

## INDONESIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	There is no comprehensive social security system. The social security provident fund for private employees (Jamsostek) provides a benefit on retirement at age 55, on earlier death or on permanent disability. The benefit is equal to the contributions paid plus interest. Interest is subject to a maximum of 10% a year. If the total is less than IDR 3 million, the benefit is paid as a lump sum. If it is more than IDR 3 million, it must be paid in instalments over a five year period. On death prior to age 55 an additional lump sum of IDR 10 million is paid, plus a dependants' allowance of IDR 200,000 a month for 24 months. Medical expenses reimbursement is provided for employees and up to three dependants, but employers can contract out if they provide a health insurance plan which is at least as good.
Typical New Pension Plan	Defined contribution benefits can be provided from plans managed by financial institutions (DPLKs) or from company pension funds (DPPKs). Retirement age is normally 55. If the total benefit exceeds IDR 100 million, at least 80% of the fund must be paid as an annuity. Many employers also provide lump sum death and accident benefits of 1 to 3 years' earnings, and cover for medical expenses.
Typical Costs	Contributions for state retirement and death benefits are 3.7% of earnings by employers and 2% by employees. Employer contributions for medical benefits are 6% for married employees and 3% for single employees. Employers are also required to pay contributions for occupational accident benefits ranging from 0.24% to 1.74% of earnings. Employer contributions to private defined contribution plans are typically between 5% and 12% of earnings. Employee contributions are typically 1% to 5%.
Tax Implications	Employers can choose to have their contributions for insured benefits allowed as a tax deduction, in which case they are treated as taxable income for employees, or not to claim a tax deduction, in which case the contributions are not treated as taxable income to employees. All contributions to approved pension plans are tax deductible for employers and not taxable to employees. Lump sum benefits from the state and private plans are tax free. Pension benefits are taxed as income on a sliding scale.
Labour Law Issues	Employees are entitled to severance pay and to a long-service benefit. Severance pay on involuntary termination is up to 9 months' earnings after eight years' service, doubled on retirement. Long service benefit on involuntary termination, permanent disability, death or retirement is up to 10 months' pay after 24 years' service, doubled on permanent disability. The benefits are increased by 15% as compensation for loss of housing and medical benefits. There is no requirement to fund severance pay in advance but it can be reduced by the value of benefits from approved plans. All plans which provide retirement benefits must be approved by the Ministry of Finance. The maximum contribution for any member is 20% of earnings. Benefits from company pension funds vest after three years. Benefits from plans managed by financial institutions vest immediately.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	Accounts must be prepared in accordance with the local accounting standard (PSAK 24). The use of International Financial Reporting Standards is not allowed.
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