


Indonesia

Indonesia: pension system in 2008

Employees in private sectors are covered by defined contribution plan.

Key indicators

		Indonesia	OECD
Average earnings	IDR (million)	13.10	393.78
	USD	1 400	40 600
Public pension spending	% of GDP		7.0
Life expectancy	At birth	72.4	78.9
	At age 65	82.5	83.1
Population over age 65	% of working-age population	11.3	23.6

StatLink  <http://dx.doi.org/10.1787/888932554698>

Qualifying conditions

Normal pension age is 55.

Benefit calculation

Defined-contribution

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 economies, for replacement rate purposes the pension is shown as a price-indexed annuity based on sex-specific mortality rates.

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.

Personal income tax and social security contributions

Taxation of workers

There is a deduction of IDR 2 880 000 for a single individual. In addition, work-related expense is tax deductible and the amount is 5% of earnings up to a ceiling of IDR 1 296 000. Social security contribution is tax deductible.

Taxation of worker's income

Following table shows the tax rule applied to worker's income.

Annual income (millions IDR)	Tax rate (%)
Up to IDR 25	5
Over IDR 25 up to IDR 50	10
Over IDR 50 up to IDR 100	15
Over IDR 100 up to IDR 200	25
Over IDR 200	35

Social security contributions payable by workers

Employees contribute 2% of payroll to the pension plans.

Taxation of pensioners

There is no additional tax relief for pensioners.

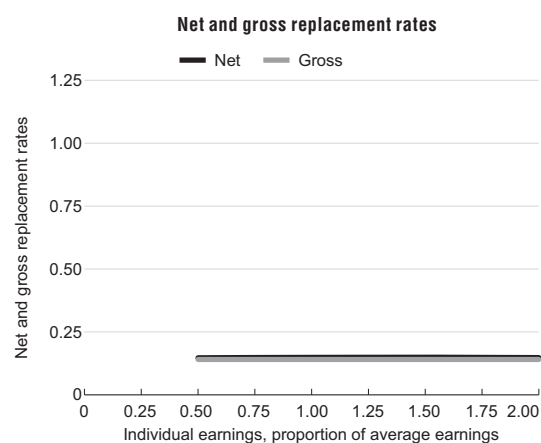
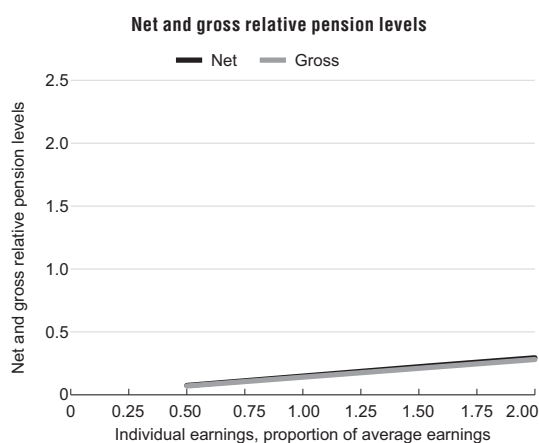
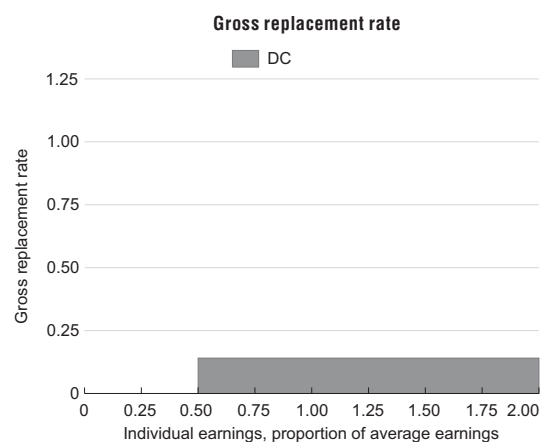
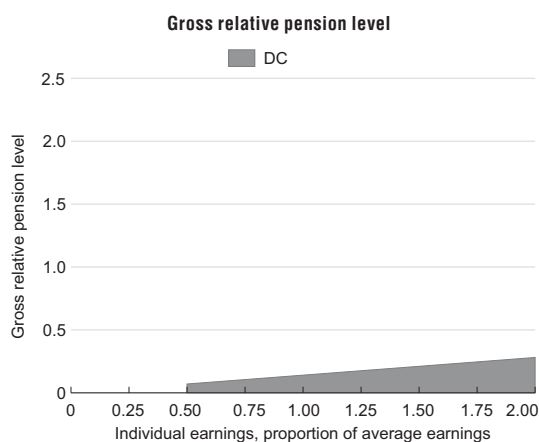
Taxation of pension income

The same tax rules are applied to pensioners.


Social security contributions payable by pensioners

Pensioners do not pay any social security contributions.

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	10.5	14.1	21.1	28.1
(% average gross earnings)	10.1	6.2	9.3	12.4	18.7	24.9
Net relative pension level	12.1	7.4	11.2	14.9	22.3	29.4
(% net average earnings)	10.7	6.6	9.9	13.2	19.8	26.2
Gross replacement rate	14.1	14.1	14.1	14.1	14.1	14.1
(% individual gross earnings)	12.4	12.4	12.4	12.4	12.4	12.4
Net replacement rate	14.8	14.7	14.8	14.9	14.9	14.8
(% individual net earnings)	13.1	13.0	13.1	13.2	13.2	13.2
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/10.1787/888932554242>


Alternative economic and career length assumptions

40 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	13.6	8.4	12.6	16.7	25.1	33.5
(% average gross earnings)	12.0	7.4	11.1	14.8	22.2	29.6
Net relative pension level	14.4	8.9	13.3	17.7	26.4	34.8
(% net average earnings)	12.7	7.8	11.8	15.7	23.5	31.0
Gross replacement rate	16.7	16.7	16.7	16.7	16.7	16.7
(% individual gross earnings)	14.8	14.8	14.8	14.8	14.8	14.8
Net replacement rate	17.7	17.5	17.7	17.7	17.7	17.5
(% individual net earnings)	15.6	15.5	15.6	15.7	15.7	15.6
Gross pension wealth	3.1	3.1	3.1	3.1	3.1	3.1
(multiple of individual gross earnings)	3.1	3.1	3.1	3.1	3.1	3.1
Net pension wealth	3.1	3.1	3.1	3.1	3.1	3.1
(multiple of individual gross earnings)	3.1	3.1	3.1	3.1	3.1	3.1

30 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	9.4	5.8	8.7	11.6	17.4	23.1
(% average gross earnings)	8.3	5.1	7.7	10.2	15.4	20.5
Net relative pension level	9.9	6.1	9.2	12.3	18.4	24.4
(% net average earnings)	8.8	5.4	8.1	10.8	16.3	21.7
Gross replacement rate	11.6	11.6	11.6	11.6	11.6	11.6
(% individual gross earnings)	10.2	10.2	10.2	10.2	10.2	10.2
Net replacement rate	12.2	12.1	12.2	12.3	12.3	12.3
(% individual net earnings)	10.8	10.7	10.8	10.8	10.9	10.9
Gross pension wealth	2.2	2.2	2.2	2.2	2.2	2.2
(multiple of individual gross earnings)	2.2	2.2	2.2	2.2	2.2	2.2
Net pension wealth	2.2	2.2	2.2	2.2	2.2	2.2
(multiple of individual gross earnings)	2.2	2.2	2.2	2.2	2.2	2.2

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Economy specific assumptions

40 year career under economy specific assumptions

Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Women (where different)						
Gross relative pension level	13.6	8.4	12.6	16.7	25.1	33.5
<i>(% average gross earnings)</i>	12.0	7.4	11.1	14.8	22.2	29.6
Net relative pension level	14.4	8.9	13.3	17.7	26.4	34.8
<i>(% net average earnings)</i>	12.7	7.8	11.8	15.7	23.5	31.0
Gross replacement rate	16.7	16.7	16.7	16.7	16.7	16.7
<i>(% individual gross earnings)</i>	14.8	14.8	14.8	14.8	14.8	14.8
Net replacement rate	17.7	17.5	17.7	17.7	17.7	17.5
<i>(% individual net earnings)</i>	15.6	15.5	15.6	15.7	15.7	15.6
Gross pension wealth	3.1	3.1	3.1	3.1	3.1	3.1
<i>(multiple of individual gross earnings)</i>	3.1	3.1	3.1	3.1	3.1	3.1
Net pension wealth	3.1	3.1	3.1	3.1	3.1	3.1
<i>(multiple of individual gross earnings)</i>	3.1	3.1	3.1	3.1	3.1	3.1

30 year career under economy specific assumptions

Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Women (where different)						
Gross relative pension level	9.4	5.8	8.7	11.6	17.4	23.1
<i>(% average gross earnings)</i>	8.3	5.1	7.7	10.2	15.4	20.5
Net relative pension level	9.9	6.1	9.2	12.3	18.4	24.4
<i>(% net average earnings)</i>	8.8	5.4	8.1	10.8	16.3	21.7
Gross replacement rate	11.6	11.6	11.6	11.6	11.6	11.6
<i>(% individual gross earnings)</i>	10.2	10.2	10.2	10.2	10.2	10.2
Net replacement rate	12.2	12.1	12.2	12.3	12.3	12.3
<i>(% individual net earnings)</i>	10.8	10.7	10.8	10.8	10.9	10.9
Gross pension wealth	2.2	2.2	2.2	2.2	2.2	2.2
<i>(multiple of individual gross earnings)</i>	2.2	2.2	2.2	2.2	2.2	2.2
Net pension wealth	2.2	2.2	2.2	2.2	2.2	2.2
<i>(multiple of individual gross earnings)</i>	2.2	2.2	2.2	2.2	2.2	2.2

Real earnings: 6% per year converging steadily to 2%, giving an average of 4%.

Price inflation: 5% per year converging steadily to 2.5%, giving an average of 3.75%.

Real rate of return: 7.5% per year converging steadily to 3.5%, giving an average of 5.5%.

Discount rate (for actuarial calculations): 2% per year.

StatLink  <http://dx.doi.org/10.1787/888932554736>