



## INDONESIA

		Key indicators			
		Indonesia	OECD		
<b>Indonesia: pension system in 2008</b>  Employees in private sectors are covered by defined contribution plan.	Average earnings	IDR (million) USD	13.10 9 000	393.78 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

### 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 5 years if the balance is more than IDR 3 million. For comparison with other countries, 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 5 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 (IDR millions)	Tax Rate
Up to 25	5%
Over 25 up to 50	10%
Over 50 up to 100	15%
Over 100 up to 200	25%
Over 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 (% average gross earnings)	11.4 10.1	7.0 6.2	10.5 9.3	14.1 12.4	21.1 18.7	28.1 24.9
Net relative pension level (% net average earnings)	12.1 10.7	7.4 6.6	11.2 9.9	14.9 13.2	22.3 19.8	29.4 26.2
Gross replacement rate (% individual gross earnings)	14.1 12.4	14.1 12.4	14.1 12.4	14.1 12.4	14.1 12.4	14.1 12.4
Net replacement rate (% individual net earnings)	14.8 13.1	14.7 13.0	14.8 13.1	14.9 13.2	14.9 13.2	14.8 13.2
Gross pension wealth (multiple of average gross earnings)	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6
Net pension wealth (multiple of average net earnings)	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6	2.6 2.6