

LAW NO. 40 OF 2004
LAW OF THE REPUBLIC OF INDONESIA NUMBER 40 OF 2004
CONCERNING
NATIONAL SOCIAL SECURITY SYSTEM
BY THE GRACE OF GOD ALMIGHTY
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. Whereas everyone shall be entitled to social security enabling them to fulfill basic life decently and upgrade their dignity to the realization of prosperous, fair, and wealthy Indonesian people;
- b. Whereas in order to provide comprehensive social security, the state develops a National Social Security System for the whole people of Indonesia;
- c. Whereas pursuant to the consideration as meant in letter a and letter b, it is necessary to enact the Law on Labor Social Security System;

In view of:

Article 5 paragraph (1), Article 20, Article 28H paragraph (1), paragraph (2), and paragraph (3), and Article 34 paragraph (1) and paragraph (2) of the 1945 Constitution of the Republic of Indonesia;

With the Mutual Consent of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA

And

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

DECIDED:

To stipulate:

THE LAW CONCERNING THE NATIONAL SOCIAL SECURITY SYSTEM

CHAPTER I

GENERAL PROVISION

Article 1

In this Law, the meaning of:

1. Social security is one form of social protections to ensure all people may fulfill their basic life decently.
2. National Social Security System is a mechanism of social security program administration by some social security administrative bodies.
3. Social insurance is a compulsory fund raising mechanism from contribution to provide protection on social economic risk suffered by participants and/or their family members.
4. Compulsory savings is a compulsory deposit for the participants of social security program.

5. Contribution aid is a contribution paid by the Government for the poor and underprivileged as the participants of social security program.
6. Social Security Administrative Body is a legal entity established to administer social security program.
7. Social Security Fund is a trust fund belonging to all participants consisting of contributions including their investment income, which is managed by Social Security Administrative Body for the payment of benefits to the participants and for the operational costs of administering the social security program.
8. Participants are all people, including expatriates who have worked for at least 6 (six) months in Indonesia, who have paid contributions.
9. Benefits are the social security benefits to which participants and/or their family members are entitled.
10. Contributions are money paid regularly by the participants, employers, and/or the government.
11. Employee is anyone who works and earns salary, wage or other forms of remuneration.
12. Employer is an individual, entrepreneur, legal entity, or other entity employing workers or state agencies employing civil servants that provide salary, wage, or other forms of remuneration.

13. Salary or wage is employees' right received and paid in form of money as remuneration from employer to the employees received and paid pursuant to employment agreement, contract, or regulations of law, including allowances for the employees and their families for work and/or service performed.
14. Work accident is an accident occurred during employment relationship, including the accident occurred during the trip from the house to the workplace or vice versa, and disease caused by work environment.
15. Disability is the shortage or loss of body function or loss of body members directly or indirectly resulted in the shortage or loss of employee's ability to do the work.
16. Total disability is a disability resulted in the inability of person to do the work.

CHAPTER III

BASES, OBJECTIVES, AND PRINCIPLES OF ADMINISTRATION

Article 2

National Social Security System shall be administered on the bases of humanity, benefits, and social justice for all people of Indonesia.

Article 3

National Social Security System aims to guarantees the fulfillment of basic life needs adequately for every participant and/or his/her family members.

Article 4

National Social Security System shall be administered under the principles of:

- a. Mutual assistance;
- b. Non-profit;
- c. Transparency;
- d. Prudence;
- e. Accountability;
- f. Portability;
- g. Compulsory participation;
- h. Trust fund; and
- i. Investment yields of Social Security Fund to be entirely used for program development and in the best interests of the participants.

CHAPTER III

SOCIAL SECURITY ADMINISTRATIVE BODY

Article 5

1. Social Security Administrative Body shall be established by Law.

2. Since the enactment of this Law, the existing social security administrative body shall be declared as Social Security Administrative Body pursuant to this Law.
3. The Social Security Administrative Body as meant in paragraph (1) are:
 - a. State Share Company (Persero) Jaminan Sosial Tenaga Kerja (JAMSOSTEK);
 - b. State Share Company (Persero) Dana Tabungan dan Asuransi Pegawai Negeri (TASPEN);
 - c. State Share Company (Persero) Asuransi Sosial Angkatan Bersenjata Republik Indonesia (ASABRI);
and
 - d. State Share Company (Persero) Asuransi Kesehatan Indonesia (ASKES);
4. In the event it is required a Social Security Administrative Body other than as meant in paragraph (3), it may be established the new one by Law.

CHAPTER IV

NATIONAL SOCIAL SECURITY BOARD

Article 6

For the administration of National Social Security System by this Law, a National Social Security Board shall be established.

Article 7

1. The National Social Security Board shall be responsible to the President.
2. The National Social Security Board has functions to formulate public policies and synchronization administration of the National Social Security System.
3. The National Social Security Board shall be assigned to:
 - a. Conduct review and research related to social security administration;
 - b. Propose investment policy of national Social Security funds; and
 - c. Propose social security fund for contribution aid recipients and availability of operational budget to the Government.
4. The National Social Security Board shall be authorized to monitor and evaluate the administration of social security program.

Article 8

1. The National Social Security Board shall consist of 15 (fifteen) members, they are from Government elements, figures and/or experts understanding social security, employers organization, and employees organization.

2. The National Social Security Board shall be chaired by the Head who also serves as member and other members appointed and dismissed by the President.
3. The Head as meant on paragraph (2) shall be appointed from Government element.
4. In implementing its duties, the National Social Security Board shall be assisted by Secretary Board chaired by one secretary appointed and dismissed by the Head of National Social Security Board.
5. The office term of members of the National Social Security Board shall be 5 (five) years, and may be reappointed for one additional term.
6. To be appointed as the members of the National Social Security Board, they shall fulfill the following requirements:
 - a. Indonesian citizens;
 - b. Believe in the God Almighty;
 - c. Physically and mentally healthy;
 - d. Have good behavior;
 - e. At least 40 (forty) years old and not more than 60 (sixty) years old at the time nominated as members;
 - f. Graduated minimum with bachelor's degree;
 - g. Have expertise in social security;
 - h. Have concern in social security; and

- i. Never been imprisoned based on court decision with final and binding effect for a criminal act

Article 9

In implementing its duties, the National Social Security Board may ask for input and assistance from the experts as required.

Article 10

The organizational structure and work order of the National Social Security Board as meant in Article 6, Article 7, Article 8, and Article 9 shall be regulated further by Presidential Regulations.

Article 11

Members of the National Social Security Board may resign or be dismissed prior to the expiration of their office term due to:

- a. Death;
- b. Permanently unable;
- c. Resignation;
- d. Unqualified as meant in Article 8 paragraph (6).

Article 12

1. For the first time, the Head and members of the National Social Security Board shall be proposed by Minister dealing with social welfare.

2. Procedure of appointment, replacement, and dismissal of members of the National Social Security Board shall be regulated further in Presidential Regulations.

CHAPTER V

PARTICIPATION AND CONTRIBUTION

Article 13

1. Gradually, the employers shall be obliged to register themselves and their employees as participants to Social Security Administrative Body, in accordance with social security program being followed.
2. The gradual stages as meant in paragraph (1) shall be regulated further by Presidential Regulations.

Article 14

1. Gradually, the Government shall register the contribution aid recipients as participants to the Social Security Administrative Body.
2. The contribution aid recipients as meant in paragraph (1) are the poor and underprivileged people.
3. Provisions as meant in paragraph (1) and paragraph (2) shall be regulated further by Governmental Regulations.

Article 15

1. The Social Security Administrative Body shall be obliged to provide a single identity number to participants and their family members.
2. The Social Security Administrative Body shall be obliged to provide information regarding the rights and obligations to the participants to follow the applicable provisions.

Article 16

Each participant shall be entitled to obtain benefits and information regarding the implementation of social security program being followed.

Article 17

1. Each participant shall be obliged to pay contribution which amount decided based on percentage of contribution or any certain nominal amount.
2. Each employer shall be obliged to collect contribution from the employees, add compulsory contribution, and pay such contribution to the Social Security Administrative Body periodically.
3. The amount of contribution as meant in paragraph (1) and paragraph (2) shall be decided for each type of program periodically in accordance with social development, economy, and decent basic life needs.

4. The contribution of social security program for the poor and underprivileged people shall be paid by the Government.
5. In the first stage, the contribution as meant in paragraph (4) shall be paid by the Government for health program.
6. Provision as meant in paragraph (4) and paragraph (5) shall be regulated further by Governmental Regulations.

CHAPTER VI

SOCIAL SECURITY PROGRAM

Part One

Type of Social Security Program

Article 18

The types of social security program are:

- a. Health security;
- b. Work accident security;
- c. Old-age security;
- d. Pension security; and
- e. Death security.

Part Two

Health Security

Article 19

1. Health security shall be administered nationally on the basis of social insurance and equity principles.

2. Health security shall be administered with the purpose of guaranteeing the participants to obtain benefits of health care and protection in fulfilling health basic needs.

Article 20

1. Health security participant is anyone paying contribution or his/her contribution paid by the Government.
2. Family members of participants shall be entitled to receive health security benefit.
3. Any participant may include his/her other family members by adding the contribution.

Article 21

1. The health security participation shall be valid for the maximum 6 (six) months since the participant is terminated from his/her work.
2. In the event as meant in paragraph (1) after 6 (six) months still unemployed and underprivileged, the contribution shall be paid by the Government.
3. The underprivileged participants with permanent total disability, the contribution shall be paid by the Government.
4. Provisions as meant in paragraph (1), paragraph (2), and paragraph (3) shall be regulated further by Presidential Regulations.

Article 22

1. Health program benefit is of individual service nature in form of healthcare including promotional, preventive, curative, and rehabilitative cares including drugs and disposable medical substance.
2. For healthcare resulting in care-abuse, participants shall co-pay the cost.
3. Provisions on healthcare and co-payment of cost as meant in paragraph (1) and paragraph (2) shall be regulated further in Presidential Regulations.

Article 23

1. The health security benefit as meant in Article 22 shall be provided in Government- or private-owned healthcare facilities collaborating with Social Security Administrative Body.
2. In the event of emergency, the healthcare as meant in paragraph (1) may be provided in healthcare facilities not collaborating with Social Security Administrative Body.
3. In the event the unavailability of medically qualified healthcare facilities in certain area, the Social Security Administrative Body shall be obliged to give Compensation.

4. In the event participant needs to be hospitalized, the class shall be the standard one.
5. Provisions as meant in paragraph (3) and paragraph (4) shall be regulated further in Presidential Regulations.

Article 24

1. The amount of payment to healthcare facilities for each area shall be determined on the basis of agreement between the Social Security Administrative Body and healthcare facilities association in that area.
2. The Social Security Administrative Body shall be obliged to pay healthcare facilities on the service received by the participants no later than 15 (fifteen) days since the receipt of payment request.
3. The Social Security Administrative Body shall develop healthcare system, quality control system and healthcare payment service to improve the efficiency and effectiveness.

Article 25

The pricelist and ceiling price of drugs, disposable medical substance secured by Social Security Administrative Body shall be determined pursuant to regulations of law.

Article 26

The types of service not secured by Social Security Administrative Body shall be regulated further in Presidential Regulations.

Article 27

1. The amount of health security for waged participants shall be determined on the basis of wage percentage up to certain limit, gradually covered by employees and employers.
2. The amount of health security contribution for non waged participants shall be determined on the basis of nominal reviewed periodically.
3. The amount of health security contribution for contribution aid recipients shall be determined on the basis of nominal determined periodically.
4. The limit of wage as meant in paragraph (1) shall be reviewed periodically.
5. The amount of contribution as meant in paragraph (1), paragraph (2), and paragraph (3), as well as wage limit as meant in paragraph (4) shall be regulated further in Presidential Regulations.

Article 28

1. Employees with more than 5 (five) family members desired to include their family members shall be obliged to pay additional contribution.

2. The additional contribution as meant in paragraph (1) shall be regulated further in Presidential Regulations.

Part Three

Work Accident Security

Article 29

1. The work accident security shall be administered nationally on the basis of social insurance principle.
2. The work accident security is anyone paying contribution.

Article 30

The participants of work accident security are those paying contribution.

Article 31

1. Participants suffered from work accident shall be entitled to receive healthcare benefits in accordance with his/her medical requirement and receive cash benefits in the event of permanent total disability or death.
2. The cash benefits of work accident security shall be given all at once to the beneficiaries of deceased or disabled employees in accordance with disability level.
3. For certain types of service or accident, the employers shall co-pay the cost.

Article 32

1. The work accident security benefit as meant in Article 31 paragraph (1) shall be provided in Government- or private-owned healthcare facilities collaborating with Social Security Administrative Body.
2. In the event of emergency, the healthcare as meant in paragraph (1) may be provided in healthcare facilities not collaborating with Social Security Administrative Body.
3. In the event of work accident occurred in the non-medically qualified healthcare facilities in certain area, the Social Security Administrative Body shall be obliged to give Compensation.
4. In the event participant needs to be hospitalized, the class shall be the standard one.

Article 33

The provisions on cash benefits, beneficiaries' rights, compensation, and medical care as meant in Article 31 and Article 32 shall be regulated further in Governmental Regulations.

Article 34

1. The amount of work accident security contribution is equal to certain percentage from the wage or income wholly covered by the employers.

2. The amount of work accident security contribution for non-waged participants is the nominal value determined periodically by the Government.
3. The amount of contribution as meant in paragraph (1) shall vary for each employee class in accordance with work environment risk.
4. Provisions as meant in paragraph (2) and paragraph (3) shall be regulated further in Governmental Regulations.

Part Four

Old-Age Security

Article 35

1. Old-age security shall be administered nationally on the basis of social insurance or compulsory saving principles.
2. Old-age security shall be administered with purpose to guarantee that participants receive cash if they are pension, suffer from permanent total disability, or died.

Article 36

Old-age security participants are those paying contribution.

Article 37

1. Old-age security cash benefits shall be paid all at once when the participants are in pension age, died, or suffer from permanent total disability.

2. The amount of old-age benefits shall be determined on the basis of accumulated, paid contribution plus its investment yields.
3. The payment of old-age security benefits may be given partially until certain limit upon the minimum participation of 10 (ten) years.
4. If the participants died, their legitimate beneficiaries shall be entitled to receive old-age security benefits.
5. Provisions as meant in paragraph (3) and paragraph (4) shall be regulated further in Governmental Regulations.

Article 38

1. The amount of old-age security contribution for waged participants shall be determined on the basis of certain percentage of certain wage or income co-paid by employers and employees.
2. The amount of old-age security contribution for non-waged participants shall be determined on the basis of nominal value determined periodically.
3. Provisions as meant in paragraph (1) and paragraph (20) shall be regulated further in Governmental Regulations.

Part Five

Pension Security

Article 39

1. The pension security shall be administered nationally on the basis of social insurance or compulsory saving principles.
2. The pension security shall be administer to maintain the decent life degree when the participants lost or short of income due to pension age or suffering from permanent total disability.
3. The pension security shall be administered on the basis of defined benefit.
4. The pension age shall be determined pursuant to regulations of law.

Article 40

The pension security participants are the employees paying the contribution.

Article 41

1. Pension security cash benefits shall be received monthly as:
 - a. Old-age pension, received by the participants upon retired age until die;
 - b. Disability pension, received by the participants who are disable due to work or disease until die;
 - c. Widow/widower pension, received by the participants' beneficiaries widow/widower until die or remarry;

- d. Children pension, received by participants' beneficiaries until 23 (twenty three) years old, working, or marry; or
 - e. Parent pension, received by single participants' beneficiaries parents until certain limit in accordance with regulations of law.
- 2. Any participant or his/her beneficiaries shall be entitled to receive payment of periodical pension fund monthly upon fulfilling contribution period of minimum 15 (fifteen) years, unless stated otherwise by the regulations of law.
 - 3. The pension security benefits shall be paid to the participants reaching retired age in accordance with the formula.
 - 4. If the participant died after the contribution period of 15 (fifteen) years, his/her beneficiaries shall be entitled to receive pension security benefits.
 - 5. If the participant retired before the contribution period of 15 (fifteen) years, the participant shall be entitled to receive all of his/her accumulated contribution plus its investment yields.
 - 6. The beneficiaries' rights to children pension benefits shall be expired if the child is married, permanently working, or reaching 23 (twenty three) years old.

7. The disability pension benefits shall be paid to participant suffered from permanent total disability although he/she is not in his/her pension age.
8. Provision on pension benefits as meant in paragraph (3) shall be regulated further in Presidential Regulations.

Article 42

1. The amount of pension security contribution for waged participants shall be determined on the basis of certain percentage of wage or income or any certain nominal value jointly covered by employers and employees.
2. Provision as meant in paragraph (1) shall be regulated further in Governmental Regulations.

Part Six

Death Security

Article 43

1. The death security shall be administered nationally on the basis of social insurance principle.
2. The death security shall be administered with purpose of granting death benefit paid to the deceased participant's beneficiaries.

Article 44

The participants of death security are those paying contribution.

Article 45

1. The death security cash benefit shall be paid no later than 3 (three) working days after receiving claim and approved by the Social Security Administrative Body.
2. The amount of death security benefit shall be determined on the basis of certain nominal value.
3. Provision on benefit as meant in paragraph (2) shall be regulated further in Governmental Regulations.

Article 46

1. The death security contribution shall be borne by the employers.
2. The amount of death security contribution for waged participants shall be determined on the basis of certain percentage of wage or income.
3. The amount of death security contribution for non-waged participants shall be determined on the basis of certain nominal value paid by the participants.
4. Provisions as meant in paragraph (1), paragraph (2), and paragraph (3) shall be regulated further in Governmental Regulations.

CHAPTER VII

SOCIAL SECURITY FUNDS MANAGEMENT

Article 47

1. The Social Security Funds shall be managed and invested by the Social Security Administrative Body as optimum as possible by considering the aspects of liquidity, solvency, prudence, fund security, and adequate yields.
2. The mechanism of management and investment of Social Security Funds as meant in paragraph (1) shall be regulated further in Governmental Regulations.

Article 48

The Government may conduct special actions to guarantee the maintenance of financial health level of Social Security Administrative Body.

Article 49

1. The Social Security Administrative Body shall manage the accountings in accordance with applicable accounting standards.
2. Cross-subsidy of programs by paying benefits of a program from other program fund shall not be allowed.
3. The Participants shall at anytime be entitled to obtain information on accumulated contribution and its investment yields as well as benefits of old-age security program, pension security, and death security.
4. The Social Security Administrative Body shall provide information on accumulated contribution as well as its

investment yields to each participant of old-age security at least once in a year.

Article 50

1. The Social Security Administrative Body shall establish technical reserve in accordance with the general and commonly accepted actuarial standards of practice;
2. Provision as meant in paragraph (1) shall be regulated further in Governmental Regulations.

Article 51

The supervision on the financial management of Social Security Administrative Body shall be conducted by authorized institution in accordance with regulations of law.

CHAPTER VIII

TRANSITIONAL PROVISIONS

Article 52

1. At the time this Law comes into effect;
 - a. State Share Company (Persero) Jaminan Sosial Tenaga Kerja (JAMSOSTEK) established by the Governmental Regulation Number 36 of 1995 on the Establishment of the Administrative Body of the Employee Social Security Program (State Gazette of the Republic of Indonesia of 1995 Number 59),

under the Law Number 3 of 1992 on Employee Social Security (State Gazette of the Republic of Indonesia of 1992 Number 14, Supplement to the State gazette of the Republic of Indonesia Number 3468);

- b. State Share Company (Persero) Dana Tabungan dan Asuransi Pegawai Negeri (TASPEN) established by Governmental Regulation Number 26 of 1981 on Change in the Form of the Body Administering Civil Servants Savings and Insurance Scheme from a Public Company to a State Share Company (Persero) (State Gazette of the Republic of Indonesia of 1981 Number 38), based on Law Number 11 of 1969 on Civil Retirement Pensions and Widow/Widower Employees (State Gazette of the Republic of Indonesia of 1969 Number 42, Supplement to the State Gazette of the Republic of Indonesia Number 2906), Law Number 8 of 1974 on Principles of Human Resources (State Gazette of the Republic of Indonesia of 1974 Number 55, Supplement to the State Gazette of the Republic of Indonesia Number 3041) as amended by Law Number 43 of 1999 (State Gazette of the

Republic of Indonesia of 1999 Number 169, Supplement to the State Gazette of the Republic of Indonesia Number 3890), and Governmental Regulation Number 25 of 1981 on Civil Servants Social Insurance (State Gazette of the Republic of Indonesia of 1981 Number 37, Supplement to the State Gazette of the Republic of Indonesia Number 3200);

- c. State Share Company (Persero) Asuransi Sosial Angkatan Bersenjata Republik Indonesia (ASABRI) established by Governmental Regulations Number 68 of 1991 on the Structure Change of Public Company (Perum) Asuransi Sosial Angkatan Bersenjata Republik Indonesia into State Share Company (Persero) (State Gazette of the Republic of Indonesia of 1991 Number 88);
- d. State Share Company (Persero) Asuransi Kesehatan Indonesia (ASKES) established by Governmental Regulation Number 6 of 1992 on the Structure Change of Husada Bhakti Public Company (Perum) to State Share Company (Persero) (State Gazette of the Republic of Indonesia of 1992 Number 16);

Shall continue to take effect insofar not adjusted to this Law.

2. All provisions regulating the Social Security Administrative Body as meant in paragraph (1) shall be adjusted to this Law no later than 5 (five) years upon the enactment date.

CHAPTER IX CLOSING PROVISIONS

Article 53

This law shall be effective as of enactment date.

For everyone to see, it is ordered that this Law to be promulgated in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On October 19, 2004

PRESIDENT OF THE REPUBLIC OF INDONESIA

Signature

MEGAWATI SOEKARNOPUTRI

Enacted in Jakarta

On October 19, 2004

STATE SECRETARY OF THE REPUBLIC OF INDONESIA

Signature

BAMBANG KESOWO

Copy conformed to the original

Deputy Secretary

Legal and Legislation Department

Lambock V. Nahattands

**ELUCIDATION ON THE LAW
OF
THE REPUBLIC OF INDONESIA
NUMBER 24 OF 2004 ON
THE NATIONAL SOCIAL SECURITY SYSTEM**

GENERAL

The social economy development as one of national development policy implementations has produced many progress, among others, the improvement of people welfare. Such welfare should be enjoyed continuously, fairly, and evenly to all people.

The Indonesian development dynamics has caused both challenges and demands of treatment for various unsolved questions. One of them is the administration of social security for all people, as mandated in Article 28 paragraph (3) on the rights to social security and Article 34 paragraph (2) of the 1945 Constitution of the Republic of Indonesia.

The social security is also guaranteed in the Declaration of the United Nations on Human Rights in 1948 as confirmed in ILO Convention Number 102 of 1952 recommending all nations to provide minimum protection to each employee. In line with such provisions, the People's Consultative Assembly of the Republic of Indonesia in Decree Number X/MPR/2001 mandates the President to establish a national social security system in order to provide a more comprehensive and integrated social protection for the people.

The National Social Security System essentially is a State program with purpose to guarantee the protection and social welfare for all of Indonesian people. Through this program, any resident of Indonesia is expected to be able to fulfill his/her decent daily life in the event of loss or short of revenue, because of ill, struck by accident, lost his/her job, in his/her old age, or pension.

During the last decades, Indonesia has conducted several social security programs. The Law specially regulating the social security for private employees is the Law Number 3 of 1992 on the Labor Security (JAMSOSTEK) that consists of healthcare security program, work accident program, old-age security, and death security.

For Civil Servants (PNS), it is developed programs called Dana Tabungan dan Asuransi Pegawai (TASPEN) established by

Governmental Regulation Number 26 of 1981 and Asuransi Kesehatan (ASKES) administered pursuant to Governmental Regulation Number 69 of 1991 compulsory to PNS/Pension Recipients/Independence Pioneers/Veterans and their family members.

For Indonesian National Army (TNI), Police Department of the Republic of Indonesia (POLRI) and PNS in Department of Defense/TNI/POLRI along with their families have been performed a program called Asuransi Sosial Angkatan Bersenjata Republik Indonesia (ASABRI) in accordance with Governmental Regulation Number 67 of 1991 constituting an amendment to Governmental Regulation Number 44 of 1971.

The various programs mentioned above only consist of minority of people. Most of people have not received adequate protection. Other than that, the implementation of various social security programs is able to provide fair and adequate protection to the participants in accordance with the program benefit as the participants' rights.

In respect of above matters, it is necessary to establish a National Security System that is able to synchronize the administration of various types of social security conducted by several administrators to reach out bigger participations as well as provide larger benefits for each participant.

The principles of National Social Security System are as follows:

- Principle of mutual assistance. This principle is actualized in the mechanism of mutual assistance from the privileged participants to the underprivileged participants in form of compulsory participation for all people; the low risk participants help the high risk participants; and the healthy participants help those who are sick. Through this principle of mutual assistance, social security may bring social justice for all people of Indonesia.
- Principle of non-profit. The management of trust fund is not aimed to seek profit (non-profit) for the Social Security Administrative Body, rather to fulfill the best interests of the participants. The trust fund, its investment yields, and budget surplus will be utilized for the best interests of the participants.
- Principles of transparency, prudence, accountability, efficiency, and effectiveness. These management principles are applied and underlying all trust management activities from participants contribution and its investment yields.

- Principle of portability. The social security is purported to provide security continuously despite changes in Participant's job or residence within the territory of the Unified States of the Republic of Indonesia.
- Principle of compulsory participation. The compulsory participation is purported to all people to be the participants so that they can be protected. Although the compulsory participants are for all people, its application shall be adjusted to the economic ability of the people and the government as well as the feasibility of program administration. The first stage begins from formal workers, concurrently the informal sector will become participants independently, and in turns the National Social Security System can reach all people.
- Principle of trust fund. The collected fund and contribution from the participants are deposit with administrative bodies to be managed for the best interests to optimize the fund for the participants' welfare.
- Principle of investment yields of National Social Security Funds in this Law is the yield in form

of dividend from the shareholders returned for the benefit of social security participants.

This Law regulates the administration of National Social Security System consisting of health security, work accident security, pension security, old-age security, and death security for all residents through employees' compulsory contribution. Those social security programs are administered by several Social Security Administrative Bodies. The Social Security Administrative Body in this Law is the transformation of the existing Social Security Administrative Body and it is possible to establish the new administrative body in accordance with the dynamics of social security development.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Principle of humanity is related to respect for human dignity. Principle of benefits is an operational principle related to efficient and effective management. Principle of justice is an ideal principle. Those three principles are

aimed to guarantee the perpetuity of programs and participants' rights.

Article 3

The meaning of basic life needs is a person's essential needs to achieve an adequate standard of living, for the creation of social welfare for all Indonesian people.

Article 4

The principle of mutual assistance in this provision is the principle of solidarity among Participants in bearing the cost of social security, realized in the obligations of every participants to pay contribution pursuant to his/her salary, wage, or income level.

The principle of non-profit in this provision is the principle of business management that emphasizes the use of investment yields for the maximum benefit of all Participants.

The principle of transparency in this provision is the principle of facilitating access to complete, accurate, and clear information to every participant.

The principle of prudence in this provision is the principle of accurate, neat, secure, and orderly financial management of the funds.

The principle of accountability in this provision is the principle of accurate and accountable program administration and financial management.

The principle of portability in this provision is the principle which provides continuous security despite changes in participant's job or residence within the territory of the Unified States of the Republic of Indonesia.

The principle of compulsory participation in this provision is the principle of the compulsory participation in social security for all residents to be administered in stages.

The principle of trust fund in this provision is the principle in which contributions and its investment yields are to constitute a deposited fund from participants to be used in the best interest of the social security participants.

The principle of investment yields of National Social Security Funds in this provision is the yield in form of dividend from the shareholders returned for the benefit of social security participants.

Article 5

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

The establishment of the Social Security Administrative Body pursuant to this provision is aimed to adjust with the dynamics of social security development by keep giving opportunity to the existing/new Social Security Administrative Body, in developing the scope of participation and social security programs.

Article 6

Sufficiently Clear

Article 7

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Letter a

The review and research conducted in this provision are among others, the adjustment to transitional period, standard operational procedure of Social Security Administrative Body, amount of contribution and benefits, the gradual stages of participation and program extension, fulfillment of participants' rights, and obligations of Social Security Administrative Body.

Letter b

The investment policies as meant in this provision are the fund deposit by considering the principles of prudence, yield optimization, trust security, and transparency.

Letter c

Sufficiently Clear

Paragraph (4)

The authorization to monitor and evaluate in this provision is aimed to guarantee the administration of social security program, including the level of financial health of Social Security Administrative Body.

Article 8

Paragraph (1)

The 15 (fifteen) members in this provision shall consist of 5 (five) members representing government, 6 (six) members representing figures and/or experts, 2 (two) members representing employers organization, and 2 (two) members representing employees organization.

The government representatives in this provision are from the department dealing with finance, manpower, health, social, and social welfare and/or defense and security, each 1 (one) person.

Expert representatives in this provision consist of experts in insurance, finance, investment, and actuarial.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Paragraph (6)

Article 9

Sufficiently Clear

Article 10

Sufficiently Clear

Article 11

Sufficiently Clear

Article 12

Sufficiently Clear

Article 13

Sufficiently Clear

Article 14

Paragraph (1)

The phrase "gradually" in this provision is aimed to consider the requirements of participation and program conducted by paying attention to state budget ability, such as initialized with health security program.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Article 15

Paragraph (1)

Sufficiently Clear

Paragraph (2)

The information as meant in this provision including rights and obligations as participants, private account periodically minimum once in a year, and the investment of program being followed.

Article 16

Sufficiently Clear

Article 17

Paragraph (1)

Sufficiently Clear

Paragraph (2)

The meaning of periodical contribution payment in this provision is monthly payment.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

The poor and underprivileged people in this provision are as meant in Article 34 paragraph (1) and paragraph (2) of the 1945 Constitution of the Republic of Indonesia.

Paragraph (5)

Sufficiently Clear

Paragraph (6)

Sufficiently Clear

Article 18

Sufficiently Clear

Article 19

Paragraph (1)

Social insurance principle shall consist of:

- a. Mutual assistance among the rich and poor people, the healthy and sick people, the old and young people, the high risk and low risk people;

- b. Compulsory, non-selective participation;
- c. Contribution on the basis of wage/income percentage;
- d. Non-profit.

Equity principle is the equity in obtaining service pursuant to medical needs not attached to the paid contribution.

Paragraph (2)

Sufficiently Clear

Article 20

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Family members are legitimate husband/wife, blood children, step children of legitimate marriage, and legitimate foster children, maximum 5 (five) members.

Paragraph (3)

The meaning of other family members in this provision is the fourth children and so forth, father, mother, and parents in-law.

To include other family members, the employee shall provide power of attorney to the employer to add his/her contribution to the Social Security Administrative Body as stipulated in this Law.

Article 21

Paragraph (1)

This provision enables a participant to sustain employment relation termination with his/her family members are still receiving health security until the next 6 (six) months without paying in installments.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 22

Paragraph (1)

The meaning of healthcare in this provision shall consist of healthcare and counseling, immunization, Family Planning service, outpatient, inpatient, emergency service, and other medical actions, including dialysis and heart surgery. Those services are provided in accordance with standard service, whether the quality and type of service in order to guarantee the sustainability of program and participants satisfaction. The wide span of healthcare is adjusted to participants' needs that subject to change and the financial ability of Social Security Administrative Body. It is required for carefulness.

Paragraph (2)

The type of service is a moral hazard service that is highly affected by participants' taste and behavior, such as using supplement drugs, diagnostic examination, and actions inconsistent to medical needs.

Co-payment must be a control effort, primarily control effort in receiving medical service. The determination of co-payment may be in form of certain nominal value or percentage of the service cost, and paid to medical facilities at the time receiving medical service.

Paragraph (3)

Sufficiently Clear

Article 23

Paragraph (1)

Medical facilities shall consist of hospitals, doctors, clinics, laboratories, pharmacies, and other medical facilities. The medical facilities shall be qualified if those medical facilities are acknowledged and licensed by Government institution dealing with health issues.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

The compensation given to the participants may be in form of cash, in accordance with the participants' right.

Paragraph (4)

Participant desires a higher class to his/her right (standard class) may improve his/her right by participating in additional health insurance, or paying by himself/herself the difference between the cost guaranteed by Social Security Administrative Body and cost to be paid due to class improvement.

Paragraph (5)

Sufficiently Clear

Article 24

Paragraph (1)

Sufficiently Clear

Paragraph (2)

This provision requires the Social Security Administrative Body to pay medical facilities effectively and efficiently. The Social Security Administrative Body may provide certain budget to any hospital in an area to provide service to participants or to pay a fixed number per capita per month (capitation). The budget shall consist of medical service, treatment cost, supporting cost, and medicine cost in which detailed usage is set out separately by the directors of the hospital. Thereby, a hospital will be more flexible to utilize the fund as effective and efficient as possible.

Paragraph (3)

In the healthcare development, the Social Security Administrative Body shall apply quality control and price control systems including to apply cost contribution to prevent medical care abuse.

Article 25

The determination of price list and plafond in this provision is aimed to consider the development of the availability of medical needs, as well as effectiveness and efficiency of drugs or disposable medical substance.

Article 26

Sufficiently Clear

Article 27

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

The meaning of periodically in this provision is certain period to conduct review and revision pursuant to the development of needs.

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Article 28

Sufficiently Clear

Article 29

Sufficiently Clear

Article 30

Sufficiently Clear

Article 31

Sufficiently Clear

Article 32

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Compensation in this provision may be in form of cash reimbursement, paramedic dispatch, or supplying certain medical facilities.

Paragraph (4)

Participant desires a higher class to his/her right (standard class) may improve his/her right by participating in additional health insurance, or paying by himself/herself the difference between the cost guaranteed by Social Security Administrative Body and cost to be paid due to class improvement.

Article 33

Sufficiently Clear

Article 34

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

The various amount of contribution adjusted to the risk level of work environment is also aimed to encourage the employers to reduce the risk level of their work environment and to create business efficiency.

Paragraph (4)

Sufficiently Clear

Article 35

Paragraph (1)

The social insurance principle in old-age security is based on insurance mechanism by paying contribution between the employers and employees.

The compulsory savings in old-age security is based on consideration that the old-age benefits are from the accumulated contribution and its investment yields.

Paragraph (2)

The old-age security is provided to participants not in their retired age but suffered from permanent total disability resulting in inability to work and their contribution is stopped.

Article 36

Sufficiently Clear

Article 37

Paragraph (1)

Sufficiently Clear

Paragraph (2)

The government guarantees the administration of old-age security investment in accordance with the principle of prudence minimum equivalent to Government banks deposit rate of interest for one year so that the participants obtain the fullest benefits.

Paragraph (3)

Part of old-age security may be paid to assist the participants in preparing their retired age.

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Article 38

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

The Government shall regulate the percentage of contribution to be paid by employees and employers.

Article 39

Paragraph (1)

The pension security mechanism is basically based on social insurance, but this provision provides opportunity for the employees entering their retired age but the contribution period not reaching the determined time, to be applied as compulsory savings and paid when they no longer work, plus its investment yields.

Paragraph (2)

The decent life as meant in this provision is the amount of pension security shall be able to fulfill the basic needs of employees and their family members.

Paragraph (3)

The meaning of defined benefit is the existence of minimum and maximum limit of benefits to be received by the participants.

Paragraph (4)

Sufficiently Clear

Article 40

Sufficiently Clear

Article 41

Paragraph (1)

Letter a

Sufficiently Clear

Letter b

Sufficiently Clear

Letter c

Sufficiently Clear

Letter d

Children pension benefit is the payment of pension periodically to the children as the participant's beneficiaries, maximum 2 (two) children who are unemployed, unmarried, or until reaching 23 (twenty three) years old, and will be without income source if the participant died.

Letter e

Parents benefit is the payment of pension periodically to the parents as the single participant's beneficiaries if the participant died.

Paragraph (2)

The requirement 15 (fifteen) years is necessary for the adequacy of accumulated fund to provide pension security until a certain period determined in form of this Law.

Paragraph (3)

The pension security formula shall be determined on the basis of years of service and the latest wage.

Paragraph (4)

Although the participants have not fulfilled contribution period of 15 (fifteen) years, in accordance with social insurance principle, the beneficiaries shall be entitled to receive pension security as per determined formula.

Paragraph (5)

Due to not fulfilling contribution period requirement, the pension security contribution shall be considered as compulsory savings.

Paragraph (6)

Sufficiently Clear

Paragraph (7)

Sufficiently Clear

Paragraph (8)

Sufficiently Clear

Article 42

Sufficiently Clear

Article 43

Sufficiently Clear

Article 44

Sufficiently Clear

Article 45

Sufficiently Clear

Article 46

Sufficiently Clear

Article 47

Paragraph (1)

The meaning of liquidity is the financial ability of Social Security Administrative Body in fulfilling its short term obligations.

The meaning of solvency is the financial ability of Social Security Administrative Body in fulfilling its short term and long term obligations.

Paragraph (2)

Sufficiently Clear

Article 48

Sufficiently Clear

Article 49

Paragraph (1)

Sufficiently Clear

Paragraph (2)

The example of non-permitted cross-subsidy in this provision is the pension fund shall not be used to finance health security and vice versa.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 50

Paragraph (1)

Technical reserve indicates the obligations of Social Security Administrative Body arise out in order to fulfill the future obligations to the participants.

Paragraph (2)

Sufficiently Clear

Article 51

Sufficiently Clear

Article 52

Sufficiently Clear

Article 53

Sufficiently Clear

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
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<p>This document is translated from Indonesian into English by Renati Adriani (Authorized/Sworn Translator by the Greater Jakarta Governor's Certificate of Appointment #SK.GUB.KDKI.No. 1820/1999)</p>
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