

Jakarta, 22 October 2013

Pharmaceutical Sector Meeting

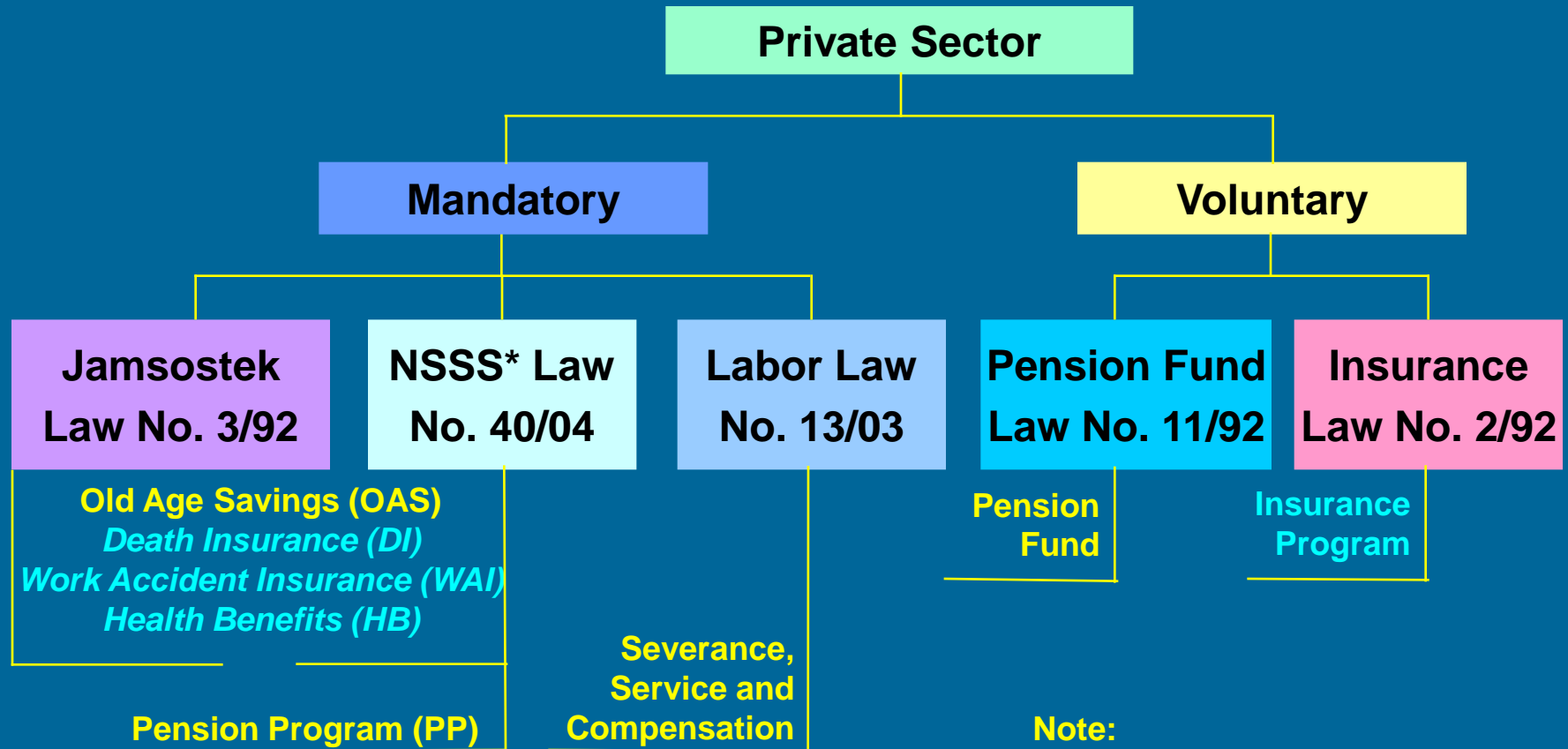


Pension Program under NSSS

Mourits Rompah, FSAI

Retirement programs

Legal framework



* NSSS = National Social Security System

Note:
OAS, PP, SSC, and PF
collectively is retirement
benefit

Pension Program under NSSS

◆ **Timing**

- Rollout the latest on 1 July 2015
- New program

◆ **Characteristics**

- Defined benefit, determined through formula
- Minimum and maximum applied
- Details awaiting further regulations

Pension Program under NSSS

- ◆ **Retirement age**
 - Not yet determined
 - Expected to be between 56 and 60
 - Details awaiting further regulations

- ◆ **Eligibility**
 - Min. 15 years participation
 - First recipient in July 2030

Pension Program under NSSS...

◆ **Benefits**

- Old age pension
- Disability pension
- Survivors pension (spouse, children, parents)
- Details awaiting further regulations

◆ **Payment of benefits**

- Monthly pension
- Cash out if less than 15 years participation

◆ **Contribution**

- Percentage of salary
- Employer and employee contributions
- Details awaiting further regulations

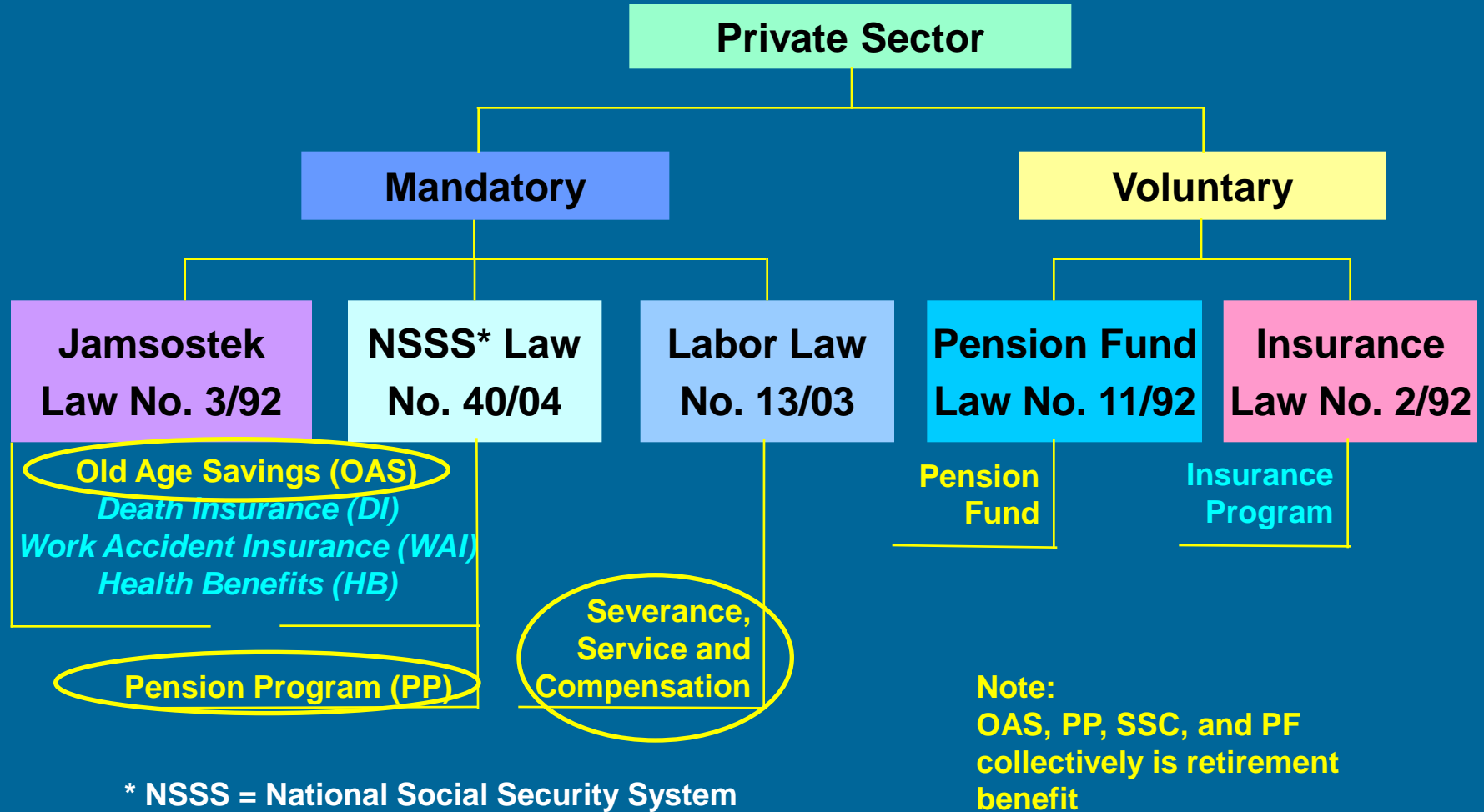
Concept of Replacement Rate

◆ Replacement Rate:

- Ratio between retirement income (annuitized) and final wages just before retirement
- Example, monthly retirement income of Rp7,500,000 over monthly final wages of Rp10,000,000 is a 75% income replacement rate
- ILO's minimum standard is 40%

Retirement programs revisited

Legal framework



Replacement Rate - mandatory

Source of retirement income (mandatory)	Contribution / Benefit	Estimated* RR
NSSS:		
Old Age Savings	Total contribution 5.7%	15.8%
Pension Program	Contribution unknown	???
Labor Law:		
Severance, Service, Compensation	Maximum benefit 32.2 times monthly wages	17.1%
Total		32.9%

Need around 7.1% to meet ILO's minimum standard

* 30 years contribution period, 9% p.a interest, 7% p.a wages increase. Annuity for 20 years with 2.5% p.a real interest rate.

Replacement Rate - mandatory...

What if.....

Source of retirement income (mandatory)	Contribution / Benefit	Estimated* RR
NSSS:		
Old Age Savings	Total contribution 5.7%	15.8%
Pension Program	Total contribution 2.6%	7.2%
Labor Law:		
Severance, Service, Compensation	Maximum benefit 32.2 times monthly wages	17.1%
Total		40.1%

ILO's minimum standard met

* 30 years contribution period, 9% p.a interest, 7% p.a wages increase. Annuity for 20 years with 2.5% p.a real interest rate.

Highlights on NSSS Pension Program

- ◆ Defined benefit arrangement
 - Monthly payment of benefits

- ◆ Contributions from employer and employee
 - Percentage of wages

- ◆ Minimum 15 years contribution period
 - Cash out if less

- ◆ Implementation guidelines yet to be issued

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THANK YOU