

IGP Country Profile 2020

Indonesia

Prepared by:
PT. Asuransi Jiwa Manulife Indonesia



Preface

This Country Profile was prepared by **PT Asuransi Jiwa Manulife Indonesia** for the International Group Program (IGP).

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Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in approximately 80 countries and territories throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels, Singapore, Tokyo, and Waterloo, ON, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is part of John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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Your Local Link to IGP in Indonesia: PT Asuransi Jiwa Manulife Indonesia

PT. Asuransi Jiwa Manulife Indonesia was established in 1984 and is one of the largest and strongest life insurance companies in Indonesia. Headquartered in Jakarta, it provides exceptional service to over 2 million customers via a network of more than 11,000 employees and professional agents spread across 25 cities. Manulife Indonesia is considered a pioneer in the Indonesian employee benefits market. It offers comprehensive benefits products that include the Financial Institution Pension Fund (DPLK), Group Life and Health (GLH) and the Group Savings Program.

PT Asuransi Jiwa Manulife Indonesia is registered and supervised by the Otoritas Jasa Keuangan (OJK).

Manulife Indonesia is owned by Manulife Financial Corporation, a leading Canadian-based financial services group with principal operations in Asia, Canada and the United States. Manulife's international network of employees, agents and distribution partners offers financial protection and wealth management products and services to over 28 million customers worldwide, including individuals, groups and institutions.

Key Products

Life

- Life
- Accidental Death and Disability
- Permanent and Total Disability
- Group Critical Illness

Medical

- Hospital and Surgical
- Outpatient
- Maternity
- Dental
- Vision

Pensions

- Pension Administration Services for Employer Pension Funds
- Financial Institution Pension Fund

Additional information on PT Asuransi Jiwa Manulife Indonesia is available on the internet at: <http://www.manulife-indonesia.com>

Introduction:

Legal Framework of Indonesian Welfare System

Private Sector	
Mandatory	Voluntary
<p>National Social Security System (NSSS) No. 40/2004 BPJS, a state owned company, is the operator of the program, in which divided into two divisions as follows:</p>	Pension Fund Law – No. 11/92
<p>1. BPJS – Employment – operates:</p> <ul style="list-style-type: none"> • Old Age Saving (JHT) • Death Benefit (JK) • Workmen’s Compensation (JKK) • Pension Plan (JP) <ul style="list-style-type: none"> • Started July 1, 2015. NRA: 56 years (2015) , 5 years (2018), 65 years (final target) • Contribution 2% ER and 1% EE • Defined Benefit Plan • Mandatory for companies who employ a minimum of 10 employees and pay min 1 mio payroll per month. 	Insurance Law – No. 2/92
<p>2. BPJS – Health – operates:</p> <ul style="list-style-type: none"> • Healthcare (JKN) • Started June 1, 2015 • Managed Care program • Mandatory for all workers including expatriates who worked more than 6 months 	
Labor Law No. 13/03	

On January 1, 2014, new Laws were enacted formalizing the reform of the Social Security System: Law No. 40/2004, referred to in the Law as “SJSN”, and Law No. 24/2011, referred to in the Law as “BPJS”. **BPJS** is a state owned company, which operates the program and is divided into two divisions: **BPJS Employment** and **BPJS Health**.

Law No. 24/2011, stated that starting on January 1, 2014, **BPJS Employment** administers the Saving Program, Life Insurance, Workmen’s Compensation and Pension Insurance Program.

BPJS Health administers the Health Benefit.

Law No. 40/2004 regulated the benefit program of the social security and its mechanism.

The three fundamental changes resulting from these Laws are:

1. Additional pension benefits (formula is still under discussion)
2. Mandatory comprehensive medical coverage
3. A National Social Security System administered by **BPJS Employment** and **BPJS Health**, which will act as trustees.

Social Security Benefits and Customary Private Employee Benefits

Law No.40/2004 applied in stages as outlined below:

1. January 2014 – Civil Servants, Pensioners, Military / Police and their dependent
2. January 2015 – Small, medium, large enterprises and state-owned companies
3. January 2016 – Micro enterprises
4. January 2019 – Self-employed, entrepreneurs and professionals.

Presidential Regulation No. 19/2016 on February 29, 2016 provided guidelines so that BPJS Health can collaborate with commercial insurance companies to provide supplementary benefits under the mechanism of coordination of benefits.

Participation:

Participation in SJSN is mandatory for all companies. Employers were required to enroll their workers and expatriates who have worked a minimum of six months in the National Social Security Program by the January 1, 2015 deadline.

Coverage:

- Savings Program
- Life Insurance
- Workmen's Compensation
- Comprehensive Medical coverage

Covered Wages:

All contributions and benefits are calculated on total wages, including wages in kind; e.g., housing, clothing, food, etc.

Contributions:

Coverage	Contribution	
	Employer	Employee
Old Age Benefit	3.70%	2.00%
Life Insurance	0.3%	None
Pension	2%	1%
Workers' Compensation ⁽¹⁾	0.24% - 1.74%	None
Medical ⁽²⁾	4% up to max. IDR 480,000	1% up to max. IDR 120,000
TOTAL	8.24% - 9.74%	3.00%

NOTES:

- (1) The amount of contribution for Workers' Compensation is based on a company's industrial risk classification.
- (2) Medical contributions are based on wages (basic salary and fixed allowances) up to a maximum of IDR 12,000,000 per month.

The basic contribution provides coverage for a family with up to five members (insured, spouse, three children). If there are additional family members, including parents, an additional contribution of 1% per month per person is required.

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Law No. 24/2011, stated that starting on January 1, 2014, BPJS Employment, part of the National Social Security System (NSSS), would administer the Saving Program, Life Insurance, Workmen’s Compensation and Pension Insurance Program.</p> <p>Life Insurance</p> <p><i>Eligibility</i></p> <p>Death prior to age 55, provided death did not result from an employment-related accident or disease.</p> <p><i>Benefit</i></p> <p>A lump sum of IDR 14.2 million plus a funeral expense benefit amounting to IDR 2 million.</p> <p>The beneficiary will also receive a regular monthly allowance of IDR 200,000 for a period of 24 months.</p>	<p>Group Term Insurance</p> <p>To complement the minimal lump sum death benefit that would be covered under a retirement plan, companies continue to provide term-life insurance with AD&D and PTD riders.</p> <p>The typical levels of benefit range from 12 to 36 months' salary. In some cases, this is reduced by the flat-rate benefit provided under social security.</p> <p>Some companies look to fund the entire death and disability benefits as required under the Labor Law. These vary by years of service, but a minimum benefit of 12 months' salary might apply.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>BPJS of Employment provides a cash benefit paid at:</p> <ul style="list-style-type: none"> • Retirement Age • Death (not due to an accident) • Permanent Total Disability • Leaving Country Permanently <p>Disability Pension</p> <p>Eligibility requirements for a disability pension are as follows:</p> <ul style="list-style-type: none"> • Younger than normal retirement age • Diagnosed with a total and permanent disability • At least one month of contributions prior to the onset of the disability • A contribution payment compliance rate of at least 80%. The contribution compliance rate is the disabled person's number of years of contributions divided by his or her years of membership. <p>Disability Settlement</p> <p>Eligibility requirements are as follows:</p> <ul style="list-style-type: none"> • Younger than normal retirement age • Assessed with a total and permanent disability • Less than one month of contributions • Contribution payment compliance rate of less than 80%. The contribution compliance rate is the disabled person's number of years of contributions divided by his or her years of membership. <p>BPJS provides compensation for temporary incapacity at:</p> <ul style="list-style-type: none"> • 100% of monthly salary for the first six months • 60% from monthly salary for the second 6 months • 50% of monthly salary for the third six months and beyond. • the third six months (and forth) will be given 50% of monthly salary. <p>Employers are also required to pay sick leave in the event of injury or illness, provided the employees has a condition that can be verified.</p> <p>An employee who is severely sick is entitled to payment of their salary as follows:</p> <ul style="list-style-type: none"> • Full wages for the first four months of absence due to illness • 75% of wages for the fifth to the eighth month • 25% for any remaining absence prior to termination of employment 	<p>Social Security benefits are set as the basic package.</p> <p>Since Social Security coverage is not adequate, most companies provide supplemental disability benefits of either Total & Permanent Disability, Accident Death & Disability or Temporary Disability.</p> <p>Total & Permanent Disability and Accidental Death & Disability are provided as a rider to a life insurance plan.</p> <p><i>Please see Group Term Life.</i></p>

SURVIVOR'S BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p>BPJS of Employment provides a cash benefit paid at:</p> <ul style="list-style-type: none"> • Retirement Age • Death • Permanent Total Disability • Leaving Country Permanently <p>If the participant passes away, the benefits are paid to his or her legal heirs.</p> <p>Survivors' Pension</p> <p>The deceased must have received or was entitled to receive an old-age or disability pension from social security, had at least one year of contributions, and had a contribution payment compliance rate of at least 80%. The contribution compliance rate is the deceased's number of years of contributions divided by his or her years of membership.</p> <p>Eligible survivors include widow or widower, children and parents. The widow/widower's pension will cease if the her or she remarries.</p> <p>The <u>spouse</u> receives 50% of the old-age pension or disability pension the deceased received or was entitled to receive.</p> <p><u>Children</u> (if full orphans) receive 50% of the old-age pension or disability pension the deceased received or was entitled to receive. Half orphans receive 50% of the spouse's pension.</p> <p><u>Parents</u> receive 20% of the of the old-age pension or disability pension the deceased received or was entitled to receive – if there is no spouse or eligible children.</p> <p>Lump-Sum Settlement</p> <p>If the deceased has not met the eligibility criteria, the eligible survivors will receive a settlement instead of a pension. The benefit is a lump sum consisting of the deceased person's contributions plus any accrued interest.</p> <p>Funeral Grant</p> <p>Paid to eligible survivors or a person named by the deceased. If there are no eligible survivors, the benefit is paid to the person who paid for the funeral.</p>	<p>Benefits</p> <p><i>Please see Life Benefits and Retirement Benefits.</i></p>

MEDICAL BENEFITS																	
Social Security Benefits	Customary Private Employee Benefits																
<p>Medical Benefits</p> <p>Government regulation stipulates that the medical program provide comprehensive medical care, in-patient and out-patient treatment, pregnancy, and special and emergency services.</p> <p>In order to get treatment, the participant must follow the procedures specified. The assigned primary care provider, hospital providers, drugs and other details regarding the types and levels of treatment covered will be included in Ministerial Decrees.</p> <p><i>Eligibility</i></p> <p>In January 2014, BPJS Kesehatan (Social Security Health Agency) replaced Jamsostek (Employees' Social Security System). Since 2015, all employees and their dependents are covered. The goal is universal coverage.</p> <p><i>Benefits</i></p> <p>On a managed care basis, comprehensive medical services are provided for basic healthcare benefits such as: inpatient, outpatient, dental, vision and maternity.</p> <p><i>Contributions</i></p> <p>Contributions are made by both the employer and employee</p> <p><u>Employer:</u></p> <p>4% of regular/fixed gross wages to a maximum of two times non-taxable salary for married employee with one dependent.</p> <p><u>Employee:</u></p> <p>1% of regular/fixed gross wages to a maximum of two times non-taxable salary for married employee with one dependent.</p> <p>Employees may choose to insure additional family members at a cost of an additional 1% per family member per month.</p>	<p>Medical Benefits</p> <p>Current private practice varies widely. Most companies self-insure and will reimburse 100% of all medical expenses up to an annual maximum of one to two months' salary.</p> <p>Other companies pay a flat monthly allowance to employees whether or not the employees incur any medical expenses. Large and/or foreign employers generally provide some medical benefits.</p> <p>Companies with insured plans will provide basic hospitalization, possibly with supplemental major medical as follows:</p> <p><i>Basic Hospitalization (per disability):</i></p> <table border="0"> <tr> <td>Room and Board (max. 90 days):</td> <td>IDR 500,000</td> </tr> <tr> <td>Surgical:</td> <td></td> </tr> <tr> <td> Complex:</td> <td>IDR 50,000,000</td> </tr> <tr> <td> Major:</td> <td>IDR 30,000,000</td> </tr> <tr> <td> Intermediate:</td> <td>IDR 17,500,000</td> </tr> <tr> <td> Minor:</td> <td>IDR 10,000,000</td> </tr> </table> <p><i>Doctor Visits</i> (max. 30 visits): IDR 200,000</p> <p><i>Supplemental Major Medical:</i></p> <table border="0"> <tr> <td>Coinsurance:</td> <td>10% - 20%</td> </tr> <tr> <td>Maximum:</td> <td>IDR 2,000,000 - 20,000,000</td> </tr> </table> <p>The level of benefits will typically vary within a plan depending on job classification.</p> <p>Due to the uncertainty with respect to mandatory medical benefits to be provided under the Social Security System, companies are establishing new plans.</p>	Room and Board (max. 90 days):	IDR 500,000	Surgical:		Complex:	IDR 50,000,000	Major:	IDR 30,000,000	Intermediate:	IDR 17,500,000	Minor:	IDR 10,000,000	Coinsurance:	10% - 20%	Maximum:	IDR 2,000,000 - 20,000,000
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Maximum:	IDR 2,000,000 - 20,000,000																

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>BPJS of Employment provides a cash benefit paid at:</p> <ul style="list-style-type: none"> • Retirement Age • Death • Permanent Total Disability • Leaving Country Permanently <p>Social Security pension plans provide a benefit for the participant or his/her survivors' if the participant reaches retirement age, has a permanent disability or dies.</p> <p>Old-Age Pension</p> <p>Monthly cash payment to participants when they reach retirement age until death.</p> <p><i>As of March 1, 2020</i></p> <ul style="list-style-type: none"> • Minimum Pension Benefit is IDR 350,700.00 per month. • Maximum Pension Benefit is IDR 4,207,200.00 per month. • The maximum wage used as the basis for calculating the pension contributions is IDR 8,939,700.00 <p><i>Eligibility</i></p> <p>The insured must be at least age 56 and have made at least 180 months of contributions. The age of eligibility will rise one year every three years until it reaches 65 in 2043).</p>	<p>Virtually all benefit plans linking the benefit to the attainment of a certain age must conform to the Pension Fund Law.</p> <p>Until 1992, an overwhelming majority of retirement plans in effect provided for a retirement benefit that was defined and paid as a lump sum. The typical retirement benefit level was equal to one to two months' basic salary times years of service.</p> <p>While the Pension Fund Law no longer allows for the payment of lump sum retirement benefits (except for the possible lump sum payment of up to 20% of the value of the benefit, and for grandfathered employees), indications are that companies will keep their existing benefit formulas for new employees but provide for the payment of benefits in the form of an annuity to comply with the Law.</p> <p>This arrangement calls for defining the value of the normal retirement benefit (e.g., one to two months' salary times years of service) as opposed to defining an annuity. When benefits become due, the benefit value will be commuted to an annuity.</p> <p>Due to the complexities of establishing an Employer Pension Fund (required for defined benefit plans), and following an increasing trend throughout the world, most post-1992 programs are defined contribution.</p> <p>Many pre-Pension Fund Law retirement plans provided for a lump sum termination benefit equal to the accrued retirement benefit to satisfy the Labor Law benefit.</p> <p>Since the Pension Fund Law stipulates that benefits must be deferred, or the value of the benefit transferred to another approved Pension Fund upon termination, an approved Pension Fund may not satisfy the Labor Law benefit upon termination.</p> <p>However, Labor Law benefits may be satisfied at the commencement of benefit payments, so long as the value of the benefit is at least as much as the Labor Law benefits.</p> <p>In consideration of the requirements of the Law and the above, the following is an outline of the type and form of retirement plan being contemplated by employers with existing retirement plans.</p> <p><i>Eligibility</i></p> <p>All full-time employees at least 18 years of age or married with one year of service.</p> <p><i>Employer Contribution:</i></p> <p><u>Defined Contribution:</u> Typically, between 5% and 12% of current employee earnings.</p>

Employee Contribution

Employer Pension Fund: Generally, none.
Financial Institution Pension Fund: 1% - 5%

Vesting

100% after three years of participation for an Employer Pension Fund and immediate vesting for a Financial Institution Pension Fund.

Retirement Age

Normal Retirement: Usually, age 55 for both men and women

Early Retirement

10 years prior to normal retirement age

Credited Service

All years and months of service

Credited Salary

Practice varies from final basic month's salary to the employee's final 36 months' average salary, up to the maximum stipulated by Law.

Normal Retirement Benefit

Defined Benefit:

- Monthly formula: Maximum of 2.5% of pensionable salary per year of service.
- Lump sum formula: Maximum of 2.5 times pensionable salary times years of service.

Salary is frequently the average salary over the last 12-36 months of service.

Defined Contribution:

Defined contribution benefit is equal to accumulated contributions plus interest. Most defined contribution plans are paid in the form of a lump sum at retirement if the total fund is less than IDR 500 million. For funds over IDR 500 million, 20% is paid as a lump sum, and the remaining 80% goes toward an annuity.

Defined Contribution (Level of Contribution):

5% to 12% of current earnings, accumulated with interest.

Early Retirement:

- Defined Benefit: The actuarial value of the accrued normal retirement benefit.
- Defined Contribution: Accumulated contribution plus interest.

Social Security Benefits and Customary Private Employee Benefits

Death Benefit - Before Early Retirement:

- Defined Benefit: Lump sum equal to the participant's accrued benefit.
- Defined Contribution: Accumulated contribution plus interest.

Death Benefit - After Early Retirement Age but Before Retirement:

- Defined Benefit: Widow/Widower pension equal to at least 60% of the benefit that would have been paid to the participant if he/she had retired.
- Defined Contribution: Whatever annuity can be purchased, after a possible 20% lump sum disbursement.

Death Benefit - After Retirement

Widow/Widower pension equal to at least 60% of the participant's pension.

Orphan Benefits

If there is no surviving widow/widower at the time of death of the participant, the benefit that would have been paid to the widow/widower will be divided equally among surviving minor children.

If the widow/widower should die after his/her survivor pension commences, the survivor pension will be divided equally among surviving minor children.

Permanent and Total Disability

Equal to the value of the accrued retirement benefit (Defined Benefit) or accumulated account value (Defined Contribution), paid as an annuity.

Termination

- Defined Benefit: Prior to vesting, return of employee contributions (if any).

After vesting, the actuarial value of the accrued retirement benefit, but under no circumstances should this amount be less than the employee contributions with interest.

The vested benefit must either remain in the pension fund and accumulate with interest or be transferred to another approved pension fund.

- Defined Contribution: Accumulated contribution plus interest.



Social Security Benefits and Customary Private Employee Benefits

	<p><i>Employee Contributions</i></p> <ul style="list-style-type: none">• <u>Defined Benefit</u>: Most plans are non-contributory.• <u>Defined Contribution</u>: 1% - 5% of salary <p>Note 1: A participant may elect to receive a lump sum of up to 20% of the value of his/her benefit prior to the commencement of his/her annuity payments.</p> <p>Note 2: The actuarial value (for defined benefit plans) will be based on mortality and interest assumptions set by the pension fund actuary.</p>
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Pension Fund Law

Introduction:

The Pension Fund Law was approved by Parliament on March 12, 1992 and signed into law by the President of Indonesia on April 20, 1992. One of the most significant provisions of the Law is that all companies that promise retirement benefits to their employees must establish an approved Pension Fund within one year of the effective date of the Law.

Moreover, companies planning to provide retirement benefits to employees must establish and maintain their plans in accordance with the Law. Non-compliance with the Law carries a fine and imprisonment.

However, there is no legal obligation that employers set up a pension fund. The employers that establish such funds, must seek, obtain and follow all existing laws.

Government Regulations for implementation were released at the end of 1992, and some Ministerial Decrees were released in March of 1993. Additional Ministerial Decrees relating to funding and solvency margins, investments, and financial reporting were released in early February 1995.

The following outlines the major provisions of the Pension Fund Law.

Types of Approved Pension Funds:

An approved Pension Fund must be a separate legal entity in the form of an Employer Pension Fund or a Financial Institution Pension Fund, where the assets of the Pension Fund are segregated from the assets of the Founder (employer or financial institution).

Financial Institution Pension Fund:

A Financial Institution Pension Fund (Dana Pensiun Lembaga Keuangan) (DPLK) is a defined contribution plan set up by a bank or life insurance company to cover individuals or groups.

Employer Pension Fund:

Established by an employer (Founder) for the benefit of its employees. A company may join an existing Pension Fund as a Co-founder.

An Employer Pension Fund may provide for the following types of benefit plans:

- Defined Benefit
- Defined Contribution

Benefit Provisions

Financial Institution Pension Fund:

Eligibility:

All employees, or a class of employees, who are at least 18 years of age or married and have at least one year of service, can join. If there are employee contributions, participation by employees working at the company when the approved Pension Fund takes effect, is optional.

Normal Retirement Age:

The normal retirement age for men and women is 55.



Pension Fund Law

Early Retirement Age:	Employees must be permitted to retire up to ten years (45-54) prior to normal retirement age.
Normal Retirement Benefit:	<p>Accumulated employer and employee contributions plus the accrued interest.</p> <p>If the total benefit is below the minimum level set by the Ministry of Finance, then it will be paid as a lump sum.</p> <p>If it exceeds the minimum level, 20% is paid as a lump sum, and 80% is paid in the form of an annuity. The minimum level is IDR 500,000,000 (PMK No. 50, 2012).</p>
Early Retirement Benefit:	<p>Accumulated employer and employee contributions plus the accrued interest.</p> <p>If the total benefit is below the minimum level set by the Ministry of Finance, then it will be paid as a lump sum.</p> <p>If it exceeds the minimum level, 20% is paid as a lump sum, and 80% is paid in the form of an annuity. The minimum level is IDR 500,000,000 (PMK No. 50, 2012).</p>
Permanent and Total Disability:	<p>Accumulated employer and employee contributions plus the accrued interest.</p> <p>If the total benefit is below the minimum level set by the Ministry of Finance, then it will be paid as a lump sum.</p> <p>If it exceeds the minimum level, 20% is paid as a lump sum, and 80% is paid in the form of an annuity. The minimum level is IDR 500,000,000 (PMK No. 50, 2012).</p>
Death Benefits:	<p><i>Prior to Early Retirement:</i></p> <p>A lump sum equal to the accumulated employer and employee contributions plus the accrued interest.</p> <p><i>After Early Retirement Age but Before Normal Retirement:</i></p> <p>If the total benefit is below the minimum level set by the Ministry of Finance, then it will be paid as a lump sum.</p> <p>If it exceeds the minimum level, 20% is paid as a lump sum, and 80% is paid in the form of an annuity. The minimum level is IDR 500,000,000 (PMK No. 50, 2012).</p> <p><i>Orphan's Benefits:</i></p> <p>If there is no surviving widow/widower at the time of death of the participant, the benefit that would have been paid to the widow/widower will be divided equally among the surviving children, up to age 25.</p>

Pension Fund Law

Termination Benefits:

If termination occurs during employment, the accrued benefit may either be deferred until retirement, or the value of the benefit may be transferred to another financial institution pension fund.

Lump Sum Payments: Prior to the commencement of annuity payments, an election may be made to receive up to 20% of the total benefit as a lump sum. The balance is paid through a lifetime annuity program.

In the event the total benefit is less than IDR 500 million (PMK No. 50, 2012), the benefit may be paid as a lump sum.

Benefit Provisions

Employer Pension Fund:

Eligibility:

All employees, or a class of employees, who are at least 18 years of age or married and have at least one year of service, must be included. If there are employee contributions, participation by employees working at the company when the approved Pension Fund takes effect, is optional.

Vesting:

100% vesting after a maximum period of three years of participation. Vesting must be immediate for employee contributions.

Normal Retirement Age:

Ministerial Manpower Decree set the normal retirement age at 55, compulsory retirement at age 60.

Early Retirement Age:

Employees must be permitted to retire up to ten years prior to normal retirement age.

Normal Retirement Benefit:

In accordance with the regulations of the Pension Fund, the normal retirement benefit must provide for the payment of a lifetime annuity.

Maximum Accrual Rates:

- **Defined Value Plan:**

If the benefit is defined as a lump sum (e.g., 2 months' salary per year of service), the maximum accrual rate is 2.5, with an overall maximum benefit of 80 times monthly salary. The maximum employee contribution is the lesser of 7.5% or 3 times the accrual rate.

- **Defined Annuity Plan:**

If the benefit is defined as an annuity (e.g., 2% of salary per year of service), the maximum accrual rate is 2.5%, with an overall maximum benefit of 80% of salary. The maximum employee contribution is the lesser of 7.5% or three times the accrual rate.

- **Defined Contribution Plan:**

The maximum contribution for any one participant is equal to 20% of salary. If employees should contribute, employee contributions may not exceed 60% of the employer contribution.



Pension Fund Law

Early Retirement Benefit:	The early retirement benefit must provide for an annuity equal to the accrued normal retirement benefit, actuarially reduced.
Permanent and Total Disability:	The annuity for permanent and total disability must equal the actuarial value of the accrued normal retirement benefit.
Death Benefits:	<p><i>Prior to Early Retirement:</i></p> <p>A lump sum equal to the participant's accrued benefit.</p> <p><i>After Early Retirement Age but Before Normal Retirement:</i></p> <p>The widow/widower pension must be equal to at least 60% of the benefit that would have been paid to the participant if he/she had retired.</p> <p><i>After Retirement:</i></p> <p>The widow/widower pension must be equal to at least 60% of the participant's pension.</p>
Orphan Benefits:	If there is no surviving widow/widower at the time of death of the participant, the benefit that would have been paid to the widow/widower will be divided equally among the surviving children, up to age 25.
Termination Benefits:	<p>If termination occurs prior to vesting, the employee's contributions (if any) must be refunded.</p> <p>If termination occurs after vesting, the accrued benefit may either be deferred until retirement, or the value of the benefit may be transferred to another approved pension plan. (Financial Institution Pension Fund is the common option.)</p> <p><i>Lump Sum Payments:</i></p> <p>Prior to the commencement of annuity payments, an election may be made to receive up to 20% of the actuarial value of the benefit as a lump sum. The annuity will be reduced accordingly.</p> <p>In the event an annuity should be less than IDR 1,540,000 per month (PMK No. 50, 2012), the present value of the annuity may be paid as a lump sum.</p> <p>In the event the value of a defined value or defined contribution benefit should be less than IDR 510 million (PMK No. 50, 2012), the benefit may be paid as a lump sum.</p> <p><i>Grandfathering:</i></p> <p>The Law provided for companies to grandfather their retirement program (1) if it existed prior to April 20, 1992, and (2) if the company filed for approval of the plan prior to April 20, 1993.</p> <p>Grandfathering applied only to those employees who were participants prior to April 20, 1992.</p> <p>Grandfathered employees are allowed to have their benefit paid as a lump sum, and no maximums will apply. In the event an employer should change the level of benefits any time in the future, grandfathering will no longer apply.</p>

Pension Fund Law

April 20, 1993 Deadline:

Many companies did not file for the approval of their retirement program prior to the April 20, 1993 deadline stipulated by Law. The Ministry of Finance informally extended the deadline for filing until April 20, 1994. However, this informal extension did not apply to the grandfathering of existing plans.

Parties to Employer Pension Fund:

- Founder (employer) and Co-Founders (if any).
- Supervisory Board — comprised of an equal number of employee and employer representatives, appointed by the Founder.
- Pension Fund Administrator(s) — appointed by the Founder to implement and administer all aspects of the Pension Fund. The Administrator(s) may delegate the administration of the Pension Fund to third parties.
- Actuary — to prepare the Fund valuations for defined benefit plans at the time a fund is established and each time the types and/or levels of benefits require adjustment. Reviews/adjustments are required at least every three years.
- Custodian — a licensed bank to provide custodial services.
- Public Accountant – to audit annual financial report and investment report.

Establishment of Employer Pension Fund:

The following are to be filed for approval with the Ministry of Finance:

- Resolution of the Employer adopting the establishment of a Pension Fund
- Pension Fund Regulations stipulating the types and levels of benefits, as well as the operation of the Pension Fund
- Appointment of the Administrator, Supervisory Board, and Custodian
- Investment directive
- Actuarial valuation
- Agreement between the Administrator and the Custodian

The Law stipulates that applications for approval will be acted upon within no more than three months of the date of submission.

Labor Law

On March 25, 2003, under the wind of reform, a new Labor Law (No. 13) was issued, which regulates employee termination and how termination benefits are determined. This law set a minimum standard and succeeds the previous decree, which was no longer suitable for the current situation. It is compulsory for all companies.

For companies with no existing pension plan, an employee that reaches normal retirement age is entitled to receive at least two times severance benefits plus service benefits plus reimbursement of 15% of the aforementioned factors. Should an employee retire under an approved pension plan, the Labor Law benefits may be reduced by the amount of the lump sum value of the pension benefit.

An employee passing away during employment will receive two times severance benefits plus service benefits plus reimbursement of 15% of the aforementioned factors.

If an employee becomes totally and permanently disabled during employment, he or she will receive two times the severance benefits and two times service benefits, plus a reimbursement of 15% of the aforementioned benefits. If the employee leaves the company voluntarily, he or she is entitled to substitution pay.

Severance Benefit:

Eligibility for Benefit:

Involuntary termination

Amount of Benefit:

<u>Years of Service</u>	<u>Amount</u>
Up to 1 year	1 month's wages
1 year – less than 2 years	2 months' wages
2 years – less than 3 years	3 months' wages
3 years – less than 4 years	4 months' wages
4 years – less than 5 years	5 months' wages
5 years – less than 6 years	6 months' wages
6 years – less than 7 years	7 months' wages
7 years – less than 8 years	8 months' wages
8 years and over	9 months' wages

Labor Law

Service Benefit:

Eligibility for Benefit: Involuntary termination, permanent disability, death or retirement.

Amount of Benefit:

<u>Years of Service</u>	<u>Amount</u>
3 years – less than 6 years	2 months' wages
6 years – less than 9 years	3 months' wages
9 years – less than 12 years	4 months' wages
12 years – less than 15 years	5 months' wages
15 years – less than 18 years	6 months' wages
18 years – less than 21 years	7 months' wages
21 years – less than 24 years	8 months' wages
24 years and over	10 months' wages

Note: Wages are defined as total wages, including any type of fixed allowance granted to the employee.

Substitution Pay:

- Compensation for annual leave not yet taken and not yet expired.
- Travel expense for the employee and his or her family to the place/city where they will live.
- Compensation for housing, medication, and treatment is set at 15% of the severance benefit and/or service benefit if years of service have met the requirement for receiving a service benefit.
- Other matters specified in working agreement, company regulation or collective labor agreement.

Benefits – Involuntary Termination:

Individual (major violation):
Substitution Pay (Article 158, No. 3).

Individual (minor faults):
Severance Benefit + Service Benefit + Substitution Pay (Article 161, No. 3).

Individual (detained by authority and declared guilty by Court):
Service Benefit + Substitution Pay (Article 160, No. 7).

Company closing (due to continuous loss or force majeure):
Severance Benefit + Service Benefit + Substitution Pay (Article 164, No. 1).

Company closing/retrenchment:
(2 x Severance Benefit) + Service Benefit + Substitution Pay (Article 164, No. 3).

Company changes status/relocates (employee chooses not to go with company):
Severance Benefit + Service Benefit + Substitution Pay (Article 163, No. 1).



Labor Law

Company changes status/relocates (new company does not accept employee):
(2 x Severance Benefit) + Service Benefit + Substitution Pay (Article 163, No. 2).

Death:
(2 x Severance Benefit) + Service Benefit + Substitution Pay (Article 166).

Disability:
(2 x Severance Benefit) + (2 x Service Benefit) + Substitution Pay
(Article 172).

Benefits – Voluntary Resignation:

Voluntary resignation
Substitution Pay (Article 162, No. 1).

Retirement:

Company with a retirement plan:
If total amount under retirement plan exceeds (2 x Severance Benefit) + Service Benefit + Substitution Plan, Company will only need to pay Substitution Pay; if not, the Company must pay the balance to the employee (Article 167, Nos. 1 & 2).

Company without a retirement plan:
(2 x Severance Benefit) + Service Benefit + Substitution Pay (Article 167, No. 52).



Workers' Compensation

Workers' Compensation

Eligibility for Benefit:	<p>As of July 1, 2015, coverage is extended to all workers of companies with 10 or more employees or with monthly payroll of at least IDR 1,000,000.</p> <p>Death or disability (either temporary or permanent) resulting from an employment-related accident or disease.</p>
Contributions:	<p>0.24% to 1.74% of covered wages by the employer, depending upon the company's industrial risk classification.</p>
Amount of Benefit:	<p><i>Medical</i></p> <ul style="list-style-type: none">• Reimbursement of the cost of emergency transportation to the hospital between IDR 750,000 and IDR 2,000,000, depending on the mode of transportation.• Reimbursement of 100% of the cost of medical treatment including hospital and surgical expenses, doctors' fees, X-ray and laboratory expenses, up to a maximum of IDR 12,000,000. <p><i>Temporary Disability</i></p> <p>100% of wages for the first 120 days, 75% for the next 120 days, and 50% thereafter, payable until recovery or declaration of permanent disability; maximum benefit period is no longer than one year.</p> <p><i>Permanent Disability</i></p> <p>A lump sum, varying from 2% to a maximum of 70% times 80 monthly salaries, depending on the degree of disability. An additional allowance of IDR 200,000 per month is payable for a maximum of 24 months.</p> <p><i>Death</i></p> <p>A lump sum equal to 60% times 80 monthly salaries. An additional allowance of IDR 200,000 per month is payable for a maximum of 24 months.</p> <p>Funeral expenses of IDR 2 million will also be paid.</p> <p><i>Rehabilitation Expenses</i></p> <p>Full coverage for supporting devices (orthoses and prosthesis) granted one time only for each case. The amount covered will be based on the price set by the designated Government Hospital plus 40% of this amount plus a maximum medical rehabilitation of IDR 2,000,000.</p> <p><i>Employment-Related Disease Benefit</i></p> <p>Allowance and medical amount will be similar to those referred to under Medical (hospital and surgical), Temporary Disability and Permanent Disability above.</p>

Summary of Taxation of Employee Benefits

Type of Insurance	Contributions	Benefits
Labor Insurance	Contributions are fully tax-deductible for both employers and employees.	Workers' insurance benefits are non-taxable, and employment insurance benefits may be taxable.
Group Life Insurance:	Premium of the group term life insurance paid by an employer is fully tax-deductible.	A death benefit is subject to a special tax deduction of JPY 5 million times the number of legal heirs of the employee.
Pensions:	Employer's contributions to an employee's pension fund are fully tax-deductible. Such contributions will not be included in employee's income for tax purposes.	An annuity from such a pension plan is considered as taxable income for each year. A lump sum payment from such a plan is also taxable; however, some tax advantages apply.



Sample Employee Benefit Plans

The following plans are currently in effect and do not reflect the requirements set forth in the Pension Fund Law, as these plans have not yet been approved under the Pension Fund Law.

Company A:

Retirement (Employee Pension Fund)

Eligibility:	All full-time permanent employees at least age 18 or married.
Credited Salary:	The average of the employee's final 36 months' basic salary.
Normal Retirement Age:	Age 55
Early Retirement:	Age 45
Retirement Benefit:	1.6 times years of service times credited salary. less the accumulation of 5.7% (the total of employee and employer contributions to the Social Security Savings Program) of credited salary with interest at the same rate as declared from time to time by Social Security.
Early Retirement Benefit:	The actuarial value of the accrued normal retirement benefit.
Employee Contribution:	None
Vesting:	36 months of participation.

Death, AD&D and PTD

Death:	30 times basic monthly salary, less the flat-rate life insurance benefit under Social Security.
AD&D:	12 times basic monthly salary.
TPD:	Same as death benefit.
Funding:	Group term insurance.

Medical

Self-insured medical reimbursement.

Labor Law No. 13 Liability

Book-reserve, recognized in balance sheet.



Sample Employee Benefit Plans

Company B:

Retirement (Employee Pension Fund)

Eligibility:	All full-time permanent employees below age 55.
Credited Salary:	The average of the employee's final 36 months' basic salary.
Normal Retirement Age:	Age 55
Early Retirement:	Age 45
Retirement Benefit:	1.0 times years of service times credited salary.
Early Retirement Benefit:	The actuarial value of the accrued retirement benefit.
Employee Contribution:	None
Vesting:	None

Death 24 months' basic salary, less the flat-rate life insurance benefit under Social Security.

Medical Self-insured medical reimbursement.

Company C:

Retirement (Financial Institution Pension Fund)

Eligibility:	All full-time permanent employees at least age 18 or married.
Credited Salary:	Monthly gross salary.
Normal Retirement Age:	Age 55
Early Retirement:	Age 45
Retirement Benefit:	Accumulated employer and employee contribution plus investment earnings.
Employee Contribution:	2.5% of basic salary.

Death 24 times basic monthly salary.

Medical Self-insured medical reimbursement.



Sample Employee Benefit Plans

Company D:

Retirement (Financial Institution Pension Fund):

Eligibility:	All full-time permanent employees at least age 18 or married with one year of service
Credited Salary:	Final month's basic salary
Normal Retirement Age:	Age 55
Early Retirement:	Age 45
Retirement Benefit:	Accumulated contributions plus investment earnings
Employee Contribution:	None
Vesting:	None

Death: Equal to the projected Retirement Benefit.

Medical: Self-insured medical reimbursement.

Company E:

Group Life Insurance:

Eligibility:	All full-time permanent employees.
Death Benefit:	An amount equal to 24 times basic monthly salary.
Accidental Death and Dismemberment:	An amount equal to the death benefit paid in addition.
Employee Contribution:	None

Group Health Insurance:

Eligibility:	<u>Class I:</u> Managers and their dependents <u>Class II:</u> Supervisors and their dependents <u>Class III:</u> Production and clerical employees
Daily Hospital Room and Board: (maximum 31 days)	<u>Class I:</u> IDR 1,000,000 <u>Class II:</u> IDR 800,000 <u>Class III:</u> IDR 500,000
Hospital Services:	<u>Class I:</u> IDR 30,000,000 <u>Class II:</u> IDR 24,000,000 <u>Class III:</u> IDR 15,000,000
Surgical Complex:	<u>Class I:</u> IDR 100,000,000 <u>Class II:</u> IDR 80,000,000 <u>Class III:</u> IDR 50,000,000
Specialist Consultation: (maximum 31 days)	<u>Class I:</u> IDR 600,000 <u>Class II:</u> IDR 480,000 <u>Class III:</u> IDR 300,000



Sample Employee Benefit Plans

Maternity:

(Female employees and spouses of married males)

Normal Delivery:	<u>Class I:</u>	IDR	12,500,000
	<u>Class II:</u>	IDR	10,000,000
	<u>Class III:</u>	IDR	7,000,000
Maternity Outpatient:	<u>Class I:</u>	IDR	3,750,000
	<u>Class II:</u>	IDR	3,000,000
	<u>Class III:</u>	IDR	2,100,000
Abnormal Delivery:	<u>Class I:</u>	IDR	25,000,000
	<u>Class II:</u>	IDR	20,000,000
	<u>Class III:</u>	IDR	14,000,000
Employee Contribution:	None		

Useful Links

Social Security Program – BPJS Ketenagakerjaan – information is available in English.	https://www.bpjsketenagakerjaan.go.id/en/tentang-kami.html
Demographic Information	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Macro-Economic Indicators	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
For more information about PT. Asuransi Jiwa Manulife Indonesia , please visit:	http://www.manulife-indonesia.com



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