





A Guide to Retirement Plans & Schemes in Indonesia

If you would like more information on this topic, please contact:

Fahrul S. Yusuf
Tel: +62 21 521 2038
Email: fahrulyusuf@ssek.com

 <http://blog.ssek.com>

 [company/ssek-legal-consultants](https://www.linkedin.com/company/ssek-legal-consultants)

 [@ssek_lawfirm](https://twitter.com/ssek_lawfirm)



Indonesia



Contributed by: **SSEK Indonesian Legal Consultants**

1. Does the state provide a pension, retirement income or social security program of some type?

In 2011, the Indonesian government reformed its National Social Security System and passed Law No. 24 on the Social Security Organizing Body (*Badan Penyelenggara Jaminan Sosial* or “BPJS”) (the “**BPJS Law**”) to help meet the basic needs of the country’s population.

The types of social security programs mandated under the BPJS Law are as follows:

- Health Care Security;

February 2017





Indonesia

- Work Accident Security;
- Old Age Security;
- Pension Security; and
- Death Security.

BPJS of Health

Health Care Security is managed by BPJS of Health and is intended to cover all employees and residents (including foreign residents after working in Indonesia for six months) under a single health care system.

BPJS of Employment

Employment Security, including work accident, old age, pension, and death benefits, is managed by BPJS of Employment.

All employees in Indonesia were required to register with BPJS by January 1, 2015. Everyone else must register by January 1, 2019.

2. Are employers required to maintain retirement plans/schemes, and what types of retirement plans/schemes are employers permitted or required to maintain?

Employers are required to enroll employees in the old age security and pension programs under BPJS of Employment. Also, employees are entitled to enhanced statutory minimum termination benefits upon reaching the retirement age. No other retirement plans/schemes are required.

Given the mandatory old age security and pension programs under BPJS of Employment, and the additional generous statutory minimum termination benefits upon reaching the retirement age, supplementary private pension plans are not commonly provided by employers in Indonesia.

3. What are the principal statutes governing retirement plans/schemes that cover a broad cross-section of the workforce and what are the material requirements applicable to such plans/schemes?

The principal statute governing the BPJS program is Law No. 40 of 2004, dated October 19, 2004, regarding the National Social Security System.





Indonesia

Old age security

The main benefits of BPJS of Employment include old age security, which is a cash benefit paid when participants reach retirement age, pass away, suffer a permanent total disability, or leave Indonesia permanently. If the participant passes away, the benefits will be paid to his or her legal heirs.

Pension security

Another benefit is pension security, which provides regular payments to participants or participants' beneficiaries after participants retire, suffer a permanent total disability, or pass away.

Initially, the pension benefit paid to a participant will be between IDR 300,000 and IDR 3,600,000 per month, or between USD 23 and USD 272 at current exchange rates. The benefit is payable until the participant passes away. Participants can begin receiving payments only after they have:

- (i) been enrolled in the program for at least 15 years, or 180 months; and
- (ii) reached retirement age. Retirement age is currently 56, but will rise to 57 beginning January 1, 2019. The retirement age will then gradually increase by one year every three years until it reaches 65.

If an employee has reached retirement age but has not been enrolled in the pension security program for 15 years, the employee is entitled to the total accumulation of contributions paid with its additional yield (if any).

Contributions

Employers and employees, by payroll deduction, must make mandatory contributions to BPJS of Employment for the old age security and pension security plans, as discussed further under question 5.

4. What are the key features of the tax framework that applies to retirement plans/schemes?

Income received in the form of pension benefits, old age allowance, or old age security that is paid in a lump sum is subject to a final employee income tax at progressive rates ranging from 0% to 25%. Payments made in installments over a period of more than two years are subject to non-final employee income tax at progressive rates ranging from 0% to 30%.





Indonesia

5. If an employer adopts a retirement plan/scheme, are employer contributions required?

Old age security

The contribution for the mandatory old age security program is 5.7% of the employee's monthly compensation of which 3.7% is paid by the employer and 2% by the employee by way of payroll deductions. The monthly compensation consists of base salary plus fixed allowance(s), if any.

Pension security

The contribution for the mandatory pension program is 3% of the employee's monthly compensation of which 2% is paid by the employer and 1% by the employee by way of payroll deductions.

6. What are the material rules governing retirement plan/scheme investments, and what liabilities attach for failure to satisfy those requirements?

Companies in Indonesia are required to register employees in the Indonesian government's employment social security programs. Employers that fail to register employees in the programs will be subject to warning letters, fines and will not be eligible to receive certain services from the government, including the issuance and renewal of necessary business licenses, approvals to employ foreign nationals, and building permits. Individuals who fail to register with BPJS will be unable to obtain a driver's license, land certificates, vehicle ownership certificates, and passports.

Investments under BPJS are subject to strict regulations to safeguard the interests of participants. Indonesia's Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) and National Social Security Council (*Dewan Jaminan Sosial Nasional* or DJSN) monitor the BPJS for compliance.

7. What reporting, disclosure and employee consultation rules apply and how are they enforced?

Employers must register new employees with BPJS within 30 days from the commencement of employment. If there are any changes to the data of a participant or his or her family, the changes must be reported to the employer and the employer must report those changes to BPJS.

Participants who change jobs must show their new employer their BPJS membership card. Employers collect program contributions from employees by way of payroll deduction and must transfer such contributions together with the employer contributions to BPJS. Employers are subject to a fine in the amount of 2% per month for delayed remittance of the employer and employee contributions.

BPJS is required to provide participants with information on their balance sheet once a year.





Indonesia

8. What restrictions apply if the employer wishes to alter the terms of a retirement plan/scheme?

The above noted BPJS Health and Employment social security schemes, which include work accident, old age, pension and death benefits, are based upon legislation, are mandatory and cannot be altered by the employer.

9. Under what circumstances may an employer withdraw from or terminate a plan/scheme, and what liabilities may arise in connection with such withdrawal or plan/scheme termination?

As indicated above, employers are required to participate in the BPJS social security program and withdrawal or termination of such participation is not possible. If an employer does not enroll employees in the BPJS pension security or old age security program, BPJS of Employment may impose the following progressive sanctions: written warnings, fine, and the withdrawal of certain public services under the prevailing laws.

10. Can employees take their pension/retirement benefit entitlement with them if they change jobs?

Yes. In the event a participant changes jobs, the participant is required to report their BPJS membership to the new employer by showing their BPJS card.

11. Do pension/retirement benefit payments need to be adjusted/increased after retirement?

There is no such requirement under BPJS of Employment.

Contributed by: **Fahrul S. Yusuf**, SSEK Indonesian Legal Consultants

February 2017



HOME



COUNTRIES



DIRECTORY



SCROLL DOWN