Regulation of State and Supplementary Pension Schemes in Indonesia: Overview

by Ahmad Maulana, Muhamad Kamal Fikri, Putu Surya Resa Aditya and Valerie Irene Patricia Lumanauw, *Assegaf Hamzah & Partners*

Country Q&A | Law stated as at 01-Feb-2024 | Indonesia

A Q&A guide to pensions law in Indonesia.

The Q&A gives a high-level overview of the regulation of national government pensions and supplementary pensions. On national government pensions, it covers employer/employee contributions; national government pension age and monthly amount; and the public pensions body. On supplementary pensions, it covers the provision of supplementary schemes; the requirements to receive vested rights and disclosure/indexing/revaluation requirements; funding and solvency requirements; pension plan investment; member transfers; the regulatory body; applicable tax reliefs on contributions and approval/registration requirements; and the tax treatment of scheme investments and payments to members. Legal protection of employees' pension rights on a business transfer, together with participation in pension schemes, employer insolvency protection and overall scheme solvency, are also included.

National Government Pensions

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Contributor Profiles

- Ahmad Maulana
- Muhamad Kamal Fikri
- Putu Surya Resa Aditya

Valerie Irene Patricia Lumanauw

National Government Pensions

1. Do employers and/or employees make pension contributions to the government in your jurisdiction?

Contributions Paid to the Government

Employers and employees must make pension contributions to the Indonesian Social Security Implementing Agency (*Badan Penyelenggara Jaminan Sosial*) (BPJS).

BPJS Manpower administers the:

- Old age security and pension security programmes.
- Death security, occupational accident security and job-loss security programmes.

BPJS Health administers the health security programme.

Contributions paid to BPJS Manpower are based on a percentage of the employee's salary, as follows:

- Pension security programme:
  - 3% of the employee's gross monthly salary;
  - 2% of this is paid by the employer;
  - 1% is paid by the employee, which is deducted from the employee's salary and paid by the employer to BPJS Manpower.
- Old age security programme (*Jaminan Hari Tua*) (JHT) :
  - 5.7% of the employee's gross monthly salary;
  - 3.7% of this is paid by the employer;
  - 2% is paid by the employee, which is deducted from the employee's gross salary and paid by the employer to BPJS Manpower.
- Occupational accident security programme:

    - the amount depends on the industry of the employer/employee, and ranges from 0.24% to 1.74% of the employee's gross monthly salary;
    - the contribution is paid in full by the employer.

- Death security programme:
    - 0.3% of the employee's gross monthly salary, paid in full by the employee.

- Job-loss security programme (*Jaminan Kehilangan Pekerjaan*) which is administered by the BPJS and the government. Individuals enrolled in the programme who lose their jobs are eligible to receive a cash payment, work-related training and access to the job market. Contributions (0.46% of the employee's salary) are paid by the government, with 0.22% borne by the government and 0.24% taken from a composition of contributions to the occupational accident security programme and the death security programme.

Contributions by an employer to the pension and old age security programmes do not replace its statutory obligation to provide a termination package if an employee retires.

Payments by BPJS Manpower under the pension and old age security programmes are made in addition to any termination package provided by employers.

Taxation of Contributions

Contributions into the pension and old age security programmes are not subject to tax.

Contributions by employers into the pension and old age security programmes are not tax deductible against corporation tax.

National Government Pension Age

2. Where a national government pension is provided, at what age can pension payments be collected by an employee? Are there any provisions allowing for the early payment of this type of pension to an employee?

Pension age is agreed between employer and employees in the employment agreement, by company regulation or collective labour agreement. However, from 1 January 2022, the minimum age at which an employee can start receiving payments from the pension security programme is 58 (pension age). The pension age will increase by one year every three years from 1 January 2022 until it reaches the maximum age of 65. This applies to both men and women.

Under the old age programme, the employee can start collecting payments related to the old age programme from the age of 56.

Monthly Amount of the National Government Pension

3. What is the monthly amount of the national government pension?

There is no fixed or typical monthly amount paid out to recipients under the pension and old-age security programmes. The contributions paid to the recipients are solely based on the respective schemes. The minimum and maximum pension payment, as well as the highest salary limit, is adjusted regularly according to the annual inflation rate and the GDP growth rate announced by the Indonesian Statistics Body (*Badan Pusat Statistik*).

The pension benefits consist of:

- Old-age pension.
- Disability pension.
- Widow or widower pension.
- Orphan pension.
- Parent pension.

Generally, pension benefits are determined by a formula based on the following calculation:

- 1% multiplied by
    - the contribution period divided by 12 months;
    - then the weighted average annual wage during the contribution period divided by 12.

However, when the participant dies, the benefits will be granted to the widow or widower. If there is no surviving spouse, the benefits will be given to the children. In the absence of a spouse or children, the parents of the participant will receive the pension benefits.

The old-age security programme benefits are in the form of cash paid when the participant reaches the age of 56, dies, or becomes permanently totally disabled.

The amount of old-age security programme benefits is equal to the accumulation of all contributions that have been paid, plus their accrued returns recorded in the participant's individual account. JHT benefits are paid in a lump sum.

There are no differences in the amount paid out to different recipients under these programmes (for example, between different age groups).

Public Pensions Body

4. Is there a public body or agency that oversees the operation and policy of national government pension schemes? Do any other governance regimes apply to national government pension schemes?

BPJS Manpower administers the national government pension schemes (*see* *Question 1*).

Public Pensions Body

Name. Indonesian Social Security Implementing Agency for Manpower (*Badan Penyelenggara Jaminan Sosial Ketenagakerjaan*) (BPJS Manpower)
T +62 215 207 797
E *care@bpjsketenagakerjaan.go.id*
W *www.bpjsketenagakerjaan.go.id/*

BPJS Manpower is regulated under Law No. 40 of 2004 on Social Security and Law No. 24 of 2011 on the Social Security Implementing Agency (amended by Law No. 6 of 2023 on Enactment of Regulation of the Government in Lieu of Law No. 2 of 2022 on Job Creation into Law).

Government Regulation No. 45 of 2015 on the Implementation of the Pension Security Programme was issued to initiate and implement the pension security programme as mandatory for all employees.

The old-age security programme benefits are paid when the participant reaches the age of 56, dies, or becomes permanently totally disabled. The pension age determined in the employment agreement, company regulation or collective labour agreement is also taken into account in determining when the benefits apply. (Government Regulation No. 46 of 2015 on the Implementation of the Old Age Programme). The programme benefits represent the accumulated value of contributions along with their investment returns recorded in the individual accounts of the participant.

Other Governance Regimes

There is no other government authority in charge of national government pension schemes. BPJS Manpower and BPJS Health have branches throughout all 34 provinces in Indonesia.

Supplementary Pensions

5. Is it common (or compulsory) for employers to provide access, or contribute, to supplementary pension schemes for their employees? If they do, are they:

- Occupational (that is, linked to an employment or professional relationship between the plan member and the entity that establishes the plan)?

- Personal (that is, not linked to an employment relationship, established and administered directly by a pension fund or a financial institution acting as pension provider, where individuals independently purchase and select material aspects of the arrangements, though the employer may make contributions)?

In principle, termination of employment due to retirement imposes an obligation on the employer to provide pension benefits, such as severance pay, service appreciation money, and compensation for rights The formula for calculating these benefits is detailed in the applicable laws and regulations.

Although not mandatory, some employers choose to offer access to or contribute to supplementary private pension schemes for their employees.

When the total amount of pension benefits derived from a supplementary private pension is lower than the pension amount that the employee should rightfully receive, the employer is obliged to cover the difference.

Selection of the pension fund is considered by the management of each company and the choice of pension fund varies between industries. If a company has a labour union, it is common for the management and the labour union to together select a pension fund deemed appropriate for the needs of the employees.

There are two types of pension fund:

- Employer's pension fund (*Dana Pensiun Pemberi Kerja*) (DPKK). This can be categorised as an occupational pension fund, as it is based on the employment relationship between the employer (as the founder of the pension fund) and the employees (as members of the pension fund). It can offer two pension programmes:
  - a defined benefit programme: the benefit is fixed and stipulated under the pension fund rules or other pension fund programme that is not categorised as a defined contribution programme;
  - a defined contribution programme: the contribution is fixed and stipulated under the pension fund rules and the whole contribution and investment result is recorded in the accounts of each member as a pension benefit.
- Financial institution pension fund (*Dana Pensiun Lembaga Keuangan*) (DPLK). This can be categorised as a personal pension fund that is not linked to the employment relationship, as it is established by a bank or a life insurance company. It can only offer a defined contribution programme.

(Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (Law 4/2023).

Approval from the Financial Services Authority (*Otoritas Jasa Keuangan)* (OJK) (*see* *Question 15*) is required to establish and maintain both types of pension fund.

If the amount of the supplementary private pension fund is equal to or more than an employer's obligation to pay a termination payment, the employer is no longer required to pay the termination payment.

If the amount paid to the employee from the private pension fund is less than the statutory termination package that the employer must pay, the employer must provide the remaining part of the termination package not covered by the private pension fund.

In addition, if the employer pays the contribution for the private pension fund, the total amount of contributions can be considered part of the fulfilment of the employer's obligations to pay severance package due to termination of employment, including termination for retirement purposes.

6. Where supplementary pension schemes are provided, do these schemes provide pensions, the value of which:

- Is linked to the employee's salary (defined benefit)?
- Is linked to employer and/or employee contributions and investment return on those contributions (defined contribution)?

Linked to the Employee's Salary

This depends on the pension scheme provided by the employer. Pension schemes vary between employers.

An employer's pension fund (*see Question 5*) can be a defined benefit programme.

Linked to Employer and/or Employee Contributions

This depends on the pension scheme provided by the employer. Pension schemes vary between employers.

An employer's pension fund (*see Question 5*) can be a defined contribution programme.

A financial institution pension fund (*see Question 5*) can only be a defined contribution programme.

The structure of a supplementary private pension scheme in Indonesia depends on the chosen pension fund of each company. However, it is typically contract-based.

An employee can but does not have to be enrolled in a private pension fund. Typically, a company will enrol employees in a pension fund to ensure that they have a reserve fund to pay the statutory termination payment, which can be very high.

There are no minimum levels of contribution that must be provided by the employee or the employer. The level of contribution depends on the chosen pension fund scheme.

7. For supplementary pensions:

- Is there a minimum period of service before workers are entitled to receive vested rights?

- Are there any requirements to disclose pension benefits to participants or beneficiaries?
- Are there any legal requirements for schemes or providers to index pensions in payment and/or revalue pension rights in deferment?

Minimum Period of Service

Minimum periods of service depend on the individual supplementary pension agreement. However, the normal pension age in the context of a pension fund is initially set at a minimum of 55 years (in contrast to the BPJS pensions and old-age benefits programmes (Article 146, Law 4/2023).

In the authors' experience, it is common for an employee to be required to have a minimum period of service to be entitled to the benefits under the pension fund.

Disclosure Requirements

Disclosure requirements depend on the supplementary pension agreement and are not imposed by any specific Indonesian law. There are no specific provisions covering this point in Law 4/2023.

In the authors' experience, requirements to disclose pension benefits to participants or beneficiaries are commonly included in supplementary pension agreements in Indonesia.

For the Pension Programme and Old-Age Security Programme, BPJS as the administrator should provide information regarding the balance of the pension and the amount of old-age security rights and its development once a year. However, there is no clear provision on the consequences if BPJS fails to provide such information to the participant.

Legal Requirement to Index

Requirements to index depend on the supplementary pension agreement and are not imposed by any specific Indonesian law.

There are no specific provisions covering this point in Law 4/2023.

Funding and Solvency Requirements

8. In relation to supplementary schemes, are these generally funded or unfunded? If funded, are there any solvency requirements? Are there any legal requirements relating to how the scheme employer, trustee or provider must invest the assets of the scheme?

Funded or Unfunded?

The funding of an employer's pension fund and a financial institution pension fund is regulated under OJK Regulation No. 27 of 2023 on Management of Pension Fund Business (Regulation 27).

Under an employer's pension fund (*see Question 5*), a defined benefit programme is not necessarily funded. A defined contribution programme is funded.

A financial institution pension fund (*see Question 5*) can only offer a defined contribution programme, which is funded.

Solvency Requirements for Funded Schemes

Solvency requirements and the specific type of investment to be carried out by the pension fund are agreed on a contractual basis by the employer and the pension fund.

The pension fund must maintain the solvency of the scheme.

Each year, the pension fund must hire actuaries to calculate the solvency level/contribution rate from the sponsor for a certain year.

The funding and solvency of an employer's pension fund and a financial institution pension fund and implementation of pension fund is regulated under Regulation 27.

Types of Investments

A pension fund can only invest the managed funds in the following types of investment activities:

- Bank deposits.
- On call, future, or certificate bank deposits.
- Securities issued by Bank Indonesia.
- Government securities.
- Registered shares or corporate bonds on the *Indonesian Stock Exchange (IDX)*.
- Mutual funds, covering (with no greater than 10% of the pension fund organiser's total investment funds):
  - money market, fixed income, mix and mutual funds of shares;
  - protected mutual funds, mutual funds with guarantees and index mutual funds;
  - mutual funds in the form of a collective investment contract for limited participation; and
  - mutual funds with its shares or participation units traded on the IDX.
- Medium term notes (MTN). These must be all of the following:
  - no greater than 10% of the pension fund organiser's total investment;

    - registered at the Central Securities Depository;
    - monitored by a licensed trustee;
    - guaranteed/covered with collateral/guarantee of at least 100% of the nominal value of the MTN; and
    - have an AAA rating or the highest investment rating issued by a securities rating company that has obtained a business licence from the OJK.

- Asset-backed securities: these must be:
    - rated at a certain investment grade by a securities rating company;
    - in the form of a collective investment contract; and
    - through a public offering.

- Real estate investment through a collective investment contract, through a public offering.
- Options and future securities contracts traded on the IDX which must:
    - not be performed for speculative purposes; and
    - be placed under a short position for hedging purposes.

- Repurchase agreement (REPO), subject to various conditions.
- Direct participation in Indonesia:
    - only for companies established in Indonesia, and not publicly traded anywhere;
    - if the pension fund organiser become the majority shareholder or possesses 25% or more of the shares, they must appoint a representative to the company's board of commissioners and have unlimited access to company information;
    - investment in direct participation in Indonesia must not be greater than 15% of the pension fund organiser's total investment funds; and
    - investment in direct participation in overseas assets must not be greater than 5% of the pension fund organiser's total investment funds.

- Land and buildings in Indonesia, subject to various conditions, including that the investment in the land/building must not be greater than 20% of the pension fund organiser's total investment funds.
- Regional bonds.
- Infrastructure investment funds in the form of collective investment contracts.

Pension Plan Investment

9. Can supplementary pension schemes hold employer stock of the plan sponsor as a plan investment? If so, are there any limitations that apply?

There are no specific provisions covering this point in Law 4/2023.

A pension fund can hold employer stock options as an investment plan provided that the stock is listed on the IDX.

10. Are there any fiduciary requirements that apply to the sponsoring employer, trustee, provider or administrator of supplementary pension schemes?

Fiduciary Requirements

Fiduciary requirements are not imposed by Law 4/2023. They are covered under OJK Regulation 15/POJK.05/2019 on Governance of Pension Funds.

Founders of an employer's pension fund (*see Question 5*) must appoint at least two administrators.

Founders of a financial institution pension fund (*see Question 5*) act as the relevant administrators themselves but must also appoint two acting executives.

Both an employer's pension fund administrators and a financial institution pension fund's acting executives must:

- Be domiciled in Indonesia.
- Have knowledge or experience relating to investment and risk management, and knowledge relevant to their functions.
- Meet certain criteria, such as the various criteria for fit-and-proper testing set out under OJK Regulation 27/POJK.03/2016 on Fit-and-Proper Testing for Major Parties in Non-Bank Financial-Service Institutions.

One of a pension fund's administrators and/or acting executives must be responsible for compliance functions.

Prohibited Activities

Types of activities by fiduciaries are not provided for by Law 4/2023. They are covered under OJK Regulation 15/POJK.05/2019 on Governance of Pension Funds.

Any administrator or acting executive who is responsible for this function is prohibited from simultaneously handling any funding, finance or investment related functions. However, if a pension fund only has two administrators or acting executives, one of them can be appointed as the party responsible for both compliance and finance functions.

Accounts and Disclosure

There are no specific provisions covering these points in Law 4/2023.

Disclosure obligations are governed by OJK Regulation 8/POJK.05/2018 on Funding of Pension Funds. Disclosure obligations are commonly imposed in supplementary pension schemes. The administrator of the pension fund is responsible for providing scheme funding and investment information to members of the pension scheme and the relevant regulatory body, but not to the public.

11. Are there any legal requirements relating to how the scheme's sponsoring employer, trustee, provider or administrator must account for the scheme's assets and liabilities in their financial report and accounts?

There are no specific provisions covering this point in the Law No.4/2023.

12. Are there any other legal requirements for disclosure of pension scheme information to members, regulatory bodies or the public?

Disclosure to Members

There are no specific provisions covering this point in Law 4/2023. Disclosure obligations are governed by Regulation 27. Such requirements are commonly imposed in supplementary pension scheme agreements.

Disclosure to Regulatory Bodies

There are no specific provisions covering this point in the Law No.4/2023. Such requirements are commonly imposed in supplementary pension scheme agreements.

Disclosure to the Public

There are no specific provisions covering this point in Law 4/2023. They are not covered in other legislation, such as OJK regulations. Such requirements are not commonly imposed in supplementary pension scheme agreements.

13. Are there any specific disclosure rules regarding environmental, social or governance requirements?

There are no specific provisions covering this point in the Law No.4/2023 or in OJK Regulations.

Member Transfers

14. In relation to access for members to the funds in their supplementary pension scheme:

- To what extent can members transfer their funds to another pension scheme?
- How do members normally receive the benefit of their funds (for example, lump sums, income withdrawals (drawdown), life annuity arrangements)?
- What are the legal restrictions upon access to the funds (for example, age)?
- What are the common arrangements for early retirement and ill-health retirement?
- Are dependants of deceased members entitled to receive benefits payable on the member's death? What form do these commonly take?

Member's Transfer of Funds

There are no specific provisions covering this point in Law 4/2023.

In an Employer's Pension Fund (*see Question 5*), a transfer of employees' membership along with the assets is allowed provided that:

- The former pension fund and the new pension fund have the same type of pension programme:
    - if the former pension fund provides a defined benefit programme, the transfer is only feasible if the new pension fund also provides a defined benefit programme;
    - if the former pension fund provides a defined contribution programme, the transfer is only feasible if the new pension fund also provides a defined contribution programme.

- The employer of the new pension fund becomes the responsible employer for all obligations relating to the group of transferred employees, as determined by the pension fund's regulations before the effective transfer date.

  The law specifically states that an employer must not avoid their liabilities as stated in the pension fund's regulations, especially liability for employee's former contributions (past service liability).

In a financial institution pension fund (*see Question 5*), the procedure to transfer an employee's membership along with the assets is specifically regulated under the pension fund's regulations.

Taking Pension Benefits

There are no specific provisions covering this point in the Law No.4/2023.

These matters are dealt with in the supplementary pension agreement between the employer and the pension fund.

In the authors' experience, the most common way for members to receive the benefit of their funds is in lump sum payments.

Other methods are common, such as income withdrawals and life annuity arrangements. Employees can determine life annuity arrangements of their own choosing.

The method of payment must be included in the pension fund's regulations.

Legal Restrictions

There are no specific restrictions on access to the funds in Law 4/2023. Terms and conditions on access to the funds, including minimum age before a member can retire and take benefits, are regulated in the pension fund's regulations.

Early and Ill-Health Retirement

This depends on the arrangements provided by the employer, which vary between employers. The most common way for members to receive the benefit of their funds is lump sum payments.

Dependants' Benefits

These matters are not set out in Law 4/2023. They are dealt with in the supplementary pension agreement between the employer and the pension fund.

In a typical supplementary pension agreement, dependants of deceased members are commonly entitled to receive benefits payable on the member's death. Spouses are entitled to receive the benefits until their death. Dependants are entitled to receive the benefits until they reach the age of 25.

The most common method is a life annuity arrangement.

Regulatory Body

15. Is there a regulatory body that oversees the operation of supplementary pension schemes? Do any other governance regimes apply to supplementary pension schemes?

Regulatory Body

The OJK is the regulatory and supervisory body for supplementary pension schemes.

Name. Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*) (OJK)
T 021 29600 000
E *humas@ojk.go.id*
W *www.ojk.go.id/*

Regulatory Framework

The OJK has issued various regulations on the following:

- Contributions, pension benefits, and other benefits organised by pension funds.
- Pension funding.
- Pension fund investment.
- Pension fund management.
- Requirements imposed on the management and supervisory boards of employer pension funds and on pension fund managers of financial institutions.
- Periodic reporting by pension funds.

The OJK can act against any pension fund violating the applicable pension fund laws and regulations. Violations of pension fund laws and regulations are administrative violations, leading to administrative sanctions.

OJK Regulation No. 15/POJK.05/ 2019 on the management of pension funds replaced the Guideline on Pension Fund Management (Financial Services Authority Regulation No. 16/POJK.05/2016).

Pension fund guidelines are prepared by the management board of each employer that sets up a supplementary pension fund, and should be followed by the employer.

In addition, under Law 4/2023, to implement the supervisory function, OJK has the authority to:

- Approve or reject the validation of the establishment of pension fund.
- Approve or reject the ratification of regulations related to the pension fund.

- Dissolve the pension fund.
- Require a pension fund to submit periodic reports.
- Investigate pension funds and other parties which are currently or have been affiliated with or provide services to pension funds.
- Carry out fit-and-proper assessment of members of the management, the supervisory board, and the sharia supervisory board.
- Deactivate members of the management, the supervisory board, the sharia supervisory board and determine statutory managers.
- Issue written orders to:
    - certain parties to draw up reports on certain matters, at the expense of the pension fund, to be submitted to OJK;
    - the pension fund and/or certain parties to do or not to do certain things to fulfil the provisions of laws and regulations in the pension fund sector;
    - the pension fund to improve or perfect the internal control system to identify and avoid use of is are inexperienced, or violates the provisions of laws and regulations in the pension fund sector.
- Impose sanctions on the pension fund, the founder, the founding partner, the management, the supervisory board, or the sharia supervisory board.
- Implement other authorities based on provisions of laws and regulations.

Penalties for Non-Compliance

The OJK can impose the following sanctions:

- Written warning to pension fund managers.
- Downgrading the risk management level of pension fund managers.
- Reassessment of the capabilities and appropriateness of the pension fund board management.

Tax on Pensions

16. Are any tax reliefs available on contributions to supplementary pension schemes (by the employer and employees)?

Tax Relief on Employer Contributions

Employer contributions to supplementary pension schemes are taxed at a rate of 0%, up to a maximum amount of IDR50 million per employee per tax year and at 5% on contributions exceeding s IDR50 million.]

Tax Relief on Employee Contributions

There is no tax relief available on contributions to supplementary pension schemes by employees.

17. Are there any approval or registration requirements with the local tax authority where a supplementary scheme is established?

Pension fund organisers must be registered at the Tax Service Office. They must calculate, deduct, make payment of and report the pension benefits to the Tax Service Office.

18. What is the tax treatment of investments made by the scheme?

The following income received or obtained by pension schemes is exempt from income tax:

- Interest, discounts and rewards from deposits, certificates of deposit, savings at Indonesian banks carrying out business activities conventionally or based on sharia principles, and Bank Indonesia certificates.
- Interest, discounts and rewards from bonds, Islamic bonds (sukuk), government sharia securities, and treasury bills traded on a stock exchange in Indonesia.
- Dividends from shares of limited liability companies listed on the stock exchange in Indonesia.

Other investments made by supplementary pension schemes are subject to income tax.

A supplementary pension scheme organiser can obtain a certificate stating that interest they receive from deposits and savings is tax-free and a certificate providing a Bank Indonesia discount by applying to the *Directorate General of Taxes*.

The tax-free certificate will be granted if both the following requirements are met:

- The pension scheme has been authorised by the Minister of Finance or has obtained a permit from the OJK.
- The organiser has submitted the periodic report, which is part of its regulatory obligations (see *Question 15*).

19. What is the tax treatment of pension and lump sum payments made to members?

Income tax is not imposed on supplementary pension scheme payments to members of up to IDR50 million per member per tax year. This applies to both regular pension payments and lump sum payments.

Supplementary pension fund payments to members that exceed IDR50 million per member per tax year are subject to income tax at a rate of 5%. This applies to both regular pension payments and lump sum payments.

20. Are there any other applicable tax charges on schemes?

There are no other applicable tax charges on supplementary pension schemes.

Business Transfers

21. Is there any legal protection of employees' pension rights on a business transfer?

Transfer of Accrued Pension Rights

There is no legal protection of employees' pension rights on a business transfer under Law 4/2023 or under other legislation.

Other Protection for Pension Rights

There is no such protection under Law 4/2023 or other legislation.

To determine whether the pension fund can be transferred (*see Question 14*) to the new company, the pension fund regulations of the pension fund provider and the pension fund agreement must be reviewed.

The pension security programme administered by BPJS Manpower must be continued by the new company, as this is a mandatory obligation (*see Question 1*).

Participation in Pension Schemes

22. Can the following participate in a pension scheme established by a parent company in your jurisdiction:

- Employees who are working abroad?
- Employees of a foreign subsidiary company?

Employees Working Abroad

There is no provision for this under Law 4/2023.

Employees who are working abroad can participate in a pension scheme established in Indonesia. There are no requirements for approval or authorisation of the scheme by the local regulator.

Employees of a Foreign Subsidiary Company

See above, *Employees Working Abroad*.

Employer Insolvency and Overall Scheme Solvency

23. Is there any protection provided for pension scheme benefits where the sponsoring employer becomes insolvent? If so, who provides the protection, and how does this operate? If the scheme itself is underfunded, are there any funding obligations on connected or associated legal entities?

There is no such protection provided by Law 4/2023 or under other legislation. Supplementary pension scheme agreements can include a clause dealing with insolvency.

If assets of a financial institution pension fund that is declared bankrupt are in a state of insolvency, the funds of that pension fund in liquidation must be prioritised to meet liabilities to the parties entitled to the benefits. If the fund is insufficient to pay all liabilities to the parties entitled to the benefits, the payment of such liabilities is made proportionally.

Contributor Profiles

Ahmad Maulana

Assegaf Hamzah & Partners
T +622125557816
E *ahmad.maulana@ahp.id*
W *www.ahp.id*

Areas of Practice. Dispute resolution**;** employment and immigration law.

Languages. English, Indonesian.

Professional Associations/Memberships. Indonesian Advocates Association (*Perhimpunan Advokat Indonesia*) (Peradi).

Muhamad Kamal Fikri

Assegaf Hamzah & Partners
T +622125557824
E *kamal.fikri@ahp.id*
W *www.ahp.id*

Areas of Practice. Dispute resolution; employment and immigration law; family law.

Languages. English, Indonesian

Professional Associations/Memberships. Peradi.

Putu Surya Resa Aditya

Assegaf Hamzah & Partners
T +622125559992
E *putu.aditya@ahp.id*
W *www.ahp.id*

Areas of Practice. Dispute resolution; employment and immigration law.

Languages. English, Indonesian

Professional Associations/Memberships. Peradi.

Valerie Irene Patricia Lumanauw

Assegaf Hamzah & Partners
T +622125557800#318
E *valerie.patricia@ahp.id*
W *www.ahp.id*

Areas of Practice. Dispute resolution; employment and immigration law.

Languages. English, Indonesian

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RESOURCE HISTORY

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This document has been reviewed by the author as part of its periodic maintenance to ensure it reflects the current law and market practice 01 February 2024.

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