;

Pension assets management company shall mean a legal entity executing investment management of pension assets of non-state pension accumulation funds (amended on 05.04.1999);

Pension accumulation funds shall mean the State pension accumulation fund and non-state pension accumulation funds;

Non-state pension accumulation fund shall mean a legal entity collecting Contributors’ both mandatory and voluntary pension contributions, as well as other funds being received pursuant to the legislation and paying (amended on 05.04.1999) pension benefits to Contributors, accumulating pension assets and investing them through pension assets management companies pursuant to the procedure established by the present Law;

Mandatory pension contributions shall mean money (amended on 05.04.1999) contributed pursuant to the present Law by payers and Contributors to pension accumulation funds pursuant to the procedure set forth by the legislation (amended on 22.12.1998);

Bodies awarding pensions from the Centre shall mean authorise Government agencies (amended on 22.12.1998);

Official transfers – shall mean unrepayable and unreturnable transfers to the budget and expenditures from the budget;

Pension – shall mean cumulative pension benefit paid from the Centre and pension accumulation funds (amended on 05.04.1999);

Pension assets – shall mean funds aimed to ensure payment of pension benefit from pension accumulation funds;

Pension payments:

from the Centre shall mean money (amended on 05.04.1999) due to individuals with minimum 6 month working (service) record vested as of January 1, 1998 paid prorated to the length of the working (service) record pursuant to the procedure set forth by the legislation;

from pension accumulation funds money (amended on 05.04.1999) paid to Beneficiaries pursuant to the procedure set forth by legislation of the Republic of Kazakhstan (amended on 22.12.1998);

Pension accumulations shall mean money (amended on 05.04.1999) of Beneficiary of pension payments including both mandatory and voluntary pension contributions and investment income recorded at individual pension accounts;

Pension contract shall mean a contract (agreement) concluded between pension accumulation funds on the one part, and Contributor or Beneficiary on the other part on establishing, changing or terminating legal relations associated with pension contributions and accumulations

(para 26 excluded (amended on 22.12.1998);

Beneficiary of pension benefit (hereinafter referred to as a Beneficiary) shall mean an individual in whose favour the pension contributions are being credited and (or) (amended on 05.04.1999) to whom pension benefit is being paid from pension accumulation funds and /or to whom pension benefit is awarded to be paid from the Centre;

Prudential norms shall mean standards established by authorised Government agencies and binding while managing pension assets;

Real value of pension savings shall mean the par value of pension savings adjusted to consumer price index calculated by an authorised Government statistics agency of the Republic of Kazakhstan;

Custodial account regime shall mean terms and conditions provided in legislation and in the custodial contract and binding for compliance with the given regime;

Pension contributions rate shall mean the amount of Contributor's mandatory pension contribution paid to pension accumulation funds in per cent of income taken for purposes of calculating pension contributions (amended on 22.12.1998);

for payers to the Centre – per cent of the payroll fund of legal entities or incomes of individuals involved in business or any other type of activity without being registered as a legal entity;

for contributors to pension accumulation funds – per cent of income taken for purposes of calculating pension contributions;

Authorised agency shall mean a Government agency regulating operations of pension accumulation funds and executing its authorities pursuant to legislation of the Republic of Kazakhstan;

Social identification code – shall mean a permanent code assigned to every citizen eligible for pension as per Article 2 of the present Law in order to monitor maintenance of individual pension accounts and other social individual identification procedures;

Segregating accounting shall mean not including pension assets into accounting books of a pension accumulation fund as a legal entity (amended on 05.04.1999).

Article 2. Rights of Citizens to Pensions

1. Citizens of the Republic of Kazakhstan enjoy the right to pensions pursuant to the procedure set forth by legislation of the Republic of Kazakhstan.

2. Foreigners and persons without citizenship permanently (amended on 05.04.1999) residing on the territory of the Republic of Kazakhstan enjoy the right to pensions on an equal grounds with the citizens of the Republic of Kazakhstan unless otherwise provided by laws and international agreements.

Article 3. Pension Legislation

1. Pension legislation is based on the Constitution of the Republic of Kazakhstan and embraces the present Law, other legislative acts of the Republic of Kazakhstan.

2. Should an international treaty (agreement) ratified by the Republic of Kazakhstan establish the rules other than those provided in the present, Law the rules of the international treaty (agreement) prevail.

Article 4. Procedure for Paying Compulsory and Voluntary Pension Contributions. Monitoring their Payment

1. Mandatory pension contributions are paid to pension accumulation funds by physical persons at a rate of 10% of the income taken for calculation of pension contributions pursuant to the procedure established by legislation of the Republic of Kazakhstan but not less than 10% of the minimum wage rate provided in a legislative act (amended on 22.12.1998).

Persons having reached the pensionable age in accordance with Articles 9 and 60 of the present Law shall be exempt from payment of pension contributions to pension accumulation funds (amended on 05.04.1999).

2. Voluntary pension contributions are paid by physical persons and legal entities to the non-state pension accumulation funds under the pension contract.

3. Amounts of mandatory pension contributions paid in due time but not timely transferred to pension accumulation funds are subject to recovery for the credit of appropriate pension accumulation fund, penalty being imposed for every day of delay (the day of payment inclusive) at a rate of 1.2 times refinance rate determined by the National Bank of the Republic of Kazakhstan as of the date the amounts are due pursuant to the procedure established by legislation of the Republic of Kazakhstan (amended on 22.12.1998).

4. Full and timely transfer of mandatory pension contributions to pension accumulation shall be enforced by the tax authorities pursuant to tax legislation (amended on 22.12.1998).

Article 5. State Guarantees for Pensions

1. The State guarantees pensions to the citizens having retired before January 1, 1998, earlier established value of pension benefit being preserved up to April 1, 1999; later on pensions will be paid as per Cl.4 of Article 13 of the present Law (amended on 05.04.1999).

2. Citizens crossing the pensionable age having paid mandatory pension contributions to pension accumulation funds through the period equal to minimum three fourth of the period from January 1, 1998 through the pensionable age, as per Cl.1 of Article 9 of the present Law will granted a state social benefit in the form of appropriate topping-up payments should the value of pension benefit prove to be lower than the minimum pension established by a legislative act.

3. Pension benefits paid form the Centre shall be indexed on a quarterly basis pursuant to the procedure established by the Government of the Republic of Kazakhstan (amended on 05.04.1999).

4. The state guarantees pensions to citizens eligible for full-length service pension and having registered such eligibility as of January 1, 1998 with bodies awarding and/or paying pensions – in this case the value of the pension contingent upon leaving the duty position. The awarded pension shall be a subject for terms and conditions of CL.1 and 3 of the present Article and Cl.4 of Article 13 of the present Law (amended on 05.04.1999).

Article 6. Safeguarding Pension Accumulations

1. The state guarantees safety of pension contributions in the State pension accumulation fund.

2. Pension accumulations are safeguarded through:

- 1). licensing activity of pension accumulation funds with respect to attraction of contributions and payment of pension benefits;
- 2). licensing activity of pension assets management companies (amended on 05.04.1999);
 - 2-1). licensing custodial activity of second-tier banks (amended on 05.04.1999);
- 3). establishing prudential norms for pension assets management companies;
 - 3-1). regulating activity of pension accumulation funds through establishing appropriate norms and limits to ensure financial sustainability;
- 4). establishing requirements to the founders, managers and specialists of pension accumulation funds and the pension assets management companies, as well as to the size and structure of their charter capital;

- 5). requiring funds to keep cash money and securities only in a custodian bank not affiliated with a pension accumulation fund and a pension assets management company (except for the State Pension Accumulation Fund);
- 6). depositing pension assets to banks not affiliated with each other and with the custodian bank (amended on 05.04.1999);
- 7). segregating the fund's corporate assets and pension assets, monitoring their targeted placement;
- 8). delegating functions to manage investment of pension assets of non-state pension accumulation funds to pension assets management companies;
- 9). diversification and risk reduction requirements being established for pension assets management companies by a securities market regulatory authority with respect to placement of pension assets;
- 10). setting ceilings for rates of commissions fees charged by pension accumulation funds (amended on 05.04.1999);
- 11). mandating annual (amended on 05.04.1999) audit of annual financial reports of the pension accumulation funds and pension assets management companies (amended on 05.04.1999);
- 12). requiring regular financial and statistical reports of pension accumulation funds and pension assets management companies be provided to appropriate state bodies pursuant to the legislated procedure;
- 13). entitling a Beneficiary to transfer pension accumulations from one pension accumulation fund to another but not more often than two times a year;
- 14). Complete or partial insurance of pension savings at a Beneficiary's discretion.

Chapter 2. ELIGIBILITY FOR PENSIONS FROM CENTRE

Article 7. Eligibility for Pensions from the Centre

Citizens shall be entitled to guaranteed right to pensions from the Centre, when terms and conditions established by the present Law arise.

Article 8. Categories of Citizens Eligible for Pensions from the Centre

1. Pension from the Centre shall be paid to categories of citizens as follows:

- 1). having been receiving pension before January 1, 1998;
- 2). having crossed pensionable age in accordance with Article 9 of the present Law and having the work (service) record of minimum six months as of January 1, 1998 – prorated to the length of the work (service) record.

2. In case of death of a Beneficiary not having accumulated pension savings with any of pension accumulation funds, the Beneficiary's family or funeral arranger shall be paid a non-recurrent funeral allowance from the Centre at the rate of fifteen-times base enumerate.

Article 9. Awarding Pension Payments from the Centre

1. Pension benefits paid from the Centre are awarded to:
as from July 1, 1997 – to men upon reaching the age of 61, to women upon reaching the age of 56;
as from July 1, 1998 – to men upon reaching the age of 61.5, to women upon reaching the age of 56.5;
as from July 1, 1999 – to men upon reaching the age of 62, to women upon reaching the age of 57;
from July 1, 2000 – to men upon reaching the age of 62.5, to women upon reaching the age of 57.5;
from July 1, 2001 – to men upon reaching the age of 63, to women upon reaching the age 58.

2. Pursuant to the Law of the Republic of Kazakhstan “On Social Protection of Citizens Injured by Nuclear Tests at the Semipalatinsk Nuclear Testing Site”, individuals having lived in the extreme and maximum risk zones during the period from August 29, 1949, through July 5, 1963 for minimum 10 years shall be eligible for pensions as follows:

Men upon reaching the age of 50 with minimum 25 years of work (service) record;
Women upon reaching the age of 45 with minimum 25 years of work (service) record.

3. Women living in rural areas having delivered 5 and more children and brought them up to the age of 8 shall be eligible for pension upon crossing the age of 50 with the consecutive increase of the above mentioned age by 6 months annually as from July 1998 but for maximum three years total.

4. Categories as follows shall be eligible for the full old-age pension benefit from the Centre upon crossing the age specified in the first part of the present Article:

- 1). Men – with minimum 25 years of work (service) record vested as of January 1, 1998;
- 2). Women – with minimum 20 years of work (service) record vested as of January 1, 1998.

5. Partial old-age pension benefits shall be awarded to categories of citizens identified in the first part of the present Article should the given citizens be not eligible for full pension benefit from the Centre, the value of the benefit being prorated to the actual length of work (service) record vested as of January 1, 1998.

6. Partial (non-full) pension benefits shall be calculated pursuant to the procedure established by legislation of the Republic of Kazakhstan prorated to the actual length of work (service) record vested as of January 1, 1998.

Article 10. The Period of Pension Payments from the Centre

Pension payments from the Centre are administered for life.

Chapter 3. WORK (SERVICE) RECORD TAKEN FOR CALCULATING PENSIONS FROM THE CENTRE

Article 11. Calculating Length of Work (Service) Record for Awarding Pensions from the Centre

1. The following shall be calculated as the work (service) record for purposes of awarding pensions from the Centre:

- 1). employment as per labour agreements (contracts) paid by physical persons and legal entities;
- 2). military service;
- 3). service in law-enforcement bodies;
- 4). civil service;
- 5). business activity;
- 6). taking care of Group I invalid, single Group II invalid and old-age pensioners need external assistance and super-aged over 80 years old;
- 7). taking care of invalid child under 16 years of age injured by nuclear tests, ecological disasters or infected with human immune deficit virus or AIDS;
- 8). child-care period of non-working mother but no longer than upon reaching by each of the children the age of 3 with the total period not exceeding 12 years;
- 9). period of detention, period of serving the sentence in places of imprisonment and exile of citizens unjustifiably brought to criminal responsibility and repressed, consequently rehabilitated;
- 10). period able-bodied persons' stay on the temporarily occupied territories of the former USSR and the persons (regardless of the age) on the territory of other states during the Great Patriotic War whereto they were forcibly relocated, the period of detention in fascist concentration camps (ghetto and other places of forced keeping during the war) unless during the said periods these persons committed crimes against the Motherland;
- 11). disability period of non-working war invalids and persons equated to them;
- 12). period of residence abroad of wives (husbands) of staff of former Soviet institutions, institutions of the Republic of Kazakhstan and international organisations, the total duration not exceeding 10 years;
- 13). period of residence of wives of offices, middlemen, warrant offices, contract-based military men with their husbands in localities with no employment possibilities for them, the total duration not exceeding 10 years;
- 14). training in higher and secondary specialised educational institutions, vocational schools, professional training, retraining and professional upgrading schools and courses, in the post-graduate courses, doctoral studies and internship, as well as in day-time higher and secondary clerical educational establishments both within and outside the Republic of Kazakhstan;
- 15). service in the armed guard, in the special communication bodies and mining rescue units irrespective of the departmental jurisdiction and commisionment with special or military rank;
- 16). other work, provided social insurance contributions having been paid.

2. In addition, the following shall be included into the total duration in case of preferential calculation of work (service) record for purposes of calculating pensions from the Centre:

- 1). active military service during the period of combat operations including fulfilling the military duty, staying with partisan detachments and units during the period of combat operations, as well as period of treatment in the health care institutions after military injury – pursuant to the procedure established for calculations duration of such service in administering the length of service pension for military personnel;
- 2). work in military units including that of civilians and the service, except for the military service described in para.1) of the present Clause, periods occurred during the Great patriotic War – being doubled;
- 3). work in blockaded city of Leningrad during the years of the Great Patriotic War from September 8, 1941 through January 27, 1944 – tripled;
- 4). period spent by citizens aged from 12 and older in the blockaded city of Leningrad during the period from September 8, 1941 to January 27, 1944 - doubled;
- 5). the period spent on the territory of other states during the period of the Great Patriotic War thereto they were forcibly relocated, as well as the period spent in fascist concentration camps (ghetto and other places of forced detention during the war period) unless during the said periods these persons committed the crimes against the Motherland - doubled;
- 6). period of detention, serving the sentence in places of imprisonment, exile, involuntary servitude with restriction of freedom, on the special deportation and involuntary treatment in psychiatric institutions of citizens unreasonably brought to criminal responsibility and repressed subsequently rehabilitated – tripled;
- 7). work and military service in the areas neighbouring the Semipalatinsk testing site during the period from August 29, 1949 through July 5, 1963 – tripled, and from July 6, 1963 through January 1, 1992 – multiplied 1.5 times;
- 8). working in anti-lepers and anti-plague institutions, in the anti-infection institutions for treatment of human immune deficit virus or AIDS infected patients - doubled; in forensic expertise institutions and autopsy departments of health care facilities – according to the list of works approved by the Government of the Republic of Kazakhstan – multiplied by 1.5 times;
- 9). working on water transport for a full navigation period shall be recorded as one year of work;
- 10). working for a full season at a seasonal enterprise regardless of its departmental jurisdiction – according to the list approved by the Government of the Republic of Kazakhstan shall be recorded as one year of work.

Article 12. Certification of Work (Service) Record

1. Length of work (service) record for purpose of calculating value of pension payments from the Centre for the period before January 1, 1998, shall be certified by a work (service) record book.

2. In the absence of a work (service) record book or relevant records therein, work (service) record shall be certified by documents confirming the work (service) data or by a court decision (amended on 05.04.1999).

3. Length of work (service) record of the citizens having worked as per subpara 5) and 16) of Cl.1 of Article 11 of the present Law shall be certified by the documents on payment of insurance contributions to the Pension accumulation fund of the Republic of Kazakhstan vested as of January 1, 1998.

Chapter 4. CALCULATING PENSION PAYMENTS FROM THE CENTRE

Article 13. Calculating Value of Pension Benefit Paid from the Centre.

1. Full pension benefit from the Centre shall be paid at a rate of 60% of the average monthly earnings defined as per Article 14 of the present Law.

2. Value of pension benefit paid from the Centre is calculated based on an average monthly earnings during any 3 successive years of work irrespective of interruptions in employment during the period as from January 1, 1995.

3. Value of pension benefit shall be increased by 1% for each full year worked prior to January 1, 1998 above the required length of work (service) record, but not to exceed 75% of income, taken for purpose of calculating value of the pension benefit.

4. Maximum value of a pension benefit awarded before January 1, 1998 – except for pensions paid to the Great Patriotic War soldiers and invalids, military personnel, personnel of internal affairs bodies, former State Investigation Committee and to people awarded with preferential pensions prior to January 1, 1998, in accordance with List #1 of industries, works, professions, duty positions and indicators approved by the Government of the Republic of Kazakhstan and based on work place attestation results – shall not exceed 75% of 25-times monthly base enumerate established by the Law on the Republican Budget for the respective year (amended on 05.04.1999).

Article 14. Definition of Income for Purposes of Calculating Value of Pension Benefit from the Centre

1. Income taken for purposes of calculating value of a pension benefit paid from the Centre embraces all types of remuneration for work and other incomes, the list being determined by the Government of the Republic of Kazakhstan.

2. Income taken for purposes of calculating value of a pension benefit for 3 years of work shall be calculated through dividing the total income for 36 consecutive working months by 36.

3. Income taken for purposes of calculating value of a pension benefit paid from the Centre shall not exceed 15-times monthly base enumerate, established by the Law on the Republican budget for the respective year.

Chapter 5. AWARDING OF PENSIONS FROM THE CENTRE

Article 15. Procedure for Applying for Pension from the Centre

1. Application for awarding a pension from the Centre shall be submitted to an agency awarding pensions (amended on 05.04.1999) at a place of residence of an individual, with documents attached to it certifying the length of work (service) record and income required for calculating pension benefit.

2. Pension payments from the Centre are awarded an agency awarding pensions (amended on 05.04.1999) pursuant to the procedure established by legislation of the Republic of Kazakhstan.

3. An agency awarding pensions (amended on 05.04.1999) shall explain awarding pensions related issues and assist citizens to produce the required documents.

Article 16. Timing for Consideration of Documents for Awarding Pension Payments from the Centre

1. Documents for awarding of pension payments from the Centre shall be considered by an agency awarding pensions (amended on 05.04.1999) not later than within 10 days after the date the documents have been submitted.

2. Not later than 5 days after the respective decision is made, an agency awarding pensions (amended on 05.04.1999) shall notify the applicant on the decision made.

3. In case of refusal to award pension payment from the Centre an agency awarding pensions (amended on 05.04.1999) shall motivate in writing the reasons for such refusal and return submitted documents to the applicant.

4. Decision made by an agency awarding pensions (amended on 05.04.1999) can be appealed against through court.

Article 17. Terms of Awarding Pension Payments from the Centre

1. Pensions payments from the Centre shall be awarded starting from the day of application for pension.

2. The day of submitting of application for payment of pension and required documents to an agency awarding pensions (amended on 05.04.1999) shall be deemed as the day of application for awarding pension payment from the Centre.

Chapter 6. PROCEDURE FOR PAYING PENSIONS FROM THE CENTRE AND DEDUCTIONS FROM THEM

Article 18. Organisational and Legal Form of the Centre

The Centre is established in a form of a state enterprise acting pursuant to operational right, authorised body for the enterprise being determined by the Government of the Republic of Kazakhstan.

Article 19. Procedure for Paying Pensions from the Centre

1. Pensions shall be paid from the Centre for the passed month.
2. Working pensioners shall be entitled to full pension.
3. Pensions can be paid on the basis of a notarised letter of attorney taking into account limitations and cases provided in Cl.4 of Article 13 and in Article 60 of the present Law (amended on 05.04.1999).

Article 20. Receiving Pensions for the Passed Period

1. Amounts of pension payment credited but not received by a Beneficiary shall be paid for the passed period, the given period not to exceed 3 years before applying for receiving such payments.
2. Amount of pension payment not received in time through fault of an agency awarding or paying pensions shall be paid for the passed periods without any time limits.

Article 21. Deductions for Pension Payments

1. Amounts can be deducted from pension payments following a court decision execution procedure except for the cases of amounts overpaid because of errors having occurred while awarding the pension, in such a case deductions being made following an application of the Beneficiary of ht pension payments (amended on 05.04.1999).
2. Deductions shall be made from the payable amount of the pension benefit.
3. Deduction can not exceed 50% of the payable amount of the pension benefit.

Chapter 7. PENSIONS FROM PENSION ACCUMULATION FUNDS

Article 22. Pension Payments from Pension Accumulation Funds

1. Pensions from pension accumulation funds are paid Beneficiaries having accumulated pension savings on individual pension accounts at presenting the Beneficiary's personal identification card.

2. Pensions from mandatory pension contributions having been paid to pension accumulation funds are contingent upon conditionalities provided in Cl.1 of Article 9 and Cl.1 of Article 60 of the present Law, as well as in cases of the Beneficiary having stopped and not resumed working upon crossing the age of 55, having paid pension contributions for minimum 35 years, the adequacy of pension accumulations being determined by an authorised body.

3. Pensions from voluntary pension contributions and other legislated proceeds (amended on 05.04.1999) to non-state pension accumulation funds are paid contingent upon conditionalities as follows:

- 1). voluntary pension contributions having been accumulated over minimum 10 years and the person has crossed the age of 55, and for certain categories this age can be brought down to 50, the list of categories being determined by the Government of the Republic of Kazakhstan;
- 2). disability;
 - 2-1). loss of the bread-winner – Beneficiary of pension payment (amended on 05.04.1999);
- 3). circumstances provided in Cl.1 of Article 10 and Cl.1 of Article 60 of the present Law.

4. Procedure for payment of pensions from pension accumulation funds shall be set forth by the Government of the Republic of Kazakhstan (amended on 22.12.1998).

5. Pension payments from pension accumulation funds shall be subject to taxation pursuant to the tax legislation.

Article 23. Procedure for Paying Pension Contributions to Pension Accumulation Funds

1. Legal entities and physical persons engaged in business activity without having been registered as a legal entity Mandatory shall withhold pension contributions at the source of payment pursuant to the procedure set forth by legislation of the Republic of Kazakhstan.

2. Legal entities and physical persons, engaged in business and other activity without having been registered as a legal entity, withholding pension contributions at the source of payment shall transfer pension contributions to pension accumulation funds simultaneously with payment of wages.

3. Voluntary pension contributions shall be paid by a Contributor. Voluntary pension contributions can be paid to the credit of third persons.

4. Mandatory pension contributions may not be paid to the credit of third persons.

5. Should a pension contract (amended on 05.04.1999) for transfer of mandatory pension contributions be not signed between a Contributor and a non-state pension accumulation fund (amended on 05.04.1999), persons specified in Cl.2 of the present Article shall transfer the withheld amount of pension contributions to the State Pension Accumulation Fund.

Article 24. Disclosing Information on Pension Contributions Transferred to Credit of Beneficiaries

Legal entities and physical persons, engaged in business and other activity not having been registered as a legal entity, withholding mandatory pension contributions, shall report to pension accumulation funds on pension contributions transferred to the credit of Beneficiaries of pensions.

Article 25. Pension Assets of Pension Accumulation Funds

1. Pension assets of pension accumulation funds are being built up from:
- 1). pension contributions and investment income generated by the investment activity minus commission fees charged by pension accumulation funds and pension assets management companies of non-state accumulation funds;
 - 2). other sources provided by legislation.

1-1. Legal entities' and physical persons' titles for pension assets are classified as property rights provided in the present Law (amended on 05.04.1999).

2. Pension assets may not be charged for debts of a Contributor, a Beneficiary, a pension accumulation fund, a custodian bank and pension assets management company, neither in cases of liquidation and bankruptcy of all the above listed entities (amended on 05.04.1999).

2-1. Pension assets of a pension accumulation fund may be used exclusively for the purposes as follows:

- 1). investing into financial instruments, the list for such instruments being determined by a securities market regulating authority;
- 2). paying pensions pursuant to the legislation;
- 3). transferring pension savings to another pension accumulation fund pursuant to the legislation;
- 4). returning pension contributions and other funds credited with errors (amended on 05.04.1999).

3. In case of death of a Beneficiary to whose credit pension contributions to pension accumulation funds have been made pension accumulations of such a Beneficiary shall be inherited pursuant to the procedure set forth by legislation.

4. In case of death of a Beneficiary pension accumulation funds shall pay a lump-sum funeral allowance to the Beneficiary's family or to funeral's arranger, the value of the allowance being within 15-times base enumerated but not to exceed the balance on the individual pension account.

Article 26. Custodying and Accounting Pension Assets in a Custodian Bank

1. Pension assets of pension accumulation funds shall be kept and accounted at accounts with a custodian-bank (amended on 05.04.1999) pursuant to the custodial contract.

2. Pension assets management company shall be a party to a custodial contract concluded between a non-state pension accumulation fund, a custodian bank and a pension assets management company and manages pension assets through placing the assets to bank deposits, Government and corporate securities, other financial instruments, the list of such instrument being defined by a securities market regulatory authority.

2-1. The form of a model custodial contract shall be designed and approved by an authorised body in agreement with a securities market regulatory authority and the National Bank of the Republic of Kazakhstan (amended on 05.04.1999).

3. Custodian bank shall monitor targeted placement of pension assets of a non-state pension accumulation fund and shall be obliged to block (neglect) instructions of a pension assets management company in case such instructions do not comply with the existing legislation, the securities market regulatory authority and the pension accumulation fund being immediately advanced on that.

Procedure for custodian bank's monitoring targeted placement of pension assets of a pension accumulation fund shall be established by a securities market regulatory authority (amended on 05.04.1999).

4. A custodian bank shall keep records of all transactions on accumulating pension assets, placing the assets, receiving investment income and on a monthly basis shall inform the pension accumulation fund on the status of its accounts and activity of the pension assets management company.

5. A pension accumulation fund can have only one custodian bank.

Article 27. Rights and Obligations of Contributors of Pension Accumulation Funds

1. Contributors of pension accumulation funds paying pension contributions to their own credit (amended on 05.04.1999) shall enjoy the right to:

1). chose a pension accumulation fund for signing a pension contract with;

- 1-1). to acquire information on founders (shareholders) of a pension accumulation fund, a pension assets management company and a custodian bank, the amount of such information being determined by an authorised body (amended on 05.04.1999);
- 2). acquire information on status of pension assets;
- 3). appeal to the court against actions of a pension accumulation fund;
- 4). pay voluntary pension contributions to the credit of third persons (amended on 05.04.1999);
- 5). exercise other rights pursuant to a pension contract and in compliance with the legislation.

2. Contributors of pension accumulation funds paying pension contributions to their own credit (amended on 05.04.1999) shall be obliged to:

- 1). pay mandatory pension contributions to only one pension accumulation fund (amended on 05.04.1999) pursuant to the pension legislation and a pension contract;
- 2). inform a pension accumulation fund on all the changes affecting the fund's fulfilment of its obligations within 10 days after the date of changes.
- 3). fulfil other obligations pursuant to the pension legislation and terms and conditions of a pension contract .

Article 28. Rights and Obligations of Beneficiary of a Pension Accumulation Fund

1. A Beneficiary of pension payments from a pension accumulation fund shall enjoy all the rights of a Contributor paying pension contributions to his own credit (amended on 05.04.1999) and additional rights to:

- 1). receive pension payments from a pension accumulation fund upon reaching the pensionable age and in other cases provided by the present Law;
- 2). transfer his/her pension accumulations from one pension accumulation fund to another not more often than twice in a course of a calendar year (amended on 05.04.1999);
- 3). bequeath pension accumulations pursuant to the legislation of the Republic of Kazakhstan.

2. A Beneficiary of pension payments shall be obliged to:

- 1). at signing a profit-generating contract – provide a number of an individual pension account and requisites of a pension accumulation fund within 3 days as from the date the contract is signed;
- 2). inform a pension accumulation fund on changes affecting the fund's fulfilment of its obligations vis-a-vis a Beneficiary.

Article 29. Pension Rules of Pension Accumulation Funds

1. Pension accumulation funds shall establish pension rules, including:

- 1). procedure for amending or terminating a pension contract;
- 2). procedure, terms and conditions for paying pension contributions and pension benefit;

- 3). responsibility for liabilities of pension accumulation funds vis-a-vis Beneficiaries and Contributors;
- 4). informing on the state of pension accumulations;
- 5). terms and conditions for transfer of pension accumulations from one pension accumulation fund to another;
 - 5-1). providing Contributors with the information on founders (shareholders) of a pension accumulation fund, a pension assets management company and a custodian bank (amended on 05.04.1999);
- 6). other specific features of legal relations between pension accumulation funds, Contributors and Beneficiaries.
 2. Pension rules shall be approved by an authorised body.
 3. Pension rules may not detriment interests of a Contributor of pension accumulation funds and a Beneficiary of voluntary contributions.

Article 30. Pension Contract between a Contributor and a Pension Accumulation Fund

1. A pension contract shall be concluded between a pension accumulation fund and a Contributor in writing according to a model pension contract.
2. A model pension contract shall be designed and approved by an authorised body and contain information as follows:
 - 1). a name, legal address and bank requisites of a pension accumulation fund;
 - 2). full name, social identification code (amended on 05.04.1999) and an address of a Contributor (if the Contributor is a physical person), or the name, location and bank requisites (if the Contributor is a legal entity);
 - 3). subject of the contract;
 - 4). rights and obligations of the parties;
 - 5). procedure, terms and conditions for making pension contributions;
 - 6). a number of an individual pension account;
 - 7). pension accumulation fund's reporting procedure on status of pension accumulations;
 - 8). responsibilities of the parties for breaching obligations;
 - 9). term of validity of the contract;
 - 10). procedure, terms and conditions for amending and terminating the contract;
 - 11). data on a Beneficiary of voluntary pension contributions.

Article 31. Responsibilities of the Parties to Pension Contract

1. Pension accumulation fund shall be liable for its obligations vis-a-vis Contributor and a Beneficiary only with its own property.
2. Contributors and Beneficiary are not responsible for liabilities of pension accumulation funds, and equally pension accumulation funds are not responsible for liabilities of Contributors and Beneficiaries.

Chapter 8. ORGANISATION OF PENSION ACCUMULATION FUNDS

Article 32. State Pension Accumulation Fund

1. The State Pension Accumulation Fund is established in a form of a closed type joint stock company, the Government of the Republic of Kazakhstan being the founder of the Fund.

2. The State Pension Accumulation Fund shall invest pension assets into Government securities, bank deposits, securities of international financial institutions pursuant to the procedure set forth by a securities market regulatory authority.

Article 33. Types of Non-State Pension Accumulation Funds

1. A non-state pension accumulation funds can be:

- 1). open;
- 2). corporate.

2. Open pension accumulation funds receive pension contributions from Contributors irrespective of place of work and residence of a Beneficiary.

3. Corporate pension accumulation funds are established for a Beneficiaries-employees of one or more legal entities – founders and shareholders of the given Fund.

4. Termination of a Beneficiary's labour contract with the legal entity shall be considered as a ground for cancellation of a pension contract with corporate pension accumulation fund.

Article 34. Organisational and Legal Form of Non-State Pension Accumulation Fund

Non-state pension accumulation fund shall be established in a form of a closed type joint stock company.

Article 35. Branches and Field Offices of Pension Accumulation Funds

Pension accumulation funds shall be entitled to open branches and field offices as it may be agreed with an authorised body.

Article 36. Founders and Shareholders of Non-State Pension Accumulation Fund

1. Legal entities and physical persons – residents of the Republic of Kazakhstan can be founders and shareholders of an open pension accumulation fund. Legal entities of the Republic of Kazakhstan can be founders and shareholders of a corporate pension accumulation fund (amended on 05.04.1999).

2. At founding an open pension accumulation fund no entity shall be entitled to directly or indirectly possess, dispose and/or manage more than 25 percent of voting shares of such a pension accumulation fund.

At operating an open pension accumulation fund no entity shall be entitled to directly or indirectly possess, dispose and/or manage more than 25 percent of voting shares of such a pension accumulation fund except the cases permitted by an authorised body. Such limitation shall not be applied to corporate pension accumulation fund.

3. State-owned enterprise and enterprise with a state share can not be founders and shareholders of non-state pension accumulation funds except the cases, permitted by Authorised body.

4. In case of devaluation of the real value of pension savings shareholders of corporate pension accumulation funds shall bear solidarity responsibility and compensate losses in investment income pursuant to the procedure set forth by the Government of the Republic of Kazakhstan.

5. A pension accumulation fund can not be a founder to another pension accumulation fund (amended on 05.04.1999).

Article 37. State Registration of Pension Accumulation Funds

Pension accumulation funds shall be registered pursuant to legislation of the Republic of Kazakhstan.

Article 38. Name of Non-State Pension Accumulation Fund

1. The name of a non-state pension accumulation fund shall incorporate words “pension accumulation fund”.

2. Non-state pension accumulation funds shall be prohibited to use in its naming words “national”, “central”, “state”, “Government”, “guaranteeing”, “guaranteed”, “insurance” “insuring” or “insured” whether in full or shorten form in any of the languages. Naming should not state or imply insuring or guaranteeing rates of investment returns generated to the interest of a Beneficiary.

3. No legal entity not authorised for attracting pension contributions and paying pension benefits shall be allowed to name itself a pension accumulation fund and (or) characterise itself as attracting pension contributions and paying pension benefits (amended on 05.04.1999).

Article 39. Licensing Attraction of Pension Contributions and Payment of Pensions

1. Attraction of pension contributions and payment of pensions are licensed by an authorised body pursuant to the legislated procedure.

2. Procedure for licensing attraction of pension contributions and payment of pensions by a pension accumulation fund shall be determined by the legislation on licensing.

3. An authorised body shall be entitled to suspend the license of a pension accumulation fund for up to six months on one of the grounds as follows:

- 1). inadequacy of information, on the basis of which license was issued;
- 2). delay starting operations of a pension accumulation fund for over one year as from the moment license is issued;
- 3). the pension accumulation (amended on 05.04.1999) fund's systematic (3 or more cases in the course of 12 successive calendar months) failure to fulfil or improper fulfilment of its obligations as per pension contracts;
 - 3-1). systematic (3 or more cases in the course of 12 successive calendar months) non-compliance with norms set forth by the licensor, as well as with other norms and limits binding for pension accumulation funds (amended on 05.04.1999);
- 4). violation of legislation and regulations of the Republic of Kazakhstan, pension rules of a pension accumulation fund, as well as regulations of an authorised body or non-fulfilment of written instructions of an authorised body;
- 5). failure to submit or submitting of deliberately inaccurate reports and information.

3-1. Suspension of the license shall result in prohibiting attraction of new contributors but preserving the right for the pension accumulation fund to continue to attract pension contributions of the existing contributors and to invest the pension savings of the existing Contributors through a pension assets management company (amended on 05.04.1999).

4. The decision to suspend (amended on 05.04.1999) a pension accumulation fund's license, made by an authorised body, shall be delivered to Contributors of the pension accumulation fund and published in mass media (amended on 05.04.1999).

5. Non-remedying the reasons for suspension of the license within the time period established by an authorised body shall be a ground for revoking the license (amended on 05.04.1999).

Article 40. Procedure for Appointing Top Managers in Pension Accumulation Funds

1. Top managers in pension accumulation funds are: a chairman of an executive body and his/her deputies, a chief accountant and his/her deputies, a top manager and a chief accountant of a branch and a field office.

2. A persons can not occupy a senior position in a pension accumulation funds in the case the person:

- 1). have no higher education;
- 2). has a conviction record not having been expunged pursuant to the legal procedure (amended on 05.04.1999);

- 3). in a past was a top manager or an official in a legal entity adjudicated a bankrupt or restructured or forcibly liquidated during the person's term as a manager.

3. An individual shall be entitled to occupy a management position in a pension accumulation fund upon having passed a qualification examination pursuant to the procedure set forth by an authorised body.

Article 41. Rights, Obligations and Operation of Pension Accumulation Funds

1. Pension accumulation funds shall be entitled to:

- 1). collect pension contributions;
- 2). charge commissions for their activity;
- 3). execute other rights pursuant to terms and conditions of pension contract.

2. Pension accumulation funds shall be obliged to:

- 1). pay pensions to a Beneficiaries pursuant to the procedure set forth by the Government of the Republic of Kazakhstan;
- 2). maintain individual records of pension accumulations and payments;
- 3). provide information to Contributor and Beneficiary on the status of his/her pension accumulations not less than once a year, as well as upon his/her request;
- 4). safeguard confidentiality of information on the status of Beneficiary's pension accumulations;
- 5). bear responsibility for violating pension legislation and breaching terms and conditions of pension contract pursuant to legislation of the Republic of Kazakhstan;
- 6). following Beneficiary's application to transfer his/her pension savings from one pension accumulation fund to another;
- 7). conclude contracts with pension assets management company on investment management of pension assets (amended on 05.04.1999);
- 8). publish in mass media financial statements and other information on their activity pursuant to ht procedure set forth by an authorised body, with information containing guarantees or promises on incomes from contributions to pension accumulation funds being prohibited for being published, as well as other information prohibited for publishing by the legislation;
- 9). ensure equal conditions for individuals having concluded pension contract with a pension accumulation fund;
- 10). bear other responsibilities pursuant to legislation of the Republic of Kazakhstan.

3. In order to protect Contributors' rights and interests, pension accumulation funds are prohibited to:

- 1). be engaged in production activity;
- 2). trade movable and immovable property except for securities and other financial instruments established by a securities market regulatory authority;
- 3). be engaged in insurance activity;
- 4). pledge pension assets;
- 5). issue securities, except for shares;

- 6). institute a “golden share” of a non-state pension accumulation fund.

Article 42. Sanctions, Applied by Authorised Body

1. Should a pension accumulation fund fails to comply with the legislation, an Authorised body shall be entitled to apply sanctions as follows:

- 1). to issue a binding written instruction to eliminate the identified shortcomings within the set timing;
- 2). to propose to shareholders to fire managing staff of a pension accumulation fund;
- 3). to impose and to exact penalties and fines pursuant to the procedure set forth by legislation;
- 4). to suspend or recall a license.

2. A pension accumulation fund – or person with respect to whom an Authorised body has applied sanctions – shall be entitled to appeal against its actions through court.

Article 43. Reorganisation of Non-State Pension Accumulation Fund

1. A pension accumulation fund can be reorganised following a decision of a shareholders’ general meeting with permission of an authorised body in form of merging, amalgamation, joining, division, separation, transformation, transforming a corporate fund into and open one (amended on 05.04.1999).

Application for authorisation of reorganisation of a non-state accumulation pension accumulation fund shall have the documents as follows attached to it;

- a decision of a general meeting of non-state pension accumulation fund’s shareholders on its reorganisation;
- documents, describing expected terms, conditions, forms, procedure and timing for reorganisation of non-state accumulation pension accumulation fund;
- financial forecast of implications of the reorganisation including estimated balance of the post-reorganisation non-state pension accumulation fund and legal entities resulting from reorganisation of the non-state pension accumulation fund.

Application for authorisation to reorganise a non-state pension accumulation fund shall be considered by an Authorised body within one month as from the date the full package of documents is submitted.

2. Within two weeks as from the date the reorganisation is authorised by an authorised body, the non-state pension accumulation fund under reorganisation shall inform all its Contributors and Beneficiary through written notification and publication of an appropriate advertisement in mass media.

Article 44. Refusal to Authorise Reorganisation of Non-State Pension Accumulation Fund

An authorised body can refuse to authorise reorganisation of a non-state pension accumulation fund on one of the grounds as follows:

- 1). absence of the respective decisions of general meeting of shareholders of the non-state pension accumulation fund under reorganisation;
- 2). detriming interests of Contributors and a Beneficiaries in the result of the proposed reorganisation;
- 3). infringement of antimonopoly legislation requirements in the result of he proposed reorganisation.

Article 45. Liquidation of Non-State Pension Accumulation Fund

1. A non-state pension accumulation fund can be liquidated:

- 1). by decision of a general meeting of shareholders of a non-state pension accumulation fund should the liquidation being permitted by an Authorised body;
- 2). by a court decision in cases provided in the legislation of the Republic of Kazakhstan.

1-1. Demand to liquidate a pension accumulation fund can be presented to a court by an authorised body (amended on 05.04.1999).

2. Both voluntary and forced liquidation, authorities of a liquidation commission shall be determined by legislation of the Republic of Kazakhstan taking into account specific features identified in Cl.3-7 of the present Article.

3. A pension accumulation fund's application for authorisation of a voluntary liquidation shall be considered by an authorise body within one months as form the date of submission of:

a shareholders general meeting's decision on a voluntary liquidation;
 pension assets valuation as of the date of the decision on liquidation;
 action plan with time schedule and stages for transfer of pension assets and preparation of a pension accumulation fund for termination of its operations approved by a shareholders general meeting.

In case of refusal to permit the voluntary liquidation, an authorised body shall motivate its decision and to inform the management and shareholders of the pension accumulation fund.

In case the voluntary liquidation is permitted, a pension accumulation fund shall establish a liquidation commission which is to include one representative of an authorised body.

4. A non-state pension accumulation fund under liquidation shall notify within ten days Beneficiaries and Contributors on liquidation of a non-state pension accumulation fund by a registered letter and through mass media.

5. Liquidation commission shall undertake measures on transferring pension assets of a non-state pension accumulation fund under liquidation, its liabilities as per pension contracts to another non-state pension accumulation fund pursuant to the procedure established by an authorised body (amended on 05.04.1999).

Beneficiaries and Contributors of a non-state pension accumulation fund under liquidation shall be entitled to select another fund by themselves within a period determined by a liquidation commission.

6. Within seven days as from the liquidation balance and report are approved the liquidation commission shall submit them to an authorised body and the Ministry of Justice of the Republic of Kazakhstan.

7. Claims of creditors of the non-state pension accumulation fund under liquidation shall be settled after transfer of pension assets pursuant to the procedure established by legislation of the Republic of Kazakhstan.

Chapter 9. EQUITY (OWN) CAPITAL OF PENSION ACCUMULATION FUNDS

Article 46. Formation of the Equity (Corporate) Capital of Pension Accumulation Funds

The equity (own) capital of pension accumulation funds shall be formed from:

- 1). contributions of founders and shareholders to the charter capital;
- 2). commission fees;
- 3). other sources provided by the legislation.

Article 47. Formation of Charter Capital of Pension Accumulation Funds

1. The size of the charter capital of the State Pension Accumulation Fund shall be determined by the Government of the Republic of Kazakhstan.

2. Minimum size of the authorised capital of non-state pension accumulation funds shall be established by an authorised body.

In case of increasing charter capital requirements for non-state pension accumulation funds additional shares shall be issued irrespective of losses (amended on 05.04.1999).

3. The charter capital of a pension accumulation fund shall be paid in cash (amended on 05.04.1999).

4. While formulating the charter capital, shares of a non-state accumulation pension accumulation fund shall be paid by legal entities within their corporate capital or net assets.

5. Charter capital should be fully paid in as of the date of submitting an application for license.

Article 48. Commission Fees Charged by Pension Accumulation Funds

1. Ceilings for commission fees charged as a percentage from pension contributions and investment income shall be established by an authorised body.

A pension accumulation fund shall pay commission fees to a pension assets management company and to a custodian bank as per terms and conditions of contracts (amended on 05.04.1999).

It shall be prohibited to enter into contracts with affiliated pension assets management companies on better terms and rates of distribution of commission fees than those signed with non-affiliated pension assets management companies.

2. Profits generated through use of pension accumulation fund's own resources belong in full to the pension accumulation fund.

**Chapter 10. ACCOUNTING AND ACCOUNTABILITY IN PENSION
ACCUMULATION FUNDS.
CONFIDENTIALITY OF PENSION ACCUMULATIONS**

Article 49. Accounting in Pension Accumulation Funds

1. Pension accumulation funds shall keep segregated accounting and present the segregated financial reports for the fund's own assets and pension assets (amended on 05.04.1999) pursuant to the legislated procedure.

2. Pension accumulations shall be accounted on Beneficiary's individual accounts pursuant to the procedure established by an authorised body. An authorised body shall monitor accuracy of accounting pension contributions and accruing investment income on Beneficiary's individual pension accounts (amended on 05.04.1999).

3. Pension accumulation funds shall ensure accounting and safe-keeping of documents used for purposes of accounting and accountability. The list of main documents for safe-keeping as well as the time period for keeping shall be established by an authorised body (amended on 05.04.1999).

Article 50. Confidentiality of Pension Accumulations

1. Confidentiality of pension accumulations covers information on a Beneficiary, balance and cash flows on Beneficiary's individual accounts (amended on 05.04.1999).

Pension accumulation funds shall guarantee confidentiality of pension accumulations.

2. Officials and staff of pension accumulation funds, as well as other persons who in virtue of fulfilment of their duties have access to confidential data related to pension accumulations, shall be prohibited to disclose confidential data related to pension accumulations and shall bear responsibility for disclosure of such information pursuant to

Laws of the Republic of Kazakhstan except for cases provided in Cl.3-5 of the present Article.

3. Confidentiality of pension accumulations can be disclosed to a Contributor paying pension contributions, to Beneficiary, or to any the third person pursuant to a written consent of the Beneficiary.

4. Statements on balance and cash flows (amended on 05.04.1999) on individual pension accounts can be released to:

- 1). inquest and preliminary investigation bodies – for cases under investigation;
- 2). courts – for cases under investigation following the court’s decision;
- 3). tax authorities – for matters related to the taxation of the person checked;
- 4). an authorised body – for matters considered following Beneficiary’s application (amended on 05.04.1999).

5. In case of death of a Beneficiary, a statement on availability of Beneficiary’s individual pension account, balance and cash flows (amended on 05.04.1999) on this account shall be given to the persons indicated in the will, to the courts, notary offices and foreign consular institutions for the inheritance cases under their proceedings.

Chapter 11. MANAGING PENSION ASSETS OF NON-STATE PENSION ACCUMULATION FUND

Article 51. Managing Pension Assets of a Non-State Pension Accumulation Fund

Investment of pension assets of a non-state pension accumulation fund shall be managed by a pension assets management company pursuant to the procedure established by a securities market regulatory authority.

Article 52. Companies Managing Pension Assets of Non-State Pension Accumulation Funds

1. A company managing pension assets of a non-state pension accumulation funds is a legal person, a professional participant of the securities market and is established in the form of a closed joint-stock company pursuant to the legislated procedure.

2. Name of a company managing pension assets of a non-state pension accumulation fund should contain the words “pension assets management company”.

3. The minimum size of a pension assets management company charter capital, procedure of its formation and structure are determined by a securities market regulatory authority.

4. Property of a pension assets management company shall be segregated from pension assets of non-state pension accumulation funds.

Cl.5 has been excluded (amended on 05.04.1999).

Article 53. Management Staff in Pension Assets Management Company

1. Managers of pension assets management company are: a chief executive officer and his/her deputies, a chief accountant and his/her deputies, a top manager and a chief accountant of a branch (field office).

2. A persons can not occupy a senior position in a pension accumulation funds in the case the person: have no higher education; has a conviction record not having been expunged pursuant to the legal procedure; in a past was a top manager or an official in a legal entity adjudicated a bankrupt or restructured or forcibly liquidated during the person's term as a manager.

3. A top manger for a pension assets management company shall be elected by founders and shareholders and agreed with a securities market regulatory authority.

4. An individual shall be entitled to occupy a management position in a pension assets management company upon having passed a qualification examination pursuant to the procedure set forth by an authorised body.

Article 54. Investment Management of Pension Assets of Non-State Pension Accumulation Fund

1. Investing pension assets of a non-state pension accumulation fund shall be managed pursuant to a contract with pension assets management company selected by the Fund.

2. Pension assets management company shall be entitled to enter into contracts for managing pension assets more than one non-state pension accumulation funds in compliance with provisions of Cl.3 of the present Article.

3. Size of a pension assets management company corporate capital shall increase proportionally to increasing amount of pension assets under the management pursuant to the procedure set forth by a securities market regulatory authority.

4. Pension assets management contract shall be made in written, non-compliance with the written form of the contract shall make it invalid.

5. Pension assets management contract shall be governed by trust property management provisions.

Article 55. Pension Assets Management Company Obligations and Limitation

1. A pension assets management shall be obliged to:
- 1). invest pension assets pursuant to the procedure established by a securities market regulatory authority;
 - 2). evaluate pension assets on a regular basis pursuant to the legislated procedure;
 - 3). Cl.3 has been excluded (amended on 05.04.1999);
 - 4). report on a regular basis to a non-state pension accumulation fund and to a securities market regulatory authority;
 - 5). publish information of the activity thereof pursuant to the procedure established by a securities market regulatory authority;
 - 6). perform other duties established by a securities market regulatory authority and a pension assets management contract.

2. With the view to protect rights and interests of Contributors to the non-state pension accumulation funds, a pension assets management companies shall be prohibited to:

- 1). issue securities other than shares;
- 2). borrow funds from banks for the period exceeding three months, the amount not exceeding 10% of the Company's own capital;
- 3). to enter into transactions with affiliated persons except for transactions at organised markets and pension assets management contracts (amended on 05.04.1999);
- 4). make lending of any forms whatsoever;
- 5). sell securities incorporated in the pension assets on a buy-back basis;
- 6). purchase any securities with the margin;
- 7). enter into contracts on selling securities which do not belong to a non-state pension accumulation fund ("short sales"), neither contracts on purchasing not issued securities;
- 8). issue warrants and guarantees of any kinds whatsoever, enter into collateral transactions with pension assets;
- 9). publish information containing guarantees or promises of incomes from investments of pension assets;
- 10). be engaged into material production and trade with the property other than securities and financial instruments.

Article 56. Formation of Pension Assets Management Company Own Capital

Procedure for formation of a pension assets management company own capital shall be established by a securities market regulatory authority.

Article 57. Binding Prudential Norms

Binding prudential norms shall be established by a securities market regulatory authority with the view to ensure guarantee of solvency and financial sustainability of a pension assets management company.

Article 58. Licensing Pension Assets Investment Management

Operations of a pension assets management company with respect to investment management of pension assets of non-state pension accumulation funds shall be licensed by a securities market regulatory authority pursuant to legislated procedure. Being duly licensed, a pension assets management company shall be entitled to manage securities portfolio and to be engaged into broker/dealers operations at the securities market pursuant to the procedure set forth by a securities market regulatory authority (amended on 05.04.1999).

Article 59. Pension Assets Management Company Responsibilities

Should a pension assets management company fail to manage properly pension assets, a non-state accumulation pension accumulation fund shall be entitled to file a case with a court on terminating investment management and recovery of losses.

A pension assets management company shall be responsible for its liabilities vis-à-vis a pension accumulation fund with all property owned by the Company (amended on 05.04.1999).

Chapter 12. ELIGIBILITY FOR LENGTH-OF-SERVICE PENSIONS

Article 60. Eligibility for Length-of Service Pensions

1. Military personnel and personnel of internal affairs bodies shall be eligible for length-of-service pensions (amended on 22.12.1998):

- 1). with minimum 25 years length of military or internal affairs service and having crossed the ultimate age in service established by legislation of the Republic of Kazakhstan;
- 2). having minimum 25 years of length of military and internal affairs service and retrenched under staff reduction and dismissed because of health condition;
- 3). officers in military service, medium, senior and top level officers of internal affairs bodies having crossed the ultimate age for military service and service in internal affairs bodies established by legislation of the Republic of Kazakhstan with minimum 25 years of total work record including minimum 12 years and 6 months in uninterrupted military internal affairs bodies service.

2. Military and internal affairs personnel dismissed from the service on the grounds others than those specified in Cl.1 of the present Article shall be eligible for pension payments on common grounds pursuant to the present Law.

3. At re-entering civil service, the special rank, class grade and class qualification being assigned, pension payments for pensioners from military, internal affairs and former State Investigation Committee, procurator's offices, tax police, Customs Committee, Emergency Committee of the Republic of Kazakhstan shall be discontinued as from the date of re-entry for the service (amended on 05.04.1999).

Article 61. Value of the Length-of Service Pension Benefit

1. Pension payments to military and internal affairs personnel shall be awarded pursuant to Cl.1 of Article 60 of the present Law the rate of 60% of the cash allowance calculated as per Article 63 of this Law.

2. Pension payments to military and internal affairs personnel awarded in accordance with Cl.1 of Article 60 of the present Law, with the minimum 10 years length of service as of January 1, 1998, are calculated at the rate of 2.4% of the cash allowance defined pursuant to Article 63 of the present Law per every year of service vested as of January 1, 1998.

3. For every year of military service and internal affairs bodies beyond 25 years, the value of pension benefit shall be increased by 2%.

4. For every year of the total work record beyond 25 years, the value of pension benefit shall be increased by 1% of the cash allowance defined pursuant to Article 63 of the present Law.

5. Total value of pension benefit calculated as per Cl. 13 of the present Article shall exceed 75% of the cash allowance defined pursuant to Article 63 of the present law.

Article 62. Calculating Length of Service

Length of military and internal affairs service shall be calculated pursuant to the procedure established by the Government of the Republic of Kazakhstan.

Article 63. Value of Cash Allowance Taken for Purposes of Calculating Pensions

1. Value of cash allowance taken for purposes of calculating value of the pension benefit for military and internal affairs personnel shall be determined as pf the date of dismissal (exclusion from the manning list).

2. The cash allowance taken for purposes of calculating value of the pension benefit for military and internal affairs personnel shall include the salary (*oklad*), additional payment for military (special) rank, additional payment for the length of service, value of the food allowance, as well other additional payments established by legislation of the Republic of Kazakhstan.

3. Value of the cash allowance taken for purposes of calculating value of the pension benefit for military and internal affairs personnel shall be verified by a standard form certificate issued by appropriate financial body at the last place of service.

Article 64. Terms for Awarding and Paying Pensions

1. Pensions awarded for military and internal affairs personnel from the Republican budget shall be paid as from the date of dismissal (exclusion from the manning list) but not to start before the date up to which the cash allowance has already been paid.

2. Pensions for military and internal affairs personnel from the resources allocated for maintenance of appropriate services shall be paid in full irrespective of a wage or any other source of income available for a Beneficiary.

3. Pensions for military and internal affairs personnel from individual pension accumulations shall be paid pursuant to a pension contract.

4. Should the previous pension payments for military, internal affairs personnel, former State Investigation Committee, prosecutor's office, tax police, Customs Committee, Emergency Committee of the Republic of Kazakhstan be resumed or should the pension from the Center be re-awarded in the form of the length-of-service pension, the pension shall be paid in the amount determined as from discontinuing payment of the length-of-service pension adjusted to indexation performed pursuant to the legislated procedure for the period of interruption in payment of pension (amended on 05.04.1999).

Article 65. Resources and Procedure for Payment of Pensions

1. Pensions to military, internal affairs and former State Investigation Committee personnel retired before January 1, 1998, shall be paid from the Republican budget, the existing value of the pension benefit being preserved.

2. Pensions to military, internal affairs and former State Investigation Committee personnel having over 10 years military and internal affairs service record vested as of January 1, 1998, shall be paid from the Republican budget.

3. Military and internal affairs personnel having less than 10 years military and internal affairs service record vested as of January 1, 1998, shall be mandated to pay pension contributions to the State Pension Accumulation Fund or to a non-state pension accumulation fund at the rate of 20% of the cash allowance provided in Cl.2 of Article 63 of the present Law and credited to an individual pension account at a Contributor's discretion. Pensions for military and internal affairs personnel will be paid from pension accumulation funds based on individual pension savings, and from the Republican budget as well.

Pensions for internal affairs personnel will be paid from pension accumulation funds based on individual pension savings, and from resources allocated for maintaining internal affairs bodies as well.

4. Pension savings for personnel having joined the military and internal affairs service January 1, 1998, shall be formed pursuant to Cl.3 of the present Article. Pensions for them shall be paid from pension accumulation funds based on the resources accumulated.

Article 66. Bodies Responsible for Paying Pensions to Military and Internal Affairs Personnel

1. Pensions to military and internal affairs personnel eligible for pensions from the Republican budget shall be paid by the respective services of the Ministry of Defence, Ministry of Internal Affairs, the State Investigation Committee, the National Security Committee, the Republican Guards and the Presidential Guard of the Republic of Kazakhstan.

2. Pensions to military and internal affairs personnel generated from mandatory and voluntary pension contributions to pension accumulation funds shall be paid pursuant to the procedure set forth by the present Law (amended on 22.12.1998).

SECTION V. FINAL PROVISIONS

Article 67. State Social Disability, Survivors' and Old-Age Benefits Paid to Individuals Eligible for Social Disability, Survivors' and Old-Age Pensions

1. Previously awarded disability, survivors' and social pensions as from January 1, 1998, shall be paid from the state budget in the form of state social disability, survivors' and old-age benefits.

2. Value of the state social benefit cannot be lower than value of the pension received before January 1, 1998.

3. Under terms and conditions provided in Article 9 of the present Law, disability benefit at the individual's discretion can be replaced by pensions from the Centre pursuant to the legislated procedure.

4. Terms, conditions, procedure of awarding pension payments, as well as value of state social benefits shall be determined by legislation of the Republic of Kazakhstan.

Article 68. Responsibility for Violating Pension Legislation

Responsibility for violating pension legislation shall be imposed pursuant to legislation of the Republic of Kazakhstan.

Article 69. Enactment of the Present Law

The present Law shall be deemed effective as from July 1, 1998, except for Articles 1,2 clauses 1,3,4 of Article 4, Articles 5,7-21, clauses 1,2,4,5 of Article 23, Article 24, para.1) of Clause 2 of Article 27, Articles 60-67 which shall become effective as from January 1, 1998.

**President
of the Republic of Kazakhstan**

N. NAZARBAYEV

Almaty, June, 20, 1997