



INDONESIA PENSION CONFERENCE

25 YEARS OF PENSION SAVINGS

“Way Forward for Next Quarter Century”

25-26 April 2017
Grand Hyatt Hotel, Jakarta



FISCAL AND OTHER INCENTIVES FOR PENSION AND SAVING SCHEMES IN INDONESIA

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RETIREMENT LEADER

WILLISTOWERS WATSON - INDONESIA



PENSION LANDSCAPE INDONESIA

1

Jaminan Hari Tua

- Defined Contribution Plan in nature
- Employee contribution (2%) and Employer Contribution (3.7%) are required
- Lump sum benefit

2

Jaminan Pensiun

- Defined benefit - annuity
- 1 % x Year of contribution x Average wages
- Employer contribution 2%, employee contribution 1%. Target of total contribution is 8%.

New

3

Labour Law Benefit

- Unfunded plan
- Lump sum benefit

4

Voluntary Pension Fund

- Funded through approved pension funds - governed under the 1992 Pension Law
- DB or DC
- 20% lumpsum and 80% annuity
- Can be used to offset Labour Law
- Unfunded DB Plan
- Insurance Plan



GENERAL INDUSTRY MARKET PRACTICE IN INDONESIA

62%

62% of the companies provide supplemental retirement plan

20%

20% of the companies provide retirement benefits through defined benefit plan

83%

83% of the companies provide retirement benefits through defined contribution plan

7%

DC employer contribution rate is ranging from 6% to 8% and mostly does not depend on the years of service

3%

Requiring employee contributions on DC plan is not prevalent, however when it is required the average contribution is 3%

Source : 2015 Towers Watson General Industry Benefits Design Practice Report



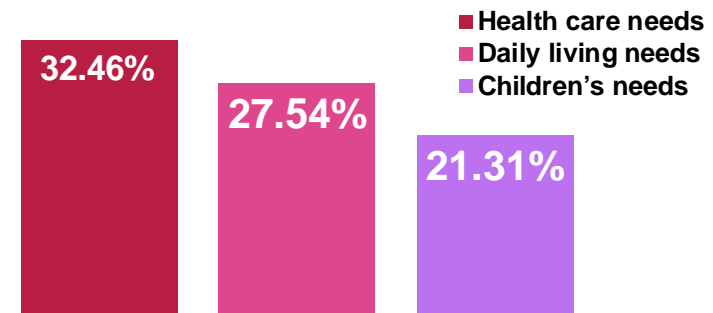
RETIREMENT BENEFIT PLANNING

63% of participants think they are not saving enough for retirement



86% of participants believe that employee himself is the most responsible for saving for retirement

• Main financial concerns when thinking about retirement



How are you planning to fund your retirement?



23.7%
Bank savings



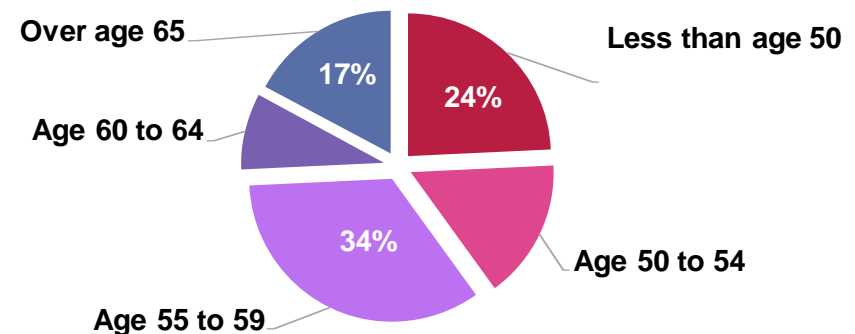
23.4%
Property



22.7%
Investments

Based on result from the survey on the Retirement Event of Willis Towers Watson in Jakarta on May 2016.

Expected age to stop working completely



While financial situations have started to improve for employees, long-term financial worries linger:

43%

of employees agree with the statement
“I often worry about my future financial
state”

1 in 4

State that financial problems are
negatively impacting their lives

What employers can do to help employees find their way

Identify:

Understand the different age cohorts, and the financial needs and priorities of your workforce

Personalise:

Reshape existing budgets to offer higher personal choice and flexibility to prioritise and address changing financial priorities

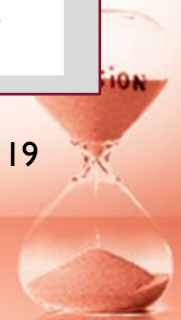
Design:

Optimise the current employee benefit program and budget design to deliver better value, higher engagement and more personal satisfaction

Engage:

Tailor communication to engage employees at the right time, with the right messages, and target their short-, medium- and longterm goals

Based on result from the Willis Towers Watson 2015/2016 Global Attitude Survey. Nearly 30,000 were surveyed in 19 countries, of which 9,026 were based in the Asia Pacific region.



ISSUES TO CONSIDER WHEN CONSIDERING A RETIREMENT SCHEME

Regulatory & fiscal environment

Social & Demographics

- Integration with social security
- **Government incentives (tax, mode of payment)**
- Other savings options
- Changing retirement patterns

Financial

- Cash & funding impacts
- Accounting & tax impacts
- Tolerance to variable costs
- Impact on past / future costs
- Affordability versus benefit level

Scheme
aligned with
needs

Business

- Corporate direction
- Alignment with EVP
- Market competitiveness

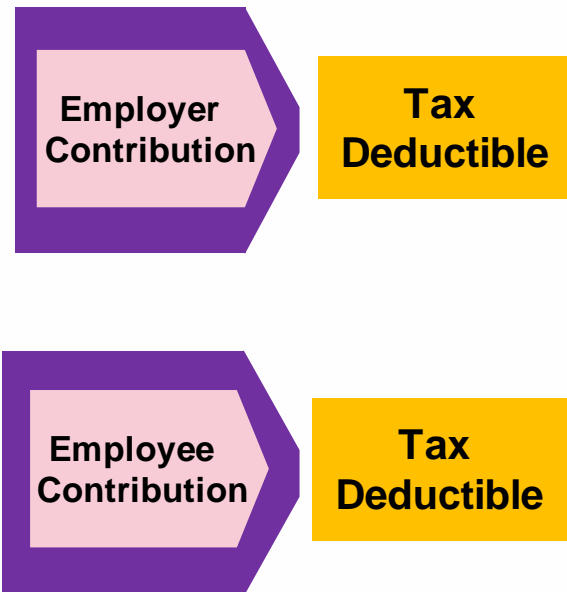
Employee / HR

- Cultural norms
- Total reward structure
- Attraction and retention
- Perceived employee value
- Financial sophistication & education



TAX INCENTIVES - INDONESIA

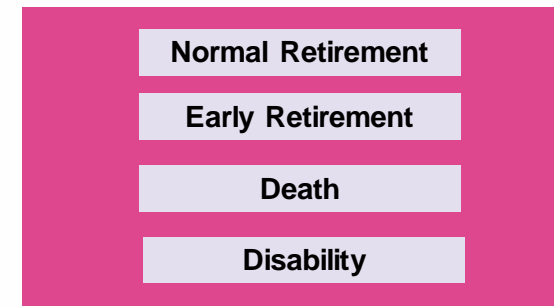
Contribution



Investment



Benefit Payment



Lump Sum

Annuity

Lower Tax

≤ 50 mio : 0 %

> 50 mio : 5 %


PPH 21

Tax applies to benefit payment made within a maximum of 2 calendar years



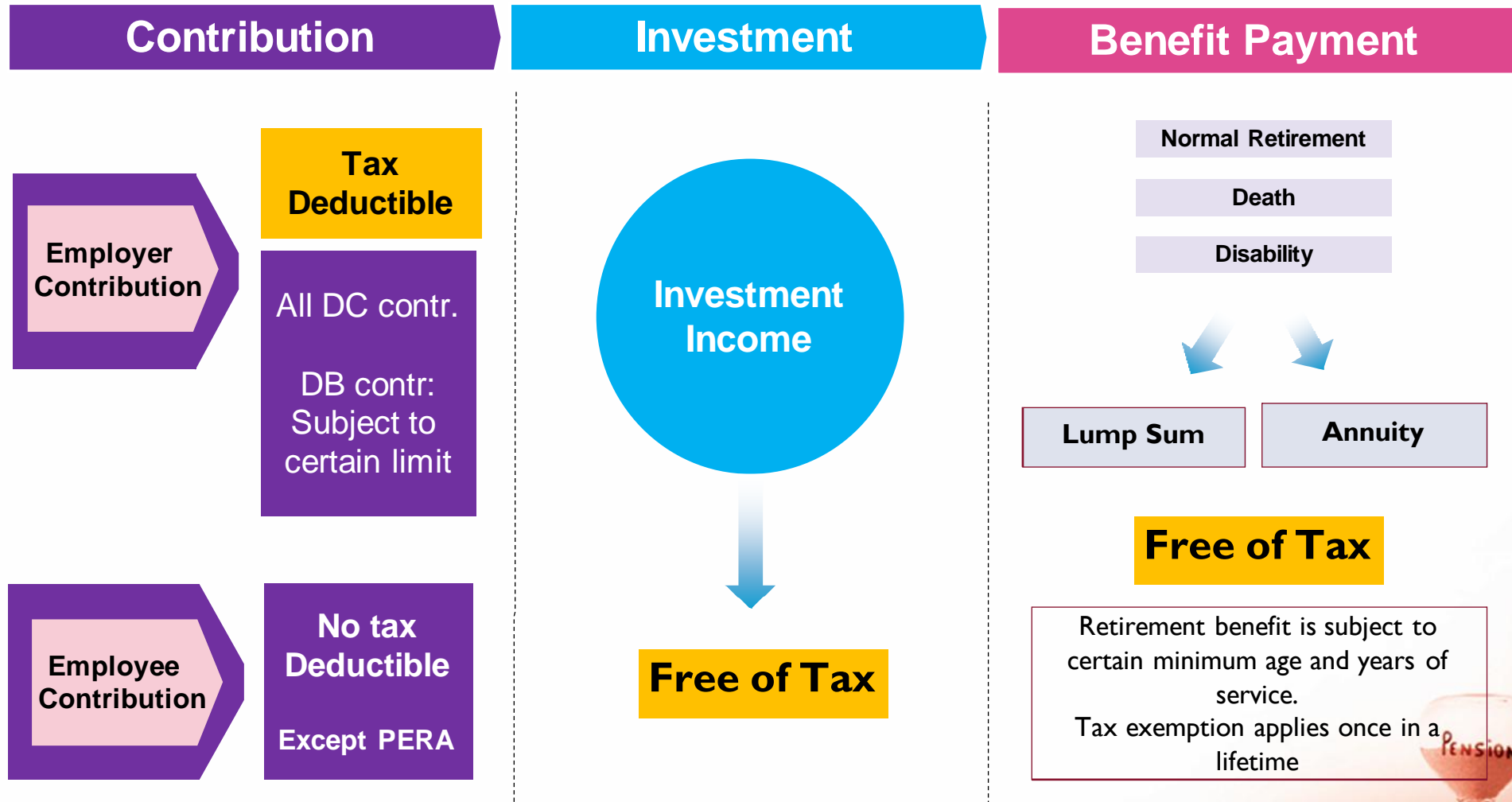
TAX ON PENSION BENEFIT

- Tax regulation introduced in 2009 allows lower tax burden for benefit paid from approved pension fund
- Illustration for benefit payment of IDR 1,000,000,000.

(IDR '000,000)	Severance Tax (%)	Severance Tax (IDR)	Pension Tax (%)	Pension Tax (IDR)
0 – 50	0%	0	0%	0
50 – 100	5%	5,000,000	5%	2,500,000
100 – 500	15%	60,000,000	5%	20,000,000
More than 500	25%	125,000,000	5%	25,000,000
Total Tax		190,000,000		 47,500,000



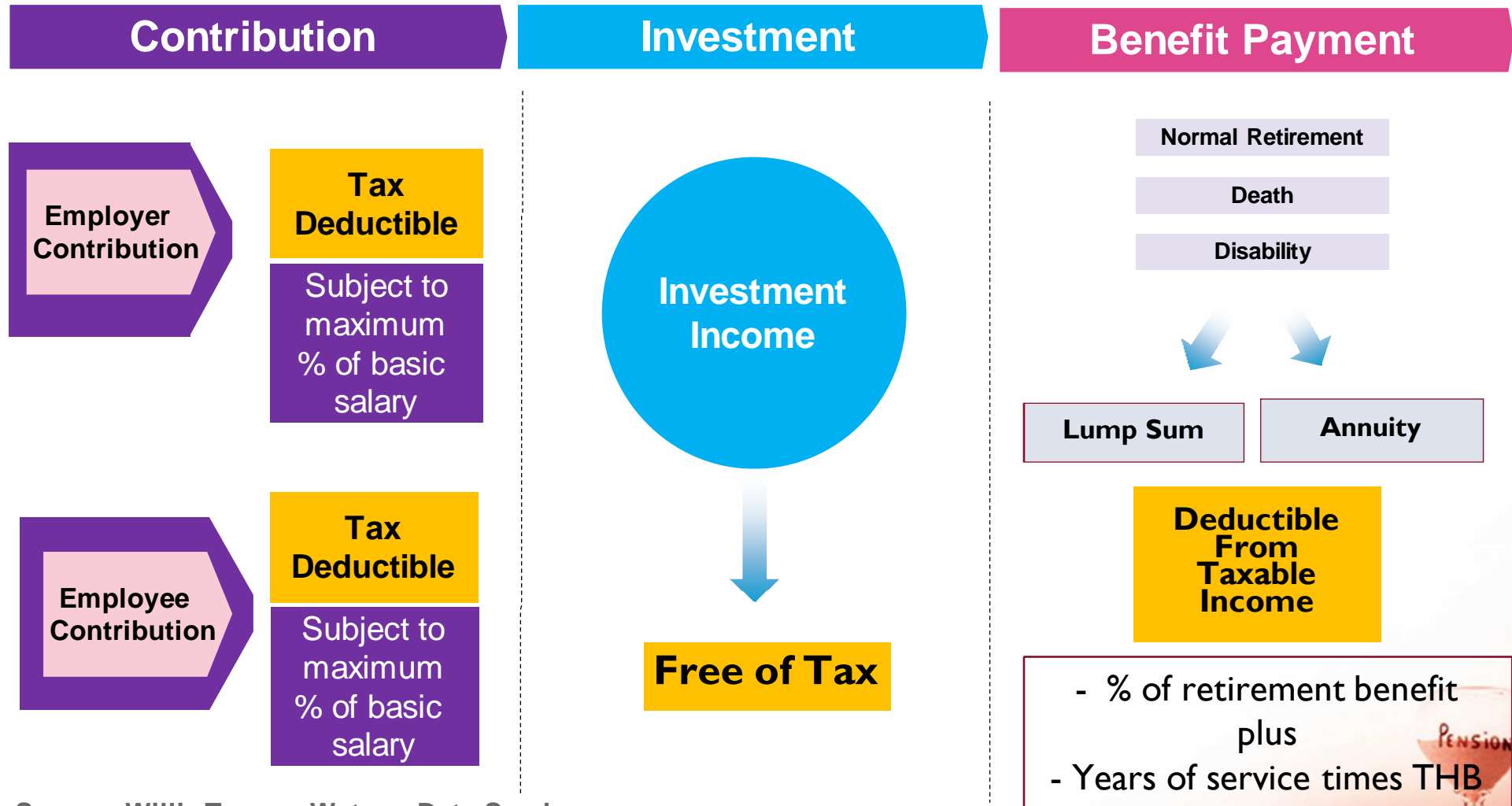
TAX INCENTIVES - PHILIPPINES



Source: Willis Towers Watson Data Services



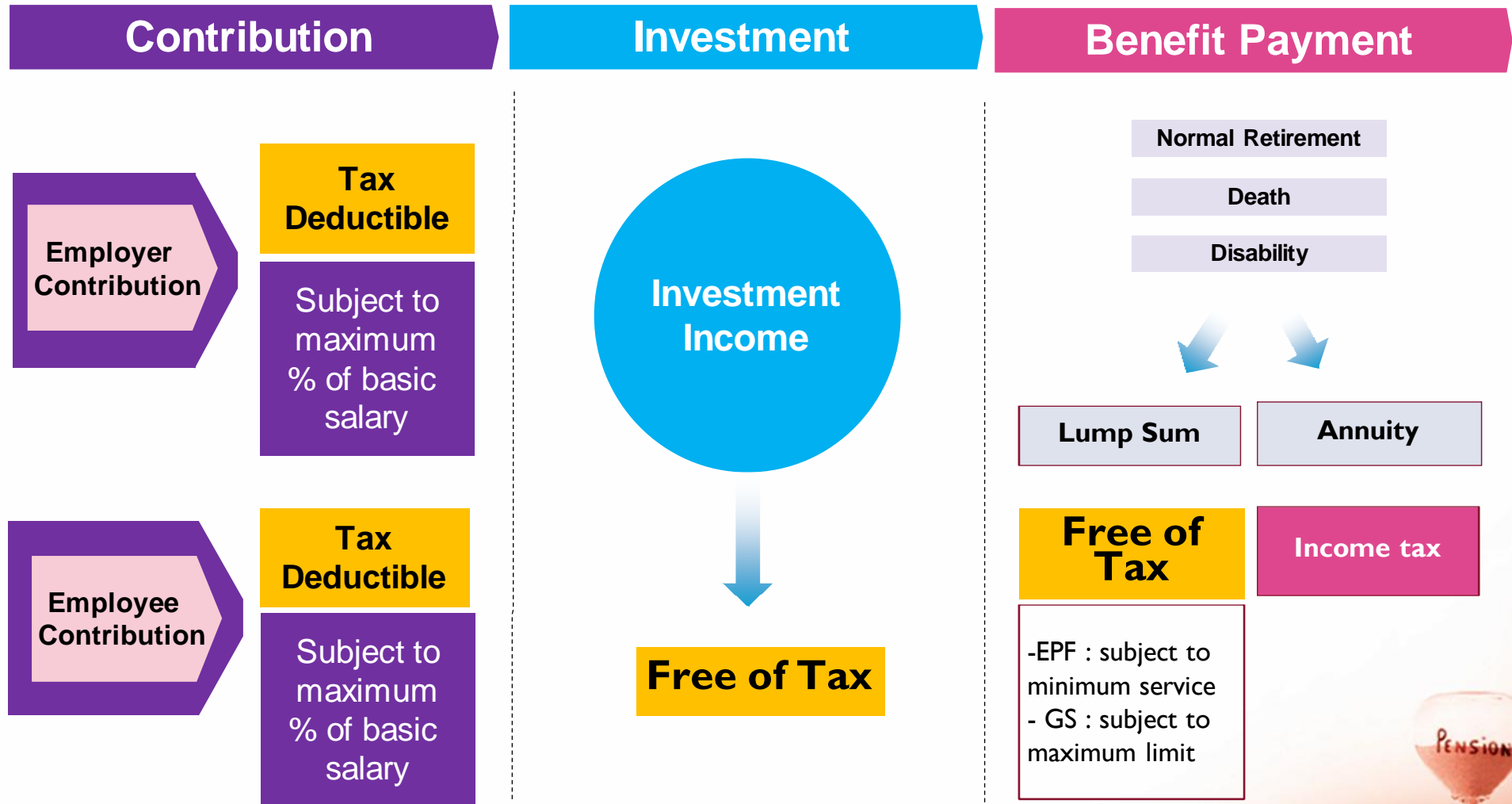
TAX INCENTIVES - THAILAND



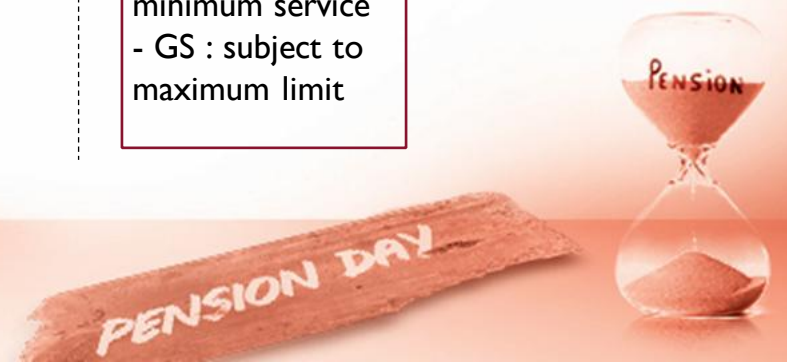
Source: Willis Towers Watson Data Services



TAX INCENTIVES - INDIA



Source: Willis Towers Watson Data Services



COMPARISON – TAX INCENTIVES

- Investment Income is tax free for approved pension plan in Indonesia, Philippines, Thailand and India
- There is a maximum limit for tax deductible for employer and employee contribution in all countries, except in Indonesia
- Tax for pension benefits vary by country
 - Indonesia : lower tax rates applied
 - Philipines : tax free for normal retirement benefit subject to minimum age and years of service. Tax free for death and disability benefits.
 - Thailand : deduction from taxable income amounting to % of pension benefit and years of service times THB
 - India : For Employee Profident Fund, tax free subject to minimum years of service. For Gratuity Scheme, tax free up to certain INR limit.



THANK YOU

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SANTHI DEVI ROSEDEWAYANI

Retirement Leader, Willis Towers Watson - Indonesia



- Devi is the Retirement Leader of Willis Towers Watson Jakarta who joined since August 2013.
- Devi has advised clients from various multinational companies and she has experienced working with companies from various sizes and backgrounds. Prior joining Towers Watson, she was a Director in Padma Radya Aktuaria and a Appointed Actuary in John Hancock Indonesia. She has over 20 years extensive consulting and actuarial experience spanning retirement, life insurance and general insurance.
- **Experience**
 - Signing Actuary for PSAK 24 / IAS 19 / FAS 158 valuation of post employment liability and pension fund valuation
 - Benefits design such as defined benefit pension, conversions to defined contribution
 - Signing Actuary for life insurance and general insurance reserve review
 - Monitoring financial performance of the insurance company throughout experience study, advising management on capital requirement and efficiency through financial projection of the company using several scenarios of product/business mix.
 - Responsible for Actuarial Department and Group Administration Department for Life Insurance, Employer Pension Fund and DPLK John Hancock Indonesia
 - Set up system configuration of superannuation system for Employer Pension Fund (DPPK) , Financial Institution Pension Fund (DPLK), and Group Insurance.
 - Head of CPD Division of the Association of Actuarial Consultants of Indonesia
 - Member of Employee Benefits Division of Society of Actuary of Indonesia
- **Education**
 - Fellow of Society of Actuary of Indonesia (FSAI), 1998
 - Associate of Indonesian Life Insurance Management (AAAIJ), 2000
 - Bachelor Degree in Mathematics, majoring in Actuarial Science from University of Indonesia, 1993

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