


# Indonesia

## Indonesia: Pension system in 2012

Employees in private sectors are covered by defined-contribution plan.

## Key indicators

		Indonesia	OECD
Average worker earnings (AW)	IDR (million)	16.1	418.46
	USD	1 600	42 700
Public pension spending	% of GDP		7.8
Life expectancy	At birth	70.8	79.9
	At age 65	14.1	19.1
Population over age 65	% of working-age population	9.0	25.5

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## Qualifying conditions

Normal pension age is 55. Retirement is not required. Any employees having reached age 55 with 15 years of contributions are qualified for a periodical pension benefit while those having less than 15 years qualify for a lump-sum payment.

## Benefit calculation

### Defined contribution

Employees in private sectors are covered by defined-contribution pension plans. During 1993 to 2013 this refers to one of the Employees Social Security Programmes (*Jamsostek*) and in this case the *Jaminan Hari Tua* (JHT) or Old Age Security (OAS) based on Law No. 3 of 1992. The total contribution rate is 5.7% of wages. The JHT is a compulsory programme for all employees and the retired may opt for a partly lump-sum, periodical until death and lump-sum payment. Employees contribute 2% of earnings and employers pay 3.7% of the payroll. Pension is paid in lump sum or payable monthly up to a maximum of five years if the balance is more than IDR 3 million. For comparison with other countries, for replacement rate purposes the pension is shown as a price-indexed annuity based on sex-specific mortality rates.

A new National Social Security System (NSSS) will be implemented on 1 July 2015 (Law No. 40: 2004). The new social security pension will be defined benefit and complement the defined-contribution scheme. The total contribution rate in the new defined-benefit scheme is proposed to be 8%. The benefit calculation is still undecided and therefore this benefit is not modelled.

### NSSS Programme and contribution rates as of wages

No.	Programmes	Shared contributions (%)			Remarks
		Employer	Employee	Total	
1	Health care	3.0	2.0	5.0	Proposed
2	Work accident	0.25-0.75	-	0.25-0.75	
3	Provident fund	3.7	2.0	5.7	Jamsostek
4	<b>Pension plan</b>	<b>5.0</b>	<b>3.0</b>	<b>8.0</b>	<b>Proposed</b>
5	Death benefit	0.3	-	0.3	Jamsostek
<b>Total</b>		<b>12.25-12.75</b>	<b>7.0</b>	<b>19.25-19.75</b>	

Source: National Social Security Council (2012).

## Variant careers

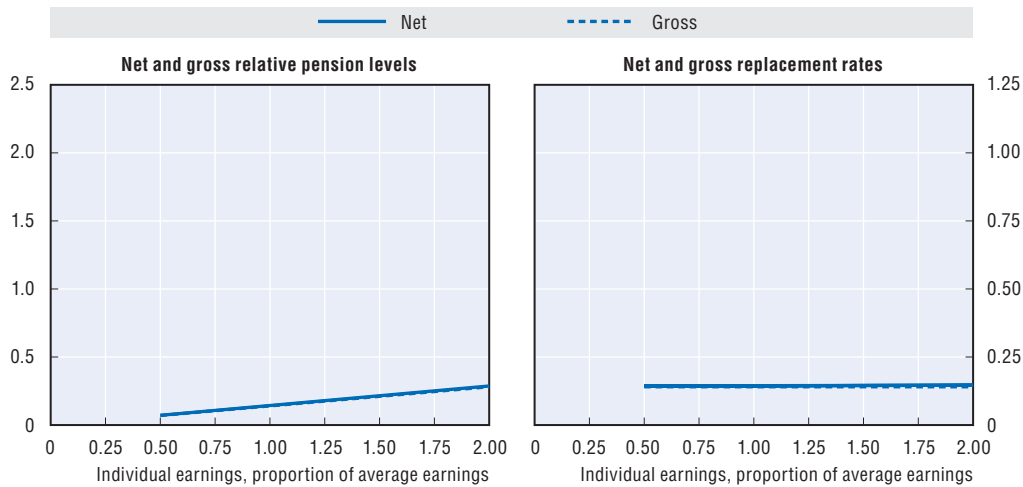
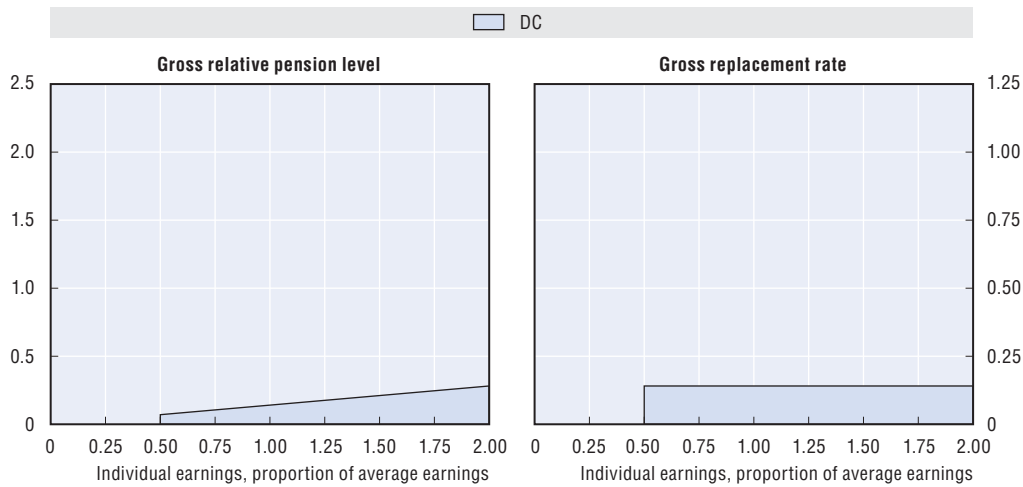
### **Early retirement**

It is possible to start claiming pension at any age with a minimum of five years of contribution.


### **Late retirement**

It is not possible to start claiming pension after normal pension age.

## Pension modelling results: Indonesia



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	11.4	7.0	10.6	14.1	21.1	28.1
(% average gross earnings)	10.5	6.5	9.7	13.0	19.4	25.9
Net relative pension level	11.6	7.2	10.8	14.4	21.5	28.7
(% net average earnings)	10.7	6.6	9.9	13.2	19.8	26.5
Gross replacement rate	14.1	14.1	14.1	14.1	14.1	14.1
(% individual gross earnings)	13.0	13.0	13.0	13.0	13.0	13.0
Net replacement rate	14.4	14.4	14.4	14.4	14.5	14.6
(% individual net earnings)	13.2	13.2	13.2	13.2	13.4	13.5
Gross pension wealth	2.6	2.6	2.6	2.6	2.6	2.6
(multiple of individual gross earnings)	2.6	2.6	2.6	2.6	2.6	2.6
Net pension wealth	2.6	2.6	2.6	2.6	2.6	2.6
(multiple of individual gross earnings)	2.6	2.6	2.6	2.6	2.6	2.6

StatLink  <http://dx.doi.org/10.1787/888932908991>