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I SUMMARY

Social Security

Eligibility	<p>All employees in companies with a) 10 or more staff, or b) with total monthly salaries of IDR 1,000,000 or more.</p> <p>The compulsory requirement to join the new social security scheme BPJS applies to all employees, including expatriates who have been working in Indonesia for more than 6 months.</p>
Retirement age	<p>55M/F</p> <p>Flexible retirement age 55 - 60M/F</p>
Contributions	<p>Employer's contributions:</p> <ul style="list-style-type: none"> • Occupational accidents: 0.24% - 1.74% of monthly wage • Old age saving: 3.7% of monthly wage • Death benefits: 0.3% of monthly wage • Health benefits: 4% up to IDR 189,000 <p>Employee's contributions:</p> <ul style="list-style-type: none"> • Old age saving: 2% of monthly wage • Health benefits: 0.5% up to IDR 23,625
Retirement Benefits	<p>Lump sum benefit which equals the accumulated JAMSOSTEK (governing body of the social security system) retirement contributions plus interest.</p>
Disability Benefits	<p>Temporary disability: Benefits are paid out for 12 months maximum, whereby for the first four months, the full wage is paid out. For each following period of four months the wage is reduced by 25%.</p> <p>Permanent disability: Payment of lump sum benefit. For partial permanent disability, the benefit is calculated as the percentage of disability times 80 monthly wages, and for total permanent disability, 70% times 80 monthly wages. In the event of total permanent disability, also a monthly benefit of IDR 200,000 is paid out for two years.</p>
Death Benefits	<p>Non work-related death: Lump sum of IDR 14.2 million and a funeral grant of IDR 2 million will be paid plus monthly compensation of IDR 200,000 for 2 years.</p> <p>Work-related death: three types of lump sum benefits:</p> <ul style="list-style-type: none"> • 60% times 80 monthly wages • Funeral grant of IDR 2,000,000 • Accumulated contributions from the provident fund plus a monthly compensation of IDR 200,000 for the duration of 2 years.
Medical Benefits	<p>Mandatory for all Indonesia employees under the BPJS Kesehatan since 2014.</p>

Private Benefit Plans

Eligibility	Anyone with earnings can set up their own plan.
Retirement age	FIPF normal retirement: 55 M/F (early retirement from 45 M/F). ERPF normal retirement will follow each Company's regulation. Early retirement is 10 years before normal retirement.
Contributions	Defined contribution programme: There is no maximum contribution based on Pension Regulation of FIPF. Defined benefit programme: Maximum employee contribution is 3 times the Benefit Factor which is 7.5% of pensionable salary.
Retirement Benefits	Defined benefit pension plans: Lump Sum Formula: $\max 2.5 \times \text{Year of Service} \times \text{Pensionable Salary}$. Monthly Formula: $\max. 2.5\% \times \text{Year of Service} \times \text{Pensionable Salary}$. Defined contributions plans provide a lump sum benefit up to 500 million IDR. For above 500 million IDR, 20% will be paid lump sum and 80% on annuity.
Disability Benefits	Disability benefits are usually supplemented through group insurance schemes. The disability benefit is generally equal to the accrued retirement savings.
Death Benefits	Death benefit is frequently expressed in terms of a number of monthly base salaries. It is often doubled on accidental death.
Medical Benefits	Many companies have established their own formal medical programmes with benefits greater than under the state programme, and therefore have gained exemption from the JAMSOSTEK medical scheme.
Vesting	Vesting is compulsory after 3 years' service under ERPF "Employer Pension Fund" (for FIPF - "Financial Institution Pension Fund", vesting is immediate).

Taxation

Employer Contributions	<p>Social security: Deductible. Contributions to JAMSOSTEK work injury plan and life insurance plans are treated as taxable income to employees.</p> <p>Private benefit plans: Deductible. These contributions are not considered taxable income to employees.</p>
Employee Contributions	<p>Social security: Contributions to JAMSOSTEK old age/pension benefits are deductible.</p> <p>Private benefit plans: Deductible.</p>
Benefits	<p>Benefits under JAMSOSTEK are non-taxable, except for old age benefits. These are tax-free up to an amount of IDR 50 million. 5% taxes for the amount above IDR 50 million</p> <p>Private pensions are also subject to pension taxation. Lump sum benefits received from pension funds are tax-free up to an amount of IDR 50 million. 5% taxes for the amount above IDR 50 million.</p>

II INTRODUCTION

Country Statistics

Population/ growth rate	253,609,643 (July 2014 est.)/ 0.95% (2014 est.)
Age structure	
0-14 years:	26.2%
15-24 years:	17.1%
25-54 years:	42.3%
55-64 years:	7.9%
65 years and over:	6.4% (2014 est.)
GDP purchasing power parity/ Real growth rate	USD 1.285 trillion (2013 est.) 5.3% (2013 est.)
Agriculture	14.3%
Industry	46.6%
Services	39.1% (2013 est.)
Unemployment rate	6.6% (2013 est.)
Inflation rate	7.7% (2013 est.)
Annual Gross Salary*	in ,000 IDR
Semi-professionals	General: 47,622 Skilled: 82,071
Professionals	Junior: 141,440 Senior: 243,754
Management	Lower: 420,081 Upper: 766,734
Legal minimum wage	30 different minimum wages, vary according to the province; highest is DKI Jakarta with IDR 2.4 million per month in 2014
Exchange rate on February 27, 2015	1 IDR = 0.000078 USD
Currency: Indonesia Rupiah	1 IDR = 0.000070 EUR

*Source: Mercer's International Geographic Salary Differentials, Edition 2015

Legislation and Insurance Market Update in Brief

No major changes in 2014.

III SOCIAL SECURITY

Background Information

The social security system for private sector employees was governed until 2014 by JAMSOSTEK, (*Jaminan Sosial Tenaga Kerja*) which was the state-owned insurance company for retirement, death and disability (civil servants are covered by a separate scheme called 'Taspen').

A more comprehensive social security law was introduced in late 2004, called the 'National Social Security Law' (BPJS), providing a new framework for the country's social security, to be introduced within a decade. This new law aimed at expanding coverage to everyone, including unemployed persons in the informal sector. The implementation of this law started in 2014 as follows:

1. The former Jamsostek's programmes are split between BPJS Health (healthcare) from 1 January 2014 and BPJS Employment/BPJS Ketenagakerjaan (pensions and protection benefits) from 1 July 2015. JAMSOSTEK policies for personal accident, life insurance and old age security continue to be in force until BPJS Employment/BPJS Ketenagakerjaan is in force
2. The social security system BPJS introduced in 2014 is administered by:
 - BPJS Kesehatan: Social Security Agency for health insurance covering health insurance.
 - BPJS Ketenagakerjaan: Social Security Agency for worker's social security which is covering accident insurance, old age saving, death insurance and pensions

The transition from the previous system is being done gradually.

Eligibility

The compulsory requirement to join the social security scheme BPJS applies to all employees, including expatriates who have been working in Indonesia for more than 6 months.

Contributions

Contributions are done by the private sector with no government funding.

The contributions to BPJS are payable by the 15th day of the following month for BPJS Ketenagakerjaan and by the 10th of the month for BPJS Kesehatan. Employers and employees contribute to the four elements of BPJS as follows:

Plans	Employer	Employee	Self-Employed**
Occupational accidents	0.24% - 1.74% of monthly wage*	-	1% of monthly wage
Old age saving	3.7% of monthly wage	2% of monthly wage	Min. 2% of monthly wage
Pension	Will be effective on 1 July 2015		
Death benefits	0.3% of monthly wage	-	0.3% of monthly wage
Health benefits	4% up to IDR 189,000	0.5% up to IDR 23,625	No official confirmation of the rates available.

* The employer's contribution rate for occupational accident varies depending on the company's business risk classification (I-V).

** Participation is voluntary.

Retirement Benefits

Retirement Age

Normal retirement:	55M/F
Late retirement:	60M/F

Qualifying Conditions

Retirement benefits are payable when:

- An employee reaches the age of 55, or
- An employee is permanently and totally disabled, or
- An employee leaves Indonesia for good (lump sum only)

Benefits

This is a lump sum benefit which equals the accumulated retirement contributions plus interest. Laid-off workers with at least 6 months coverage might apply for withdrawal payments.

Disability Benefits

Qualifying Conditions

Benefits are payable for persons younger than age 55 with incapacity for work, due to a work accident.

Benefits

A member who suffers total (or partial) permanent disability prior to normal retirement is entitled to apply for a lump sum payment of retirement benefits plus accrued interests. In the event of total permanent disability, an additional monthly benefit of IDR 200,000 is paid for two years.

Death Benefits

Qualifying Conditions

Death benefits are paid only in the event of death prior to age 55.

Benefits

Lump Sum Death Benefit: the accumulated retirement sum, including any interest, from the provident fund, as well as a lump sum of IDR 14.2 million, and a funeral grant of IDR 2 million, with an additional monthly compensation of IDR 200,000 for 2 years in the event of non-work-related death.

Sickness Benefits

Qualifying Conditions

Prolonged sickness protection is not part of the social security system, but it is part of basic Labour Law. It basically prohibits employers from withholding worker's wages on the grounds of prolonged illness. Thus all organizations that employ workers must comply with this law.

Benefits

For longer periods of sickness, employees are entitled to sickness benefits for up to 12 months. While the wages are paid out in full for the first three months, they are cut by 25% for each period of three months thereafter. This benefit applies to both prolonged and terminal illnesses.

Medical/Health Benefits

Qualifying Conditions

Mandatory for all Indonesia employees under the BPJS Kesehatan since 2014.

Benefits

BPJS Kesehatan includes in-patient and out-patient benefits which vary depending on the contribution amount.

Work Injury Benefits

Qualifying Conditions

None.

Benefits

Temporary Disability:

Temporary disability benefits are paid out, whereby for the first three months the full wage is paid out, and for each following period of three months the wage is reduced by 25%. The benefits are paid out for a maximum of 12 months or until the employee has recovered or is declared 100% disabled.

Permanent Disability:

In the event of permanent disability, a lump sum benefit is paid out.

For partial permanent disability, the benefit is calculated as the percentage of disability times 80 monthly wages, and for total permanent disability, 70% times 80 monthly wages. In the event of total permanent disability, also a monthly benefit of IDR 200,000 is paid out for two years.

Death:

In the event of work-related death, the following lump sum death benefits:

- 60% times 80 monthly wages and
- IDR 200,000 per month for 24 months, and
- Funeral grant of IDR 2,000,000, and
- Accumulated contribution of the retirement fund

Others:

- Transportation costs and expenses for medical treatment up to specific maximums
- Convalescent costs up to standard prices from DR. Suharso Hospital, Surakarta, plus 40% on artificial limbs and aids (wheelchairs)

Unemployment Benefits

No unemployment benefits are available but the law stipulates that employees should be paid compensation in the event that they are made redundant with one month's pay for up to one year of service until five month's pay for four or more years' service.

Other Benefits

Maternity Benefits

Maternity benefits are governed under social security health plan. Maternity benefits cover pregnancy check-ups, delivery by general practitioner or midwife up to three children.

Taxation

Employer Contributions

Employer contributions to social security are tax deductible for employers and not taxable for employees.

For other insured benefits, employers can opt for a tax deduction of their contributions, in which case they will be treated as taxable income for the employee. Otherwise, they will not be treated as such.

Employee Contributions

Contributions to social security are tax exempt for employees. For other insured benefits, tax deduction for employees depends on whether the employer opts for a tax deduction for his contributions.

Benefits

Benefits are non-taxable, except for old age benefits and severance payments. These are tax-free up to an amount of IDR 50 million. 5% taxes are applicable for the amount above IDR 50 million.

Other Information

Reciprocal Social Security Agreements

None.

IV PRIVATE BENEFIT PLANS

Background Information

To date, there is no legal or statutory obligation that companies must set up pension funds, however in case such is or was promised to the employees, approval must be sought to establish such a fund. Membership in social security remains compulsory, including the case when a company pension plan is offered to employees.

In June 2000, the Ministry of Manpower stipulated the Decree No.150/Men/2000 on Settlement and Determination of Severance Pay, Service Pay, and Compensation Pay in companies, replacing the Decree No. 3/1996.

In 2003 the Decree No 150/2000 has been removed after the Labour Law Number 13/2003 was approved.

In this Labour Law no 13/ 2003, it is mentioned the obligation of the Employer relating to the employment termination.

Generally, the benefit set out in the LL 13/2003 for retiring employees with completed service of 24 Years or more, he or she is entitled for 32.2 times Final Months Salary,

In practice, there are three kinds of retirement schemes provided by employers:

- A: Pension plans provided in lieu of severance pay, service pay, and compensation pay. This plan is usually operated through a Dana Pensiun (Employer's Pension Fund /ERPF or Financial Institution Pension Fund / FIPF).
- B: Pension plans (through Dana Pensiun) provided in addition to severance pay, service pay, and compensation pay. A review may be required if the company's funding abilities are in doubt. If confirmed, the company may reduce future pension benefits provided through Dana Pensiun. Benefit reduction cannot be made on benefits already being paid out to the employees.
- C: Pension benefits provided in the form of service pay and compensation pay based on the decree of the Ministry of Manpower, excepting additional retirement benefits through a pension fund.

Employer's Pension Fund (ERPF)

Dana Pensiun Pemberi Kerja (DPPK) is an employer's pension fund (ERPF) set up as a legal entity and can be either a defined contribution plan or a defined benefit plan. The plan assets collected from the contributions are managed by the ERPF and must be separated from the assets of the founding company. This type of plan caters for larger organizations and may encompass the employees of more than one firm, provided that all have access to the same benefits. Contributions are monthly.

Each ERPF must have a supervisory board consisting of equal numbers of employer and plan participant representatives, appointed by the plan's founder. In addition, each ERPF must have an administrator, custodian, independent auditor and independent actuary (if defined benefit plan).

The rules as stipulated in the pension law require that each ERPF submits an annual financial report including the statement of audit, a yearly technical report, a three-yearly actuarial report, and a half-yearly investment plan to the Ministry of Finance.

Under the ERPF an employee is entitled to join the fund at age 18, or if married after working for at least 1 year for the plan founder. Full vesting is guaranteed after 3 years' participation in the ERPF.

Financial Institution Pension Fund (FIPF)

Dana Pensiun Lembaga Keuangan (DPLK) is a financial institution pension fund (FIPF), which can be founded and run by a life insurance company or bank, and caters for individuals as well as small to medium-sized companies. Funds can be withdrawn before retirement, but only the contributions (excluding interest). Contributions may be made on a monthly basis. FIPF must be established on a defined contribution basis.

The FIPF also functions as an individual retirement account allowing individuals to set up their own personal pension plans. Eventually, it will be the vehicle for accumulated preserved transferred pension entitlements.

The financial institution is the founder and is likely to be the administrator and investment manager as well. Eligibility requirements are the same as for an ERPF but vesting conditions are such that all contributions must remain in the plan.

Because of the simplicity of establishing these plans, low administration costs and flexibility, many companies choose an FIPF, rather than an ERPF.

Profit Based Pension Fund (PBPF)

The Profit Based Pension Fund must be set up using an ERPF as its legal entity. Unlike the previous plans, contributions will be made annually since they come solely from the company and are based on a predetermined formula linked to company profits.

Eligibility

Anyone with earnings can basically set up their own private pension plan.

Contributions

For defined contribution plans: there is no maximum limit driven by the law..

The maximum employee contribution to an ERPF defined benefit plan is either

- According to the lump sum formula, 2.5 multiplied by the lump sum accrual rate or
- According to the monthly formula, three times the annual accrual rate, with an overall maximum of 7.5%. No maximum employer contribution applies. Employee contributions to defined benefit plans are unusual.

FIPF plans are defined contribution only. If the employee is already a member of an ERPF scheme, it is possible to participate in a FIPF plan.

Retirement Benefits

Retirement Age

FIPF normal retirement: 55 M/F (early retirement from minimum 45 M/F).

ERPF normal retirement: 55 M/F. (early retirement from minimum 45 M/F).

Most private plans stipulate 55 as pension age.

Benefits

Most plans are defined benefits schemes, but this is gradually changing.

With defined benefit pension plans, a limit of 2.5% of the monthly salary for each year of service is in effect, while the total pension cannot exceed 80% of the maximum pensionable salary.

For defined benefit plans, the maximum accrual rate is 2.5 times the monthly pensionable salary, and the lump sum benefit to be paid out is limited to 80 times the maximum monthly pensionable salary.

Most defined contributions plans already in force provide a lump sum upon retirement if the total fund is below IDR 500 million. Above that limit, 20% is paid as lump sum and 80% goes into an annuity plan.

Vesting

Full vesting is compulsory after 3 years' service under ERPF (for FIPF, vesting is immediate). Under the Pension Law, any pension fund entitlement once fully vested cannot be taken as cash (not applicable to an FIPF) but must be rolled over into the new employer's pension fund or into an FIPF set up specifically for this individual. The funds may also be left with the previous employer if desired.

Disability Benefits

The disability (Permanent total disability) can be provided under the ERPF as well as FIPF program. Disability benefits can also be supplemented through group insurance schemes (as a rider). The disability benefit is generally equal to the accrued retirement savings, and usually financed fully by the employer.

Death Benefits

Subsidiaries of multinational companies as well as a number of large Indonesian corporates usually have group insurance schemes in force to cover their employees in the event of death, accidental death and total permanent disability. In most cases, the employer fully bears the premiums.

Benefits in the event of death are normally calculated as a number of monthly salaries depending on the hierarchical level (12 to 48 months, 24 to 36 months being the norm), paid out to the dependants. The benefit might be doubled in the event of a work-related accident.

Medical/Health Benefits

Many foreign corporations provide health plans for employees covering in- and out-patient costs. Maternity and dental benefits may be included. Many companies have established their own formal medical programmes, with benefits greater than under the state programme, and have therefore gained exemption from the social security medical scheme. The difference between company-specific schemes and social security benefits is usually the higher indemnity limit, rather than additional coverage. Mostly, employers cover the full premiums, including the premium for the eligible dependants.

Work Injury Benefits

Most employers provide cover for work injury. In most cases this is covered through the group insurance plans.

Taxation

Employer Contributions

For the employer, contributions to an approved private pension plan are deductible. For the employee, contributions made by the employer to private schemes are not considered taxable income.

Employee Contributions

Contributions to private plans are deductible.

Benefits

Private pensions are subject to special taxation rates. The following tax rates apply to pensions, old age security savings and severance payments: Tax-exempt up to an amount of IDR 50 million, 5% taxes are applicable for the amount above IDR 50 million. Death benefits and health benefits received by employees from any private insurance scheme are not taxable.

Double Taxation Agreements

Algeria, Armenia, Australia, Austria, Bangladesh, Belgium, Brunei Darussalam, Bulgaria, Canada, China, Chinese Taipei, Croatia, the Czech Republic, Denmark, Egypt, Finland, France, Germany, Guernsey, Hong Kong, Hungary, India, Iran, Italy, Japan, Jordan, Korea (Republic), Kuwait, Luxembourg, Malaysia, Mexico, Mongolia, Morocco, Myanmar, the Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, the Philippines, Poland, Portugal, Qatar, Romania, Russia, Serbia, the Seychelles, Singapore, Slovakia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States of America, Uzbekistan, Venezuela and Vietnam.

Other Information

Pensionable Salary

No maximum limit (unless stated differently in collective labour agreement).

Pensionable Service

No limits on pensionable service, but the maximum accrual rate for defined benefit plans is 2.5% per year of service and 2.5 times pensionable salary per year of service for lump sum plans. The maximum year of service is limited by the maximum benefit fixed by the pension regulation (for DB plan). For example, max benefit is 75% of pensionable salary and pension benefit factor is 2.5%, thus the maximum year of service is 30.

Deferred Pension Benefits

When an employee leaves before retirement age, the new law stipulates that any pension fund entitlement once fully vested cannot be taken as cash (unless in an FIPF), but must be rolled over into the new employer's pension fund or into an FIPF set up specifically for this individual. The funds may also be left with the old employer if desired.

Pension Regulations

All pension funds approved under the pension law will have to prepare and submit correctly drafted pension regulations governing the operation of the plan in order to gain approval. The documentation necessary for this is extensive and complex (especially for ERPF).