



INDONESIA PENSION CONFERENCE

25 YEARS OF PENSION SAVINGS

“Way Forward for Next Quarter Century”

25-26 April 2017
Grand Hyatt Hotel, Jakarta



HARMONIZATION IN REGULATORY FOR PENSION AND SAVINGS (MANDATORY AND VOLUNTARY)



APRIL 26TH, 2017

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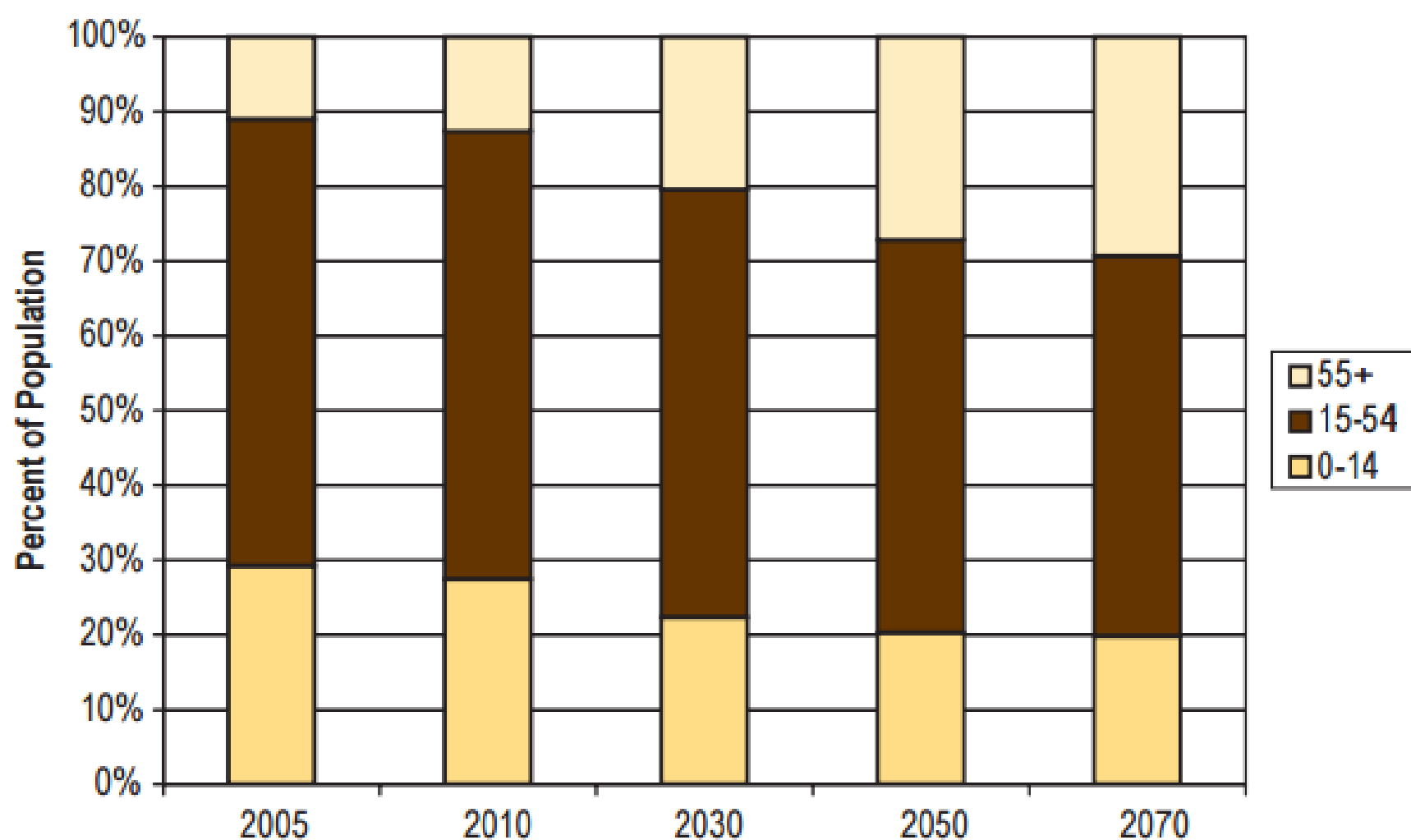
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INDONESIA COUNTRY PROFILE

Population of Indonesia by Age Range (Current and Projection)



Source : ADB 2007



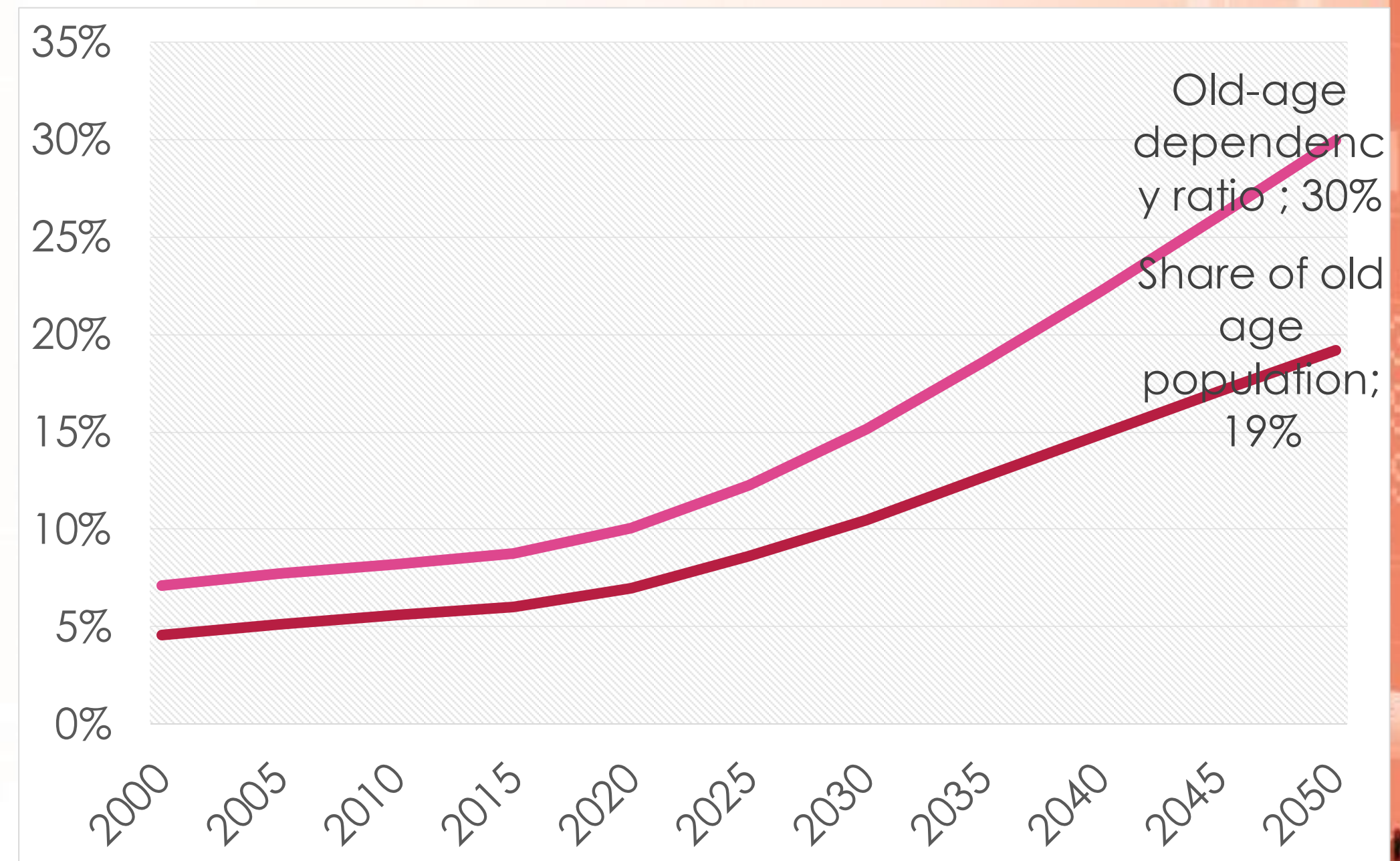
- Population : 258,316,051 (July 2016 est.)
- Number of islands : 17504 islands
- Number of languages : 15 (sub languages 546)
- GDP 2016 : 9,433,034.4 billion Rupiahs
- It is projected that population over age 55+ y.o. will dominate share of total Indonesia

Retirement Age	Population Dependency ratio (2010-2070)			
	2010	2030	2050	2070
55	21.1	35.7	51.8	57.6
60	13.4	23.7	36.8	41.5
65	8.7	15.4	25.4	29.2



AGING POPULATION OF INDONESIA

- **Old age dependency ratio** significantly increase since 2010 to 2050 (more than 20% from total population in 2050)
- Within the next 25 years, **the share of older population** will have more than doubled compared at present.
- **Indonesia have to prepare a large cost of national pension.** Therefore, role of pension benefit programs is vital for all society.



Source: UN Population Division of the Department of Economic and Social Affairs, *World Population Prospects: The 2010 Revision*.

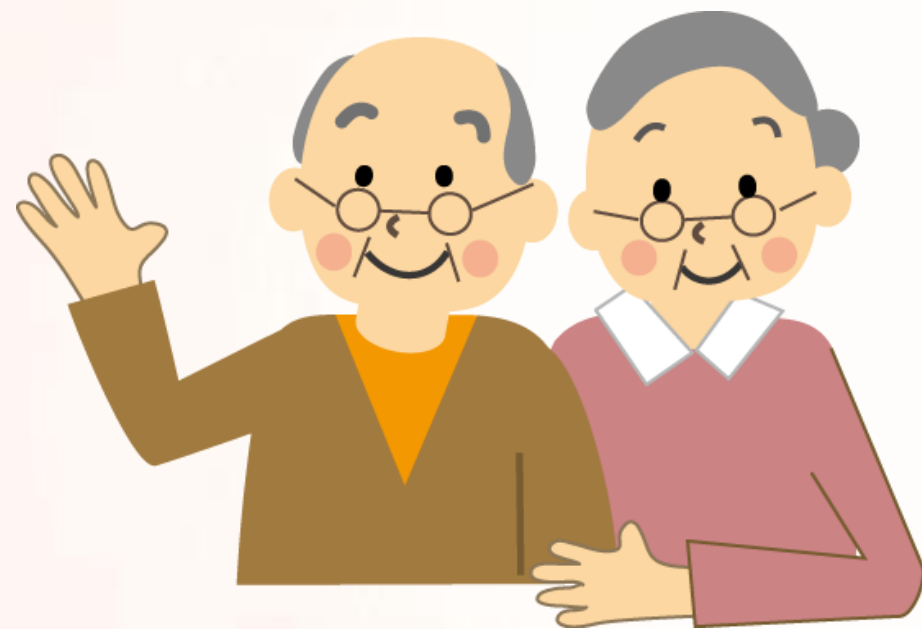


INDONESIA DEMOGRAPHIC PROFILE

- According to UN projections, the share of the older population will continue to increase and is projected to reach 15.8 percent by 2035. Census results have thus shown that the demographic scenario Indonesia faces is characterized by a consistent increase in the older population.
- That is why we need pension benefit program that credible and sustain to fulfill needs in the future of demographic trend



ROLES OF PENSION FUNDS



- Pension funds program enable accumulated funds that needed to maintain sustainability of income participants (employees) for their retirement period. Pension funds also give assurance and build positive motivation to employees and lead higher productivity in their job.
- Pension funds also could be used as source of funds for domestic investment and in the long run it will contribute to better aggregate economy.

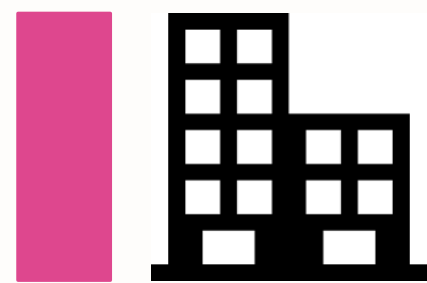


THE IMPORTANCE OF PENSION BENEFIT PROGRAM



- For Employees

Get composure benefit for retirement period
Reduce workers concern about their future risks



- For Employers

Improve engagement and morale of employees
Build positive human resource management relationship
Boost productivity of employees and corporate performance



- For Economy

Build positive relation among tripartite institutions
Ensure financial sustainability for individuals and families
Reduce burden of expenses risk in the future



Pension Scheme In Indonesia

Retirement and Pension Benefits

Mandatory

Voluntary

PUBLIC PENSION PROGRAM

Law No 40/2004 (NSSS),
Law No 24/2011
(SSA GR No.45 of 2015)

Civil Servant,
Police and Army,
All Workers

PRIVATE PENSION FUND
Law No 11/1992

Workers (State Owned
Ent. & Private Co.) &
Self Employed

BPJS
Ketenagakerjaan

DPPK

DPLK



PUBLIC PENSION PROGRAMS BASED ON GOVERNMENT REGULATION (GR) NO.45 OF 2015 ON THE MANAGEMENT OF THE OLD AGE SECURITY PROGRAM



SISTEM JAMINAN SOSIAL INDONESIA



BPJS Kesehatan
Badan Penyelenggara Jaminan Sosial



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 **BPJS**
Ketenagakerjaan



PUBLIC PENSION PROGRAM



- Pension benefit is a social security which is intended to maintain the degree of a decent life for participants and / or their heirs by providing income after participants entering retirement, suffering total permanent disability, or death.
- BPJS Ketenagakerjaan mandated to organize the Pension Insurance Scheme in accordance with Law No. 24 of 2011 on Social Security Administering Agency
- Participants of pension benefit can be:
 - Salary earners (employees)
 - Non-salary earners



PUBLIC PENSION PROGRAM GOV REGULATION NO 45 / 2015

Beneficiaries Include

- Participants
- Legal Wife or husband
 - 2 children at most
 - 1 of the parents



Pension Age

56 years old (2015)
Start in 2019, at 57 y.o. and
It will increase gradually
every 3 years

The Benefits Are

- Provident fund Benefit (MPHT)
- Disability Pension Benefits (MPC)
- Widow / Widower Pension Benefits (MPJD)
 - Child Pension Benefit (MPA)
 - Parent Pension Benefits (MPOT)

Fee

3% of per month wage (2% by
employer and 1% by
employees itself)
The fee will increase gradually
with 3year evaluation toward
8%



PRIVATE PENSION FUNDS Law No 11/1992

Type of Private Pension Funds:

1. Employer-sponsored Pension Fund (DPPK)
2. The Financial Institution Pension Fund (DPLK)

Challenges at present ...

- In the recent years, number of DPPK decrease and only 190 in 2015
- Stagnancy of performance in the private pension fund industry



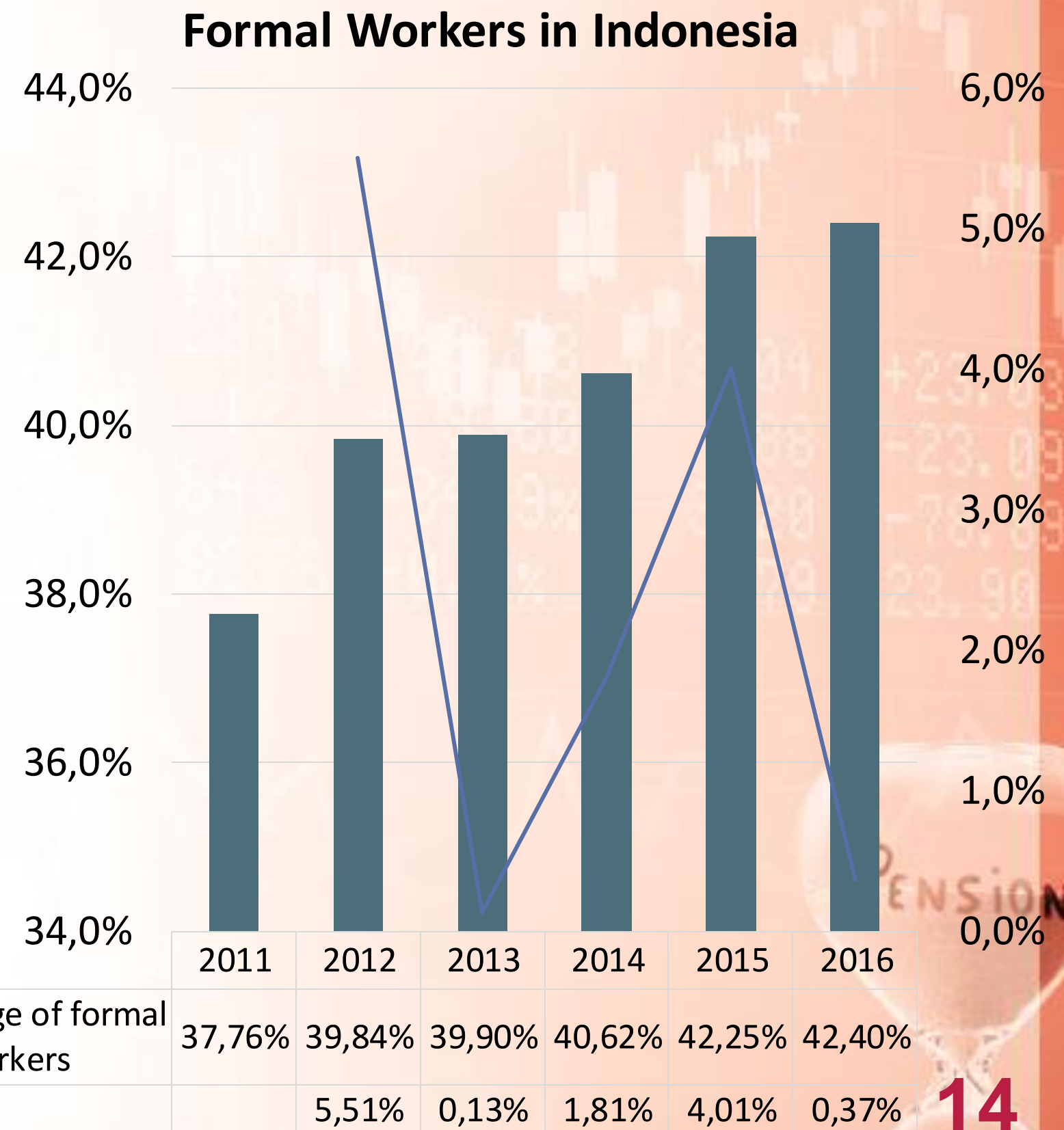
Social Security Contribution

Social Securities	Employers(%)	Employees (%)
Health Benefit	4	1
Death Benefit	0.3	-
Work Rel. Accident Benefit	0.24-1.74	-
Provident Fund Benefit	3.7	2
Pension Benefit	2	1
Total of Social Security	10.24-11.74	4



Challenges of Pension Benefit in Indonesia

- Chapter 1 Article 1 of the NSSS Law Social security is defined as *'one form of social protection to ensure that all people have their basic living needs fulfilled'*
- The scheme is intended for 'all people', informal or formal employment
- Growth of formal workers is reducing in 2016 is only 0.37%
- Indonesian workers dominated by informal sectors (48,6%).
- The cost-sharing formula for contributions to the public pension scheme remain weighted toward formal workers in the pension program, which still does not cover informal workers or non-salaried

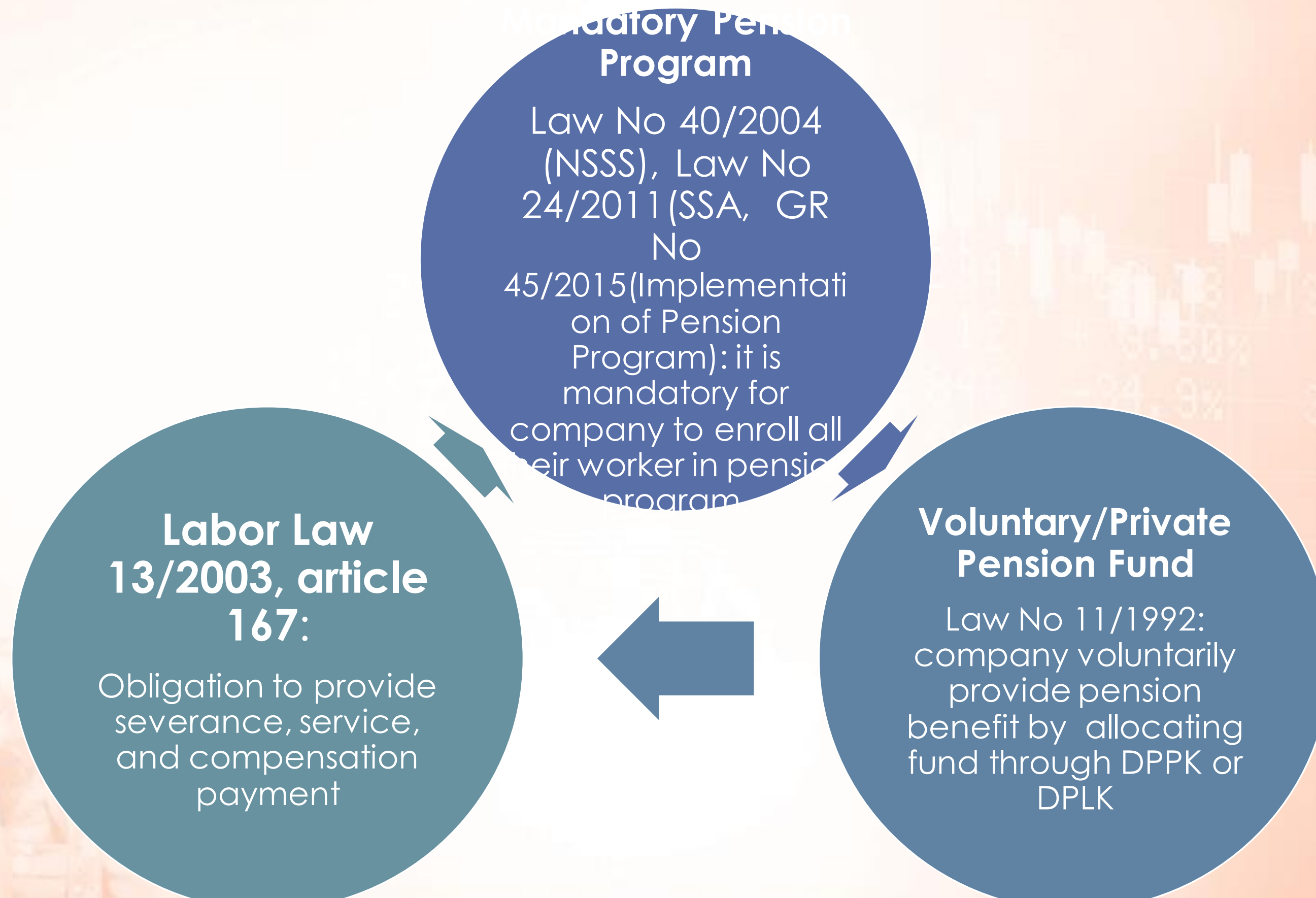


Challenges of Pension Benefit in Indonesia

- The percentage of workers entitled to pension benefit programs is quite low
- Lack of information in society about benefit of public pension programs
- Some public regulation that has similar benefits and tend to overlap each other
- Lack of skilled human resources in public pension program



POINT OF HARMONIZATION



Harmonization existing pension fund programs is needed to...

- Lead to certain climate in business and support employers for providing pension benefit for their employees
 - Build mutual trust and high engagement between employers and employees in business
 - Provide assurance for participants in their retirement period from many risks
 - Synchronize all programs, benefit and contribution from all running security programs
 - Eliminate overlapping regulation that have the similar purpose and benefits
- prepare sustainability living for the future generation



APINDO Recommendation for Pension Benefit Programs in Indonesia

- A strong coordination with clearly defined roles for different levels of government related ministries, BPJS and private sectors
- Optimize the implementation of existing regulation (it is not recommended to make new regulation because it will induce regulation tend to overlap each other)
- Implementation of pension programs is need to be developed without change agreement on fees (to lead certainty in business climate and reduce unemployment)
- Strengthening capacity of human resources who manage pension funds programs to give best services for participants
- Extensive promotion and socialization of pension benefit for all society



THANK YOU



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