

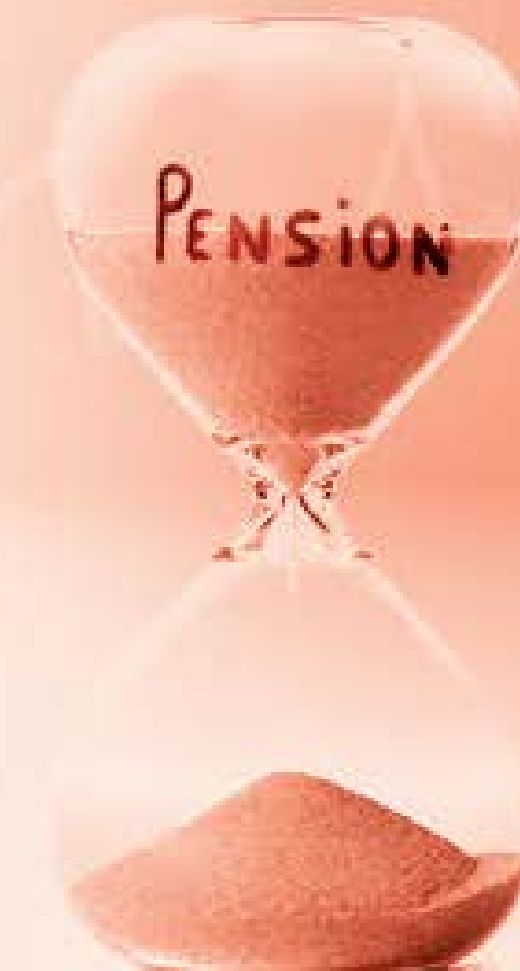


# INDONESIA PENSION CONFERENCE

# **25** YEARS OF PENSION SAVINGS

“Way Forward for Next Quarter Century”

25-26 April 2017  
Grand Hyatt Hotel, Jakarta



# PENSION REFORM IN INDONESIA



**WORLD BANK GROUP**

**Fiona Stewart**

INDONESIA PENSION CONFERENCE  
**25** YEARS OF  
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# BENCHMARKING INDONESIA REFORM

## Measures of Pension System

Coverage

Adequacy

Sustainability

Efficiency

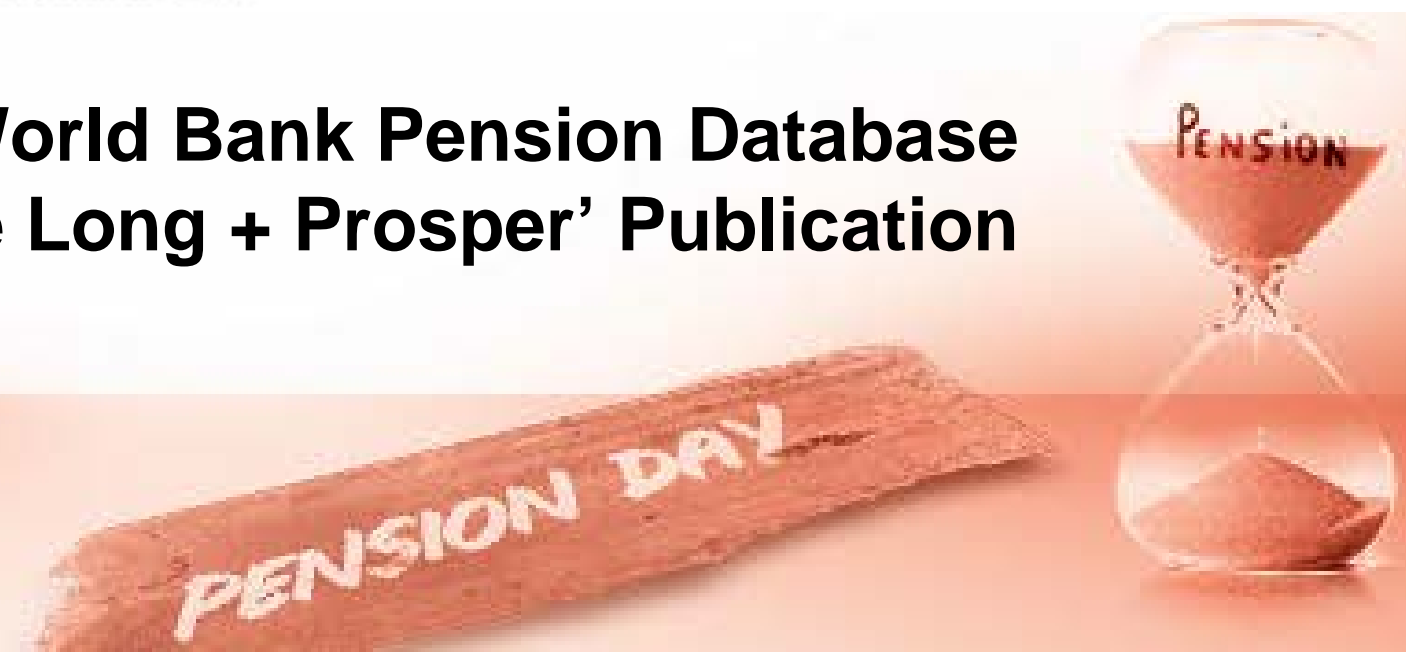
Security

**TABLE 5.6** Assessment of pension system performance and level of reform needed

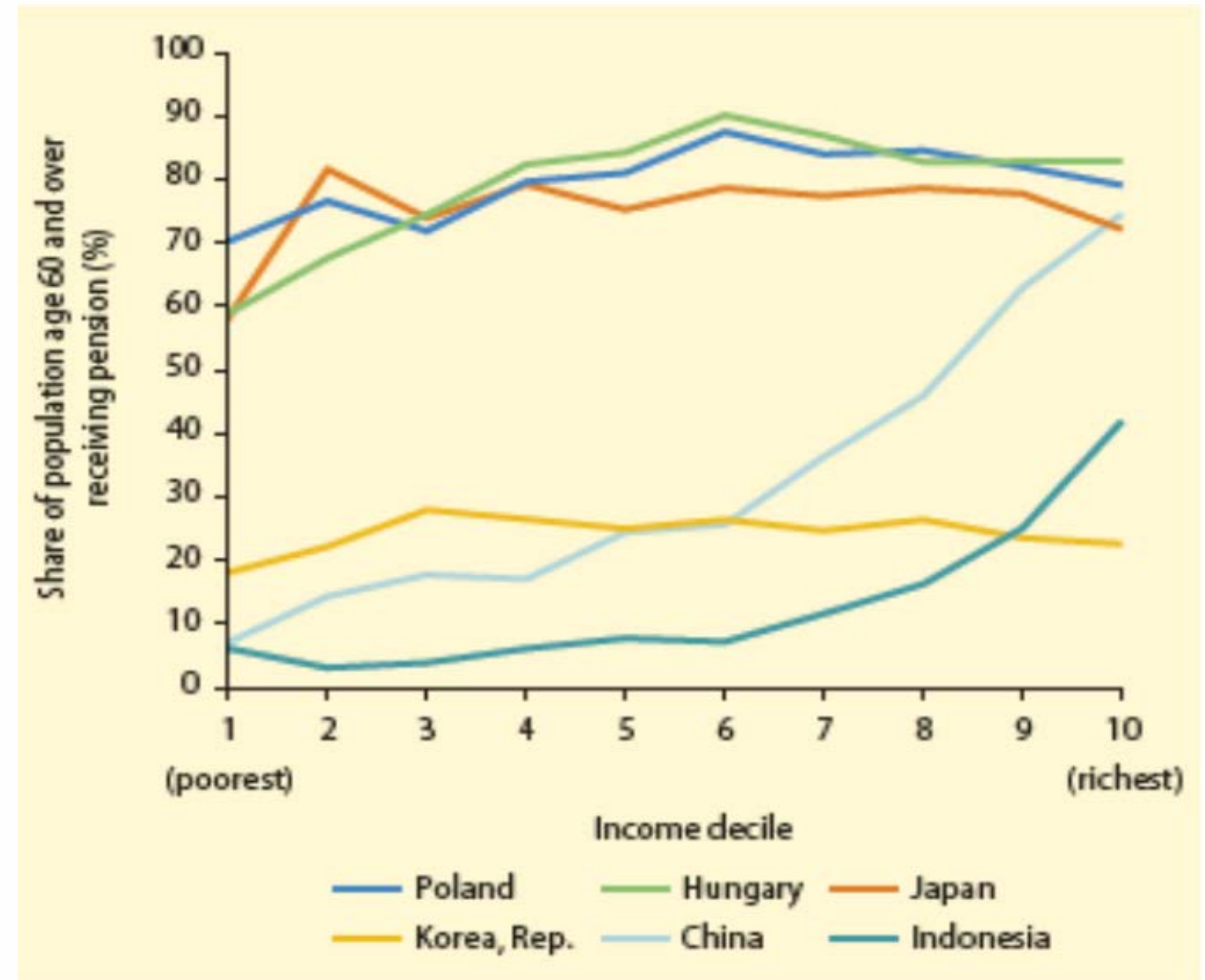
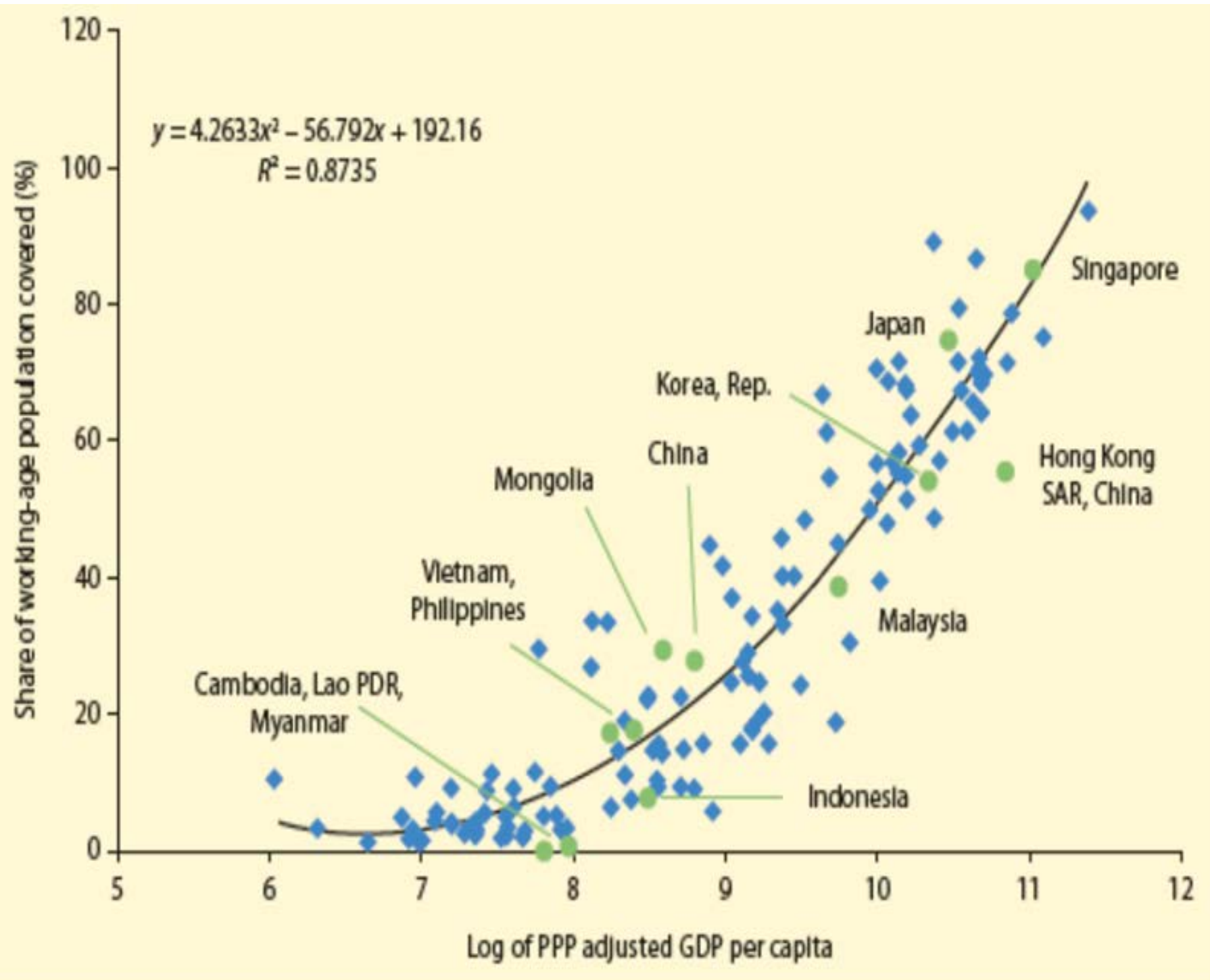
Economy	Performance			Indirect impact		
	Sustainability	Coverage	Adequacy	Formal labor force participation rate	60+ labor force participation rate	Savings and capital market
Cambodia	Minor	Major	Major	Minor	Minor	Minor
China	Significant	Significant	Major	Major	Major	Major
Hong Kong SAR, China	Minor	Minor	Significant	Minor	Minor	Minor
Indonesia	Minor	Major	Major	Minor	Minor	Major
Japan	Minor	Minor	Minor	Minor	Minor	Significant
Korea, Rep.	Significant	Minor	Significant	Minor	Significant	Minor
Lao PDR	Minor	Major	Major	Minor	Minor	Minor
Malaysia	Minor	Minor	Major	Significant	Major	Minor
Mongolia	Major	Significant	Significant	Major	Major	Major
Myanmar	Minor	Major	Major	Minor	Minor	Minor
Philippines	Significant	Major	Major	Minor	Minor	Major
Singapore	Minor	Minor	Major	Significant	Minor	Minor
Thailand	Significant	Significant	Significant	Minor	Significant	Major
Timor-Leste	Significant	Minor	Minor	Minor	Minor	Minor
Vietnam	Major	Major	Major	Major	Major	Major

Source: Palacios 2015, based on data from economy pension system sources.

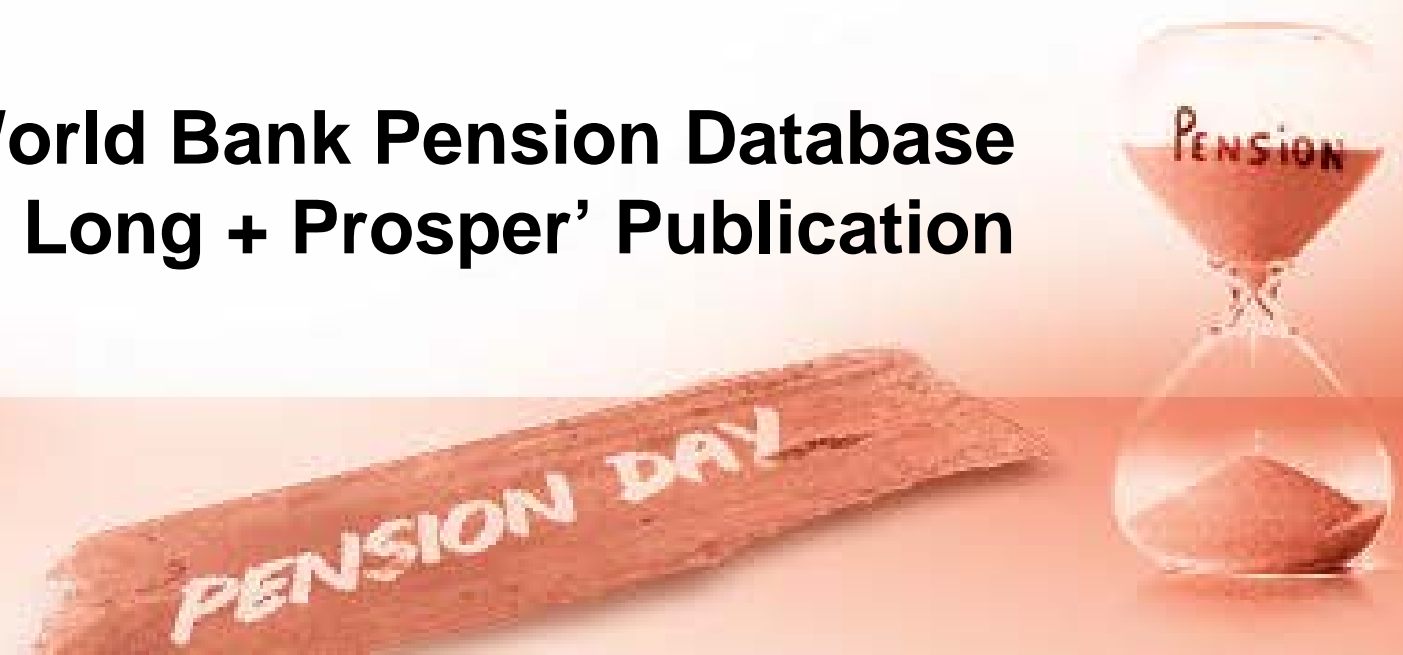
Source: World Bank Pension Database  
‘Live Long + Prosper’ Publication



# COVERAGE – STILL MAJOR CHALLENGE

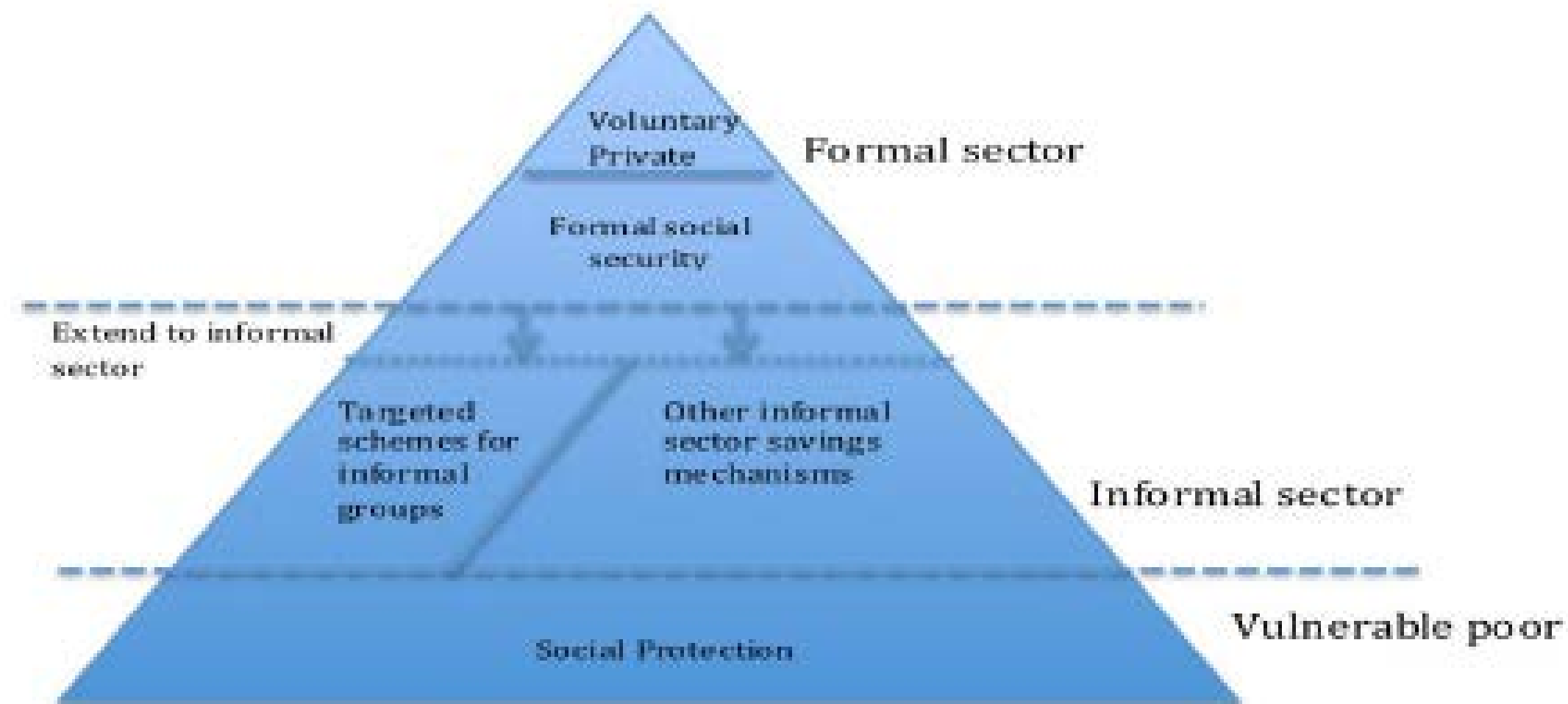


Source: World Bank Pension Database  
‘Live Long + Prosper’ Publication



# INFORMAL SECTOR COVERAGE: LESSONS LEARNT

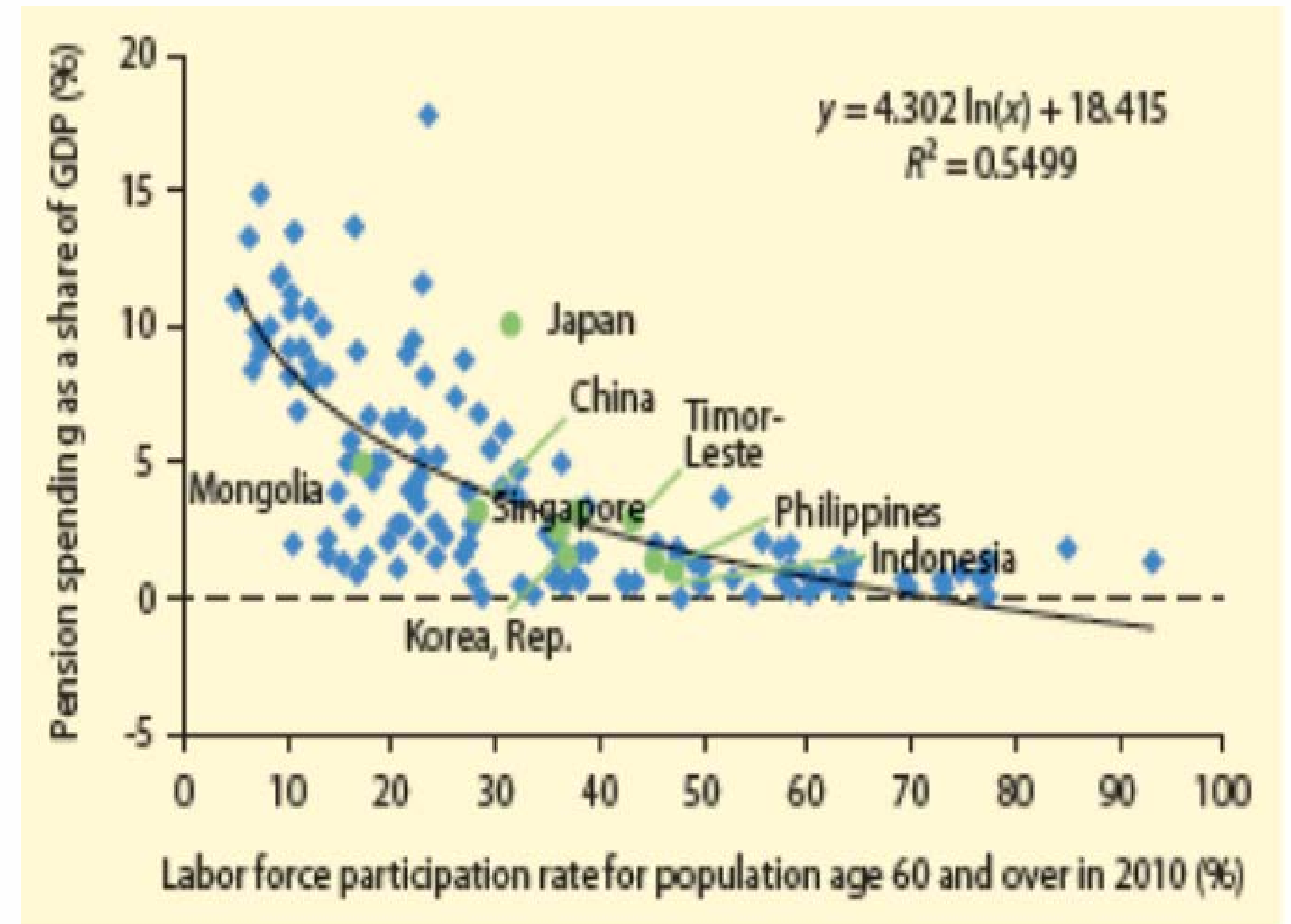
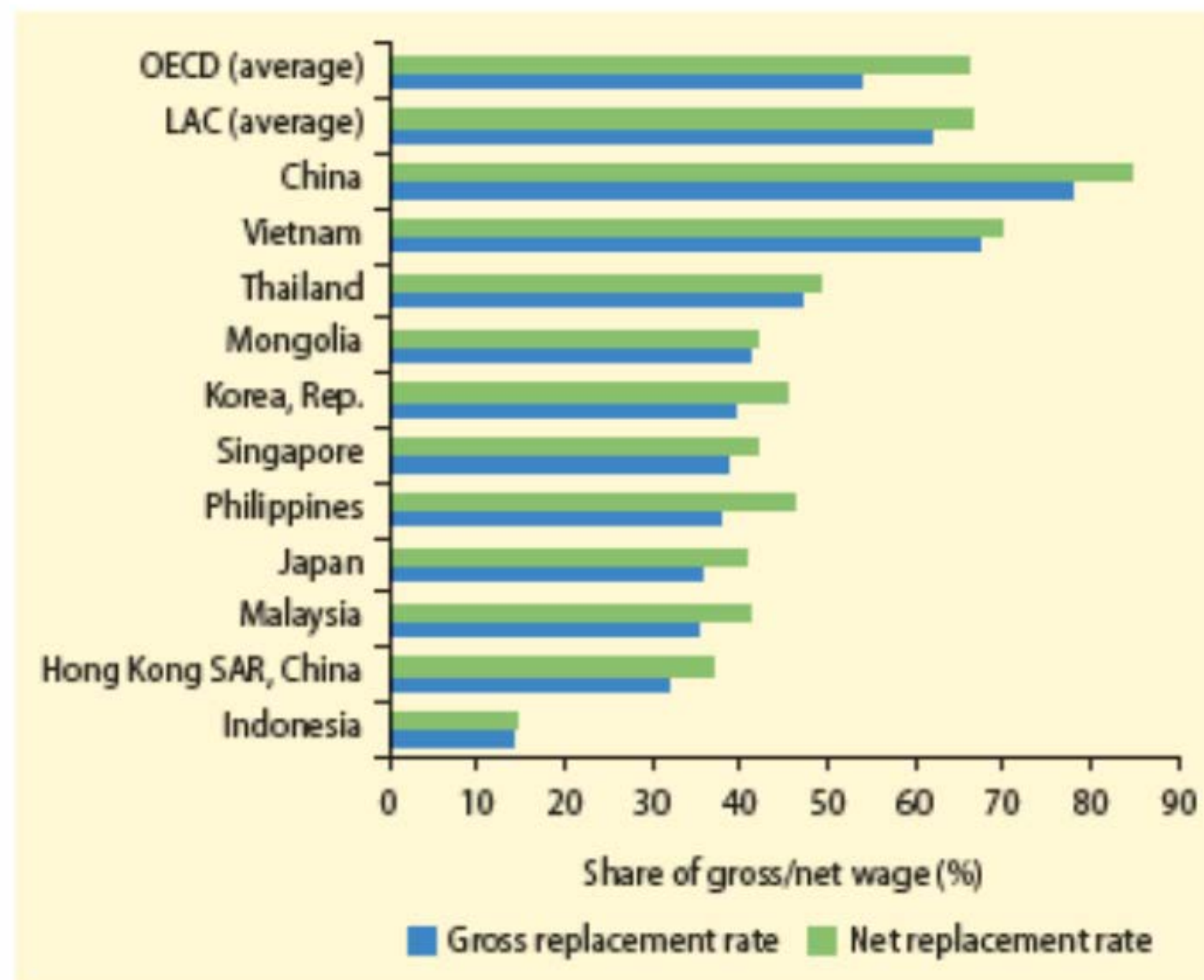
- Multiple solutions will be required to solve this complex problem
- Labor force needs to be segmented
- Top end of the income pyramid, new approaches to increasing the coverage of formal sector workers are being tested (auto enrolment / simple plans for SMEs)
- Bottom end need to protect most vulnerable not able to save via social protection
- In between, simple, accessible, incentivized informal sector schemes being developed



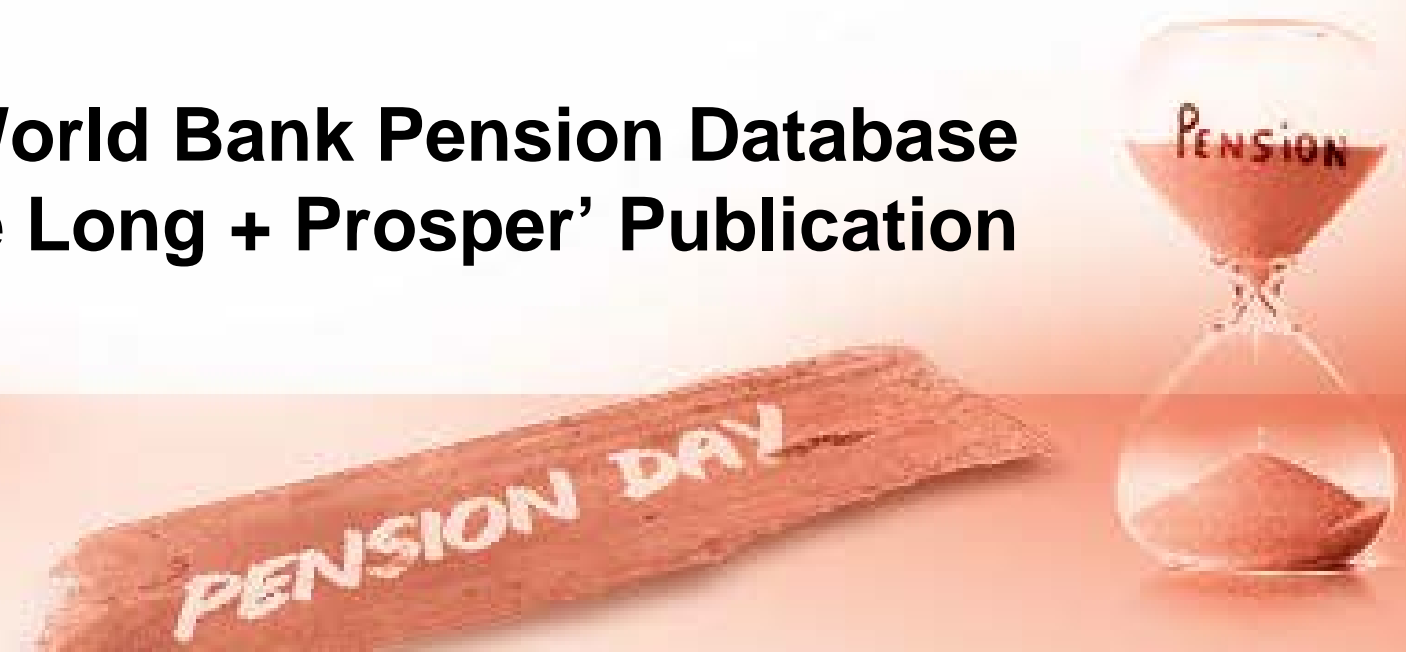
# ADEQUACY RATHER THAN SUSTAINABILITY CHALLENGE

**FIGURE 5.7** A wide range of design choices in the pension benefit is available

*Simulated gross and net replacement rates for hypothetical workers*

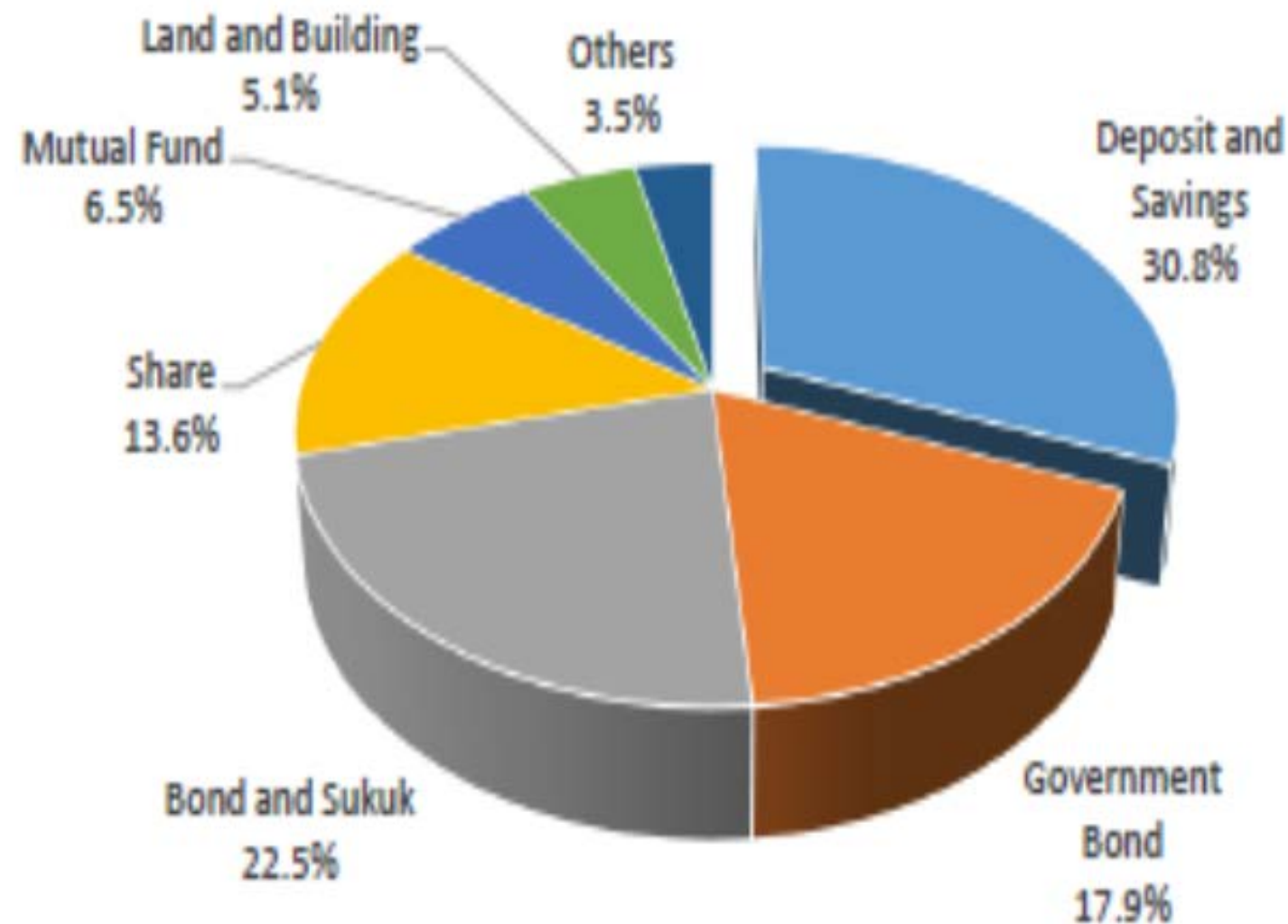


Source: World Bank Pension Database  
‘Live Long + Prosper’ Publication

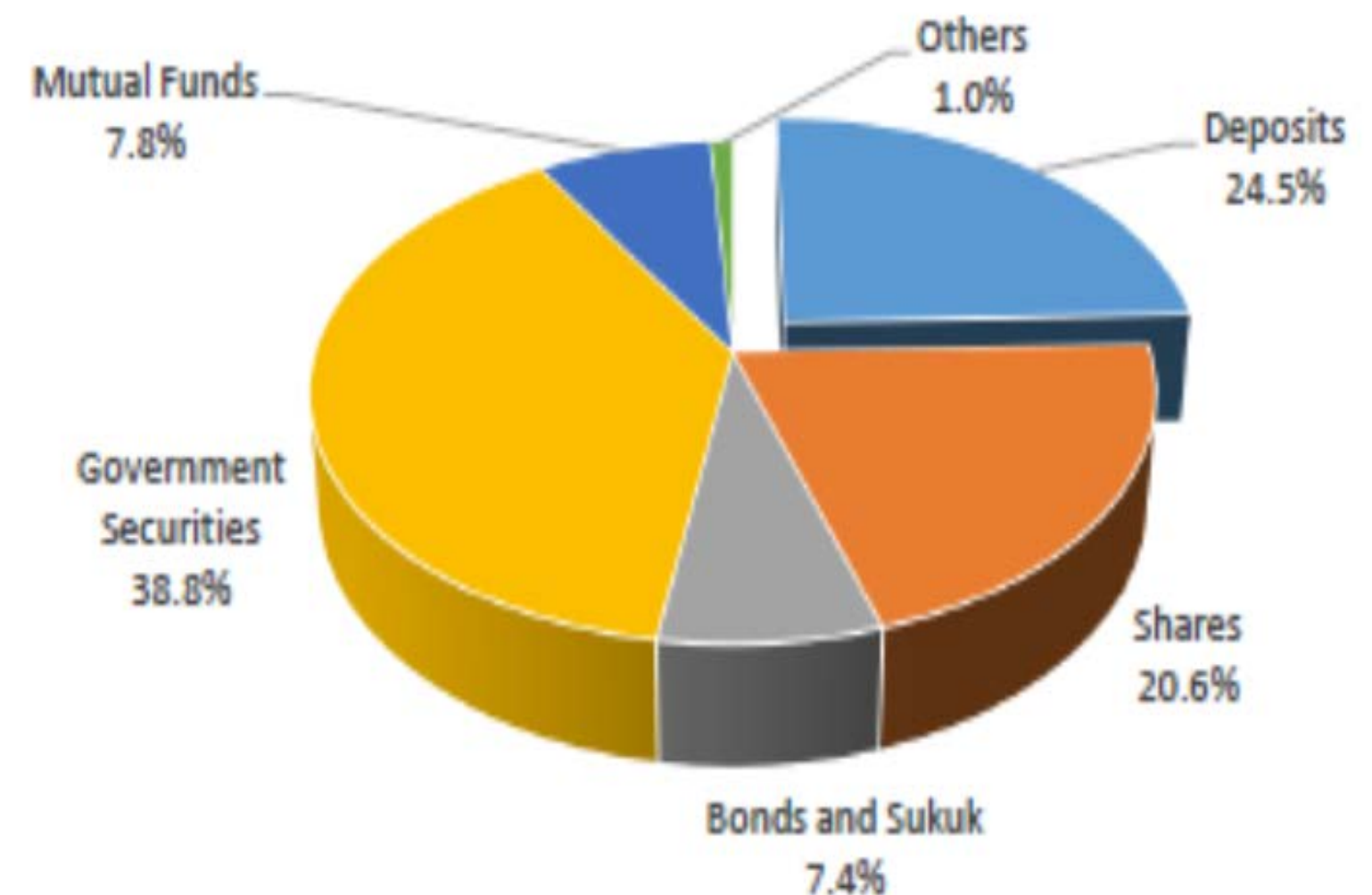


# GREATER PORTFOLIO DIVERSIFICATION NEEDED FOR EFFICIENCY + SECURITY

Portfolio of Occupational Pension Funds  
Dec 2015



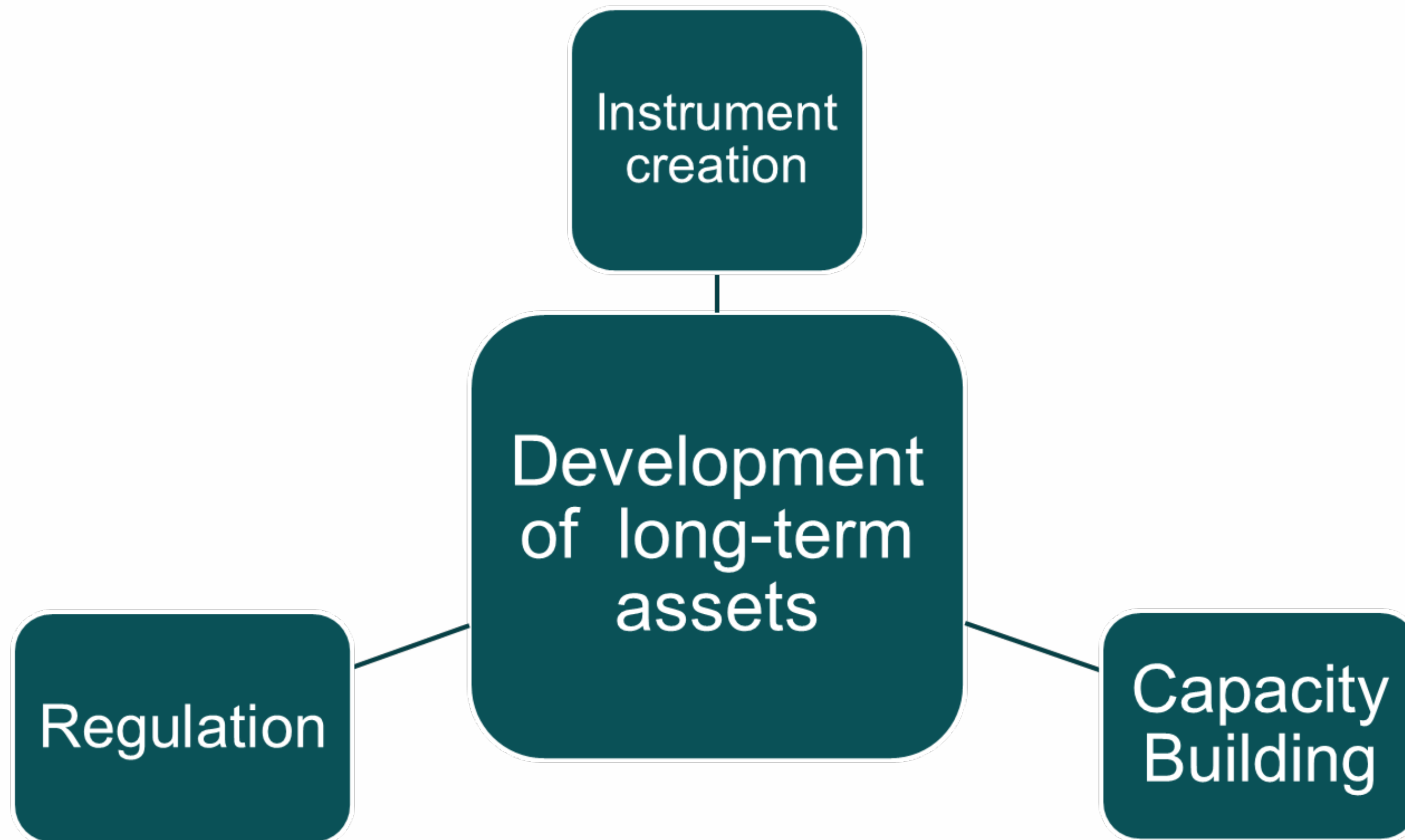
Portfolio of Social Security Funds  
Excl. Taspen & Asabri; Dec. 2015



Source:OJK

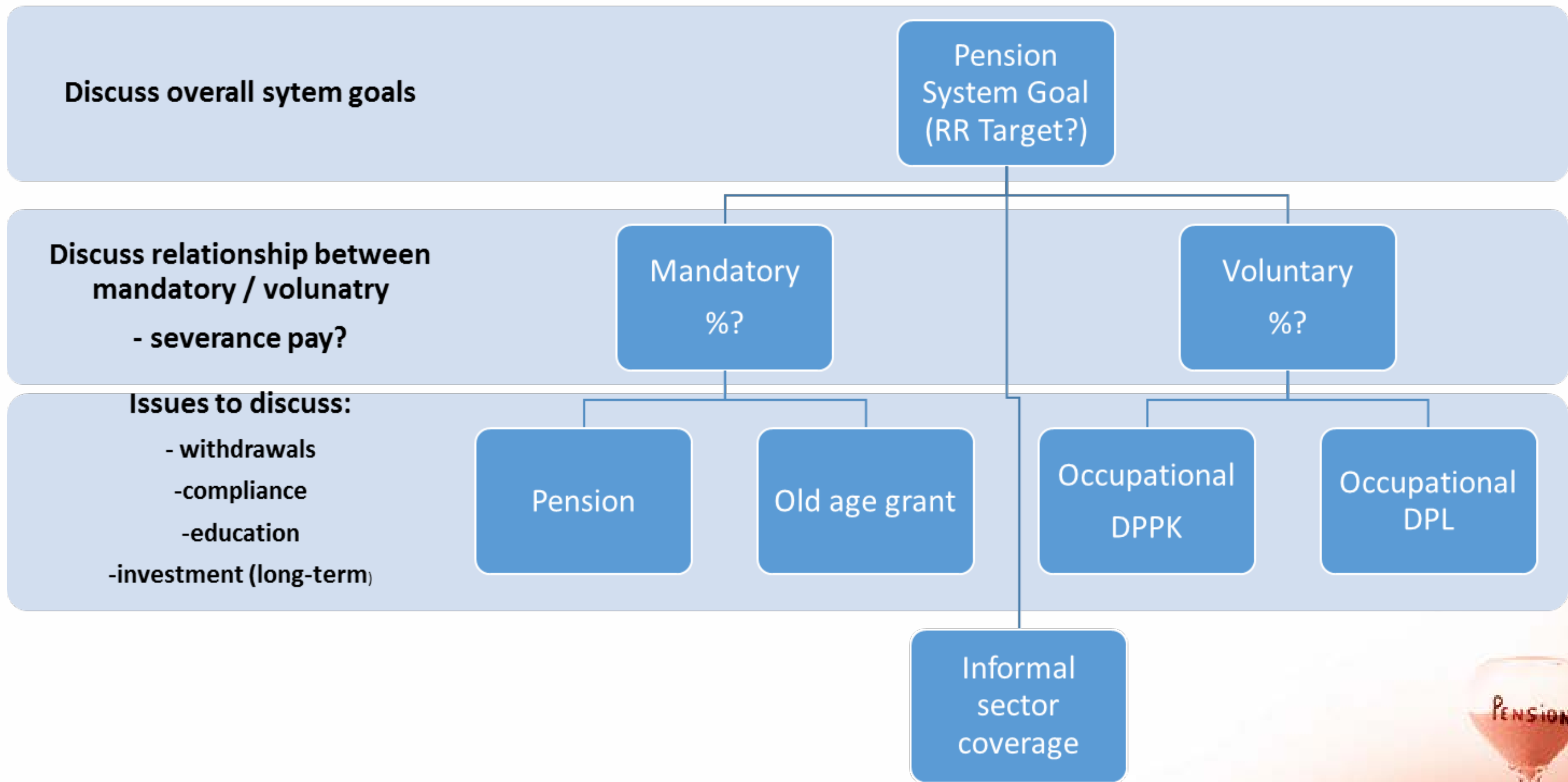


# INTER-RELATED CHALLENGES WHICH NEED TO BE ADDRESSED





# STRATEGIC VISION FOR REFORMS



# SUGGESTED IMPROVEMENTS TO PENSION LAW 11/1992

- Governance
  - Supervisory Boards and management should have corporate governance framework and risk management function (risk manager, internal auditor and compliance officer)
  - OJK should be empowered to support the legal requirements with regulations
- Market Conduct
  - Requirements on persons selling pension products and require that any information given to the market meet minimum disclosure standards
- AML/CFT Requirements
- Preservation + Vesting

