

# NEW PENSION AND OLD AGE SECURITY REQUIREMENTS

The Government of Indonesia has recently issued a series of regulations in an attempt to further regulate pension securities and amend the old age security programs in Indonesia, namely Government Regulation No. 45 of 2015 on the Management of the Pension Security Program (“**GR 45/2015**”) and Government Regulation No. 46 of 2015 as amended by Government Regulation No. 60 of 2015 on the Management of the Old Age Security Program (“**GR 46/2015**”). The Ministry of Manpower has also issued Ministry of Manpower Regulation No. 19 of 2015 on the Procedures and Requirement of the Old Age Benefits Payment (“**MOM Regulation 19/2015**”) as an implementing regulation of GR 46/2015. Manpower social security programs including occupational accident, death, old age and pension securities will be managed by BPJS Manpower.

With the enactment of GR 45/2015, the Pension Security as introduced in 2004 under Law No. 40 of 2004 on The National Social Security Program can finally be implemented. All employers except for government institutions must now enroll their employees in the Pension Program. Employees must participate in the Pension Program by paying premiums to the Pension Program in an amount of 3% of monthly salary; 2% paid by the employer and 1% by the employee. Regulation 45/2015 also provides the limit of salary for calculating the pension security premium namely IDR7,000,000 (approximately US\$476).

Initially, the pension benefit paid to the participant will be from IDR300,000 to IDR3,600,000 per month. This benefit is payable until the employee passes away and has been enrolled in the program for at least 15 years or 180 months; and reached retirement age. Currently, the retirement age is 56, but as of 1 January 2019, the retirement age will be 57. It will gradually increase by one year every three years until the retirement age finally becomes 65.

If the employee has reached retirement age but has not been enrolled in the program for 15 years, the employee is entitled to the total accumulation of contributions paid plus investment growth.

As for the Old Age Security, under GR 46/2015, all employers except for government institutions must enroll their employees in the old age security program. Participants in the old age security program are salary earners (eg employees) and non-salary earners (eg independent consultants). The contribution payable to BPJS Manpower depends on the type of participation. For salary earners the premium to be paid is 5.70% of monthly salary; 3.70%

paid by the employer and 2% by the employee. For non-salary earners, the premium is based on figures from the participant's income listed in the attachment to GR 46/2015.

Old age security benefits are payable (in a lump sum) when the employee (i) reaches 56 as the pension age (including employees who quit from their employment, which also includes, those who resign, are terminated or leave Indonesian territory permanently); (ii) suffer a permanent disability, or (iii) pass away. The employee may also claim the benefits before they satisfy any of the above requirements in order to prepare themselves for retirement before they reach retirement age. However, they must have participated in the program for at least 10 years and the benefits can only be claimed up to a certain limit: either 10% of total benefits for preparing for retirement or 30% to buy a house.