



INDONESIA PENSION CONFERENCE

25 YEARS OF PENSION SAVINGS

"Way Forward for Next Quarter Century"

25-26 April 2017
Grand Hyatt Hotel, Jakarta



DELIVERING PENSION AND SAVING SCHEME TO INFORMAL SECTOR

ABDUL RANCHMAN

CHAIRMAN FINANCIAL INSTITUTION PENSION FUND



Pensions for Indonesia Society

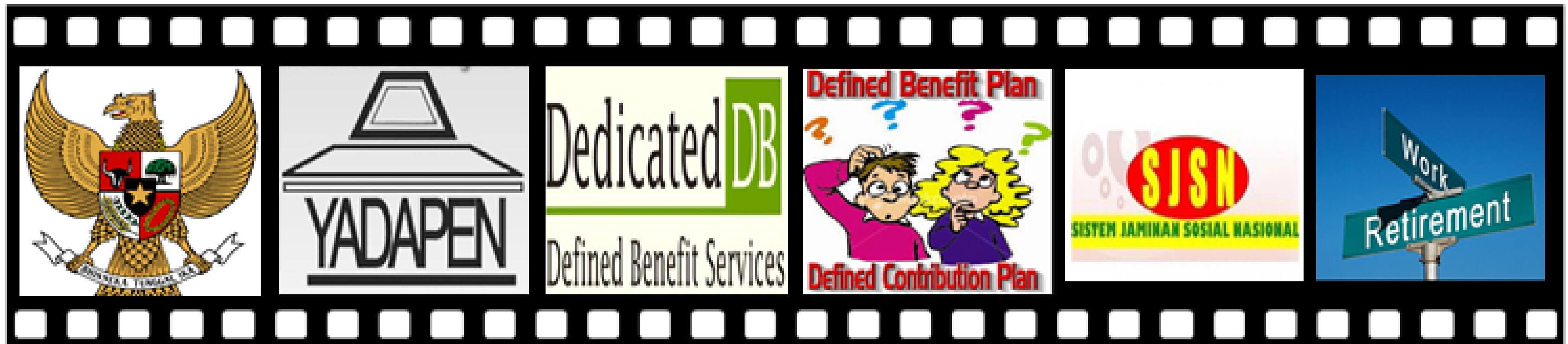
Indonesia Pension System

**National Social
Security System**

Labor Law

**Voluntary
pensions fund**

The Pension Plan Evolution in Indonesia



1945	1992	1992	2003	2012	2013 – cont.
<p>Indonesia Independence</p> <p>The Constitution of 1945 re. the realization of social justice for all of the people of Indonesia</p>	<p>YADAPEN/ Pension Foundation belongs to several company in Indonesia for their employee (pay as you go basis)</p>	<p>Government launched Regulation No. 11/92 (Pension) and No. 2/92 (Insurance/ Jamsostek)</p>	<p>Government launched Regulation No. 13/03 (Year of Service Payment)</p>	<p>Social Security System</p>	<p>Relaxation of Financial Services Authority (OJK) re. Year of Service Payment Program that can be paid lumpsum</p>

Compulsory Program

Is increasing and giving hard time for employer and industry

Type of Compulsory Program	Contributions (% Wages)		
	Employer	Employee	Total
Employment Social Security:			
- Old Age Savings	3.70%	2.00%	5.70%
- Death Benefit	0.30%	0.00%	0.30%
- Work Accident Insurance ¹⁾	0.24%-1.74%	0.00%	0.24%-1.74%
- Pension Program	2.00%	1.00%	3.00%
Employment Social Security: Health -			
- Health Maintenance²⁾	4.00%	1.00%	5.00%
Year of Service Payment	7.00%-8.00%	0.00%	7.00%-8.00%
Total	16.24%-18.74%	5.00%	21.24%-23.74%

Source: FIPF Association, Steven Tanner, Actuary, Technical Advisor



Insufficient Income Replacement Ratio

What will people receive at retirement age ...

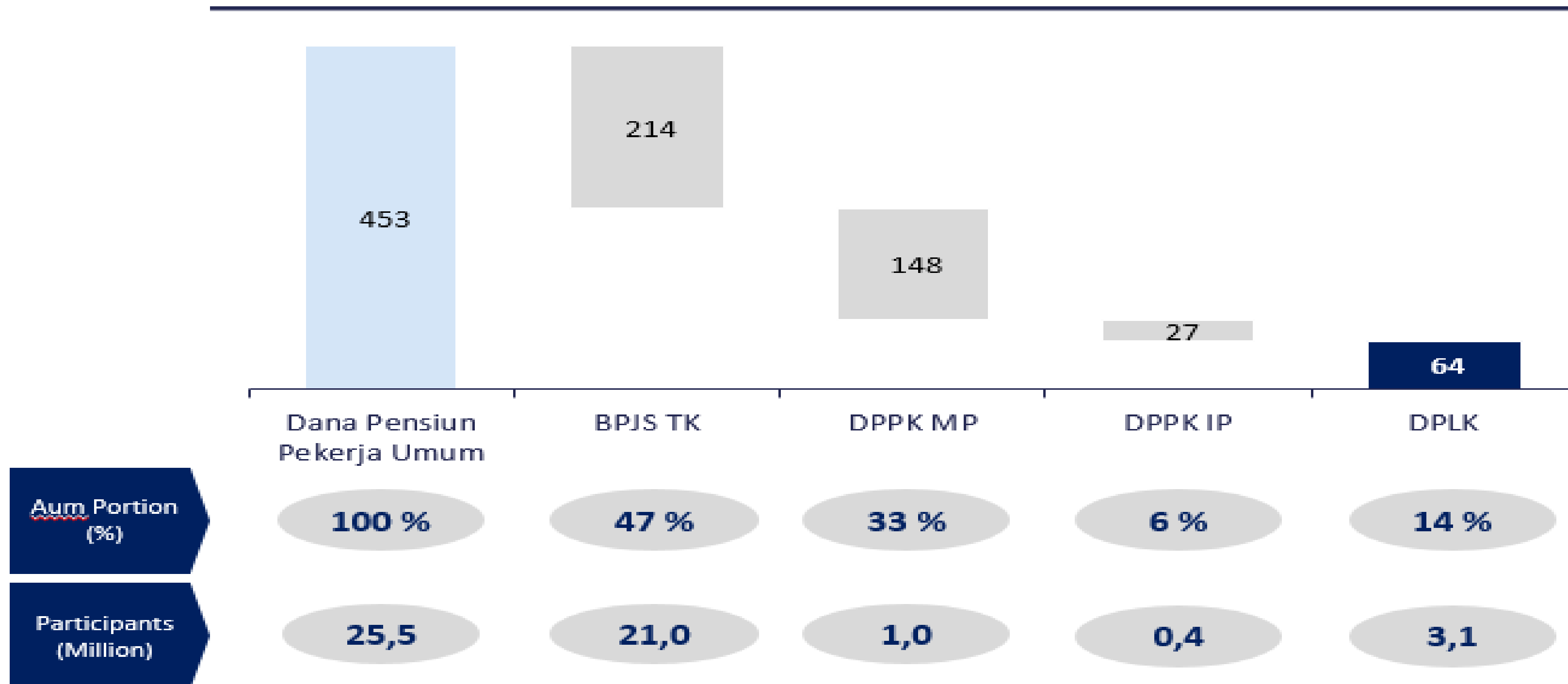
Type of Compulsory Program	Contributions (% Wages)			Replacement Ratio
	Employer	Employee	Total	(% Wages @ 55)
Employment Social Security:				
- Old Age Savings	3.70%	2.00%	5.70%	12.20%
- Pension Program	2.00%	1.00%	3.00%	
Year of Service Payment:	7.00%-8.00%	0.00%	7.00%-8.00%	17.50%
Total	10.70%-11.70%	2.00%	12.70%-13.70%	29.70%

Source: FIPF Association, Steven Tanner, Actuary, Technical Advisor



DPLK AS PRIVATE PENSION IS STILL LOW ASSET AND PARTICIPANT...

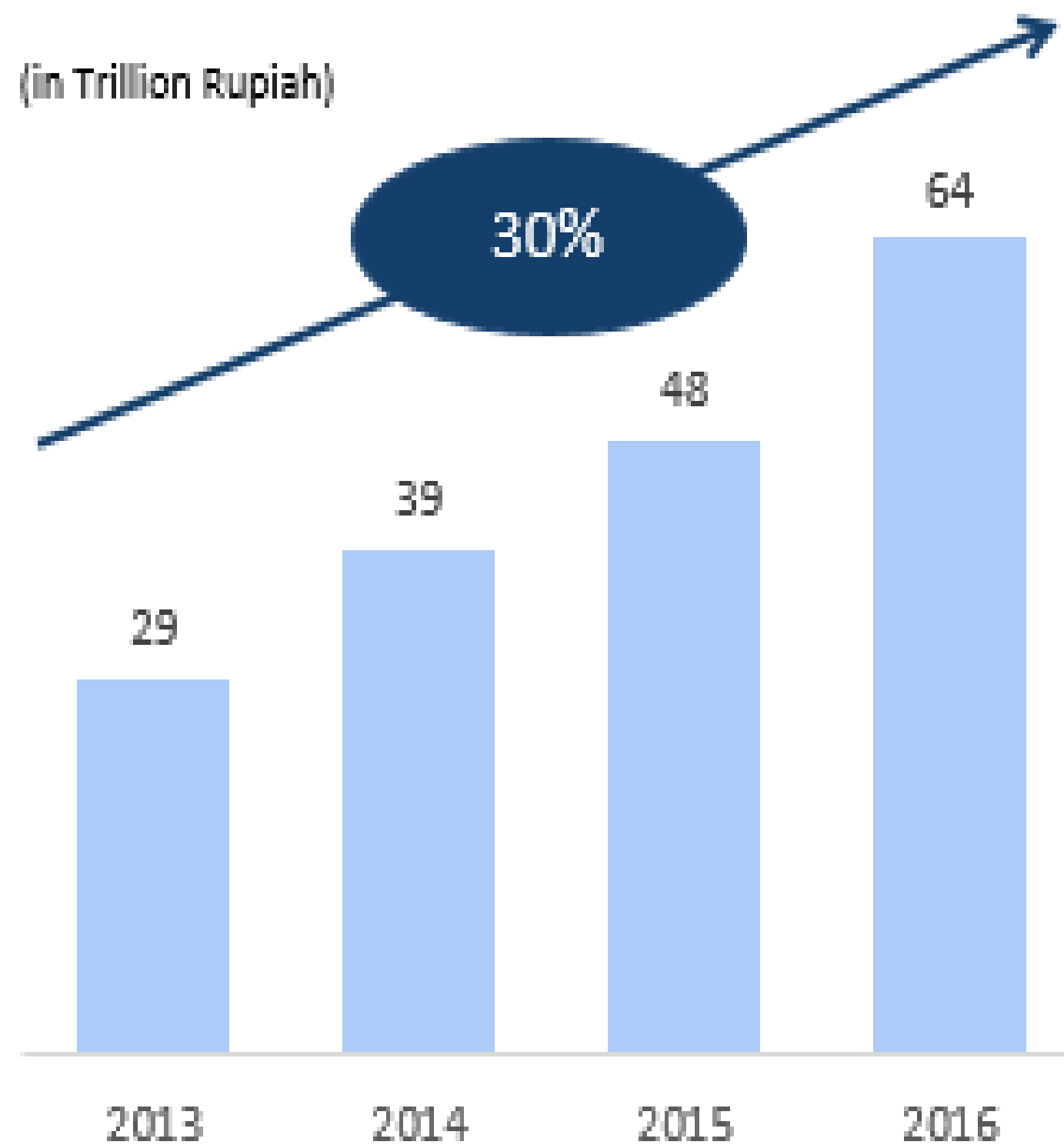
(Mandatory & Complementary)



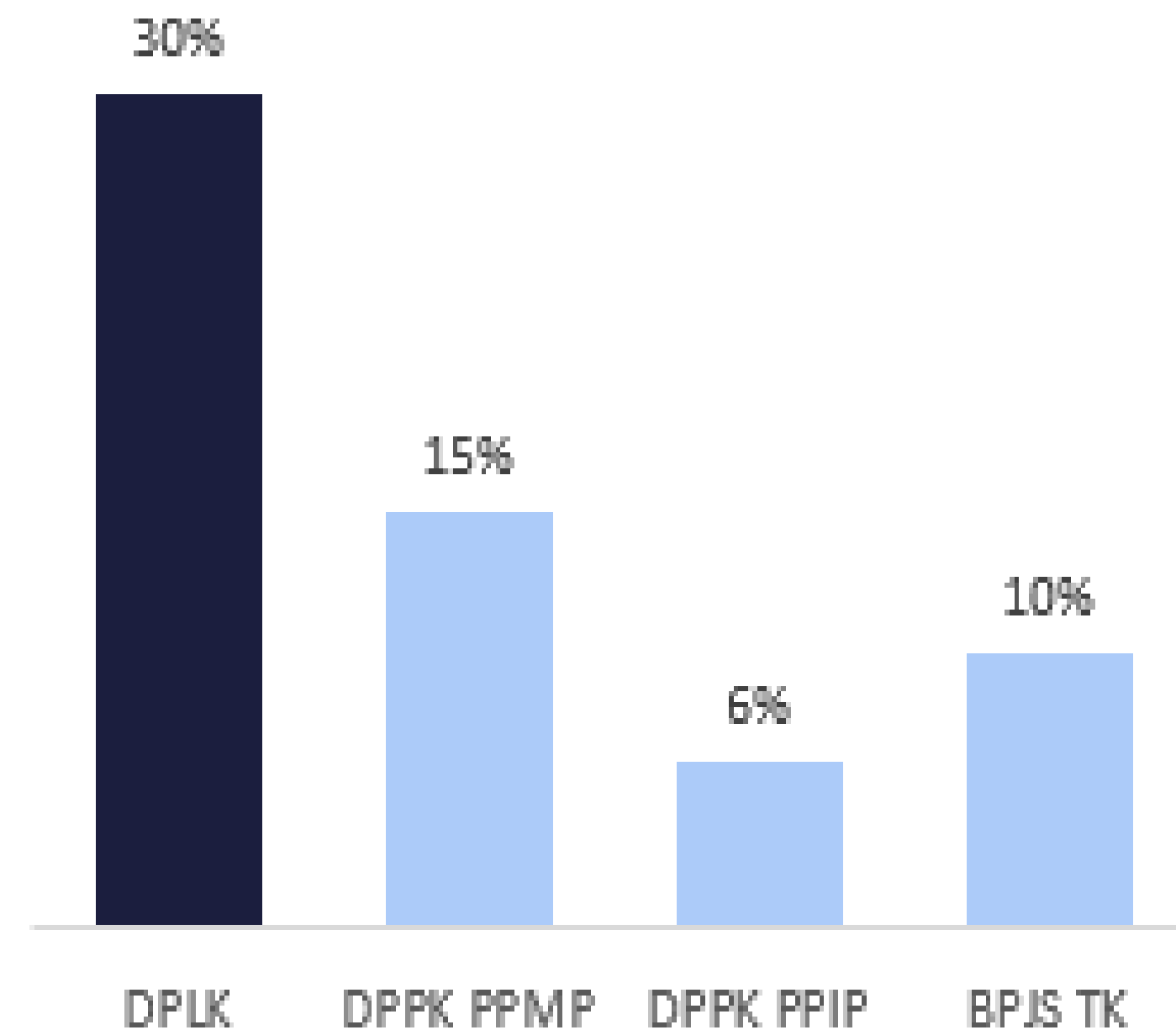
.....BUT DPLK STILL HAD SIGNIFICANT GROWTH IN PENSION INDUSTRY

DPLK : growth +/- 30%.....

Total AUM DPLK 2013 - 2016



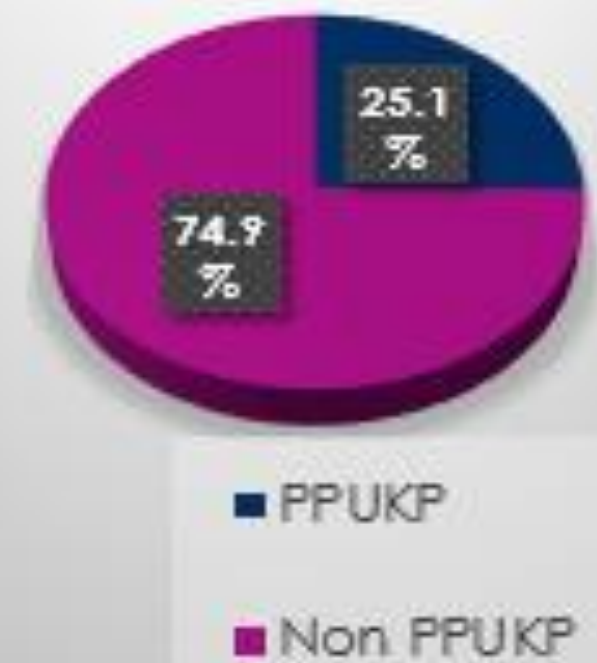
Growth DPLK vs Other Pension Program 2013 - 2016



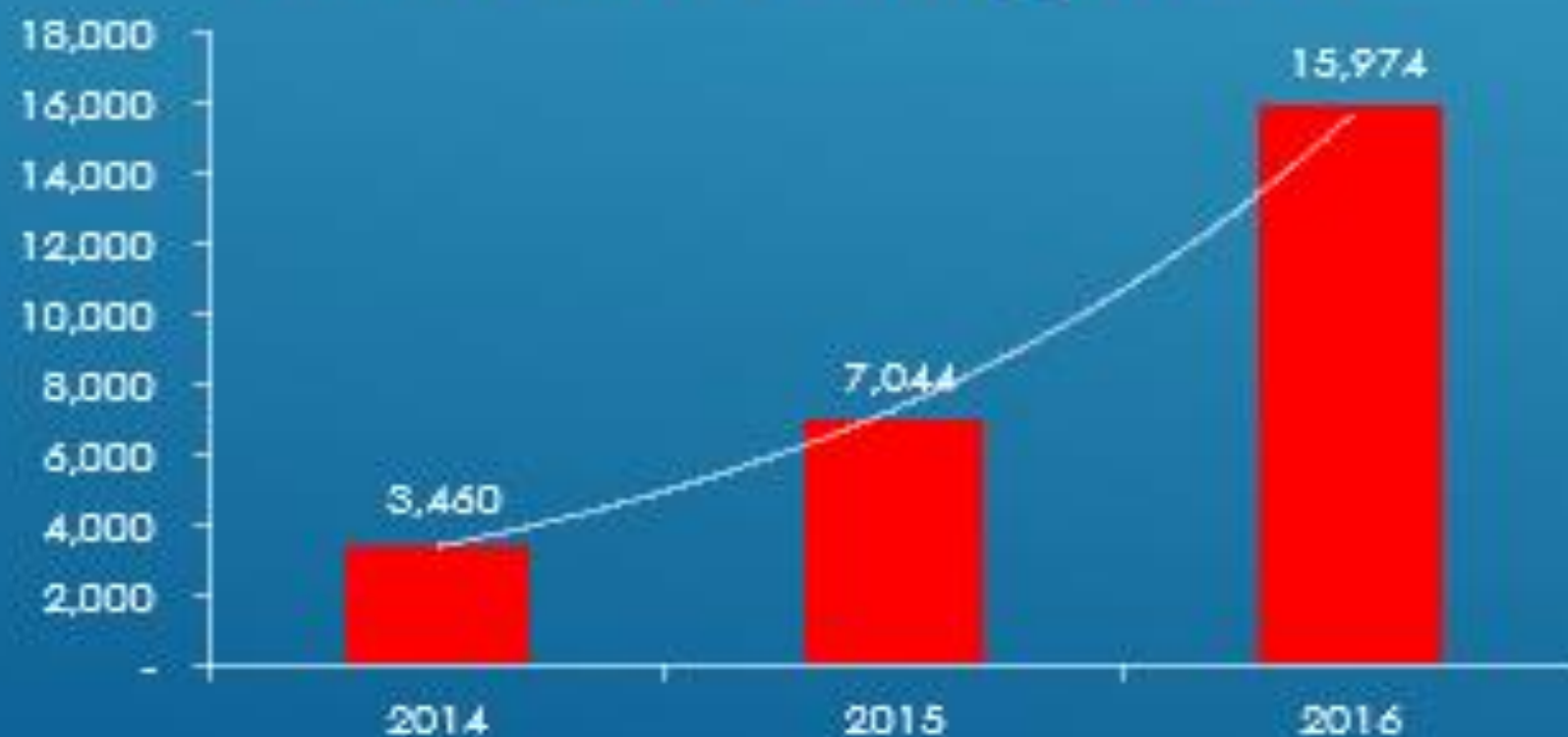
INITIATIVE IN INDUSTRY DPLK SEVERANCE (PPUKP)

**High demand for offsetting
The Labor Law No 13/2003**

	31 Desember 2016
<i>Total Dana Kelolaan PPUKP</i>	Rp15.974*
<i>Total Aset Non PPUKP</i>	Rp47.614*



Asset Under Management



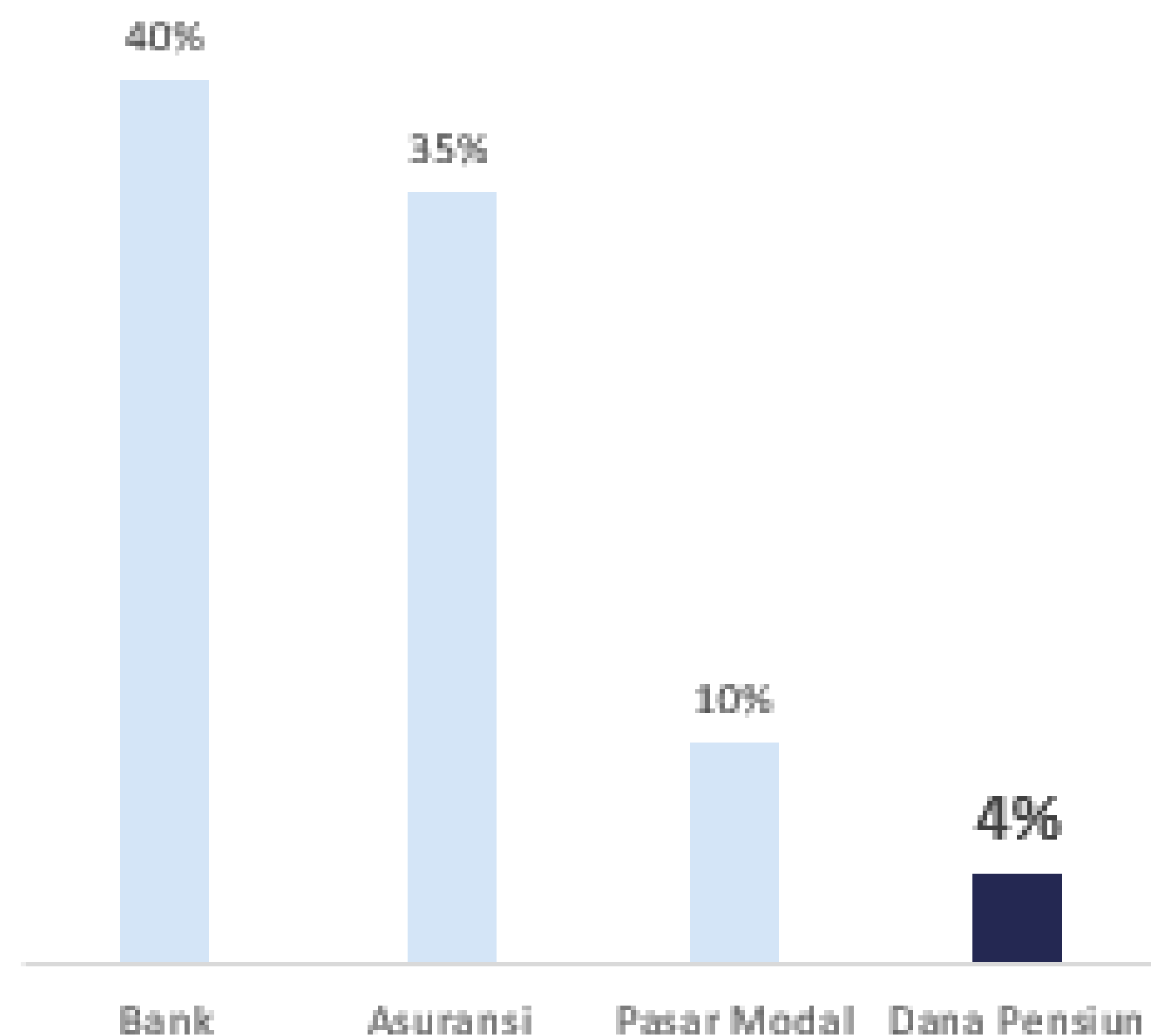
Participants



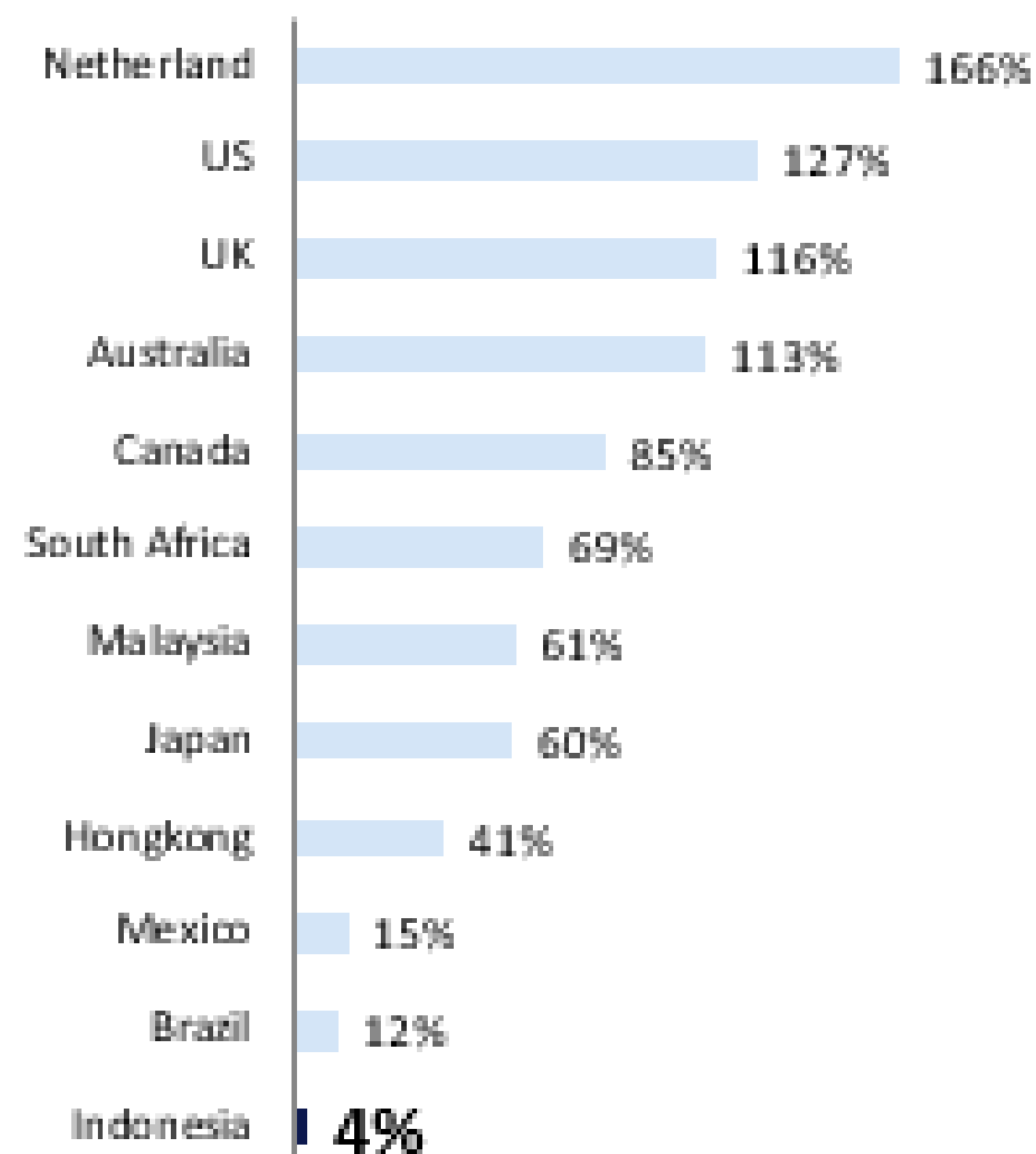
PENSION FUND PENETRATION IS LOW COMPARED WITH OTHER INDUSTRY...

2015: 4%, below other finance industry and other country

Pension Fund Penetration VS Other Finance Industry



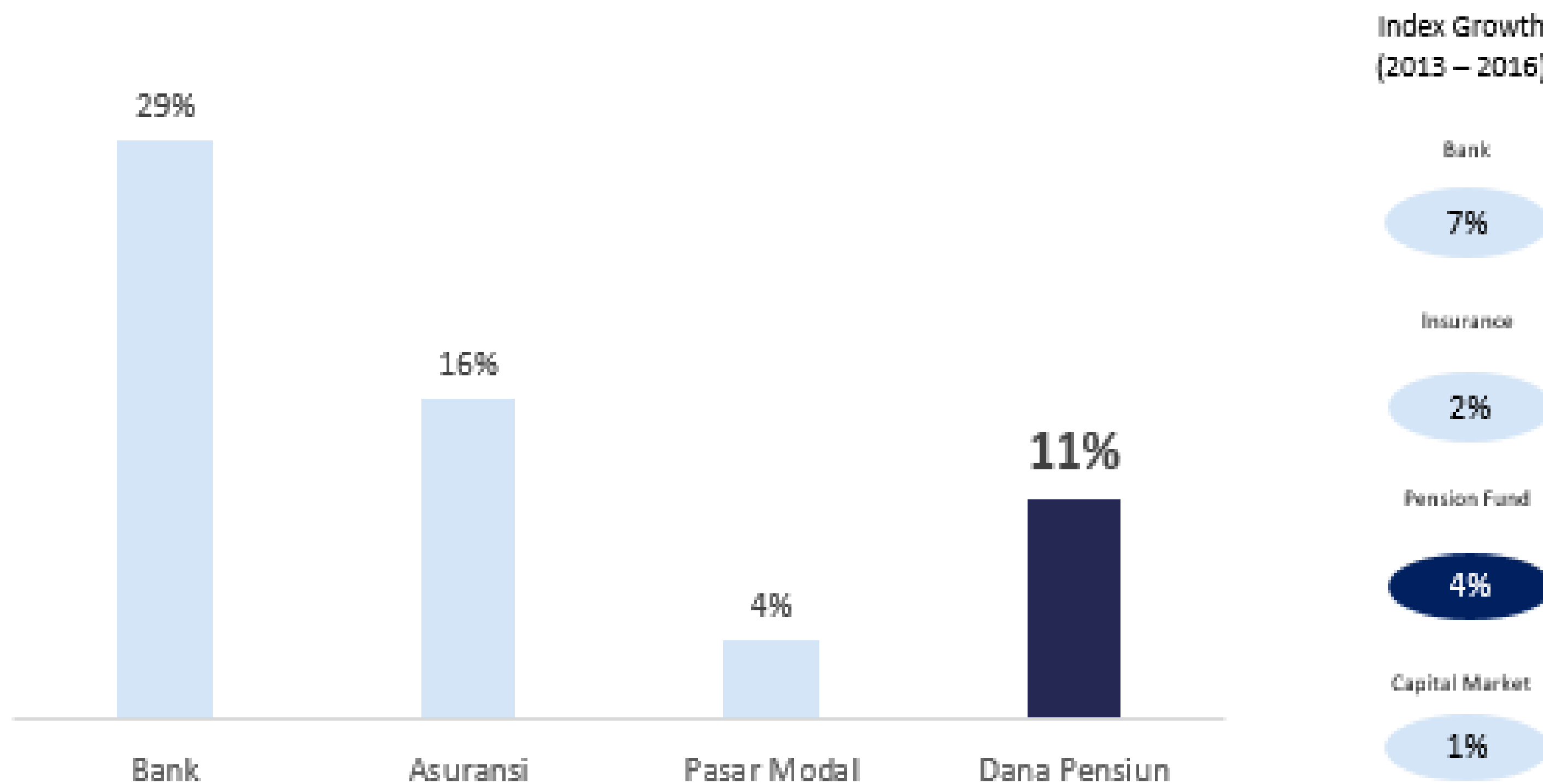
Penetration Pension Fund in Other Country



LOW PENSION AWARENESS

only 11% OR ~1/3 compared with Banking Industry

Index Literacy Pension Fund vs Other Finance Industry



Current Challenges

- ☐ **Existing mandatory savings programs are generally low in participation. Fully funded, but generating relatively low investment fund. Some of the program is considered threat for private pension and also making employer do not want to have additional pension program to their employees.**
- ☐ **DB plans are still more in asset and participants**
- ☐ **DC plans are still new & participants relatively low**
- ☐ **Financial literacy for pension fund in Indonesia is low and considered is not important for society**
- ☐ **Lack of Investment literacy**



Recommended Strategy

1. **Harmonization of compulsory and voluntary program**
2. **Provide better alignment of retirement plans and their objectives and philosophy**
3. **Redesign the retirement scheme to the core need of ensuring future income for people**
4. **Increase people literacy regarding pension and educate people to have voluntary retirement plan through individual pension fund**

