



MEMORANDUM
FMP/PC/MT/93/049

To: Vivianne Gary and Michael Huffman, USAID/Indonesia
From: Marilyn Zerkowitz, PW Task Manager and Pension Funds Specialist *Marilyn*
Date: September 10, 1993
Re: BUMN Pension Fund and Compensation Surveys

Surveys

In response to your request at yesterday morning's meeting, attached please find copies of the BUMN pension fund and compensation surveys in English and Bahasa Indonesian. These surveys are deliverables #1 and #3 under the scope of work for Short-Term Technical Assistance Task Order #6 (Amendment #3). The surveys are being carried out by a team of Indonesian and expatriate consultants under the Financial Markets Project Privatization Component Task 2.53 BUMN pension fund reform.

The survey results will provide additional information on BUMN pension funds and compensation structure to assist the Directorate General of State Enterprise (DGSE) to make policy decisions in order to reform BUMN pension funds. This reform will involve the conversion of BUMN pension funds from defined benefit to defined contribution type pension plans. The conversion process will facilitate the transfer of BUMN pension fund administration and investment management from the public sector to the private sector.

Survey Design

Also attached is a pension fund and a compensation table which we used as part of the questionnaire design process. Each table contains the objectives, hypotheses to be tested, and information requirements to achieve the survey objectives. The last column on the tables links the questions of the surveys to the specific objectives. The table also serves as the framework to analyze survey results.

In brief, the pension funds survey objectives relate to the financial condition, underfunding, compliance with the 1992 Pension Funds Law, and readiness for conversion to defined contribution type plans. The objectives of the compensation survey relate to the civil service compensation structure, relationship between BUMN compensation structure and underfunding of pension funds, linkage of compensation structure to conversion, and comparability of compensation structure to private sector compensation structure.

The attached tables and questionnaires incorporate suggestions from the Director General, Directors, and Subdirectors of the DGSE as well as the Pension Director of the Directorate General of Financial Institutions and the President of the Indonesian Pension Fund Association.

Price Waterhouse

OGS - WASHINGTON D.C. - U.S.A.

Memorandum



INDONESIA FINANCIAL MARKETS PROJECT
MINISTRY OF FINANCE

To Ritu Vohra, PW-OGS
From Marlyn Zelkowitz, Task Manager ✓
Date 16 November 1993
Re FMP Privatization Component - Deliverables
Short-Term Technical Assistance Task Order #6 (Amendment #3)
Task 2.53 - BUMN Pension Fund Conversion

Deliverables

This task has three deliverables which are described below:

- 1) **BUMN Pension Fund and Compensation Surveys (Questionnaires)**
This document contains the BUMN pension funds and compensation questionnaires in English and Bahasa Indonesian. The analytical framework used to develop the questionnaires is also included in this deliverable. This deliverable will be sent to you in the DHL leaving Jakarta this week.
- 2) **BUMN Pension Fund and Compensation Surveys: Preliminary Results**
This brief report contains preliminary findings from the surveys. This deliverable will be sent to you in the DHL leaving Jakarta this week.
- 3) **BUMN Pension Fund and Compensation Survey: Draft Final**
The report in this tome contains the full survey findings, conclusions, and recommendations. The attachments include the pension fund and compensation surveys as well as survey findings. This report is considered confidential and is labelled as such. This report was sent to you in the DHL package which left Jakarta last week.

Additional Information

If you have any questions or need additional information, please let us know.

cc: Mark Camstra

21 NOV 1993 10:31 PRICE WATERHOUSE 00491 02 21 340491 F.02

Price Waterhouse

OSB - WASHINGTON D.C. - USA

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INDONESIA FINANCIAL MARKETS PROJECT
MINISTRY OF FINANCE

FACSIMILE

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To	: <u>RITU WIDIA</u>	From	: <u>HAELWI BELKAWITO</u>
Company	: <u>PRICE WATERHOUSE</u>	Title	: _____
Number	: <u>1-202-351-3683</u>	Origin	: <u>JAKARTA, INDONESIA</u>
City/Country	: <u>WASHINGTON DC USA</u>	Date	: <u>16 NOVEMBER 1993</u>

11-NOV-1993 10:31

PRICE WATERHOUSE MESSAGE

02 21 340491 F

DEAR RITU,

PLEASE SEE ATTACHED. BE ON THE LOOKOUT FOR DELIVERABLES.

HOPES YOU ARE DOING WELL BACK THERE. PLEASE LET US

KNOW IF WE CAN DO ANYTHING FOR YOU.

Saludos y un abrazo,
[Signature]

C

PRICE WATERHOUSE - 366431
02 21 3436437 P. 03

Price Waterhouse

OGS - WASHINGTON D.C. - U.S.A.

INDONESIA FINANCIAL MARKETS PROJECT
MINISTRY OF FINANCE

Memorandum



2/2

To: Ritu Vohra, PW-OGS
From: Marilyn Zalkowitz, Task Manager ✓
Date: 16 November 1993
Re: FMP Privatization Component - Deliverables
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cc: Mark Camstra

Distribution

The pension fund and compensation surveys were distributed to representatives of 183 BUMN at meetings held on August 19-20, 1993 at the Ministry of Finance. Pak Antonius Subroto of the DGSE explained the purpose of the survey and the Directors and Subdirectors reviewed the questions for the BUMN representatives. FMP consultants supported the DGSE at the meetings by helping to explain survey questions as necessary. The BUMN were instructed to complete the questionnaires by August 27th.

Data Collection and Analysis

The team is currently in the data collection and analysis stage of the project. To date 154 of the 183 BUMN have responded to the survey. The survey results are being entered into a database designed to allow us to test the hypotheses for the compensation and pension funds surveys. Preliminary survey results should be available the week of September 13.

Final Report and Future Steps

Based on the preliminary results, we will more deeply analyze the documents submitted by the BUMN to prepare our final report. The findings and conclusions of the pension funds and compensation surveys will be used to develop policy alternatives for the conversion process. The report will outline these policy alternatives and will identify potential candidates for a pilot conversion of BUMN pension funds. We plan to submit the draft final report in October.

The next step planned for implementation under the Financial Markets Project is an assessment for the pilot conversion of two BUMN pension funds. These pilots will carry out the necessary tasks such as pension fund audits and actuarial valuations to prepare the pension funds for conversion from defined benefit to defined contribution type systems. The lessons learned during the pilot conversions will be used to identify the procedures and methodology to be used for individual conversions. The methodology and procedures, as well as the sequencing of the conversions will become part of the master plan for BUMN pension fund conversions. To carry out this master plan, we will devise a prototype project management system. The project management system, combined with targeted training of DGSE staff are designed to prepare the DGSE to carry out future conversions on their own.

The conversion process is expected to be a reform that will transfer BUMN pension fund assets, investment management, administration to the private sector. This process is linked to Indonesian Capital Markets Component of the Financial Markets Project. To the extent possible, the master conversion plan will emphasize this linkage, for example, by incorporating elements to broaden share ownership such as the usage of open-ended mutual funds.

Please advise us if you need clarification or additional information regarding the BUMN pension fund and compensation surveys.

Attachments

cc: M. Camstra
W. Hollinger

PENSION FUNDS SURVEY

OBJECTIVE	HYPOTHESIS	INFORMATION REQUIREMENTS	QUESTIONS
<p>1. <u>Financial Condition of Funds:</u> Obtain information on pension fund assets and liabilities.</p>	<ul style="list-style-type: none"> ▶ BUMN pension fund investments are diversified. ▶ Some BUMN pension fund investments are illiquid or otherwise unsuitable for conversion from defined benefit to defined contribution type of pension funds system. ▶ Most BUMN pension funds do not have regular actuarial valuations, therefore the true financial condition of pension funds is difficult to ascertain. 	<ul style="list-style-type: none"> ▶ Pension funds asset list by asset class. ▶ Audited report of assets or other valuation of fund assets. ▶ Pension plan articles of association, by-laws, and regulations. ▶ Actuarial valuation of pension fund liabilities. ▶ Number of participants and average salary. ▶ Number of retirees, average age, and pensions. ▶ Compensation survey results. ▶ Life expectancy (mortality tables).* 	<ul style="list-style-type: none"> ▶ B.1.- B.4. ▶ A.4.- 6., 8. ▶ B.2.2, 3.2, 5.
<p>2. <u>Underfunding:</u> Determine the degree of underfunding of BUMN pension plans by comparing fund assets and liabilities.</p>	<ul style="list-style-type: none"> ▶ Many BUMN pension funds are underfunded, i.e., assets are insufficient to support liabilities. 	<ul style="list-style-type: none"> ▶ Same as 1 (see above). ▶ Pension fund contribution information. 	<ul style="list-style-type: none"> ▶ A.6.- 7. ▶ B.1.- 6.
<p>3. <u>Compliance:</u> Assess extent of compliance to new Pension Fund Law.</p>	<ul style="list-style-type: none"> ▶ Many BUMN pension funds are just beginning to comply with the new Pension Funds Law and Regulation. 	<ul style="list-style-type: none"> ▶ Information on compliance with 1992 pension fund regulations. 	<ul style="list-style-type: none"> ▶ C.1.- 4.
<p>4. <u>Conversion:</u> Assess readiness of BUMN pension funds for conversion from defined benefit to defined contribution (DC) pension fund system.</p>	<ul style="list-style-type: none"> ▶ Some BUMN pension funds are ready for conversion to DC pension fund system, but most must take additional steps to prepare for conversion to DC system. 	<ul style="list-style-type: none"> ▶ Same as 1, 2, and 3 (see above). ▶ Information on pension fund management, administration, and record-keeping. 	<ul style="list-style-type: none"> ▶ A.1.- 8. ▶ B.1.- 6. ▶ C.1.- 4.

* Not from BUMN surveys.

COMPENSATION SURVEY

OBJECTIVE	HYPOTHESIS	INFORMATION REQUIREMENTS	QUESTIONS
<p>1. <u>Civil Service:</u> Confirm that civil service compensation structure is the basis for BUMN compensation structure.</p>	<ul style="list-style-type: none"> ▶ Low total compensation levels relative to private sector. ▶ Low cash portion of compensation relative to total compensation. 	<ul style="list-style-type: none"> ▶ Total compensation by rank. ▶ Percent of total compensation paid in cash by rank. 	<p style="text-align: center;">C.1.- C.5.</p>
<p>2. <u>Underfunding:</u> Ascertain relationship of compensation structure and personnel composition to underfunding of BUMN defined benefit pension funds.</p>	<ul style="list-style-type: none"> ▶ Underfunding of BUMN pension funds is related to BUMN compensation structure (low cash payment) and/or to age structure of labor force. 	<ul style="list-style-type: none"> ▶ Number of employees by rank, age, length of service. ▶ Salary by rank, age, length of service. ▶ Pension survey results. 	<p style="text-align: center;">B.1.- B.2. C.1.- C.5.</p>
<p>3. <u>Conversion:</u> Determine linkage of compensation structure and personnel composition to BUMN conversion to defined contribution (DC) pension fund system.</p>	<ul style="list-style-type: none"> ▶ BUMN will have to change compensation structure and policy to be able to convert pension funds to DC system. DC requires a primarily cash-based compensation set at certain levels to generate adequate pensions, particularly for employees at low compensation levels. 	<ul style="list-style-type: none"> ▶ Same as 1 (see above). ▶ Pension survey results. ▶ Regulatory constraints.* ▶ Institutional capability of BUMN to make change (e.g., financial health).* ▶ Other constraints.* 	<p style="text-align: center;">B.1.- B.2. C.1.- C.5.</p>
<p>4. <u>Private Sector:</u> Assess deviation of BUMN from private sector compensation structure.</p>	<ul style="list-style-type: none"> ▶ BUMN compensation structure is not competitive for high- and middle-level employees and hinders meeting BUMN efficiency objectives. ▶ BUMN compensation structure is competitive for low-level employees. 	<ul style="list-style-type: none"> ▶ BUMN compensation data by industrial sector. ▶ Nature of BUMN compensation adjustment. ▶ Comparable compensation data for private sector based on industry and/or size of firms.* ▶ Regulatory constraints not applicable to private sector.* 	<p style="text-align: center;">A.1. - A.4. B.1. - B.2. C.1. - C.5. D.1. - D.3.</p>

* Not from BUMN surveys.

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

CONTENTS

- A. NATURE OF PREVIOUS (CURRENT) PENSION PROGRAM**
- B. ASSETS AND LIABILITIES OF THE PROGRAM/FUND AS OF APRIL 1993**
- C. STATUS OF COMPLIANCE WITH PENSION LAW**

REQUESTED DOCUMENTATION

To be enclosed with the completed questionnaire

- 1. Notarial Act for the establishment of the existing Pension Fund and Articles of Association or By-Laws of the Pension Fund
- 2. Existing Pension Fund Regulation
- 3. Documentation demonstrating conformance with Pension Fund Law and Government Regulation
- 4. Most recent audited financial statements of the Pension Fund
- 5. Most recent actuarial assessment of liabilities, covering :
 - The plan to manage the amortization of the underfunding
 - Description of actuarial valuation methodology and assumptions
- 6. Data of Pension Program/Fund participants covering :
 - number of participants, average age, length of service in the company

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

A. NATURE OF PREVIOUS (CURRENT) PENSION PROGRAM

1. Prior to the new Pension Law, what was the status of your pension program?

- (a) Yayasan
- (b) Company Pension Program funded in company Budget
- (c) Company Pension Program provided through Insurance Company Program
- (d) Other, specify
.....
.....
- (d) Did not provide a pension program

2. Date of establishment of your program : / /

3. Pension program/fund management up to now :

3.1 Is the pension fund program administered/managed in-house or an outside service provider used ?

- (a) in-house
- (b) outside (go to question no.3.3)

3.2 If administered/managed in-house, is record keeping manual or computerized ?

- (a) manual
- (b) computerized, specify :

.....
.....
.....

3.3 Are the Founder personnel assigned on a full-time basis ?

- (a) Yes
- (b) No

3.4 Are part-time employees involved ?

- (a) Yes, specify

.....
.....

- (b) No

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

4. Number of Pension Fund Participants :

Status of Pension Fund participants	No. of Pension Fund participants		
	1992	1991	1990
4.1 Currently working
4.2 Retirees and beneficiaries
4.2.1 Retirees
4.2.2 Beneficiaries
c. Dependency Ratio (4.1 : 4.2.1)
d. Dependency Ratio [4.1 : (4.2.1 + 4.2.2)]
e. Total (4.1 + 4.2.1 + 4.2.2)

5. Definition of Benefits:

Pension Benefit Formula

5.A Before the New Pension Law took effect

What is the formula used to calculate pension benefits for :

5.A.1 retired workers :

.....

(please explain every variable in the formula; specify to what salary base is the formula applied; and indicate the components included in that base e.g : salary plus which benefits, if any are in the base)

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

5.B.2 survivors (proportion)

a. Widow :

.....
.....
.....

b. Child :

.....
.....
.....

c. Other Beneficiaries:

.....
.....
.....

(please explain every variable in the formula; specify to what salary base is the formula applied; and indicate the components included in that base e.g., salary plus which benefits, if any are in the base)

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

6. Maximum and Minimum limit

6.A Before the New Pension Law took effect

Did you have a maximum or minimum limit to the pension generated by the application of the formula ?

- (i) Yes
- (ii) No

If Yes, specify :

(a) Maximum limit :

(b) Minimum Limit :

6.B After the New Pension Law took effect

What maximum and minimum limit will be applied ?

(a) Maximum limit :

(b) Minimum Limit :

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

7. Definition of Contribution

7.A Before the New Pension Law applied

What is the formula used to calculate contribution?

7.A.1 For Employee

.....
.....
.....
.....
.....

7.A.2 For Employer

.....
.....
.....
.....
.....

(please explain every variable in the formula; specify to what salary base is the formula applied; and indicate the components included in that base e.g., salary plus which benefits, if any are in the base)

7.B After the New Pension Law took effect

What formula will be used to calculate contribution?

7.B.1 For Employee

.....
.....
.....
.....
.....

7.B.2 For Employer

.....
.....
.....
.....
.....

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

8. Total Annual Employee Compensation :

Description	Level		
	Highest	Average	Lowest
8.1 Total value of average compensation per employee (Rp)
8.2 Percentage of total compensation paid in cash (%)
8.3 Basic Salary (Rp)

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

B. ASSETS AND LIABILITIES OF THE PROGRAM/FUND AS OF APRIL 1993

1. Financial Statements :

1.1 Frequency of preparation of audited Financial Report :

.....
.....

1.2 Date of most recent audited statements : / /

1.3 What was the auditor's opinion ?

.....
.....
.....
.....
.....
.....

1.4 What report is made to MOF on the Financial Condition of the Fund ?

(a) Copy of auditors Report

(b) Other, specify:

.....
.....
.....
.....

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

2. Assets of the Pension Program / Fund available to meet liabilities, i.e excluding investment in office and operating equipment of the Fund

Note :

Complete the table 2.1 with the external audited figures covering the indicated years. If an external (outside) audited figures does not exist, complete the following table with the figures from the internal records (management evaluation/assessment). Please indicate that figures are unaudited by placing the numbers in brackets [].
Complete table 2.2 with the figure from Actuarial Report

No	Description	YEAR							
		1993		1992		1991		1990	
		(Rp)	(%)	(Rp)	(%)	(Rp)	(%)	(Rp)	(%)
2.1	Total Assets (Assets held for investment)								
A	1 Cash	...	...	...	...	...	...	...	...
	2 Current Account	...	...	...	...	...	...	...	...
	3 Bank Indonesia's Certificate (SBI)	...	...	...	...	...	...	...	...
B	1 Time Deposits	...	...	...	...	...	...	...	...
	2 Certificate Deposits	...	...	...	...	...	...	...	...
C	Traded equities (Capital Market)	...	...	...	...	...	...	...	...
	1 Stock *)	...	...	...	...	...	...	...	...
	2 Debt Investment (Notes or Bonds) **)	...	...	...	...	...	...	...	...
	(a) Debt issued by the Founder	...	...	...	...	...	...	...	...
	(b) Debt issued by Joint Venture or affiliated firm	...	...	...	...	...	...	...	...
	(c) Debt of other party	...	...	...	...	...	...	...	...
D	Money Market Securities (SBPU)	...	...	...	...	...	...	...	...
E	Other equities (direct placement)	...	...	...	...	...	...	...	...
	1 Direct placement to Joint Venture or affiliated company	...	...	...	...	...	...	...	...
	2 Other	...	...	...	...	...	...	...	...
F	Investment on Property	...	...	...	...	...	...	...	...
	1 Property associated with Founder's operation	...	...	...	...	...	...	...	...
	2 Other	...	...	...	...	...	...	...	...
G	Other assets	...	...	...	...	...	...	...	...
	Total Assets Note : state if the assets value provided at cost or market value	...	100	...	...	...	100	...	100

*) : specify % of the Pension Fund ownership of share issued by the Founder
.....
.....

**) : specify % of the Pension Fund debt instrument issued by the Founder
.....
.....

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

3. Income and Expenses of the Program / Fund

No.	Description	1992		1991		1990	
		(Rp)	(%)	(Rp)	(%)	(Rp)	(%)
3.1	Total Income						
	a. Employer contributions	...	...	...	...	...	...
	b. Employee contributions	...	...	...	...	...	...
	c. Interest Income	...	...	...	...	...	...
	d. Dividend Income	...	...	...	...	...	...
	e. Gain on disposition Asset/Capital Gain	...	...	...	...	...	...
	f. Other Income	...	...	...	...	...	...
	Total Income	...	100	...	100	...	100
3.2	Expenses						
	a. Pension Benefit Payments	...	...	...	...	...	...
	b. Administrative payments	...	...	...	...	...	...
	c. Tax payments	...	...	...	...	...	...
	Total Expenses	...	100	...	100	...	100
3.3	Benefit Amounts paid for :						
	a. Medical	...	...	...	...	...	...
	b. Death/survivor	...	...	...	...	...	...
	c. Housing	...	...	...	...	...	...
	d. Other	...	...	...	...	...	...
	Total	...	100	...	100	...	100

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

4. Rate of Return (%) on Investment (assets) :

[fill in the table with percentage figure and indicate the period]

	Type of Funds	Last 3 years		
		19...	19...	19...
		(%)	(%)	(%)
4.1	1. Cash			
	2. Current Account			
	3. Bank Indonesia Certificate (SBI)			
4.2	1. Time Deposits			
	2. Certificate Deposits			
4.3	1. Traded equities (Capital Market)			
	2. Debt Investment (Notes or Bonds)			
4.4	Money Market Securities (SBPU)			
4.5	Other Equities			
4.6	Real Property			
4.7	Other assets			

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

5. Actuarial Valuation of liabilities :

5.1 Frequency of preparation :

5.2 Date of most recent actuarial valuation : ... / ... / ...

5.3 Name of firm or individual who prepared the most recent actuarial valuation.

.....
.....
.....

5.4 Present value of total benefits accrued on behalf of all participants :

.....
.....
(please enclose copy of actuarial assumptions used)

5.5 Methodology for Actuarial Valuation
What method is used for Actuarial Valuation ?
(choose one of the following questions)

(a) Benefit Attribution method
describe,

.....
.....

(b) Level Cost Method
describe,

.....
.....

(c) o t h e r m e t h o d (s p e c i f y)

.....
.....
.....

6. Audit/actuarial relationship

Were the two conducted as of the same date ?

(a) Yes

(b) No, what is the gap
between their preparation (in months) ?

.....
.....

QUESTIONNAIRE
BUMN PENSION FUND SURVEY

C. STATUS OF COMPLIANCE WITH PENSION LAW

1. Have you submitted to Ministry of Finance the application for legalization of Dana Pensiun according to the New Pension Law ?

(a) Yes

(b) No *what is your target date for submitting an application?*

..... / /

2. If you have applied, in what stage is your application now ?

(a) Awaiting reply from the MOF as to whether the application provided satisfactory information on all points required by the law and regulations, especially the 19 requirements set out in Article 4 and Article 6 of PP 76 of 1992 ?

(b) Have received a reply from MOF that additional information is required.

(the degree of completeness of information submitted is to be detailed below)

(c) Preparing additional information for MOF review.

when do you expect to provide MOF with all required info ?

..... / /

(d) All additional information requested by MOF has been submitted and legalization is awaiting processing by the MOF.

(e) Approved and received legalization .

(please enclose the legalization document and specify the date)

..... / /

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

complete the following checklist table of the informational requirements for applying for legalization of a Dana Pensiun under the new Law

CHECKLIST TABLE TO ASSESS THE LEVEL OF COMPLIANCE TO THE NEW LAW

No.	PENSION REGULATION	Submission	Review/Process by M.O.F
3	Article 4		
a	name of the Pension Fund		
b	name of the Founder		
c	employee or employee group which is entitled to become a Participant		
d	name of the Co-founder(s), if any		
e	date of establishment of the Pension Fund		
f	purposes and objectives of the establishment of the Pension Fund		
g	the accumulation of assets of the Pension Fund which are separated from the assets of the employers		
h	procedures for appointment and replacement of the Administrator and Supervisory Board		
i	period of appointment of the Administrator and Supervisory Board		
j	a guidance of using custodial services		
k	requirements to become a Participants		
l	rights, obligations and responsibility of the Administrator, Supervisory Board, Participant and Employer including the obligation of Employers to pay contributions		
m	the amount of contribution for the Pension Program		
n	a formula to determine the Pension Benefit and factors that affect the calculation		
o	procedure for payment of Pension benefit and any other benefit		
p	procedures of appointment and replacement of parties entitled to Pension Benefits after the death of the Participant		
q	expenses chargeable to the Pension Fund		
r	procedures for modifying the Pension Regulations		
s	procedures for dissolution and liquidation of the Pension Fund		
	Article 6 of PP 76		
t	MOF approval on Founders and Co-founders written expression as one of the BUMN shareholders		
u	Total of (✓)		
v	% of compliance to the Law		

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

3. Is it the intention of the administrator to appoint an outside professional Investment Manager?

(a) Yes

(b) No

4 Has an advisor or source of advisor been identified ?

(a) Yes,

if yes, please indicate choice :

.....
.....
.....
.....
.....

(b) No

**QUESTIONNAIRE
BUMN PENSION FUND SURVEY**

COMPANY INFORMATION

1. Company Information:

1.1 Company Name:

.....
.....

1.2 Address:

.....
.....

1.3 Contact Person:

1.3.1 Name:

.....
.....

1.3.2 Position:

.....
.....

1.3.3 Telephone:

.....
.....

1.3.4 Fax:

.....
.....

KUESIONER
SURVAI DANA PENSIUN BUMN

STRUKTUR KUESIONER

- A. GAMBARAN MENGENAI PROGRAM PENSIUN
- B. KONDISI ASET DAN KEWAJIBAN PROGRAM PENSIUN / DANA PENSIUN
- C. STATUS DANA PENSIUN

DOKUMEN YANG DIPERLUKAN

(lampirkan dokumen berikut ini bersama dengan kuesioner yang sudah diisi)

1. Akte Notaris Dana Pensiun dan Akte Pendirian atau Anggaran Dasar Perusahaan
2. Peraturan Program Pensiun yang berlaku
3. Dokumen tanda bukti bahwa Peraturan Program Pensiun anda telah memenuhi ketentuan yang berlaku dan telah disahkan oleh Menteri Keuangan
4. Laporan Keuangan terakhir yang telah diperiksa oleh Akuntan Publik
5. Laporan Aktuaris mengenai Kewajiban Perusahaan (terbaru) yang mencakup :
 - Strategi yang digunakan oleh Dana Pensiun untuk mengatasi amortisasi *defisit*
 - Penjelasan mengenai Metodologi dan Asumsi yang digunakan dalam melakukan Valuasi Aktuaris
6. Data peserta Program / Dana Pensiun mencakup informasi mengenai : jumlah karyawan yang menjadi peserta, usia rata-rata, lama bekerja

KUESIONER
SURVAI DANA PENSIUN BUMN

A. GAMBARAN MENGENAI PROGRAM PENSIUN

1. Sebelum Undang Undang Dana Pensiun Baru berlaku, apakah status pengelola Program Pensiun perusahaan anda ?

- (a) Yayasan
- (b) Program Pensiun Perusahaan (dibiayai oleh anggaran perusahaan)
- (c) Program Pensiun yang diselenggarakan oleh perusahaan Asuransi
- (d) lainnya, jelaskan :
.....
.....
- (e) Tidak / belum memiliki Program Pensiun

2. Sebutkan tanggal dibentuknya / didirikannya program pensiun perusahaan anda :
..... / /

3. Waktu kerja yang digunakan pengurus untuk mengelola Dana Pensiun sampai dengan saat ini:

3.1 Apakah kegiatan pengadministrasian / pengelolaan program dana pensiun dikerjakan sendiri (in-house) atau diserahkan kepada pihak lain ?

- (a) Bila in-house
- (b) Bila oleh pihak lain [ke pertanyaan no. 3.3]

3.2 Bila kegiatan administrasi program dana pensiun dikerjakan sendiri (in-house), apakah proses pencatatan dan penyimpanan data dilakukan secara manual atukah dengan komputerisasi?

- (a) manual
- (b) komputerisasi

3.3 Apakah pengurus Program Pensiun diserahkan tugas untuk mengurus pengelolaan Dana Pensiun secara Full Time ?

- (a) Ya
- (b) Tidak

3.4 Adakah pekerja paruh waktu (*part-timer*) yang terlibat ?

- (a) Ya,
jelaskan :
- (b) Tidak

**KUESIONER
SURVAI DANA PENSIUN BUMN**

5.B.2 pihak yang berhak :

a. Janda atau Duda :

.....
.....
.....

b. Anak :

.....
.....
.....

c. Pihak yang ditunjuk :

.....
.....
.....

(jelaskan setiap variabel yang digunakan dalam perhitungan; jelaskan gaji dasar pensiun mana yang digunakan dalam perhitungan; rincikan pula komponen gaji dasar pensiun yang digunakan dalam perhitungan)

KUESIONER
SURVAI DANA PENSIUN BUMN

6. Batas maksimum dan minimum

6.A Sebelum Undang Undang Dana Pensiun baru berlaku

Apakah anda menetapkan batas maksimum ataupun minimum atas hasil rumusan yang berlaku?

- (i) Ya
- (ii) Tidak

Bila ya, jelaskan :

- (a) Batas maksimum :
- (b) Batas Minimum :

6.B Setelah Undang Undang Dana Pensiun baru berlaku

Sebutkan batas maksimum dan minimum baru yang akan diterapkan :

- (a) Batas maksimum :
- (b) Batas Minimum :

KUESIONER
SURVAI DANA PENSIUN BUMN

7. Rumus untuk menentukan luran Pensiun

7.A Sebelum Undang Undang Dana Pensiun baru berlaku

Sebutkan rumus yang digunakan untuk menghitung jumlah luran Pensiun bagi :

7.A.1 peserta :

.....
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.....

7.A.2 pemberi kerja :

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.....
.....
.....

(jelaskan setiap variabel yang digunakan dalam perhitungan; jelaskan gaji dasar pensiun mana yang digunakan dalam perhitungan; rincikan pula komponen gaji dasar pensiun yang digunakan dalam perhitungan)

7.B Setelah Undang Undang Dana Pensiun baru berlaku

Rumus apa yang akan digunakan ?

7.B.1 peserta :

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7.B.2 pemberi kerja :

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.....

(jelaskan setiap variabel yang digunakan dalam perhitungan; jelaskan gaji dasar pensiun mana yang digunakan dalam perhitungan; rincikan pula komponen gaji dasar pensiun yang digunakan dalam perhitungan)

KUESIONER
SURVAI DANA PENSUN BUMN

8. Sistem penggajian perusahaan (per tahun):

Keterangan	Tingkatan Gaji		
	Tertinggi	Rata-rata	Terendah
8.1 Kompensasi rata-rata per peserta (Rp)			
8.2 Bagian (persentase) dari kompensasi yang dibayarkan tunai (%)			
8.3 Gaji Pokok (Rp)			

KUESIONER
SURVAI DANA Pensiun BUMN

**B. ASET DAN KEWAJIBAN DARI PROGRAM Pensiun / DANA Pensiun
sampai dengan April 1993**

1. Laporan Keuangan :

1.1 Frekuensi diteruskannya Laporan Hasil Pemeriksaan Keuangan :

.....
.....

**1.2 Sebutkan kapan tanggal terakhir laporan keuangan diperiksa oleh akuntan publik?
..... / /**

**1.3 Bagaimana laporan hasil pemeriksaan terhadap kondisi keuangan program pensiun anda? Apakah
pemeriksa mengajukan penilaian wajar bersyarat, jelaskan ,**

.....
.....
.....
.....

**1.4 Laporan apa yang diteruskan kepada Menteri Keuangan untuk menjelaskan Kondisi Keuangan
dari Dana Pensiun ?**

- (a) Salinan dari Laporan Hasil Pemeriksaan
- (b) Lainnya, jelaskan :

.....
.....
.....
.....
.....

KUESIONER
SURVAI DANA PENSIUN BUMN

2. SUSUNAN ASET PROGRAM PENSIUN / DANA PENSIUN yang tersedia untuk memenuhi kewajiban, yaitu investasi diluar tanah-bangunan dan peralatan yang digunakan untuk kegiatan operasi Dana Pensiun

Catatan :

Lengkapi tabel 2.1 sedapat mungkin dengan data keuangan yang telah diperiksa (oleh skuntan publik) sesuai dengan tahun yang tertera. Apabila tidak tersedia, lengkapilah tabel berikut dengan data keuangan internal (internal record). Untuk membedakannya, berilah tanda kurung () untuk pencantuman data yang belum diaudit. Lengkapi tabel 2.2 dengan angka dan informasi dari Laporan Aktuaris.

No.	Keterangan	Tahun							
		1993		1992		1991		1990	
		(Rp)	(%)	(Rp)	(%)	(Rp)	(%)	(Rp)	(%)
2.1	Harta (yang ditahan untuk Investasi)								
A	1 - Kas								
	2 Giro								
	3 Sertifikat Bank Indonesia								
B	1 Deposito Berjangka								
	2 Sertifikat Deposito								
C	Surat Berharga Pasar Modal								
	1 Saham *)								
	2 Obligasi **)								
	(a) diterbitkan pendiri								
	(b) diterbitkan oleh perusahaan patungan (JV) atau afiliasi								
	(c) diterbitkan pihak lain								
D	Surat Berharga Pasar Uang								
E	Penyertaan Langsung								
	1 Penyertaan Langsung pada perusahaan patungan (JV) atau afiliasi								
	2 Penyertaan langsung pada perusahaan lain								
F	Investasi pada Tanah dan Bangunan								
	1 Tanah dan atau Bangunan yang dipakai oleh pendiri								
	2 Tanah dan atau Bangunan lain								
G	Lainnya								
	Jumlah Harta				100		100		100
	Catatan : sebutkan apakah nilai aset yang dicantumkan berdasarkan pada harga beli atau harga pasar								

*) : sebutkan bagian (persentase) asset dana pensiun yang berupa kepemilikan saham perusahaan pendiri
.....
.....

***) : sebutkan bagian (persentase) asset dana pensiun yang berupa surat hutang yang diterbitkan oleh perusahaan pendiri (termasuk perusahaan patungan atau afiliasi)
.....
.....

KUESIONER
SURVAI DANA PENSIUN BUMN

3. Hasil dan Beban Program / Dana Pensiun :

	Keterangan	1993		1992		1991		1990	
		(Rp)	(%)	(Rp)	(%)	(Rp)	(%)	(Rp)	(%)
3.1	Hasil / Pendapatan								
	a. Iuran Pemberi Kerja								
	b. Iuran Peserta								
	c. Pendapatan bunga								
	d. Pendapatan deviden								
	e. Keuntungan dari penjualan tanah / bangunan								
	g. Pendapatan lainnya								
	Jumlah Total Hasil / Pendapatan		100		100		100		100
3.2	Beban / Biaya								
	a. Pembayaran Pensiun								
	b. Pembayaran administrasi								
	c. Pembayaran pajak								
	Jumlah Beban		100		100		100		100
3.3	Jumlah pembayaran tunjangan kesejahteraan :								
	a. Tunjangan Kesehatan								
	b. Tunjangan Kematian								
	c. Tunjangan Perumahan								
	d. Tunjangan lain, sebutkan :								
	Total Tunjangan kesejahteraan		100		100		100		100

KUESIONER
SURVAI DANA PENSIUN BUMN

4. Tingkat pengembalian Investasi (dalam %) :

	Jenis Harta	Tiga tahun terakhir (sa sesuai dengan data yang dimiliki)		
	
		(%)	(%)	(%)
4.1	1 Kas			
	2 Giro			
	3 Sertifikat Bank Indonesia			
4.2	1 Deposito berjangka			
	2 Sertifikat Deposito			
4.3	1 Surat Berharga (pasar modal)			
	2 Obligasi			
4.4	Surat Berharge Pasar Uang			
4.5	Penyertaan langsung			
4.6	Bangunan dan Gedung			
4.7	Harta lainnya			

KUESIONER
SURVAI DANA PENSUN BUMN

5. Valuasi aktuaris terhadap kewajiban yang harus dipenuhi :

5.1 Frekuensi penilaian :

5.2 Tanggal terakhir dilakukannya valuasi aktuaris :

... / ... / ...

5.3 Siapa yang melakukan valuasi aktuaris terakhir ?

.....
.....
.....

5.4 Berapa besar nilai sekarang (present value) dari seluruh manfaat pensiun yang harus ditanggung yayasan untuk seluruh peserta ?

.....

.....

(lampirkan bersama kuesioner ini asumsi aktuarial yang digunakan)

5.5 Metodologi apa yang digunakan dalam valuasi aktuaris ?

(pilih salah satu dibawah ini)

(a) Metode Benefit Attribution jelaskan :

.....

.....

(b) Metode Level Cost Method, jelaskan :

.....

.....

(c) Metode lain, jelaskan :

.....

.....

6. Hubungan antara pemeriksaan keuangan oleh akuntan publik dengan valuasi oleh aktuaris :
Apakah keduanya dilaksanakan pada waktu yang sama ?

(i) Ya

(ii) Tidak

Bila tidak, jelaskan perbedaan waktu antara keduanya ?

.....

.....

.....

.....

KUESIONER
SURVAI DANA PENSIUN BUMN

C. STATUS DANA PENSIUN

(apakah telah memenuhi ketentuan yang berlaku)

1. Apakah anda sudah mengajukan permohonan pengesahan pembentukan Dana Pensiun atau penyesuaian Yayasan Dana Pensiun kepada Departemen Keuangan RI ?

(a) Ya

(b) Belum

sebutkan target waktu yang diperkirakan mengajukan permohonan :

..... / /

2. Bila anda telah mengajukan permohonan, sejauh manakah proses permohonan pengesahan anda telah berlangsung ?

(a) Menunggu konfirmasi dari pihak Departemen Keuangan, apakah informasi yang disampaikan telah memenuhi semua persyaratan yang digariskan oleh Undang Undang baru, khususnya apakah telah memenuhi 19 persyaratan yang tercantum pada pasal 4 dan pasal 6 PP 76 UU Pensiun 1992 ?

(b) Dokumen telah diperiksa, dan telah menerima tanggapan dari Departemen Keuangan mengenai kekurangan informasi yang masih perlu disampaikan

(dalam tabel isian berikut ini, mohon anda perinci kelengkapan informasi yang sudah anda sampaikan kepada Departemen Keuangan)

(c) Dalam proses melengkapi kekurangan informasi yang masih dibutuhkan sesuai dengan tanggapan yang diberikan oleh Departemen Keuangan

Sebutkan target waktu penyerahan kekurangan informasi yang masih dibutuhkan :

..... / /

(d) Telah melengkapi semua kekurangan informasi yang dipersyaratkan dan menunggu proses pengesahan dari Menteri Keuangan

(e) Telah menerima pengesahan dari Menteri Keuangan RI

(sebutkan tanggal pengesahan dan lampirkan dokumen bersama dengan kuesioner ini)

KUESIONER
SURVAI DANA PENSIUN BUMN

Tabel isian untuk menilai
seberapa jauh Dana Pensiun anda
mematuhi Undang Undang yang berlaku

[berilah tanda (✓) pada tabel berikut ini]

No.	Peraturan Dana Pensiun	sudah disampaikan kepada Dep. Keu	sudah dibahas dan disetujui Dep. Keu
3	Pasal 4 PP 76		
a	nama Dana Pensiun		
b	nama Pendiri Dana Pensiun		
c	karyawan atau kelompok karyawan yang berhak menjadi peserta		
d	nama mitra pendiri (bila ada)		
e	tanggal pembentukan Dana Pensiun		
f	maksud dan tujuan didirikannya Dana Pensiun		
g	pembentukan Harta dari Dana Pensiun yang dilakukan secara terpisah dari kekayaan pemberi kerja		
h	tata cara penunjukkan, penggantian pengurus dan dewan pengawas		
i	masa jabatan pengurus dan dewan pengawas		
j	pedoman penggunaan jasa penerima titipan		
k	syarat untuk menjadi peserta		
l	hak, kewajiban dan tanggung jawab dari pengurus, dewan pengawas, peserta, pemberi kerja termasuk didalamnya kewajiban para pemberi kerja untuk membayar iuran		
m	besar iuran untuk program pensiun		
n	rumus Manfaat Pensiun dan faktor-faktor yang mempengaruhi perhitungan		
o	tata cara pembayaran Dana Pensiun dan manfaat lainnya		
p	tata cara penunjukkan dan penggantian pihak yang berhak atas Manfaat Pensiun apabila peserta meninggal dunia		
q	biaya-biaya yang merupakan beban Dana Pensiun		
r	tata cara perubahan Peraturan Pensiun		
s	tata cara pembubaran dan penyelesaian Dana Pensiun		
	Pasal 6 PP 76		
t	Surat persetujuan Menteri Keuangan (sebagai pemegang saham BUMN) atas pernyataan tertulis Pendiri dan Mitra pendiri		
u	Total (✓)		
v	Tingkat mematuhi peraturan yang berlaku (%)		

KUESIONER
SURVAI DANA PENSIUN BUMN

3. Apakah pengurus bermaksud menunjuk pihak luar (seorang manajer investasi yang profesional) untuk mengelola investasi Dana Pensiun ?

(a) Ya

(b) Tidak

4. Sudahkah anda menentukan siapa yang akan menjadi penasehat (ahli) Investasi Dana anda ?

(a) Ya *sebutkan nama atau nama organisasi / perusahaan dari mana penasehat (ahli) anda diambil :*
.....
.....

(b) Belum

KUESIONER
SURVAI DANA PENSIUN BUMN

INFORMASI UMUM PERUSAHAAN

1. Informasi Umum Perusahaan:

1.1 Nama Perusahaan:

.....
.....

1.2 Alamat:

.....
.....

1.3 Pejabat yang bertanggung jawab untuk kelengkapan dan pengembalian kuesioner

1.3.1 Nama:

.....
.....

1.3.2 Jabatan:

.....
.....

1.3.3 Telepon:

.....
.....

1.3.4 Fax:

.....
.....

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

QUESTIONNAIRE STRUCTURE

- A. COMPENSATION INFORMATION**
- B. EMPLOYEE COMPOSITION**
- C. COMPENSATION STRUCTURE**
- D. COMPENSATION ADJUSTMENT**

List of documents to be enclosed with the complete questionnaire

- **The Company's Organization Structure**
- **The Company's Compensation Policy, Rules, & Regulations**
- **The Personnel Rank System and Salary Structure**

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

A. COMPANY INFORMATION

1. Company Information:

1.1 Company Name:

.....
.....

1.2 Address:

.....
.....

1.3 Contact Person:

1.3.1 Name:

.....
.....

1.3.2 Position:

.....
.....

1.3.3 Telephone:

.....
.....

1.3.4 Fax:

.....
.....

2. Date of establishment:

.... / /

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

3. Specify your company line of business :

(a) Manufacturing / Industry

- (i) Cement
- (ii) Fertilizer
- (iii) Paper
- (iv) Doc and Shipyard
- (v) Steel
- (vi) Textile
- (vii) Printing
- (viii) Engineering
- (ix) Various Industry
- (x) Other:
.....
.....

(b) Financial Services

- (i) Bank
- (ii) Insurance
- (iii) Other Financial Services

(c) Trade

(d) Terminal (Ports)

(e) Construction

(f) Transportation

(g) Consulting

(h) Mining

(i) Energy

(j) Hotels

(k) Agriculture

(l) Forestry

(m) other, specify :

.....
.....
.....
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.....
.....

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

B. EMPLOYEE COMPOSITION

1. Employee Grading Structure

Please indicate the range of grades (golongan / pangkat) for each job class as follows:

Echelon / Levels	Grades/Rank (range)
1. Top Management	
2. Middle Management	
3. Junior Management	
4. Professional Staff	
5. Clerical/Technical	
6. Direct Production/Unskilled Workers	

Note : Top Management will include Top Directors
 Middle Management will include Heads of Division/Departments reporting to Directors
 Junior Management will include Heads of Sub Divisions/Sections
 Professional Staff will include Functional Positions
 Clerical/Technical will include non-exempt employees (Technicians, Typists, etc)
 Direct Production/Unskilled Workers (such as Workers, Office Boys, etc)

2. Breakdown of Active Employees for the period of 1992-1993 or most recent year available (indicate year)

2.1 Number of Active Employees by Echelon/Levels

Level	Number of Employees
1. Top Management	
2. Middle Management	
3. Junior Management	
4. Professional Staff	
5. Clerical/Technical	
6. Direct Production/Unskilled Workers	
Total	

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

2.2 Number of Active Employees by Length of Service

Length of Service (years)	Number of Employees
1. < 5	
2. 5 - 10	
3. 10 - 15	
4. 15 - <20	
5. >20	
Total	

2.3 Number of Active Employees by Age

Age (year)	Number of Employees
1. < 25	
2. 25 - <35	
3. 35 - <45	
4. 45 - <55	
5. 55 and older	
Total	

3. Number of Retirees and Beneficiaries by age for the period of 1992-1993 or most recent year available (indicate year)

Age (year)	Retirees	Early Retirees	Beneficiaries
1. < 25			
2. 25 - <35			
3. 35 - <45			
4. 45 - <55			
5. 55 and older			
Total			

Note : Retirees are permanent employees who retired at the defined pension age;
Early Retirees are permanent employees receive early retirement pensions due to disabilities, poor performance, etc;
Beneficiaries are those who receive a pension due to the death of retired employees (spouse, children, etc).

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

COMPENSATION STRUCTURE

1. Compensation Component

Please describe the basic structure of employee compensation:

- Base Salary : %
- Cash Compensation : %
- Benefits : %

-
- Total : 100 %

Note :

- Base Salary is the fixed salary component, dependent upon the scope of work and level of responsibility, rank, and level of the employee.
- Cash Compensation is the variable salary component received in cash. This compensation is typically based on employees' position and the nature of the company.
- Benefits are that portion of compensation given to the employee and or his dependents to improve their well-being.

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

2. Benefits

2.1 Benefits paid in cash

Please mark (x) the table to indicate the benefits paid in cash to employees.

Type of Cash Compensation	By levels/echelons					
	Top Mgmt	Middle Mgmt	Junior Mgmt	Prof'l Staff	Clerical/ Technical	Direct Production/ Unskilled Workers
1. Position Allowance						
2. Transportation Allowance						
3. Welfare/Family Allowance						
4. Operational Allowance						
5. Cost of Living Allowance						
6. Education Allowance						
7. Housing Allowance						
8. Meals Allowance						
9. Overtime Allowance						
10. Other, specify :						

QUESTIONNAIRE
BUMN COMPENSATION SURVEY

2.2 Benefits in kind

Please mark (x) the table to indicate the non-cash benefits provided to employees.

Type of Benefits	By levels/Echelons					
	Top Mgmt	Middle Mgmt	Junior Mgmt	Prof'l Staff	Clerical/ Technical	Direct Production/ Unskilled Workers
Benefits						
1. Pension Benefit						
2. Housing Benefit						
3. Transportation Benefit (car)						
4. Loan Facility						
5. Medical/Polyclinics Facility						
6. Health Insurance						
7. ASTEK						
8. Club/Membership						
9. Leave						
10. Canteen						
11. Others, specify:						

QUESTIONNAIRE
BUMN COMPENSATION SURVEY

3. Please specify Total Compensation Expenses (Rp/year):

Total Compensation Expenses	
Cash	Rp/year
Base Salary	
Allowances: (please specify)	
a.	
b.	
c.	
d.	
e.	
f.	
Non-Cash	Rp/year
a.	
b.	
c.	
d.	
e.	
f.	
g.	

QUESTIONNAIRE
BUMN COMPENSATION SURVEY

4. Total Cash Compensation (Rp/month)

Range (Rp/mo) by Echelon/Levels

Echelon/Levels	Range of Grades / Ranks	Range of Base Salary (Rp/mo)		Average benefit paid in cash / allowances
		Min	Max	
1. Top Management				
2. Middle Management				
3. Junior Management				
4. Professional Staff				
5. Clerical/Technical				
6. Direct Production / Unskilled Worker				

5. Please estimate base salary as a percentage the total compensation (cash and non-cash):

Echelons/Levels	(%)
1. Top Management	
2. Middle Management	
3. Junior Management	
4. Professional Staff	
5. Clerical/Technical	
6. Direct Production/Unskilled Worker	

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

D. COMPENSATION ADJUSTMENT

1. Factors which determine compensation adjustment

- (a) Inflation (price adjustment)
 - (i) Cost of Living Adjustment (COLA)
 - (ii) Price of Petrol adjustment
 - (iii) 9 Basic Food Price adjustment
- (b) Merit
- (c) Length of Service
- (d) Company Performance (eg: Profitability, Growth, Soundness, etc)
- (e) Other, please specify :

.....
.....
.....
.....

2. Salary Review

2.1 Compensation review practice (please specify component/s affected)

- (a) Annually
- (b) Semi-annually
- (c) Quarterly
- (d) Other practice, please describe:

.....
.....
.....
.....

2.2 Base compensation adjusted:

- (a) Base Salary
- (b) Base Salary plus benefits paid in cash
- (c) other, specify:

.....
.....

**QUESTIONNAIRE
BUMN COMPENSATION SURVEY**

3. What was the average annual compensation adjustment for the last 3 years ?

Level	percentage of increase (range)
1. Top Management	
2. Middle Management	
3. Junior Management	
4. Professional Staff	
5. Clerical/Technical	
6. Direct Production/ Unskilled Worker	

KUESIONER
SURVAI KOMPENSASI BUMN

STRUKTUR KUESIONER

- A. **INFORMASI UMUM PERUSAHAAN**
- B. **KOMPOSISI PEGAWAI**
- C. **STRUKTUR PENGGAJIAN**
- D. **PENYESUAIAN GAJI**

DOKUMEN PENDUKUNG YANG DIPERLUKAN

Harap lampirkan dokumen berikut ini bersama kuesioner yang telah dilengkapi

- **Struktur Organisasi Perusahaan**
- **Kebijaksanaan, Peraturan dan Keputusan Perusahaan mengenai Kompensasi / Penggajian**
- **Sistim Golongan / Pangkat Kepegawaian dan Struktur Kompensasi / Penggajian**

KUESIONER
SURVAI KOMPENSASI BUMN

A. INFORMASI UMUM PERUSAHAAN

1. Informasi Umum Perusahaan:

1.1 Nama Perusahaan:

.....
.....

1.2 Alamat:

.....
.....

1.3 Pihak yang bertanggung jawab untuk kelengkapan dan pengembalian kuesioner

1.3.1 Nama:

.....
.....

1.3.2 Posisi:

.....
.....

1.3.3 Telepon:

.....
.....

1.3.4 Fax:

.....
.....

2. Tanggal berdirinya perusahaan:

..... / /

KUESIONER

SURVAI KOMPENSASI BUMN

3. Lingkari pilihan jawaban yang tersedia untuk menunjukkan jenis industri / jalur usaha perusahaan anda:

(a) Industri Manufaktur

- (i) Semen
- (ii) Pupuk
- (iii) Kertas dan Pulp
- (iv) Perkapalan
- (v) Baja
- (vi) Tekstil
- (vii) Percetakan
- (viii) Enjinering
- (ix) Aneka Industri
- (x) lainnya sebutkan:
.....
.....

(b) Jasa Keuangan

- (i) Bank
- (ii) Asuransi
- (iii) Jasa Keuangan lain, sebutkan :
.....
.....

(c) Perdagangan

(d) Terminal / Pelabuhan

(e) Konstruksi

(f) Transportasi

(g) Konsultan

(h) Pertambangan

(i) Energi

(j) Hotel

(k) Pertanian

(l) Kehutanan

(m) lainnya, jelaskan:

.....
.....
.....
.....
.....
.....

KUESIONER
SURVAI KOMPENSASI BUMN

B. KOMPOSISI PEGAWAI

1. Struktur Kepangkatan (penggolongan) Pegawai

Jabarkan rentang golongan/kepangkatan yang berlaku untuk setiap Eselon/peringkat jabatan berikut ini:

Eselon/Peringkat Jabatan	Rentang Golongan Kepangkatan
1. Manajemen Puncak	
2. Manajemen Madya	
3. Manajemen Muda	
4. Staf Profesional	
5. Tenaga Klerikal/Teknisi	
6. Pekerja Produksi/Operasional	

Catatan : Manajemen Puncak adalah jabatan-jabatan Direksi
Manajemen Madya mencakup jabatan-jabatan Kepala Divisi/Departemen yang bertanggung jawab langsung kepada Direksi
Manajemen Muda mencakup jabatan-jabatan Kepala Sub Divisi/Sub Departemen
Staf Profesional adalah jabatan-jabatan fungsional (akuntan, pilot, sekretaris perusahaan dll)
Tenaga Klerikal/Teknisi adalah jabatan-jabatan non staf (teknisi, juru tik dll)
Pekerja Produksi/Operasional adalah karyawan pelaksana lapangan (pekerja pabrik, pesuruh kantor, dll)

2. Data Pegawai Aktif tahun 1992-1993
atau data tahun terakhir yang dimiliki (sebutkan tahun dimaksud)

2.1 Jumlah pegawai yang masih aktif bekerja
berdasarkan Eselon / Peringkat Jabatan

Eselon/ Peringkat Jabatan	Jumlah pegawai
1. Manajemen Puncak	
2. Manajemen Madya	
3. Manajemen Muda	
4. Staff Profesional	
5. Tenaga klerikal/Teknisi	
6. Pekerja Produksi/Operasional	
Total	

KUESIONER
SURVAI KOMPENSASI BUMN

2.2 Jumlah Pegawai yang masih aktif bekerja berdasarkan tahun lama kerja

Lama Kerja (tahun)	Jumlah Pegawai
1. < 5	
2. 5 - 10	
3. 10 - 15	
4. 15 - <20	
5. >20	
Total	

2.3 Jumlah Pegawai yang masih aktif bekerja berdasarkan usia

Usia (tahun)	Jumlah Pegawai
1. < 25	
2. 25 - <35	
3. 35 - <45	
4. 45 - <55	
5. 55 keatas	
Total	

3. Jumlah Pensiunan dan Survivor berdasarkan Usia tahun 1992-1993 atau data tahun terakhir yang tersedia (sebutkan tahun dimaksud)

Usia (tahun)	Pensiunan	Pensiunan dipercepat	Survivor
1. < 25			
2. 25 - <35			
3. 35 - <45			
4. 45 - <55			
5. 55 keatas			
Total			

Catatan:

- Pensiunan artinya semua pegawai yang telah memasuki usia pensiun dan telah mengambil hak pensiunnya
- Pensiunan dipercepat artinya semua pegawai yang berhak dan telah mengambil haknya atas manfaat pensiun karena satu dan lain hal (misalnya cacat tubuh, kecelakaan atau yang berkaitan dengan unjuk kerja pegawai ybs maupun perusahaan)
- Survivor artinya pihak yang berhak dan telah mengambil haknya atas pensiun pegawai; termasuk disini adalah istri, anak atau wali yang ditunjuk

KUESIONER

SURVAI KOMPENSASI BUMN

C. STRUKTUR PENGGAJIAN

1. KOMPONEN PENGGAJIAN / KOMPENSASI

Secara garis besar proporsi komponen dasar penggajian / kompensasi perusahaan anda dapat dijabarkan sebagai berikut:

- Gaji Pokok %
- Tunjangan %
- Benefit %
-
- Total 100 %

Catatan :

- Gaji Pokok adalah komponen gaji tetap, merupakan gaji dasar yang distrukturisasi sesuai dengan lingkup tanggung jawab jabatan dan praktis terkait dengan kejangkauan
- Tunjangan adalah komponen penggajian variabel yang diterima pegawai karena jabatannya atau kebutuhan spesifik perusahaan
- Benefit adalah komponen penggajian yang diterima pegawai / berikut anggota keluarga untuk menunjang tingkat kesejahteraan pegawai. Diterima dalam bentuk 'in kind', berupa fasilitas pinjaman, fasilitas fisik, penggantian biaya, dll

KUESIONER
SURVAI KOMPENSASI BUMN

2. Macam Tunjangan dan Benefit

2.1 Macam Tunjangan

Harap lengkapi tabel berikut ini (✓) dengan macam tunjangan yang diterima oleh pegawai sesuai dengan eselon / peringkat jabatannya

Macam Tunjangan	Peringkat Jabatan					
	Manajemen Puncak	Manajemen Madya	Manajemen Muda	Staf Profesional	Tenaga Teknisi dan klerikal	Pekerja Produksi/ Operasional
1. Tunjangan Jabatan						
2. Tunjangan Transportasi						
3. Tunjangan Kesejahteraan / Keluarga						
4. Tunjangan Operasional						
5. Tunjangan Kemahalan Umum						
6. Tunjangan Pendidikan						
7. Tunjangan Perumahan						
8. Uang Makan						
9. Upah Lembur						
10. Lainnya:						

KUESIONER
SURVAI KOMPENSASI BUMN

2.2 Macam Benefit

Harap lengkapi tabel berikut ini (✓) dengan macam benefit yang diterima oleh pegawai sesuai dengan Eselon / peringkat jabatannya

Macam Benefit	Peringkat Jabatan					
	Manajemen Puncak	Manajemen Madya	Manajemen Muda	Staf Profesional	Tenaga Teknis dan Klerikal	Pekerja Produksi/ Operasional
1. Benefit Purna Karya (Pensiun)						
2. Fasilitas Perumahan (tempat tinggal)						
3. Fasilitas Kendaraan						
4. Fasilitas Pinjaman						
5. Fasilitas Klinik/ Rumah Sakit						
6. Asuransi Kesehatan						
7. Asuransi Tenaga Kerja						
8. Fasilitas Club Membership						
9. Fasilitas Cuti						
10. Fasilitas Kantin						
11. Lainnya, sebutkan:						

KUESIONER
SURVAI KOMPENSASI BUMN

3. Biaya Penggajian

Berikanlah rincian biaya yang dikeluarkan oleh perusahaan setiap tahunnya untuk penggajian (Rp/bruto/tahun):

Biaya penggajian	
Tunai	Total Rp bruto per tahun
Gaji Pokok
Macam Tunjangan, sebutkan:
a.
b.
c.
d.
e.
f.
g.
h.
i.
Bukan Tunai / Natura	Total Rp bruto per tahun
Macam benefit, sebutkan:	
a.
b.
c.
d.
e.
f.
g.

KUESIONER

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4. Sebutkan rentang/skala Pendapatan yang dibayarkan tunai (Rp/bruto/bulan) berdasarkan eselon / peringkat jabatan

Eselon/peringkat jabatan	Rentang golongan kepangkatan	Rentang Gaji Pokok (Rp/bruto/bulan)		Nilai rata-rata Tunjangan yang dibayarkan tunai (Rp/bruto/bulan)
		Min	Max	
1. Manajemen Puncak				
2. Manajemen Madya				
3. Manajemen Muda				
4. Staf Profesional				
5. Tenaga klerikal/Teknisi				
6. Pekerja Produksi/Operasional				

5. Lengkapi tabel berikut dengan perkiraan proporsi Gaji Pokok terhadap nilai total kompensasi (tunai / bukan tunai) yang diterima berdasarkan eselon/ peringkat jabatan:

Eselon / Peringkat Jabatan	(%)
1. Manajemen Puncak	
2. Manajemen Madya	
3. Manajemen Muda	
4. Staf Profesional	
5. Tenaga klerikal / Teknisi	
6. Pekerja Produksi / Operasional	

KUESIONER
SURVAI KOMPENSASI BUMN

D. PENYESUAIAN GAJI

1. Faktor faktor penyebab penyesuaian gaji

- (a) Inflasi (penyesuaian harga)
 - (i) Penyesuaian tingkat biaya hidup
 - (ii) Penyesuaian harga minyak
 - (iii) Penyesuaian harga 9 bahan pokok

(b) Nilai Merit (unjuk kerja pegawai)

(c) Lama Kerja

(d) Unjuk Kerja Perusahaan

(e) Lainnya, jelaskan :

.....
.....
.....

2. Tinjauan Penggajian

2.1 Tinjauan penggajian untuk penyesuaian gaji dilakukan secara periodik:

- (a) setiap tahun
- (b) setiap semester
- (c) setiap kwartal
- (d) lainnya, jelaskan :

.....
.....
.....

2.2 Komponen penggajian yang terpengaruh karena tinjauan penggajian sesuai dengan jawaban pada pertanyaan 2,1 diatas adalah:

- (a) Gaji Pokok saja
- (b) Gaji Pokok plus Tunjangan
- (c) lainnya, jelaskan :

.....
.....
.....

KUESIONER
SURVAI KOMPENSASI BUMN

3. Lengkapi tabel berikut ini dengan angka rata-rata persentasi kenaikan gaji selama periode 3 tahun terakhir.

Eselon / Peringkat Jabatan	Rentang tingkat kenaikan gaji (%)
1. Manajemen Puncak	
2. Manajemen Madya	
3. Manajemen Muda	
4. Staf Profesional	
5. Tenaga Klerikal/Teknikal	
6. Pekerja Produksi/Operasional	

Price Waterhouse

OGS-WASHINGTON D.C. - U.S.A.

INDONESIA FINANCIAL MARKETS PROJECT
MINISTRY OF FINANCEMEMORANDUM
FMP/PC/MT/93/052

To Ir. Martiono Hadianto, MBA, Director General of State Enterprise
 From ^{MC} Mark Camstra and ^{BH} Bill Hollinger, PW
 Date 20 September 1993
 Re BUMN Pension Fund and Compensation Surveys: Preliminary Results

1. Attached please find a brief report summarizing the preliminary results of the BUMN pension fund and compensation surveys for your review. The report is structured as follows:

- I. Introduction
- II. Preliminary Survey Findings and Conclusions
- III. Next Steps
- IV. Conclusions

The attachments to the report contain additional information to support the preliminary findings.

2. The preliminary results report reflects the combined efforts of the team of Price Waterhouse expatriate and Indonesian consultants Marlyn Zerkowitz, Ciska Suganda, Witta Oetomo, and Asno Raflus. The team has worked closely with Directors and Sub-Directors of the Directorate General of State Enterprises on this task.
3. The procedural next steps identified in the report are:
- 3.1. Continue to process and analyze survey data.
 - 3.2. Consolidate pension fund and compensation survey results.
 - 3.3. Conduct a deeper analysis of the pension funds situation.
 - 3.3.1. Review a typical insurance arrangement for a BUMN pension fund to establish conversion issues.
 - 3.3.2. Obtain a list of BUMN pension funds that have requested funds from the Ministry of Finance to meet their pension fund obligations for comparison to survey results.
 - 3.4. Compare BUMN compensation structure to additional private sector industries.
4. If you would like to discuss these preliminary survey results, we are available to meet with you at your convenience.
- cc: Drs. Antonius Subroto, MA

PRELIMINARY RESULTS OF PENSION FUNDS AND COMPENSATION SURVEYS

Finding	Conclusion/Implication	Next Steps	Reference	Issues
<ul style="list-style-type: none"> ▶ <u>Staff Breakdown</u> Management: 8.3% Non-Management: 91.7% 	<ul style="list-style-type: none"> ▶ Generally consistent with private sector. 	<ul style="list-style-type: none"> ▶ Compare survey results to BUMN performance. 	<ul style="list-style-type: none"> ▶ Exhibit B1 	
<ul style="list-style-type: none"> ▶ <u>Demographics</u> 56.2% of employees age 35+ 38.9% of employees have 15+ years of service. 	<ul style="list-style-type: none"> ▶ Pension fund costs will increase significantly in future. 	<ul style="list-style-type: none"> ▶ Consolidate compensation and pension fund survey results. 	<ul style="list-style-type: none"> ▶ Exhibits B2 and B3 	
<ul style="list-style-type: none"> ▶ <u>Compensation Structure</u> BUMN compensation structures vary. On average, base salary is 36.3% of total compensation. 	<ul style="list-style-type: none"> ▶ Some BUMN will need to adjust their compensation structures as part of conversion process. 	<ul style="list-style-type: none"> ▶ Include BUMN requiring compensation adjustment in group of pilot assessments for conversion. 	<ul style="list-style-type: none"> ▶ Exhibit B5 	<ul style="list-style-type: none"> ▶ Response quality may be a factor.
<ul style="list-style-type: none"> ▶ <u>Private Sector Comparison</u> BUMN financial institution compensation is competitive with private sector. 	<ul style="list-style-type: none"> ▶ Additional private sector compensation data needed for comparisons to other industries. 	<ul style="list-style-type: none"> ▶ Obtain additional private sector compensation information. 	<ul style="list-style-type: none"> ▶ Exhibits B6 and B7 	
<ul style="list-style-type: none"> ▶ <u>Types of Pension Plans</u> Yayasan 42.5% Joint Pension 20.5% Insurance 20.0% Company Pension 9.6% No Pension Plan 7.5% 	<ul style="list-style-type: none"> ▶ Diversity of pension plans calls for development of distinct approaches to conversion. 	<ul style="list-style-type: none"> ▶ Analyze insurance contract to establish conversion issues. 	<ul style="list-style-type: none"> ▶ Exhibit C1 	<ul style="list-style-type: none"> ▶ Company pension plans have no dedicated pension fund assets.
<ul style="list-style-type: none"> ▶ <u>Pension Fund Assets</u> Modest diversification. 39.1% of investments in time deposits. Less liquid assets such as property and direct placements comprise 37.6% of assets. 	<ul style="list-style-type: none"> ▶ Different asset types require different conversion procedures. ▶ Conversion will be more difficult for pension funds with illiquid assets. 	<ul style="list-style-type: none"> ▶ Select pilot sample for conversion assessment which includes at least 1 BUMN pension fund with all types of assets to develop master plan and conversion procedures. 	<ul style="list-style-type: none"> ▶ Exhibits C2 and C4 	<ul style="list-style-type: none"> ▶ Limited data available. ▶ Market values, especially of illiquid assets, may differ from those reported.
<ul style="list-style-type: none"> ▶ <u>Underfunding of Pension Funds</u> 1992 aggregate underfunding for 41 BUMN pension funds of Rp. 1,027.8 billion based on information from those funds. 	<ul style="list-style-type: none"> ▶ In aggregate, BUMN pension funds appear to be underfunded. ▶ Asset audits and actuarial valuations required for same time period to find out true funding situation. 	<ul style="list-style-type: none"> ▶ Obtain a list of BUMN that have requested MOF funds to meet pension obligations. ▶ Compare survey results to BUMN performance and list of BUMN requesting funds. ▶ Define financing options for conversion of pension funds in different funding situations. 	<ul style="list-style-type: none"> ▶ Exhibits C3 and C5 	<ul style="list-style-type: none"> ▶ Timing differences of asset and actuarial valuations implies true pension fund situation may differ from survey response.
<ul style="list-style-type: none"> ▶ <u>Compliance</u> No BUMN pension funds surveyed are in full compliance with 1992 pension fund law and regulations. 	<ul style="list-style-type: none"> ▶ Based on where the BUMN are in the process, few, if any, BUMN pension funds will be legalized by the end of 1993. 		<ul style="list-style-type: none"> ▶ Exhibit C6 	<ul style="list-style-type: none"> ▶ Supports decision to convert pension funds from defined benefit to defined contribution.
<ul style="list-style-type: none"> ▶ <u>Conversion</u> Primarily defined benefit pension plans. Diverse types of plans, funding situations, performance. 	<ul style="list-style-type: none"> ▶ A case-by-case approach to conversion is necessary to deal with diversity. 	<ul style="list-style-type: none"> ▶ Develop criteria to determine phasing of BUMN pension fund conversion to be tested in pilots. 	<ul style="list-style-type: none"> ▶ Exhibits C1 and C7 	

Preliminary Results of BUMN Pension Fund and Compensation Surveys

I. INTRODUCTION

A. Objectives and Scope of Work

The objective of this task is to conduct surveys of BUMN pension funds and compensation structures to assist the Directorate General of State Enterprise (DGSE) to prepare to reform BUMN pension funds. This reform is expected to involve the conversion of BUMN pension funds from defined benefit to defined contribution type pension plans. The survey results will be used to develop a policy for BUMN pension fund reform and to identify candidates for pilot assessments for conversion. The task is being carried out under the Privatization Component of the Financial Markets Project (FMP).

B. Methodology

1. Team

This task is being carried out by a team of Price Waterhouse Indonesian and expatriate consultants working closely with the staff of the DGSE. The team consists of Marlyn Zelkowitz, pension funds specialist and task manager; Marina Tusin, senior compensation specialist; Ciska Suganda, compensation analyst; Witta Oetomo, survey specialist; and, Asno Raflus, professional assistant. William Hollinger, FMP Senior Privatization Specialist, and Mark Camstra, FMP Chief of Party, provided technical and managerial oversight.

2. Analytical Framework

The methodology consists of developing an analytical framework for the pension funds and compensation surveys. The compensation and pension funds analytical framework are presented tables in Attachment A to this memo. These tables were used as part of the survey design process. Each table contains the objectives, hypotheses to be tested, and information requirements to achieve the survey objectives. The last column on the tables links the questions of the surveys to the specific objectives. The tables also serve as the framework to evaluate survey results.

The pension funds survey objectives relate to the financial condition, underfunding, compliance with the 1992 Pension Funds Law, and readiness for conversion to defined contribution type plans. The objectives of the compensation survey relate to the civil service compensation structure, relationship between BUMN compensation structure and underfunding of pension funds, linkage of compensation structure to conversion, and comparability of compensation structure to private sector compensation structure.

The questionnaires are designed to meet the objectives of the survey. Because of the information requirements, the questionnaires are semi-structured, using both open- and closed-ended questions. Both the analytical framework and the questionnaires incorporate suggestions from the Director General, Directors, and Subdirectors of the DGSE as well as the Pension Director of the Directorate General of Financial Institutions and the President of the Indonesian Pension Fund Association.

3. Survey Distribution

The pension fund and compensation surveys were distributed to representatives of 183 BUMN at meetings held on August 19-20, 1993 at the Ministry of Finance. Pak Antonius Subroto of the DGSE explained the purpose of the survey and the Directors and Subdirectors reviewed the questions for the BUMN representatives. FMP consultants supported the DGSE at the meetings by helping to explain survey questions as necessary. The BUMN were instructed to complete the questionnaires by August 27th.

4. Data Processing and Analysis

Data processing and analysis is the next step in the survey methodology. Survey responses were tabulated and entered into a database. Additional information or clarification is requested where respondents did not provide answers to questions or provided inconsistent answers. The team has worked with the DGSE staff to obtain missing information and missing questionnaires.

C. Responses

1. Number

185 BUMN received the pension fund and compensation questionnaires. As of 3 September, the cutoff date for inclusion in preliminary results, the following number of BUMN responded to the surveys:

<u>Survey</u>	<u>Number</u>	<u>Percent</u>
Compensation:	150	81 %
Pension Funds:	146	79 %

The DGSE is following up to obtain completed questionnaires from some of the larger BUMN such as Pertamina and Asean Aceh Fertilizer. A list of the BUMN who have not responded to the survey as of 15 September 1993 is included in Attachment A.

2. Quality

The quality of the responses varies significantly. Some surveys, such as Hotel Indonesia, contain complete and detailed answers to the questions. Yet, even the responses of complete questionnaires need to be carefully scrutinized for consistency. For example, the difference in timing of pension fund asset and actuarial valuations means that some overfunded pension funds could, in reality, be underfunded, and vice-versa.

Other surveys contain unanswered questions as well as questions that are answered incompletely or incorrectly. Other types of deficiencies include surveys returned with pages missing, no attachments provided. We have requested additional information or further clarification as necessary to analyze the replies. Those questions which still remained unanswered after the BUMN was asked for additional information are assumed to be unavailable.

The variation in the quality of the replies may be due in part to the short time frame available to the BUMN to complete the surveys. When questioned about inconsistent or incomplete replies, some

SOEs indicated that their primary concern was to meet the submission deadline. Consequently, the data presented in this survey may be used to interpret trends and develop policy recommendations, but it should be used with caution. However, in general, these survey results do not contain the information necessary to convert an SOE pension fund from a defined benefit to a defined contribution type plan.

II. PRELIMINARY SURVEY FINDINGS AND CONCLUSIONS

The preliminary findings and conclusions of the compensation and pension funds surveys are highlighted below and in the Preliminary Results Table presented in this report.

► Staff Breakdown

Finding: The BUMN responding to the survey have 430,307 employees broken down as follows:

Management:	8.3%
Non-Management:	91.7%

Conclusion: The management structure is consistent with private sector management structure.

► Demographics: Age and Length of Service of BUMN permanent employees

Findings: 21.1% of BUMN employees are age 45 or older.
56.2% of BUMN employees are age 35 or older.

38.9% of BUMN employees have 15 or more years of service.

Conclusions: Maturing of the labor force will cause BUMN pension fund costs to increase substantially in the future. These cost increases will occur as more employees retire with more years of service because BUMN defined benefit pensions payments are a function of employee salary and length of service.

► Compensation Structure

Findings: BUMN compensation structures vary significantly. The average proportion of base salary and benefits of total compensation are summarized as follows:

Base salary:	36.3%
Benefits in cash:	43.5%
Benefits in kind:	20.2%

Conclusion: As part of the conversion process, some BUMN will need to adjust their compensation structures. Base salary and/or cash compensation should be a significant portion of compensation, particularly for low level employees, under a defined contribution type pension plan.

▶ **Private Sector Comparison**

Finding: BUMN compensation at all levels is competitive with private sector for financial institutions. BUMN compensation in other industries need to be compared to the private sector as well.

Conclusion: Additional data is needed for comparison of BUMN compensation structure to private sector in other industries.

▶ **Types of Pension Plans**

Findings: The BUMN responding to the survey have the following types of pension plans:

<u>Type of Pension Plan</u>	<u>Number</u>	<u>Percent</u>
Yayasan	62	42.5%
Joint Pension Plan (Co-founders)	30	20.5
Insurance	29	20.0
Company Pension Fund (no segregated assets)	14	9.6
No Pension Fund	11	7.5

Conclusion: Distinct approaches need to be developed for conversion of different types of BUMN pension funds from defined benefit to defined contribution type of plans.

▶ **BUMN Pension Fund Assets**

Findings: Asset information is only available for some of the yayasans and joint pension plans. Exhibits C2 and C4 of Attachment C show asset breakdowns.

Pension fund assets are modestly diversified with a high concentration in time deposits of 39.1% of assets.

Property and other potentially illiquid assets such as direct placements also comprise a significant portion of aggregate pension fund assets.

Conclusions: Conversion of BUMN pension plans will need to incorporate procedures for transferring or liquidating various types of assets.

The true asset values for less liquid BUMN pension fund investments may vary significantly from the book value shown in this survey.

The presence of illiquid assets in specific BUMN pension fund portfolios will make conversion of those pension funds from defined benefit from defined contribution more difficult.

► **Underfunding of Pension Funds**

Finding: The 1992 funding situation of BUMN pension funds for the 41 pension funds who provided data indicates an *aggregate underfunding* of Rp. 1,027.8 billion. This amount is based on incomplete information and data from different time periods.

Conclusions: Although the true degree of underfunding of BUMN pension funds needs to be confirmed by audits of assets and actuarial valuations for the same time periods, in aggregate the BUMN pension funds appear to be significantly underfunded. Individually, many BUMN pension funds are likely to be underfunded, while a few are fully funded or overfunded,

► **BUMN Compliance to 1992 Pension Funds Law and Regulations**

Findings: 102 of the 146 BUMN pension funds responding to the survey have submitted applications for legalization of their pension funds to comply with the 1992 Pension Funds Law and Regulations.

Most of the BUMN are in the process of providing additional information to the Ministry of Finance. None of the applications has yet been approved. (See Exhibit C6 in Attachment C.)

Conclusions: Few, if any, BUMN pension funds are likely to be legalized by the Ministry of Finance before the end of 1993.

► **BUMN Pension Fund Conversion**

Findings: BUMN pension funds are generally defined benefit plans. The different BUMN use different types of plans, have pension plans ranging from underfunded to fully funded, may or may not have investment portfolios, have different demographic structures, and have different compensation structures.

Conclusion: These survey results argue against a decision to convert BUMN pension funds wholesale from defined benefit to defined contribution type plans. Rather, they suggest the need for a complex approach to BUMN pension fund conversion carried out on a case-by-case basis. This approach will allow the DGSE to take into account the different pension fund financial situations, compensation structures, and financial strength of the BUMN.

III. NEXT STEPS

A. Next Procedural Steps

- ▶ Continue to process and analyze survey data.

Process as many of the additional questionnaires received after the 3 September cut-off date as possible within the time and budgetary constraints of the project.

- ▶ Consolidate pension fund and compensation questionnaire results.

The funding situation of BUMN pension funds will be combined with data from the compensation survey to determine if there are any linkages between compensation structure or demographic factors and the underfunding of pension funds.

- ▶ Conduct a deeper analysis of pension funds situation.

Review a typical insurance arrangement for a BUMN pension fund to establish issues for an approach to conversion.

Obtain a list of BUMN that have requested funds from the Ministry of Finance to meet their pension funds obligations to compare to survey results.

- ▶ Compare BUMN compensation structure to additional private sector industries.

We will obtain additional information on compensation structure in Indonesian private sector for comparison to BUMN. This information will indicate the degree of competitiveness of BUMN compensation for various economic sectors. This data will also show the extent to which adjustments will need to be made to BUMN compensation structures as part of the conversion process.

B. Next Analytical Steps

- ▶ Compare survey results with BUMN performance.

We will overlay survey results with BUMN performance information to see if there are linkages between BUMN performance and their pension funding situation or compensation structures. The findings from these comparisons will indicate the degree of flexibility of the BUMN to make change.

- ▶ Develop criteria to determine phasing of BUMN pension fund conversions.

The diversity of responses to the compensation and pension funds surveys suggest that BUMN pension funds suggest the need to conduct case-by-case conversions. As part of this approach, we will develop criteria for use by the DGSE to determine which BUMN pension funds should be converted immediately, and which should be converted later. The criteria are

likely to consider such factors as the BUMN pension funding situation, performance, and compensation structure.

► Select pilot sample.

The survey responses will be used to select BUMN candidates for pilot assessments for pension fund conversion. The pilot group should be a representative sample of the BUMN pension funds. As such, the sample may include as many as 5-6 BUMN pension funds, depending on available funding. The sample should include BUMN pension funds from several industries with different funding situations, compensation structures, and performance characteristics. During the pilots, audits of pension plan assets and actuarial valuations will be conducted. The pilot assessments will support the development of detailed procedures as part of the master plan for implementation of BUMN conversions.

IV. CONCLUSIONS

The preliminary findings of the compensation and pension funds surveys support the decision to convert BUMN pension funds from defined benefit to defined contribution type plans. Specifically, the findings regarding demographics and underfunding of pension funds are evidence that conversion makes sense. However, based on the findings regarding types of pension plans, pension plan assets, and compensation structure, BUMN pension plans should be converted on a case-by-case basis. This approach will allow the DGSE to deal with the diverse situations of the BUMN pension plans.

Attachment A: Analytical Framework and List of Non-Respondents
Attachment B: Preliminary Results - Compensation Survey
Attachment C: Preliminary Results - Pension Funds Survey

ATTACHMENT A: ANALYTICAL FRAMEWORK AND LIST OF NON-RESPONDENTS

COMPENSATION SURVEY ANALYTICAL FRAMEWORK

OBJECTIVE	HYPOTHESIS	INFORMATION REQUIREMENTS	QUESTIONS
<p>1. <u>Civil Service:</u> Confirm that civil service compensation structure is the basis for BUMN compensation structure.</p>	<ul style="list-style-type: none"> ▶ Low total compensation levels relative to private sector. ▶ Low cash portion of compensation relative to total compensation. 	<ul style="list-style-type: none"> ▶ Total compensation by rank. ▶ Percent of total compensation paid in cash by rank. 	<p style="text-align: center;">C.1.- C.5.</p>
<p>2. <u>Underfunding:</u> Ascertain relationship of compensation structure and personnel composition to underfunding of BUMN defined benefit pension funds.</p>	<ul style="list-style-type: none"> ▶ Underfunding of BUMN pension funds is related to BUMN compensation structure (low cash payment) and/or to age structure of labor force. 	<ul style="list-style-type: none"> ▶ Number of employees by rank, age, length of service. ▶ Salary by rank, age, length of service. ▶ Pension survey results. 	<p style="text-align: center;">B.1.- B.2. C.1.- C.5.</p>
<p>3. <u>Conversion:</u> Determine linkage of compensation structure and personnel composition to BUMN conversion to defined contribution (DC) pension fund system.</p>	<ul style="list-style-type: none"> ▶ BUMN will have to change compensation structure and policy to be able to convert pension funds to DC system. DC requires a primarily cash-based compensation set at certain levels to generate adequate pensions, particularly for employees at low compensation levels. 	<ul style="list-style-type: none"> ▶ Same as 1 (see above). ▶ Pension survey results. ▶ Regulatory constraints.* ▶ Institutional capability of BUMN to make change (e.g., financial health).* ▶ Other constraints.* 	<p style="text-align: center;">B.1.- B.2. C.1.- C.5.</p>
<p>4. <u>Private Sector:</u> Assess deviation of BUMN from private sector compensation structure.</p>	<ul style="list-style-type: none"> ▶ BUMN compensation structure is not competitive for high- and middle-level employees and hinders meeting BUMN efficiency objectives. ▶ BUMN compensation structure is competitive for low-level employees. 	<ul style="list-style-type: none"> ▶ BUMN compensation data by industrial sector. ▶ Nature of BUMN compensation adjustment. ▶ Comparable compensation data for private sector based on industry and/or size of firms.* ▶ Regulatory constraints not applicable to private sector.* 	<p style="text-align: center;">A.1. - A.4. B.1. - B.2. C.1. - C.5. D.1. - D.3.</p>

* Not from BUMN surveys.

PENSION FUNDS SURVEY ANALYTICAL FRAMEWORK

OBJECTIVE	HYPOTHESIS	INFORMATION REQUIREMENTS	QUESTIONS
<p>1. <u>Financial Condition of Funds:</u> Obtain information on pension fund assets and liabilities.</p>	<ul style="list-style-type: none"> ▶ BUMN pension fund investments are diversified. ▶ Some BUMN pension fund investments are illiquid or otherwise unsuitable for conversion from defined benefit to defined contribution type of pension funds system. ▶ Most BUMN pension funds do not have regular actuarial valuations, therefore the true financial condition of pension funds is difficult to ascertain. 	<ul style="list-style-type: none"> ▶ Pension funds asset list by asset class. ▶ Audited report of assets or other valuation of fund assets. ▶ Pension plan articles of association, by-laws, and regulations. ▶ Actuarial valuation of pension fund liabilities. ▶ Number of participants and average salary. ▶ Number of retirees, average age, and pensions. ▶ Compensation survey results. ▶ Life expectancy (mortality tables).⁷ 	<ul style="list-style-type: none"> ▶ B.1.- B.4. ▶ A.4.- 6., 8. ▶ B.2.2, 3.2, 5.
<p>2. <u>Underfunding:</u> Determine the degree of underfunding of BUMN pension plans by comparing fund assets and liabilities.</p>	<ul style="list-style-type: none"> ▶ Many BUMN pension funds are underfunded, i.e., assets are insufficient to support liabilities. 	<ul style="list-style-type: none"> ▶ Same as 1 (see above). ▶ Pension fund contribution information. 	<ul style="list-style-type: none"> ▶ A.6.- 7. ▶ B.1.- 6.
<p>3. <u>Compliance:</u> Assess extent of compliance to new Pension Fund Law.</p>	<ul style="list-style-type: none"> ▶ Many BUMN pension funds are just beginning to comply with the new Pension Funds Law and Regulation. 	<ul style="list-style-type: none"> ▶ Information on compliance with 1992 pension fund regulations. 	<ul style="list-style-type: none"> ▶ C.1.- 4.
<p>4. <u>Conversion:</u> Assess readiness of BUMN pension funds for conversion from defined benefit to defined contribution (DC) pension fund system.</p>	<ul style="list-style-type: none"> ▶ Some BUMN pension funds are ready for conversion to DC pension fund system, but most must take additional steps to prepare for conversion to DC system. 	<ul style="list-style-type: none"> ▶ Same as 1, 2, and 3 (see above). ▶ Information on pension fund management, administration, and record-keeping. 	<ul style="list-style-type: none"> ▶ A.1.- 8. ▶ B.1.- 6. ▶ C.1.- 4.

Not from BUMN surveys.

List of Questionnaires not received as per 15 September 1993:

No.	Code	Name of Company
1.	9	Asean Aceh fertilizer
2.	11	Asuransi Ekspor Impor
3.	32	Cambrics Primissima
4.	34	Damri
5.	42	Gas Negara
6.	58	Inhutani I (only compensation questionnaire)
7.	60	Inhutani III (only compensation questionnaire)
8.	74	Kertas Besuki Rachmat
9.	75	Kertas Blabak
10.	77	Kertas Kraft Aceh
11.	86	Lokananta
12.	139	Pertamina
13.	145	Pilot Project Berdikari
14.	149	Pradnya Paramita
15.	150	Prasarana Perikanan Samudra
16.	163	Semen Kupang
17.	176	TWCB Ratu Boko

ATTACHMENT B: PRELIMINARY RESULTS - COMPENSATION SURVEY

EXHIBIT B1
NO. OF ACTIVE EMPLOYEES WITHIN THE SOEs
(Based on 150 SOE's)

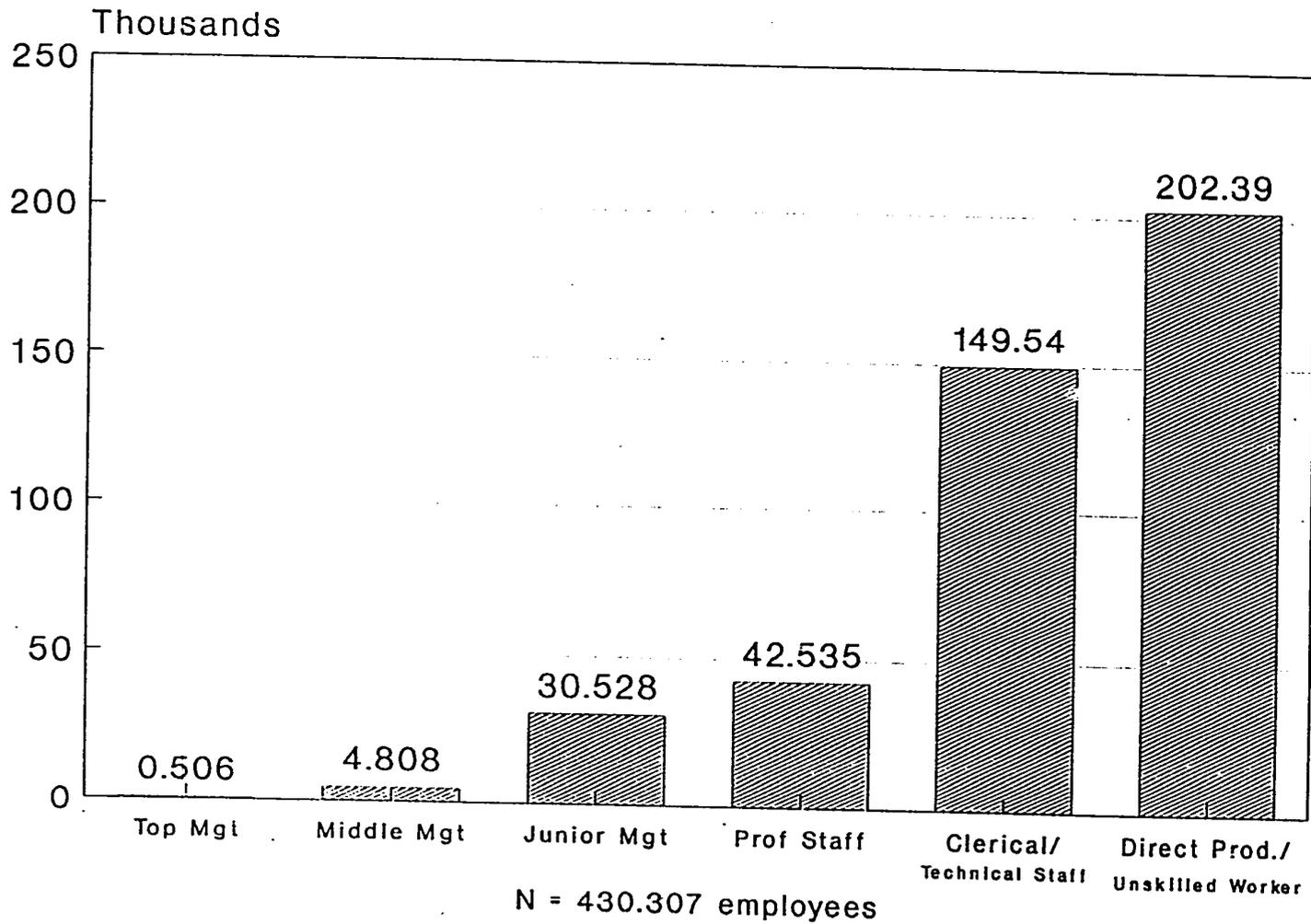
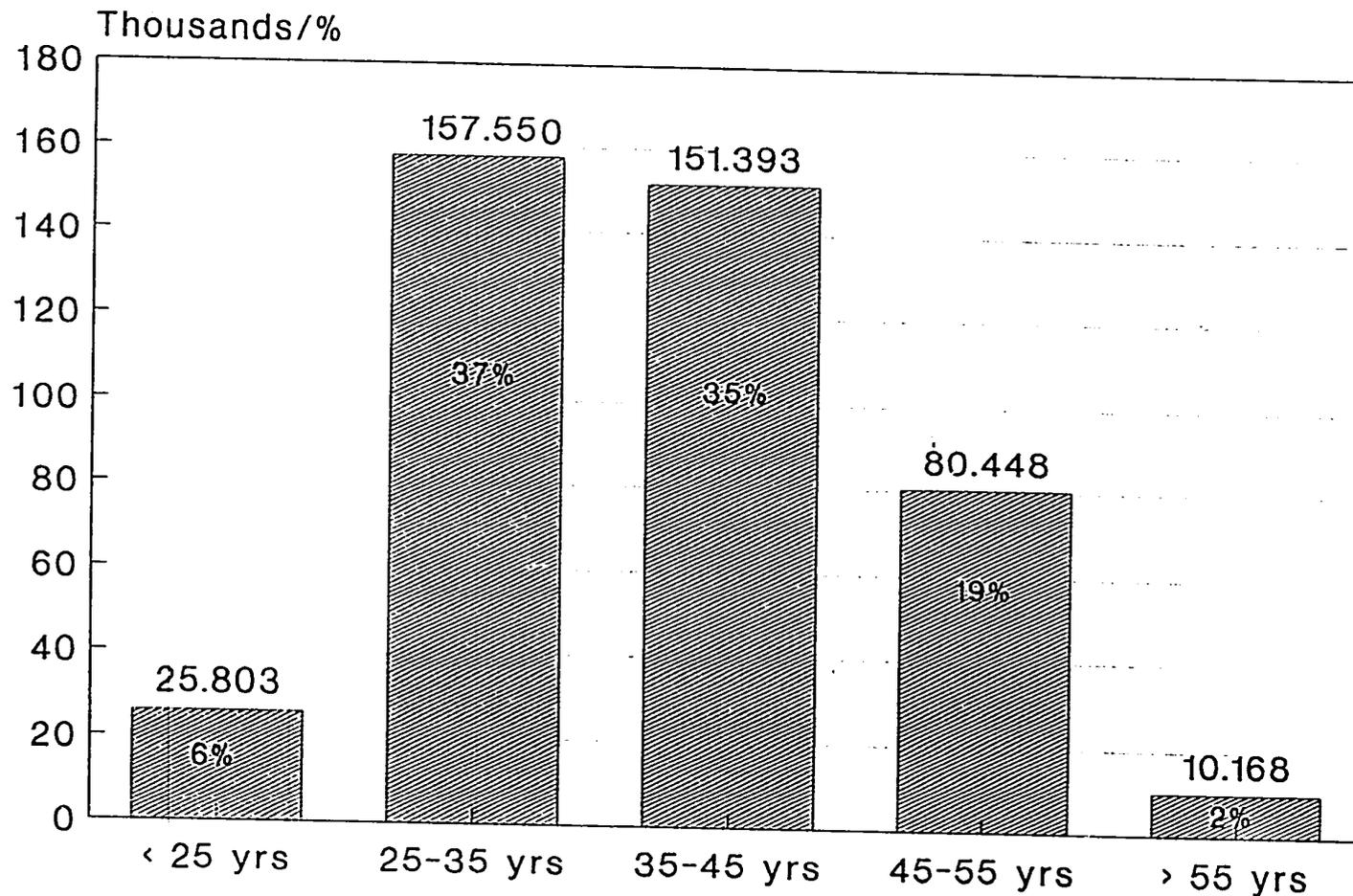
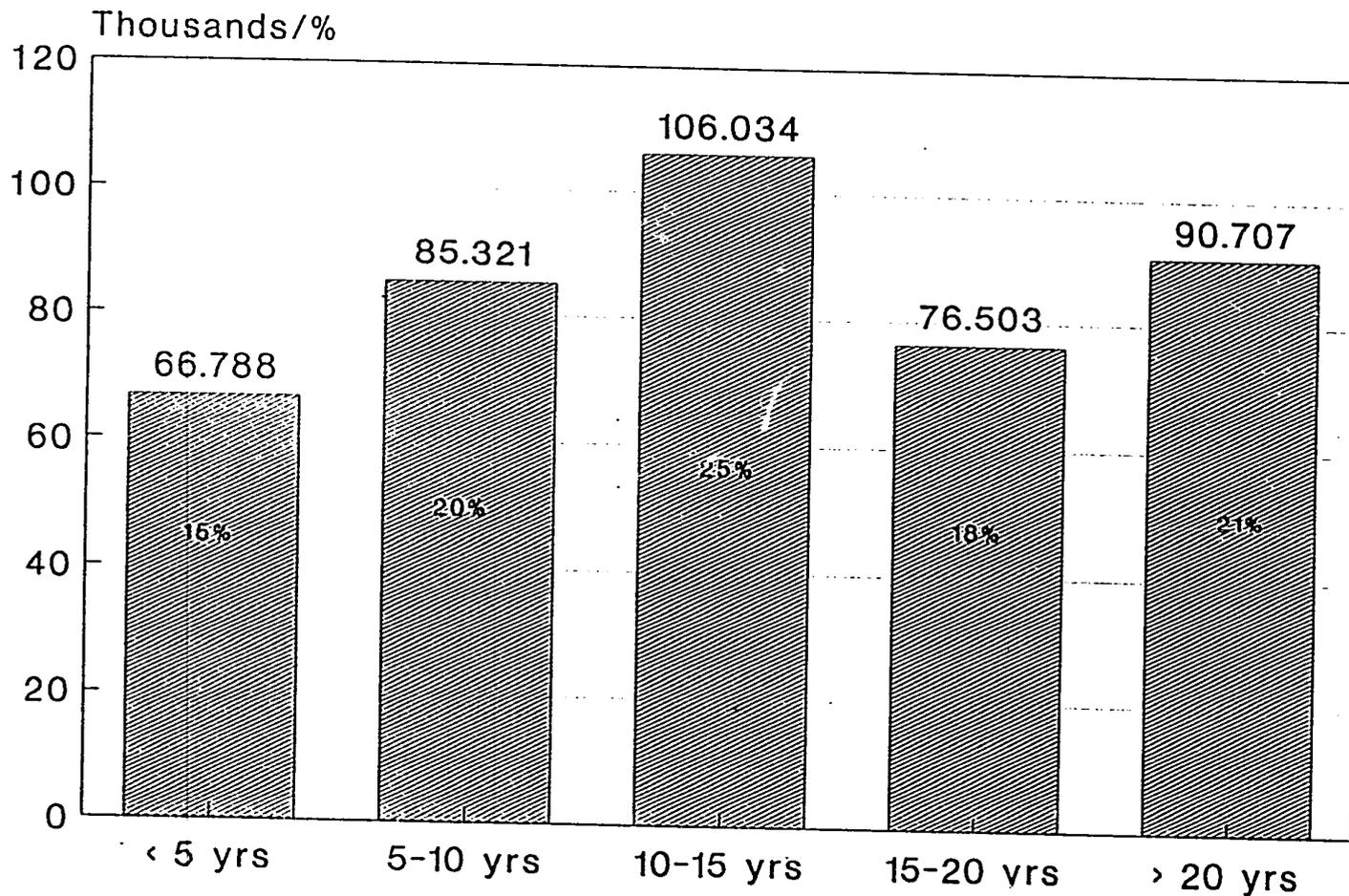


EXHIBIT B 2
NUMBER OF ACTIVE EMPLOYEES BY AGE
(Based on 150 SOE's)



N = 430.307 employees

EXHIBIT B 3
ACTIVE EMPLOYEES BY YEARS OF SERVICE
(Based on 150 SOE's)



N = 430.307 employees

EXHIBIT B4
NUMBER OF ACTIVE EMPLOYEES BY INDUSTRY
(Based on 150 SOE's)

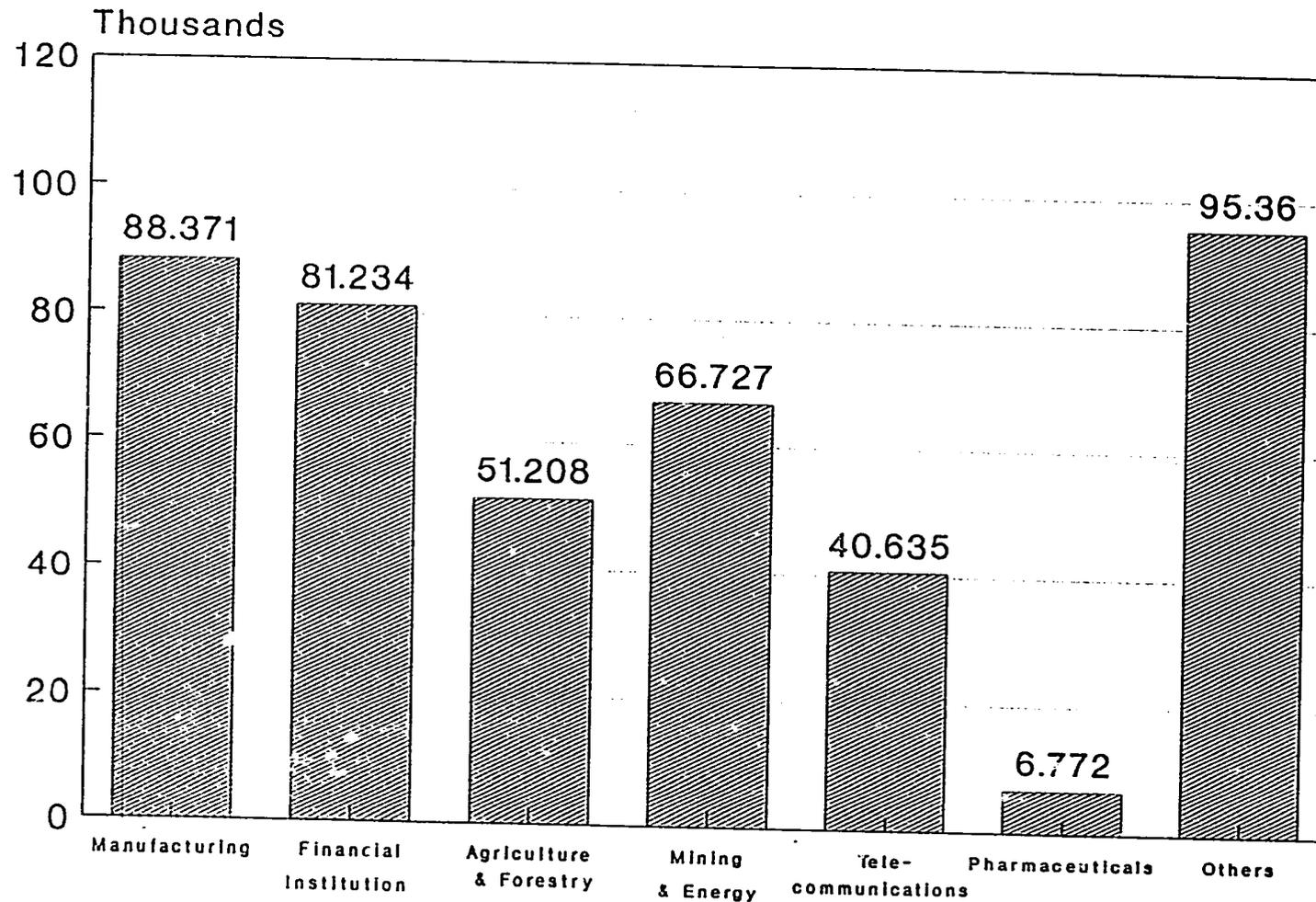


EXHIBIT B5

BUMN COMPENSATION STRUCTURE

Average Compensation Components of BUMN:

Compensation Components	%
• Base Salary	36.33%
• Benefits in cash	43.52%
• Benefits "in kind"	20.15%
TOTAL	100%

- The compensation structure of BUMN varies significantly.
- The value of non-cash benefits tends to be smaller than the total amount of cash compensation.
- On average, the amount of benefits employees are paid in cash is slightly higher than the base salary received in cash.

EXHIBIT B6

RANGE OF BUMN CASH COMPENSATION (Rp 000/ gross/ month)

Management Levels	Base Salary			Benefits in Cash	Total Cash Compensation		
	Min	Mid	Max		Min	Mid	Max
1. Top Management	104	5779	11454	1562	1666	7341	13016
2. Middle Management	51	3694	7337	681	732	4375	8018
3. Junior Management	47	1652	3257	408	455	2060	3665
4. Professional Staff	33	2366	4700	254	287	2620	4954
5. Clerical/Technical Staff	21	997	1974	189	210	1186	2163
6. Direct Production/ Unskilled Worker	18	535	1052	130	148	665	1182

- Approximately 50% of the BUMN provided the salary information for top management.
- The above table shows that base salary has a broad range within the SOEs. Some of the reasons for this broad range are:
 - the diversity of compensation structure used;
 - the size of company;
 - the type of industry.
- This data has been adjusted to exclude anomalies which would tend to distort the true picture.
 - Example: one company pays base salaries of 1,000 Rp. to employees.

EXHIBIT B7

RANGE OF SOE CASH COMPENSATION (\$/month)

Management Levels	Base Salary			Benefits in Cash	Total Cash Compensation		
	Min	Mid	Max		Min	Mid	Max
1. Top Management	50	2752	5454	744	793	3496	5722
2. Middle Management	24	1759	3494	324 [±]	349	2083	3818
3. Junior Management	22	787	1551	194	217	981	1745
4. Professional Staff	16	1127	2238	121	137	1248	2359
5. Clerical/Technical Staff	10	475	940	90	100	565	1030
6. Direct Production/Unskilled Worker	8	255	501	62	70	317	563

* The table above outlines the cash compensation of SOE's in US Dollars.

ATTACHMENT C: PRELIMINARY RESULTS - PENSION FUNDS SURVEY

EXHIBIT C-1: BUMN PENSION PLANS

Types of Pension Plans

The types of BUMN pension plans are *yayasan*, joint pension plans, insurance plans, and company pension plans. The number of pension plans is smaller than the number of BUMN because joint pension plans cover more than 1 BUMN.¹ The survey respondents break down as follows:

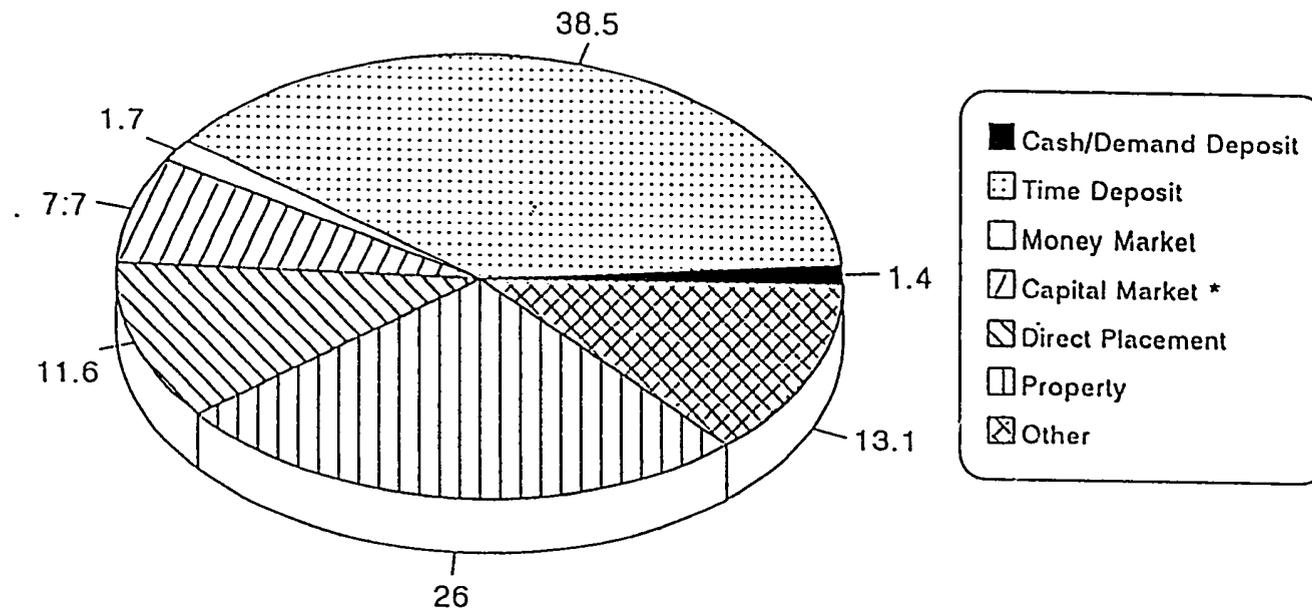
Type of Pension Fund	Number	Percent
Yayasan	62	42.5%
Joint Pension Plan (Co-founders)	30	20.5
Insurance *	29	20.0
Company Pension Fund (no segregated assets)	14	9.6
No Pension Fund	11	7.5
TOTAL	146	100.0%

* Includes pension funds using social insurance such as TASPEN for their pension programs.

BUMN pension funds are typically defined benefit plans. The amount of the pension received by former BUMN employees or their beneficiaries depends on the pension plan formula. The BUMN pension plans of all types use similar formulas which include the number of years worked and a percentage of final salary. Benefits may be paid in either a lump sum or as annuity payments. Both employees and employers contribute a fixed percentage of salary to the BUMN pension fund.

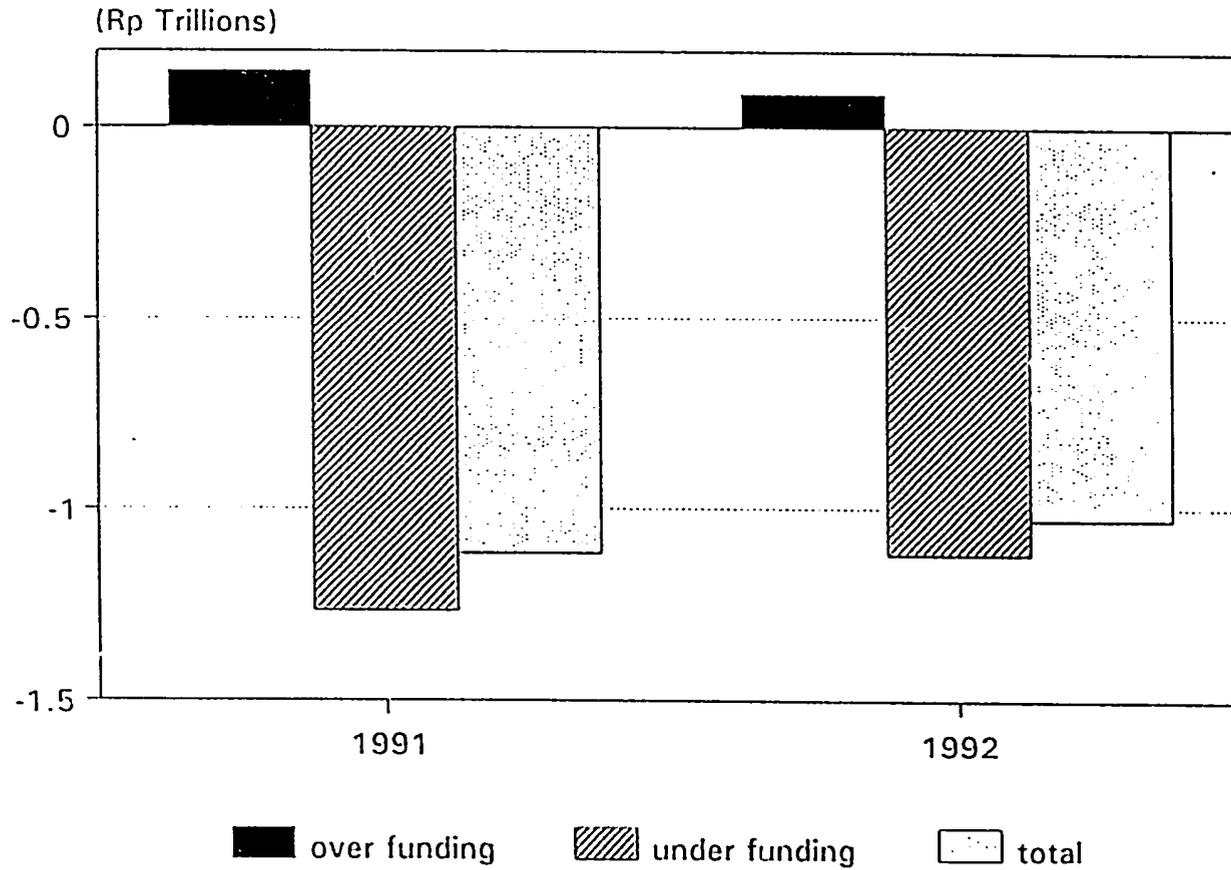
¹Joint pension plans allow BUMN to achieve certain economies of scale in investment management and certain administrative functions.

BUMNS' PENSION FUND PORTOFOLIO ASSETS 1992 (%)



Pension Fund Survey 1993
effective sample 62
* Stocks and Bonds

FUNDING SITUATION OF BUMN PENSION FUNDS



Pension Fund Survey 1991 n=45, 1992 n=41

EXHIBIT C-4: PENSION FUND ASSETS AND LIABILITIES

Pension Fund Assets

Pension fund asset information is only available for those BUMN with yayasans and joint pension plans. BUMN using insurance to meet pension fund obligations have transferred assets to the insurance organization, thus they have not provided asset information. Neither have the company pension plans provided pension fund asset information as they do not have assets specifically dedicated to the pension fund.

The survey results indicate that pension plan assets are modestly diversified, with a bias toward time deposits. Property also tends to be overweighted in the pension fund portfolios. The aggregate data for all BUMN pension fund investments is presented in the table below. The asset distribution in individual pension fund portfolios may vary significantly from the breakdown presented below.

BUMN Pension Fund Asset Distribution				
Asset Type	1990	1991	1992	1993
Cash	0.1%	0.2%	0.1%	0.4%
Other current accounts	1.1	2.5	1.3	1.3
Time deposits *	43.6	44.9	38.5	39.1
Stock securities	3.4	3.3	3.6	4.3
Debt securities	4.5	3.7	4.1	5.2
Money market investments	2.3	0.7	1.7	2.1
Other equity investments (direct placements)	9.3	9.3	11.6	14.2
Property	21.1	20.5	26.0	19.9
Other	14.7	15.1	13.1	13.5
TOTAL	100.0%	100.0	100.0%	100.0%

* Time deposits include certificates of deposit (CDs).

The liquid or marketable assets for purposes of this survey are considered to be cash and current accounts, time deposits, stock securities, debt securities, and money market investments. Based on this pension fund asset information provided from the BUMN, roughly half of the pension fund assets are liquid or marketable. The remaining assets are less liquid.

Pension Fund Liabilities

This portion of the survey was not complete. For example, for 1991 and 1992, information on pension fund liabilities was provided for 45 and 41 BUMN pension funds respectively. The lack of complete information and absence of actuarial valuations of pension fund liabilities will limit our ability to analyze BUMN pension fund liabilities.

EXHIBIT C-5: FUNDING SITUATION OF BUMN PENSION PLANS

The funding situation of BUMN pension plans can only be interpreted for those BUMN which provided data. The preliminary results indicate the following:

Funding Situation of BUMN Pension Plans (Rp. Billions)				
Situation	1991		1992	
	Number	Amount	Number	Amount
Overfunded	21	148.6	17	90.4
Underfunded	24	(1,263.6)	24	(1,118.2)
TOTAL	45	(1,115.0)	41	(1,027.8)

This sample is a small portion of the pension funds in the survey. The actual aggregate underfunding of all BUMN pension may be worse than these preliminary results indicate because of a bias in the survey. In other words, pension funds in stronger financial situations are more likely to have information available on their funding situations. Additionally, the survey results show differences in the dates when the actuarial and asset valuations were carried out. Contemporaneous valuations of BUMN pension fund assets and liabilities need to be conducted to assess the true funding situation of BUMN pension plans. Based on this data, however, we can presume that, taken as a whole system, the BUMN pension funds are underfunded. This underfunding will need to be addressed if the BUMN are to convert from defined benefit to defined contribution type pension plans.

Causes of Underfunding

The dependency ratio, or number of active employees to pensioners, of the BUMN pension plans offers insight into a possible cause of underfunding. If the dependency ratio is low, for example 2:1 or below, demographics and contribution rates are likely causes of underfunded pension plans. Approximately half of the BUMN pension funds responded to this question. Over 80% of the pension funds who responded have dependency ratios of over 5:1.

The data also shows that the BUMN labor forces are relatively young, so fewer pensions are being paid at present. Over time, BUMN pension obligations can be expected to grow as the labor force matures and retires. This maturing of the labor force combined with the retirement age of only 55 and improved life expectancy could cause significant funding problems for the BUMN pension plans in future.

From the dependency ratio and compensation survey information regarding average age of BUMN permanent employees, we can conclude that aging of the workforce is not the cause of underfunding of BUMN pension funds. Further review of the survey results seems to indicate that the underfunding of BUMN pension plans is due to the recognition of past service liabilities when the BUMN pension funds were established. Employees are given credit for their years of service to the BUMN prior to the establishment of the pension fund. This recognition created past service liabilities from the first day of operation of the pension plan. These liabilities are still being amortized by many BUMN pension funds.

EXHIBIT C-5: FUNDING SITUATION OF BUMN PENSION PLANS (CONT.)

Overfunding of BUMN Pension Plans

The preliminary survey results show that 17 BUMN pension plans were overfunded as of 1992. Due to the difference in timing of the asset and actuarial valuations for most BUMN pension plans, some pension funds which appear to be overfunded may actually be underfunded.

Pension funds are overfunded if their plan assets exceed plan obligations. Overfunding can occur in the early years of a pension plan if past service liabilities are not recognized when the plan is adopted. Changes in the number of employees due to factory closures, downsizing, or corporate divestitures also may cause a pension fund to be overfunded. A more common cause of overfunding is changes in actuarial assumptions for discount rates or investment rates of return. However, for many BUMN, the overfunding may be due to timing differences in the dates of preparation of the actuarial and asset valuations.

EXHIBIT C-6: COMPLIANCE

Compliance to 1992 Pension Fund Law

The responses to the survey show that 102 of the 146 BUMN who responded to the survey have submitted applications to the Ministry of Finance to comply with the 1992 Pension Fund Law and Regulations. The remaining 44 BUMN pension funds have not yet submitted their applications.

All of the 102 BUMN which submitted applications are somewhere in the process of getting their applications approved. The breakdown is as follows:

Status of Application for Compliance to Pension Fund Law		
Status	Number	%
Awaiting confirmation that application is complete	3	2.9%
Awaiting MOF response that information is complete	21	20.6
Providing additional information to MOF	41	40.2
Awaiting reply from MOF regarding additional information submitted	37	36.3
Approved by MOF	0	0.0%
TOTAL	102	100.0%

We can conclude from the responses to these questions that the BUMN are in the process of complying with the 1992 Pension Fund Law and Regulation.

EXHIBIT C-7: BUMN PENSION FUND ADMINISTRATION

Pension Fund Administration

BUMN pension funds tend to be administered internally. The survey responses break down as follows:

Pension Fund Administration			
Type of Administration	Number	% Total	Effective %
External	25	20%	17%
Internal	102	80	70
Not available	19	--	13
TOTAL	146	100	---
Effective Sample (adjusted for n.a.)	127	--	100

Of those BUMN with internal pension fund administration, 63% have keep manual records and 37% have computerized records. BUMN pension fund management tends to be full time, although some part-time staff is used. Of the 146 pension funds which responded to the survey, nearly 60% have full-time management.

Pension Fund Investment Management

BUMN pension fund investments may be managed internally or externally. External investment managers include insurance companies, securities firms, and banks. Consequently, the 29 BUMN pension funds using insurance programs are assumed to have external investment management of their pension funds. The survey results indicate that 7 additional BUMN also use investment managers for their pension funds. We can conclude that the majority of BUMN pension funds are managed internally.

Of the BUMN pension funds which are managed internally, some intend to appoint investment managers at some future date. A typical response to this question was that the BUMN pension fund would appoint outside investment management when the fund reached a certain size. The survey results also indicate that the BUMN pension funds may limit outside investment management by not granting full discretion for investment decisions or by only transferring a portion of the pension fund to the external investment manager.

I. BACKGROUND

The Directorate General of State Enterprises (DGSE) is the unit within the Ministry of Finance ("MOF") responsible for formulating policies for and monitoring all facets of the performance of state-owned enterprises (SOEs). One issue that has recently become a matter of great concern to the DGSE is the operation of pension funds by SOEs.

The DGSE is concerned with SOE pension fund operations for two reasons. First, because no comprehensive set of pension regulations existed prior to the enactment of the Law Governing Pension Funds (Law No. 11/1992, dated April 20, 1992), a wide variety of management and investment structures and practices have been followed by SOE pension fund managers. Further, virtually all SOE pension plans are defined benefit plans, most of which are inadequately capitalized, requiring annual contributions from the Government to meet pension obligations. Thus, the DGSE wishes to promote and strengthen the financial viability of SOE pension funds, minimizing the need for the Government to make direct contributions on a regular basis.

Second, the new Law Governing Pension Funds noted above provides a basic legal structure and guidelines for pension funds. The Law sets forth standards relating to participation by employees, contributions by employers, minimum funding levels, and standards relating to investment of pension fund assets. In addition, compliance with the Law affords tax benefits, such as an exemption from income tax for contributions to, and income earned by, pension funds. All pension funds (including SOE pension funds) currently existing or to be established must comply with the law by April 20, 1993, one year after the date of promulgation.

The DGSE has decided that, in the process of bringing SOE pension funds into compliance with Law No. 11/1992, all SOE pension funds will be converted from defined benefit programs to defined contribution programs. The DGSE has decided to proceed with the conversion on a pilot basis, using a selected group of SOE pension funds to determine the key policy and operational issues/problems that will need to be addressed in making the conversion. The companies that have been selected to participate in the pilot group are PT. Jasa Indonesia, PT. Telkom, Bank Rakyat Indonesia and PT. Krakatau Steel.

II. PROJECT DESCRIPTION AND OBJECTIVE

To assist in the conversion process the DGSE has requested that the Financial Markets Project (FMP) assist in conducting an initial assessment of the pension funds of the companies in the pilot group. The objective of these assessments is to provide the DGSE with advice regarding the type and amounts of work that will be needed to prepare each fund in the pilot group for the conversion.

Initial discussions with the management of PT. Jasa Indonesia were held in late January, and a determination was made that the PT. Jasa pension fund is in suitable condition for conversion and that further analysis of the fund's records is not necessary. Following that, an FMP team met with the management of the three remaining pilot group SOE pension funds -- PT. Telkom, Bank Rakyat Indonesia, and PT. Krakatau Steel -- to discuss the funds' current status and to gather relevant information/documentation.

The meetings and the review of the materials obtained from these three companies provided a basis for a preliminary assessment of the status of the pension funds maintained by these companies, and revealed a number of issues that should be addressed by the Ministry of Finance in determining whether and how to proceed with the conversion of the SOE pension funds to defined contribution arrangements. These assessments and issues are discussed below.

III. ISSUES ARISING IN CONVERTING DEFINED BENEFIT ARRANGEMENTS TO DEFINED CONTRIBUTION ARRANGEMENTS IN A MANNER THAT COMPLIES WITH THE NEW PENSION LAW

In bringing SOE pension funds into compliance with Law No. 11/1992, as well as with the directive of the DGSE that SOE pension funds be converted from defined benefit arrangements to defined contribution arrangements, a number of practical issues arise.

A. Transfers of Assets

Law No. 11/1992 provides that pension funds are to be statutory bodies which manage and implement programs for the provision of pension benefits. Consequently, assets of a pension fund will have to be held separately from the assets of the employer establishing the pension fund. Many SOE pension funds current exist as separate entities holding assets in the name of the pension fund and segregated from the general assets of the founding employees. In the case of an employer that maintains a pension benefit program without a corresponding separate pension fund, assets to be used to provide pension benefits will need to be transferred to the pension fund. Cash, time deposits and publicly traded securities should be readily transferrable. Other assets, however, may not be easily transferred to a pension fund. There may be legal restrictions on the transfer of equity or debt participations in private companies or real estate, or on the extent to which pension funds may make such investments.¹ Further, assets such as office equipment and motor vehicles may not be readily transferable.

B. Liquidity of Assets

As noted above, the purpose of a pension fund is to provide pension benefits to retirees and surviving spouses and children of employees of the founder of the pension fund. These benefits are paid in the form of cash. Thus, assets of a pension fund must be invested in a manner that provides a ready source of cash sufficient to make the benefit payments due from the pension fund. Consequently, a reasonable pension fund portfolio would include investments in liquid assets, such as cash, time deposits and tradable securities. Illiquid investments should provide a stream of cash income in the form of dividends, interest or rents.

C. Preservation of Benefits Accrued Before Conversion

According to the directive of the DGSE, one aspect of the conversion of SOE pension programs to defined contribution arrangements involves the preservation of the benefits accrued by participants to the date of conversion. This requirement is similar to that imposed under American law upon the termination of a defined benefit plan. To satisfy this requirement under such a circumstance, the employer terminating the pension plan typically purchases an annuity contract from a commercial insurance company pursuant to which the insurance company will assume the obligation to pay the benefits accrued under the pension plan at the time and in the manner that the benefits would have been paid from the pension plan had it not been terminated. It is our understanding, however, that such deferred annuity contracts are not available for purchase in Indonesia.

¹ For example, Law No. 11/1992 places restriction on the extent to which a company can be owned by a pension fund. In addition, the Law provides for the MOF to impose, through regulations, additional restrictions on the investment of pension fund assets.

There appear to be two alternative approaches that can be adopted for preserving the benefits accrued by participants under SOE defined benefit pension plans. The first alternative would require (1) an actuarial determination of the present value of the benefits accrued by participants to the date of termination, (2) the funding of this liability, and (3) the investment of the assets of the pension fund in a manner designed to yield an interest rate at least equal to that used to determine the present value of the liabilities of the pension fund. Two approaches can be taken to funding the present value of participants' accrued benefits; a lump-sum cash infusion equal to the full value of a fund's underfunded liabilities can be made presently, or the unfunded liabilities can be amortized over a period determined to be reasonable and sufficient to meet the cash flow requirements of the pension fund to make benefit payments.

This mechanism for protecting the accrued benefits of SOE pension fund participants has a couple of disadvantages. First, particularly if the funding deficiencies are to be cured with lump-sum infusions of cash, this approach will likely require a tremendous cash expenditure by the government. Second, this approach does not guarantee that each participant will receive the full benefit he has accrued to the date of pension fund conversion. This approach is based on assumptions concerning a number of factors, including interest and mortality rates. The disadvantage to this approach is, of course, that it does not guarantee that funds will be sufficient to pay all benefits accrued prior to the date of conversion. If the return on assets is less than expected or if benefit payments must be made over a duration longer than that assumed in determining the present value of the liabilities of the fund, all promised benefit distributions will not be payable from the assets of the pension fund. If this result obtains, the MOF may effectively be in a position similar to the one it was in at the time that it determined that SOE pension funds should be required to convert to defined contribution arrangements, particularly if it intends that participants' rights to receive the benefits they accrued prior to the conversion be fully guaranteed; specifically, the government may be called upon to make up any shortfall in funds. (Of course, the magnitude of the contributions that the government will be called upon to make under these circumstances is minimized by ceasing the accrual of defined benefits as of the date of conversion.)² Alternatively, the Ministry may determine that it will guarantee only that the present value of participants' accrued benefits as of the date of the conversion and that the risk of investment loss with respect to these funds (like the investment risk related to the amounts contributed on behalf of participants after the conversion of the SOE pension funds to defined contribution arrangements) is to be borne by the plan participants.

Alternatively, particularly if the government decides to guarantee the actual payment of accrued benefits, the MOF could take over the administration of the defined benefit portion of the SOE pension funds. Specifically, the government could require that pension fund assets held on the date of conversion be turned over to it. In addition, it could require the SOEs to make periodic payments to fund the past service liabilities of their plans. The MOF would invest the assets and pay out the accrued defined benefits upon retirement or other entitlement to benefit distributions. This approach has a couple of advantages. First, it gives the government control over the assets to be used to pay benefits it may desire to guarantee. Second, in administering all of these assets in one fund, economies of scale can be derived, thereby cutting down on the extent to which these assets would be used to pay the administrative expenses of the various SOE pension funds. This factor should

² Conversely, a pension fund could have surplus assets after satisfaction of all defined benefit liabilities under the plan. Presumably, these surplus assets would be returned to the government.

reduce the cost to the government of preserving employees' accrued benefits. In addition, this approach delays until employees retire or otherwise become entitled to pension distributions the time at which the government would be called upon to make substantial cash outlays.

D. Investment of Assets

Investment of the assets of SOE pension funds in a highly competent manner is critical for two reasons. First, as noted above, it will be extremely important that the portion of the assets of a pension fund that represent the accumulated liability of the fund to pay the benefits that had accrued prior to the conversion of the fund to a defined contribution arrangement be invested in a manner that will provide sufficient assets to pay the promised benefits. Second, one key element of defined contribution arrangements is the shifting of investment risk from the employer sponsoring the pension program to the employees participating in the program. Rather than providing a specified payment after retirement, as does a defined benefit pension program, a defined contribution arrangement provides a participant only with the aggregate amount of the contributions made to the pension fund on his behalf, plus the income earned on those contributions. Because conversion of SOE pension funds to defined contribution arrangements subjects the security of participant's retirement income to the performance of the fund's investment manager, it is crucial that principles be established that ensure that investment managers are held to the highest standards in performing their duties.

We understand that the DGSE is specifically considering requiring that the investment of SOE pension funds be managed by investment management professionals outside of the pension fund staffs. If the DGSE does determine to proceed in this manner, it appears that professionals will be available to handle this function. It is impossible, however, to identify specific service providers at this time. Although the financial markets in Indonesia are currently undergoing a state of enormous development, it is not clear that institutions with the relevant experience and sophistication to handle the investment of the tremendous volume of assets held under SOE pension funds presently exist. If, however, the marketplace became aware of the DGSE's desire to retain one or more such institutions to handle the investment of pension fund assets, it is not unlikely that appropriate coalitions or syndicates of talented and expert investment managers would form for the purpose of attempting to obtain this business. The most effective means by which the DGSE could handle the outsourcing of SOE pension fund investment would be to construct a request for bids from investment managers to handle this function and see what kind of response the request elicits.

A completely different approach the DGSE could adopt to the pension fund investment issue would be to provide that SOE pension funds must allow a participant to direct the pension fund managers in the manner in which the contributions made to the pension on his behalf are to be invested. This approach is premised on the theory that the party bearing the risk of investment loss should have control over the manner in which investments made on his behalf are made. It appears, however, that this approach is not really feasible in Indonesia. An infrastructure allowing individuals to invest in the capital markets and the money markets is only now developing. In addition, because of the absence of a well-developed market, most SOE pension fund participants do not have sufficient sophistication in this regard to enable a participant-directed investment approach to be beneficial at this time. Further, placing the responsibility for making pension fund investment decisions goes against the widespread cultural expectation that the employer will handle matters of this type.

E. Expectations of Participants

Perhaps the most significant issue raised by the conversion of SOE pension funds from defined benefit to defined contribution arrangements is the effect it will have on the relations between the SOEs and their employees. The employees of the SOEs that maintain defined benefit pension programs have been working with the expectation that, upon retirement, they will receive periodic payments from their employers' pension funds equal in amount to a significant percentage of their salaries at the time of their retirement. Following the conversion, employees will not know with the same degree of specificity what level of income they will receive from following their retirement. It should be expected that the conversion of SOE pension funds to defined contribution arrangements will create a great deal of confusion and stress for employees of SOEs and that the employees will be resistant to the change.³ It is crucial that this issue be managed effectively through extensive communications from the SOEs to their employees written in a manner that is designed to be readily understood by the average employee. Two types of communications will be particularly useful in this regard.

First, an employee should receive a detailed explanation of the manner in which a defined contribution arrangement operates. This communication should also explain the extent to which the employee's pension benefits after the conversion will be similar to the benefits he would have received if the plan under which he was covered had not been converted. Specifically, the employee should understand that, by law, he still has the right to receive his pension benefits in the form of an annuity. In addition, the participant should be shown how the contributions made on his behalf prior to the conversion compare to those that are anticipated to be made on his behalf after the conversion, as well as how the amounts that will accrue on his behalf under the defined contribution arrangement - and the annuity that can be purchased with those amounts - compare to the level of benefits he would have received if the plan had not been converted to a defined contribution arrangement.

In addition to this descriptive communication (which should be distributed around the time of the conversion of the SOE pension fund), a participant should receive further communications, no less frequently than annually, showing the amounts that have accrued on his behalf under the pension plan. As the participant's retirement income will depend on the balance held for his account under the plan, he should be provided with this information on a regular basis.

Another issue relating to employee expectations arises in the context of the conversion of SOE pension funds from defined benefit arrangements to defined contribution programs. We understand that there is a strong cultural expectation among SOE employees that all similarly situated employees will be treated in the same manner. Following the conversion, employees who are hired after the

³ We note that this phenomenon will not be peculiar to Indonesia or to employees of SOEs. A decade ago, a substantial percentage of employees in the United States were covered under defined benefit pension programs. Due to changes in the laws governing pension plans, as well as to various economic factors, a tremendous number of employers terminated their defined benefit plans and replaced them with defined contribution arrangements that required employees to make significant contributions to their retirement income. This change created a good deal of confusion for American employees, and employees were generally rather antagonistic to the new arrangement. Over time, however, defined contribution arrangements have become part of the culture in the United States; in fact, most American employees are not currently covered under defined benefit arrangements.

effective date of the conversion will be covered under only a defined contribution pension plan, while employees hired before the effective date of the conversion will receive a portion of their pension paid from a defined benefit arrangement. The MOF must determine what weight is to be given to this concern. One means of minimizing the impact of this issue is for the government and the SOEs to guarantee only the present value of the benefits accrued to the date of the conversion and not the amount ultimately to be paid out. In this manner, it will appear that all employees are covered only under a defined contribution arrangement. The defined benefit arrangements will effectively never have existed for any purpose other than to determine the amount of the contribution to be made on behalf of employees for service prior to the effective date of the conversion.

F. Record Keeping Requirements

The manner in which records must be maintained under a defined contribution plan is markedly different from the manner in which they need to be maintained under a defined benefit plan. In the context of a defined benefit plan, the only records that absolutely need to be maintained are those tracking employees' salaries and periods of service with the employer sponsoring the plan. Upon retirement, the employee's final salary and number of years of service with the employer are put into the relevant formula and his annual benefit is determined. This benefit is then paid out of the pool of assets held under the plan.

In contrast, a defined contribution arrangement necessitates the maintenance of individual records of employees' interests under the plan. Upon establishment of the pension fund, the value of all assets should be apportioned among the accounts of all participants. Thereafter, income, expenses, gain and losses of the pension fund should be apportioned to the accounts of individual participants as of a specified date during the fiscal year of the pension fund in proportion to the participants' account balances as of that date.

G. Resistance by Current Pension Fund Managers

Many SOE pension funds have established extensive staffs to manage the operation of the funds. It should be expected that these staffs have taken great pride in their work and would, therefore, consider a required conversion of their funds to defined contribution arrangements to constitute criticisms of the manner in which they have been performing their jobs. Further, it should be expected that the managers of pension funds should have paternalistic attitudes toward the pension plan participants similar to those typically held by employers toward their employees. Consequently, they can be expected to view the required conversions of SOE pension funds to defined contribution arrangements as threatening the security of the retirement income for their participants. In our meetings with the pension fund managers for each of the SOEs in the pilot group we did, in fact, encounter these attitudes. Each manager presented an argument why his pension fund was well-administered and, therefore, should be exempted from the requirement of converting to a defined contribution arrangement.

Similarly to the issues discussed above with respect to the expectations of participants, this issue can be handled through effective communications. SOE pension fund managers should be informed that the conversions are being mandated as a result of the government's concerns regarding cost minimization and increasing certainty with respect to the amount of money it will be required to contribute to the pension funds, not as punishment for poor performance. Further, the significance of the role of the manager of a defined contribution pension fund, particularly with respect to

investment and administrative management, should be stressed.

H. **Administration of Other Programs**

Each of the SOEs involved in the pilot group maintain, in addition to a defined benefit pension program, other programs that provide income after retirement. Each of the SOEs operate Tabungan Hari Tua ("THT") programs providing single sum payments to employees following retirement. These payments are often intended to enable employees to purchase their homes, but may be used for other purposes as well. One or more of the SOEs also maintain rice allowance programs and/or medical allowance programs. Again, employees are paid cash after retirement, ostensibly for a specified purpose, but nevertheless receive cash with which they can do what they want.

Each of these programs is administered by the pension fund managers. The assets attributable to liabilities under these programs are held together with assets attributable to pension fund liabilities. One of the SOEs (PT. Krakatau Steel) accounts for these assets separately, but the other two do not distinguish in their financial reports the ultimate purpose for which the assets are held.

The ongoing propriety of the commingling of assets of the THT and other programs with pension assets and the unified administration of the programs under Law No. 11/1992 is as yet unclear. It would be appropriate for the MOF to address this issue in its forthcoming regulations. As the amounts payable under the THT and other programs are paid after retirement, these benefits can be considered pension benefits. Although it is not clear from the documents we have reviewed, it appears that the THT benefits represent a significant percentage of the total post-retirement benefit payable to employees. In fact, the amounts of the THT benefits probably exceed the amounts permitted to be payable other than in the form of an annuity. The other programs administered by the pension fund managers do not involve significant assets.

IV. ASSESSMENT OF PENSION FUNDS OF SOEs IN THE PILOT GROUP

A. **PT. Krakatau Steel**

1. Description of Pension Program

The most recent actuarial report for the pension fund by Dr. Indra Hattari, FSAI, was prepared as of 29 February 1992. According to that report, as of that date, 8,612 employees were participants in the pension program. In addition, 249 retirees and beneficiaries were receiving pension benefits. The average age of the active participants was 33.99 years, and the average participant had completed 9.16 years of service with the employer. The average annual salary of the participants was Rp. 3.83 million. Of the 249 beneficiaries receiving pension payments, 162 were former employees, 86 were widows or widowers, and 1 was an orphan. The average age of these beneficiaries was 48.47 years, and the average annual pension was Rp. 2.8 million.

According to information we received from various pension fund personnel at PT. Krakatau Steel at a meeting conducted on 12 February 1993, annual contributions are made to the pension fund by both the company and employees. Fifteen percent of employees' gross salary is contributed by the employer, and five percent of gross salary is deducted from employees' pay and contributed to the pension fund.

The pension benefits to be paid to retirees and beneficiaries are determined in accordance with a formula that provides a benefit equal to two-and-one-half (2.5) percent of the employee's final salary times the number of years of service the employee completed with PT. Krakatau Steel. Notwithstanding this formula, the pension program provides both lower and upper limits on the amount of the benefit to be paid on behalf of any individual. The minimum pension payable under the program is Rp. 50,000 per month. The maximum pension is limited to 75 percent of the employee's final salary. An employee who terminates employment as a result of disability receives a pension equal to 75 percent of the employee's final salary. The amount of the pension payable to the survivors of a deceased participant varies in accordance with the circumstances under which the employee died. The pension payable to the survivor of an employee who died on the job is equal to 100 percent of the maximum pension payable to the employee. The pension payable to survivors of employees who died under other circumstances during employment and to survivors of individuals who died after retirement is equal to 60 percent of the pension payable to the individual. The pension fund pays all income taxes owed with respect to pension distributions.⁴

PT. Krakatau Steel handles the administration of the pension program and the investment of pension

⁴ The pension program, as it is currently constituted, results from an amendment made effective 31 December 1991. Prior to the amendment: (1) pension benefits were provided at the rate of two percent of salary per year of service; (2) the minimum pension was Rp. 30,000 per month; (3) the maximum pension was 60 percent of the participant's final salary; (4) the survivor's pension was equal to 50 percent of the pension payable to the participant; and (5) the pensioner paid the income taxes owed with respect to his or her pension distribution.

fund assets in-house. The Director of the Pension Fund Foundation of PT. Krakatau Steel, Ir. Kadarisman, M.B.A., is also the chairman of the Indonesian Pension Fund Association. The management of the PT. Krakatau Steel pension fund is performed only by full-time employees which, according to Kadarisman, contrasts with the management of many other Indonesian pension funds by part-time employees. In addition to managing the administration of the pension program and the investment of pension fund assets, Kadarisman's staff also prepares communications materials for dissemination to employees and pensioners. Financial information concerning the pension fund is shared regularly with these individuals. In addition, bi-monthly bulletins are distributed to participants describing activities concerning the pension program and fund.

2. Assets

The most recent audited financial statements prepared on behalf of the pension fund was prepared by Drs. Ketut Sarka on 27 March 1992 for the fiscal year of the pension fund ended 31 December 1991. According to this statement, the pension fund had assets at the end of the year worth Rp. 67.072 billion. The liabilities of the pension fund, other than those to pay pension benefits, were reported as Rp. 81.324 million. Thus, Rp. 66.990 billion should be available to pay pension benefits. The pension fund's balance sheet shows a liability of Rp. 58.175 billion for a reserve to fund the pension's past service liability; the remainder of the difference between the fund's assets and liabilities is reported as equity capital, a general reserve for the payment of benefits, a reserve for operational expenses, an increase in the fund's past service liability (resulting from the amendment to the pension program described above), and current year's retained earnings.⁵

The majority of the assets of the pension fund are highly liquid. Specifically, the balance sheet shows the following major investments:

Cash/Time Deposits	Rp. 58,250 billion
Bonds	Rp. 2.4 billion
Traded Shares	Rp. 425 million
Equity Participation	Rp. 3 billion

The remaining 5.1 percent of the assets of the fund consist of various minor investment, receivables, credits, office equipment and motor vehicles.⁶

⁵ An unaudited financial statement prepared as of 30 November 1992 indicates that the pension fund has total assets Rp. 87,594,426,887. The liabilities of the pension fund, other than the reserves described above, total Rp. 31,639,369. Thus, Rp. 87,562,787,518 should be available to pay benefits. The reserve for the pension fund's past service liability is shown to be worth Rp. 66,718,363,120.

⁶ According to the financial statement prepared as of 30 November 1992, investments in cash and time deposits totalling Rp. 60.807 billion accounted for 69.42 percent of the fund's total assets. The funds investment in bonds increased to Rp. 16.380 billion representing 18.70 percent of the funds assets. The fund added an equity participation investment of Rp. 3.150 billion to its portfolio. Miscellaneous other investments account for only 4.86 percent of the fund's total assets.

3. Liabilities

As noted above, an actuarial valuation of the liabilities of the PT. Krakatau Steel pension fund was prepared by Dr. Indra Hattari, FSAI as of 29 February 1992. According to Kadarisman, actuarial reports are prepared for the fund on an annual basis.

The recent actuarial report shows the value of the liabilities already accrued under the plan (i.e., the fund's "past service liability") to be Rp. 67.155 billion. In addition, the cost of funding the annual increase in the value of benefits provided to active participants (i.e., the fund's "normal cost") is valued at Rp. 5.507 billion. The fund will continue to incur a normal cost until the pension program is converted to a defined contribution arrangement.

4. Conversion from Defined Benefit to Defined Contribution Basis

Of the three SOE pension funds in the pilot group, the PT. Krakatau Steel fund is in the best shape in many respects. Comparing the most recent actuarial valuation to the most recent financial statement, it appears that the fund's past service liability is almost fully funded. It is critical to note, however, that these reports were prepared as of different dates. Thus, it is impossible to determine precisely the extent to which the pension liabilities are funded.⁷ The current actuarial valuation reports a funding deficiency with respect to the fund's past service liability of Rp. 5.38 billion, plus a current normal cost of Rp. 5.5 billion.

The administration of the pension fund appears to have been handled in a competent and professional manner. The assets of the fund are income-producing and most are highly liquid. In addition, it appears that relevant records are maintained in an orderly manner and that the administration of the fund has been handled in an able manner. Thus, it appears that a smooth conversion of the PT. Krakatau Steel pension fund to a defined contribution arrangement should be able to be accomplished without extraordinary problems or issues arising, and the extent to which the pension fund managers have kept employees apprised of their rights and interests with respect to their retirement benefits will facilitate this process.

B. PT. Telkom

1. Description of Pension Program

According to information we received at a meeting with personnel of the pension fund of PT. Telkom conducted on 11 February 1993, the pension program was instituted in 1980. Currently, approximately 40,000 employees (out of a total employee population of approximately 46,000) are participants in the pension program.⁸ Of these participants, approximately 12,000 are retirees (or beneficiaries of retirees or deceased employees) currently receiving benefits.

⁷ The lack of contemporaneous actuarial valuations and financial statements was observed in each of the SOEs in the pilot group.

⁸ The employees who are not covered under the pension program are temporary employees. Thus, all permanent employees are participants in the pension program.

Pension benefits are funded through contributions made by both the employer and employees. Five percent of employees' base salaries are withheld and contributed to the pension fund. The employer contribution is made each year in an amount determined by the actuary to be necessary to fund benefit payments. In addition, a profit sharing contribution is made to the pension fund.

Management of the fund is carried out by employees of PT. Telkom, who are part of a special unit responsible for administration of the pension program and the investment of the assets of the pension fund. This unit is overseen by the Director of Human Resources, but directors from other areas of the company, including the Director of Finance, assist in the supervision and direction of this unit.

According to pension fund management personnel, thorough records are maintained reflecting relevant pension participant information. These records are reportedly maintained in a centralized location and in computerized form.

2. Assets

An audited financial statement was prepared 10 August 1992 for the pension fund by Drs. H. Bustaman Rahim for the fiscal year of the pension fund ended 31 December 1991. According to this statement, the pension fund had total assets of Rp. 263.019 billion. The liabilities of the pension fund totalled Rp. 4.183 billion, leaving Rp. 258.835 billion available to pay benefits and operating expenses. The assets of the pension fund as of the date of the financial statement were highly liquid. The major investments were as follows:

Cash/Time Deposits	Rp. 216.95 billion
Securities	Rp. 12.8 billion
Real Estate	Rp. 21.51 billion

The remaining 4.35 percent of the assets of the pension were attributable to various receivable, prepaid liabilities, office equipment and motor vehicles.

It is not clear, however, the extent to which the assets reflected in the financial statements are attributable to pension benefits or to benefits payable pursuant to the THT and other programs maintained by the company. If it is valid to apportion the assets among these liabilities in proportion to the relative amounts of the most recent year's payments of pension and THT benefits, 65 percent of the assets should be attributable to pension liabilities. Thus, the pension fund should have had, as of 31 December 1991, approximately Rp. 168.25 billion available to pay benefits.

3. Liabilities

The most recent actuarial valuation for the pension plan was performed as of 1 January 1988. As of that time, the past service liability of the plan was determined to be Rp. 363.86 billion. It is unknown what the plan's current past service liability is. It would be expected that the past service liability would have increased, probably significantly. However, the most recent financial statements report a liability approximately equal to that shown on the actuarial valuation prepared as of a date four years earlier. It cannot be determined from the available documents what accounts for the deviation from what would be expected. One possibility is that the fund's "past service liability" was determined on the basis of employees' past service, but projecting anticipated increases in service and compensation to the date of retirement. If this is the case, the "past service liability" reflected in

the actuarial report would greatly exceed the plan's defined benefit liability if the plan were converted presently to a defined contribution arrangement; the magnitude of this overstatement cannot, however, be determined from the available information. It does not appear, however, from the face of the actuarial report that future increases in compensation and service are incorporated in the valuation. Thus, it is impossible to determine the liabilities of the plan without a current actuarial valuation performed contemporaneously with an audit of the plan's financial position.

4. Conversion from Defined Benefit to Defined Contribution Basis

As noted above, the extent to which the plan's liability for benefits accrued to date is adequately funded. It is not unlikely, however, that this liability is significantly underfunded. It should be noted, though, that the financial statements indicate that the company has adopted, and apparently is following, a plan to pay off the unfunded liability over a period of 22 years. It should also be noted, however, that the contribution made by the company and employees to the plan in the most recent year reported in the financial statements was equal only to the amount needed to amortize the unfunded past service liability. The only source of funds that appear to be going toward paying benefits and administrative expenses and funding increases in the plan's benefit liabilities is the income earned on fund assets which, for the most recent year, totalled only Rp. 46.674 billion, less than the amount of current benefit payments made. Again, the available documents do not reflect how the amount to be contributed to amortize this liability was determined - specifically, whether current benefit payments and increases in future liabilities were taken into account. Consequently, it is unclear whether the plan's liabilities are actually becoming more adequately funded. Again, the only certain method of assessing the adequacy of the fund's assets involves contemporaneous valuation of the plan's assets and liabilities.

In other respects, the pension fund appears to have been administered in a competent manner. The assets of the fund are income-producing and most are highly liquid. In addition, it appears that relevant records are maintained in an orderly manner and that the administration of the fund has been handled in an able manner. No extraordinary problems, apart from perhaps the requirement of an infusion of a large sum of money to make up the plan's funding deficiency, should be presented by conversion to a defined contribution arrangement.

C. Bank Rakyat Indonesia

1. Description of Pension Fund

BRI initiated its pension program in 1969. According to an actuarial report prepared reflecting information as of 31 December 1991, there were, as of that date, 29,975 active employees covered under the pension plan, 3,266 retirees receiving benefits, and 76 terminated employees entitled to receive pension benefits in the future. The average annual salary paid to active participants was Rp. 2,644,549 and the average pension paid to retirees was Rp. 2,114,491. According to information received from pension fund personnel at a meeting conducted on 9 February 1993, there are currently approximately 34,000 employees covered under the pension plan and about 5,000 retirees and terminated employees with rights to pension benefits.

According to the BRI pension plan regulations, participants make contributions to the plan equal to 15 percent of gross salary; no mention is made of a specified level of employer contribution. In our meeting, however, we were informed that the pension is currently funded by employee contributions

equal 7 percent of gross salary, while employer contributions are made at the rate of 14 percent of gross salary.⁹

The pension benefits to be paid to retirees and beneficiaries are determined in accordance with a formula that provides a benefit equal to two-and-one-half (2.5) percent of the employee's final salary times the number of years of service the employee completed with BRI. Notwithstanding this formula, the pension program provides both lower and upper limits on the amount of the benefit to be paid on behalf of any individual. The minimum pension payable under the program is 40 percent of the participant's final base salary, while the maximum pension is equal to 75% of the participant's final salary. Regardless of the participant's period of service, if he becomes disabled as a result of his performance of duties for BRI, he will receive the maximum pension. The amount of the pension payable to the survivors of a deceased participant varies in accordance with the circumstances under which the employee died. The pension payable to the surviving spouse or, if no spouse, the surviving children who are unmarried, unemployed and under 25 years of age, of an employee who is killed¹⁰ is equal to 72 percent of the participant's final base salary, while the survivor of a participant who died under other circumstances is equal to 36 percent of the participant's final base salary. If a participant is killed and has no surviving spouse or children, the surviving parents receive a pension equal to 20 percent of the participant's final salary.

The administration of the BRI pension plan is managed by employees of BRI. The pension fund managers actually manage two funds; one covers employees of BRI and BRI village units, the other covers employees of BKD. We understand that BRI is in the process of computerizing its employee records. For BRI employees, these records are centralized; however, for employees of BRI village units, these records are maintained in the individual units.

2. Assets

The most recent financial statement for the BRI pension fund that we were able to examine were prepared as of 30 November 1992. This statement is not, however, an audited statement.

According to the financial statement, the pension fund had assets of Rp. 552.715 billion. The financial statement does not list any liabilities. Therefore, it is not clear what portion of these assets are available to pay benefits. However, if the BRI pension fund is similar to the others discussed in this report, at least 95 percent of these assets (i.e., Rp. 525 billion) should be available to pay benefits.

The assets of the pension fund were quite liquid. The following is a list of the significant investments:

Cash/Time Deposits	Rp. 225.310 billion
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⁹ These contribution levels reportedly have been in place since 1989; prior to that time, the participants contributed 5 percent of gross salary and the employer contributed 10 percent of gross salary.

¹⁰ A participant is considered to have been "killed" if he dies while performing (or while he is deemed to be performing) his assigned duties or as a result of actions by "irresponsible parties."

Securities	Rp. 54.315 billion
Equity Participation	Rp. 44.637 billion
Real Estate	Rp. 65.654 billion
Long-Term Debt	Rp. 24.501 billion

The remaining nine percent of the assets of the pension fund are invested in capital assets (e.g., office equipment, vehicles, etc.) used by the pension fund.

As with the PT. Telkom pension fund, it is not clear what portions of the assets are attributable to pension liabilities and THT and other liabilities. Unlike with the PT. Telkom fund, however, no approximation of an appropriate apportionment of these assets and liabilities can be made, as the financial statements do not separately report pension and THT payments. We note, however, that an actuarial valuation prepared as of 1 July 1989 reports assets of only Rp. 205.89 billion. With the productive assets of the plan earning approximately 12 percent per year and contributions from the company and employees being relatively insignificant, it may be appropriate to infer from this information and the current total asset balance that the pension fund held total assets as of that date of approximately Rp. 375 billion. Thus, the assets attributable to current pension liabilities (as opposed to THT liabilities) total approximately Rp. 288 billion.

3. Liabilities

The most current actuarial valuation of the liabilities of the entire BRI pension plan made available for our review was performed as of 1 July 1989. This valuation reports a past service liability of Rp. 412.76 billion. An actuarial valuation of the BRI village unit plan was performed as of 31 December 1991 and reports a past service liability of Rp. 166.76 billion, with assets available to pay these benefits of Rp. 126.3 billion. If the village unit plan is representative of the BRI plan as a whole, the approximate past service liability of the plan is Rp. 480 billion, with assets of Rp. 360 billion available to meet this liability. Again, however, in the absence of a current actuarial valuation performed contemporaneously with an audit of the plan's financial position, it is impossible to determine precisely the extent to which the plan has a funding deficiency.

4. Conversion from Defined Benefit to Defined Contribution Basis

It is likely that the plan is significantly underfunded. Further, the plan's management is the least sophisticated of the three plan's in the pilot group. The plan's financial statements are apparently not audited and, although the company and the pension fund management are in the process of organizing and computerizing employee records and information, participant data maintenance is somewhat disorganized and, in the case of the village units, completely decentralized. These factors will complicate the conversion of this pension fund to a defined contribution arrangement. To the credit of the pension fund management, however, plan investments appear to be reasonable and prudent (though the unaudited financial statement do not contain extensive detail) and the fund managers demonstrated a good deal of competence and professionalism in our meeting with them.

V. RECOMMENDATIONS FOR FURTHER ACTION

While it appears that each of the SOE pension funds in the pilot group is likely to be underfunded, it is impossible from the information currently held by the pension funds to determine the precise extent of the underfunding. This situation is exacerbated by the fact that, in two of the three funds examined, it is also impossible to determine which assets held thereunder are attributable to accrued pension benefits and which are attributable to THT and other benefit programs administered by the pension fund managers. Thus, the only way to ascertain the exact extent to which the pension funds are adequately funded are to perform contemporaneous audits of the pension funds and actuarial valuations of the liabilities of the funds. The audit of the plan will examine not only the financial condition of the plan, but also participant census information (e.g., names, ages, dates of birth, dates of hire, compensation, etc.) necessary to perform the actuarial valuation.

The time and expense involved in performing the audit will depend on the methodology employed. With respect to the financial condition of a plan, the purpose of an audit is to ascertain the levels of assets, liabilities, income and expenses of the plan. This can be accomplished by verifying the accuracy of information supplied by the company through the analysis of random, statistically significant samples of items going into producing that information (e.g., bank statements to analyze the accuracy of reported levels of interests in time deposits). Where the sample reveals a likelihood that the information relating to one or more financial items as presented in the financial statement inaccurately reflects the true value of the item or items, the auditor will "reprepare" the financial statement disclosure with respect to the item or items. Alternatively, and particularly if there is not good information prepared by the company, the audit objective can be achieved by having external auditors actually prepare the financial statements using professional, expert accounting techniques. Obviously, the latter approach is much more expensive and time-consuming. These alternative techniques can also be applied to the determination of participant census data. In the case of the companies in the pilot group, it appears that sufficient effort is put into preparation of the financial statements and the actuarial reports that the sampling techniques should be appropriate for virtually all aspects of the audit; however, because of the highly decentralized and relatively disorganized nature of the participant census information with respect to the BRI village unit plan, it may be desirable for the auditors actually to construct a report of the census information.

Audits of pension funds of the size maintained by the companies in the pilot group that are accomplished by sampling are typically performed by a team consisting of two, three or four fairly junior auditors and one audit manager working full-time on the audit over a period of approximately two months. In addition, the team is supervised by a senior audit manager and a fairly senior individual with expertise concerning technical issues related to employee benefit plans, each of whom devote between one to two weeks' worth of time over the course of the audit. The members of the team working full-time on the need to be "on site" at the company or pension fund; the supervisory personnel do not necessarily have to be "on site," though it could be beneficial for them to have access to company records and similar information.

An actuarial valuation of a pension plan that provides benefits as straightforward as those maintained by the companies in the pilot group could be performed by an actuary using the data information provided through the audit. If the data given to the actuary is complete and intact, the valuation can be performed in a day or so. If, however, the actuary discovers that data items are missing with respect to participants, the actuary must either obtain the actual missing information or substitute for the missing information approximations based on assumptions derived from the existing information;

if this process is necessary, the time for completion of the valuation can be extended by a few days or a few weeks, depending on the extent to which relevant information is not supplied. Unlike the audit team, the actuary does not need to be "on site" to perform the valuation.