


The background of the slide is a close-up photograph of several vertical strips of fabric. Each strip has a different color and pattern, including geometric, floral, and abstract designs in various colors like blue, purple, red, and orange. The fabrics are slightly out of focus, creating a sense of depth.

Employee Benefits Trend

Halim Gunawan

31 JULY 2019

Agenda



Highlights of Milliman's Indonesia Health and Wellbeing Survey 2018



Trend on Retirement Benefits



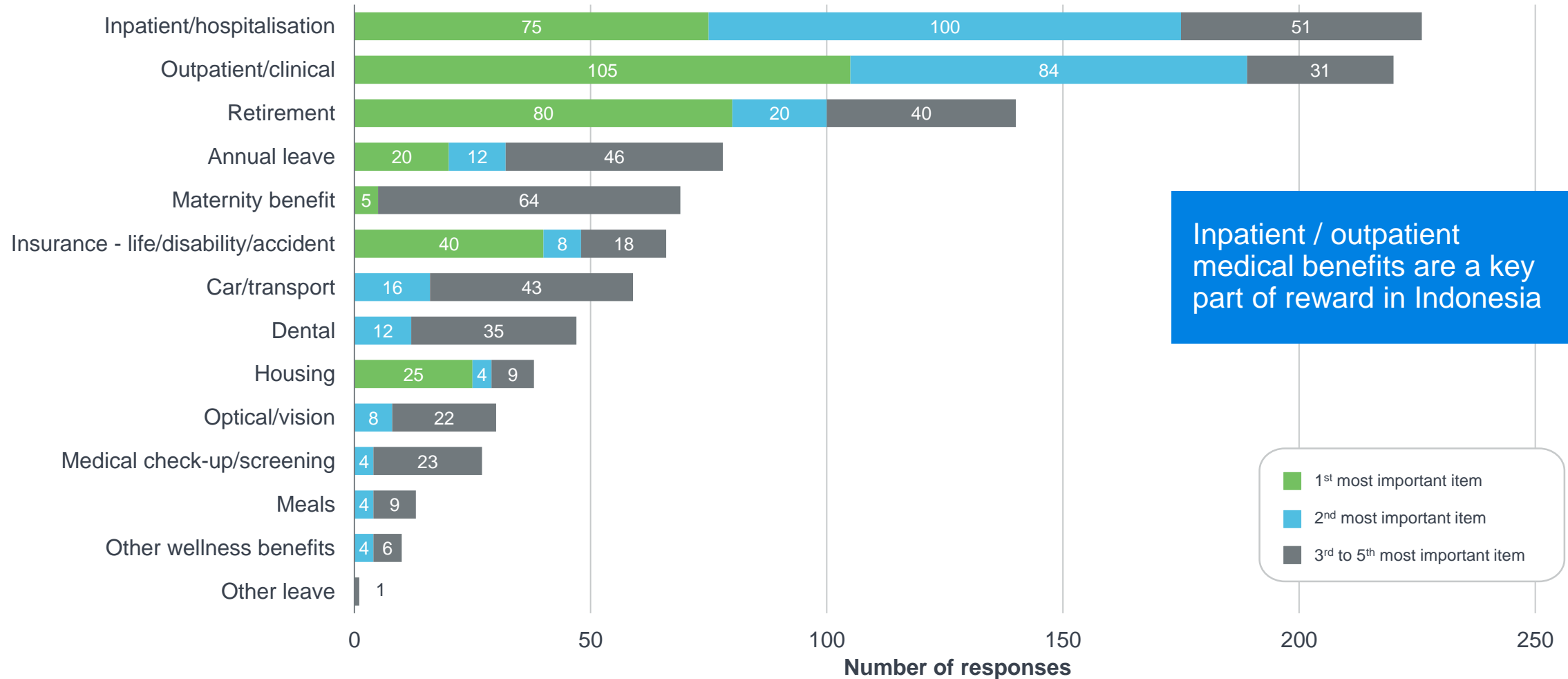
Accounting Impact of Employee Benefit Plan

Employee Benefit Highlight

Milliman's Indonesia Health and Wellbeing Survey 2018

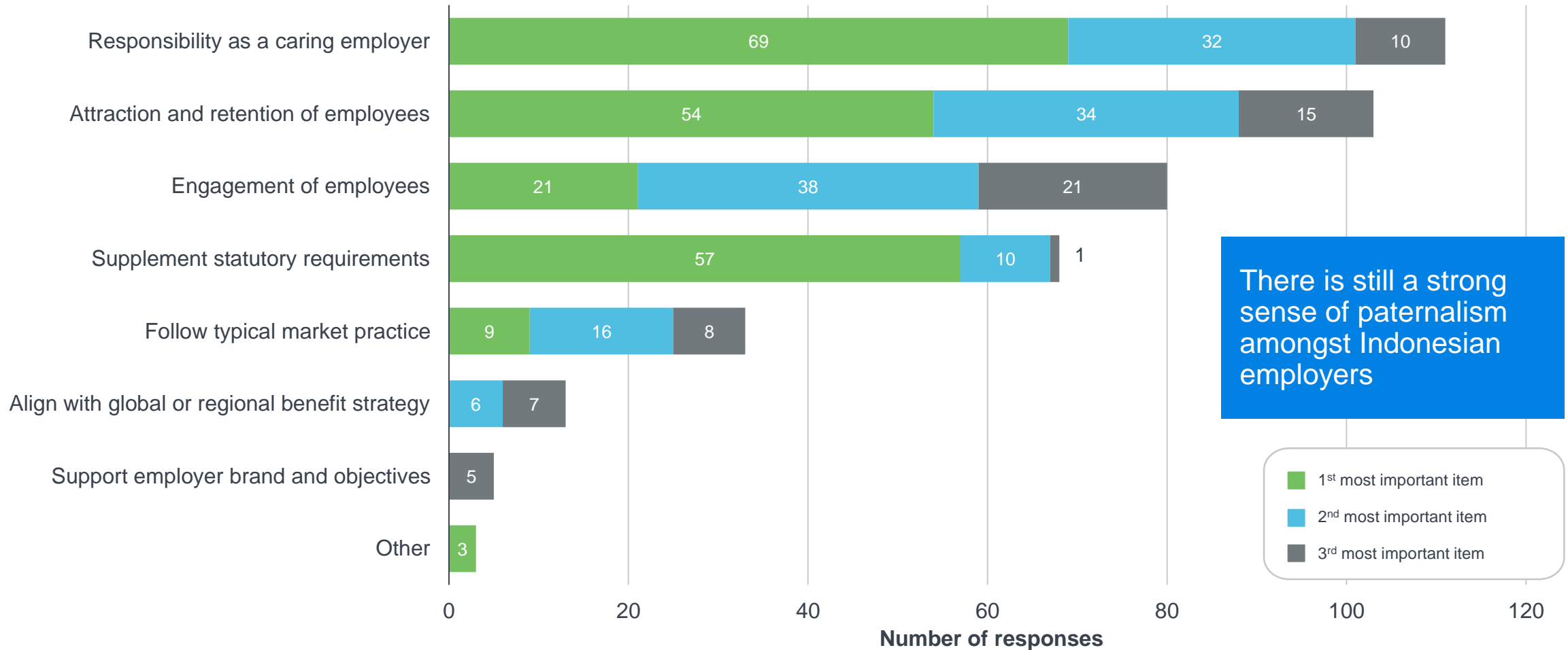
Prioritisation of benefits

How do you think your employees would rank the following benefit items at your company? (up to five answers – starting with the 1st most important)



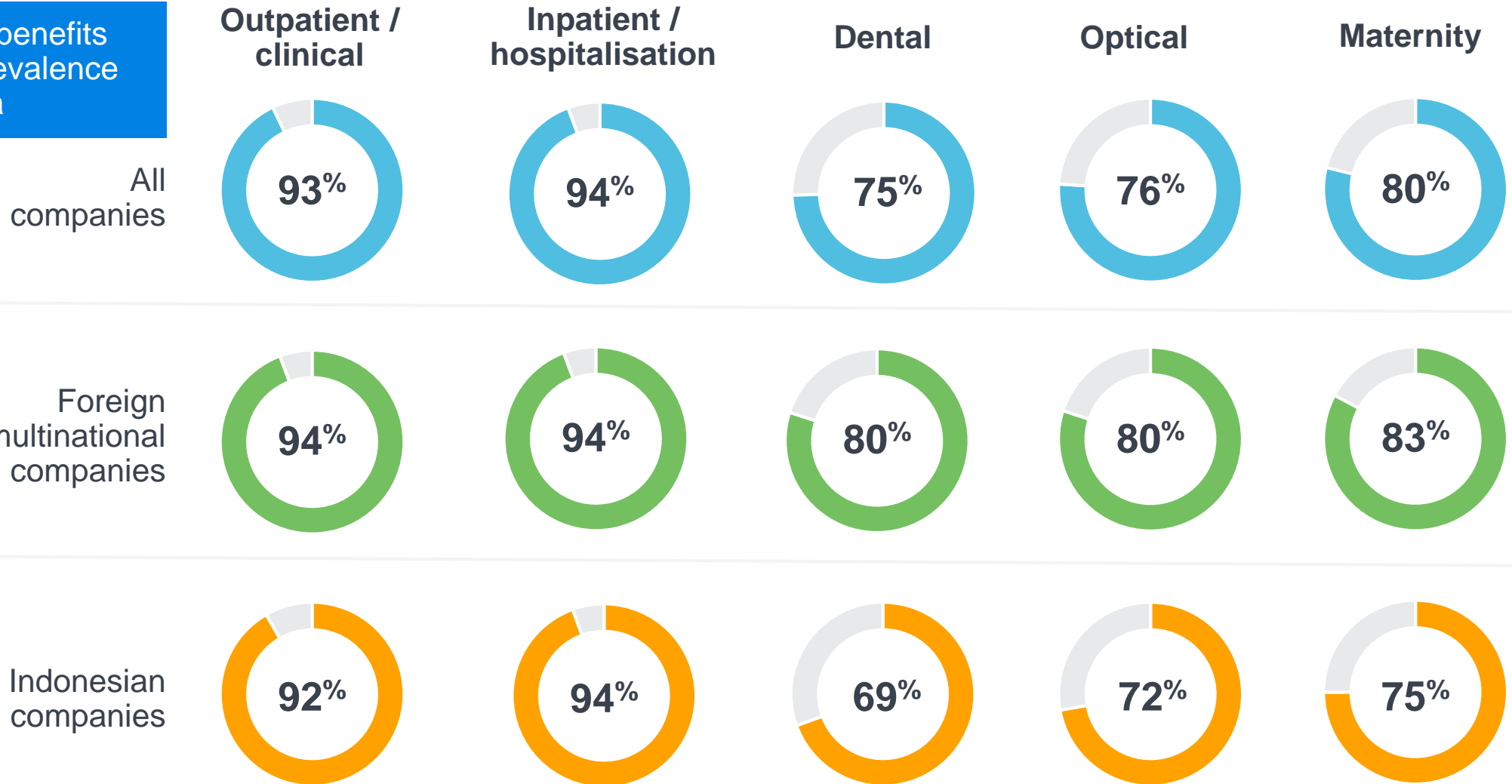
Reasons for provision of healthcare benefits in Indonesia

What are your company's main reasons for offering healthcare benefits?
(up to three answers – starting with the 1st most important)



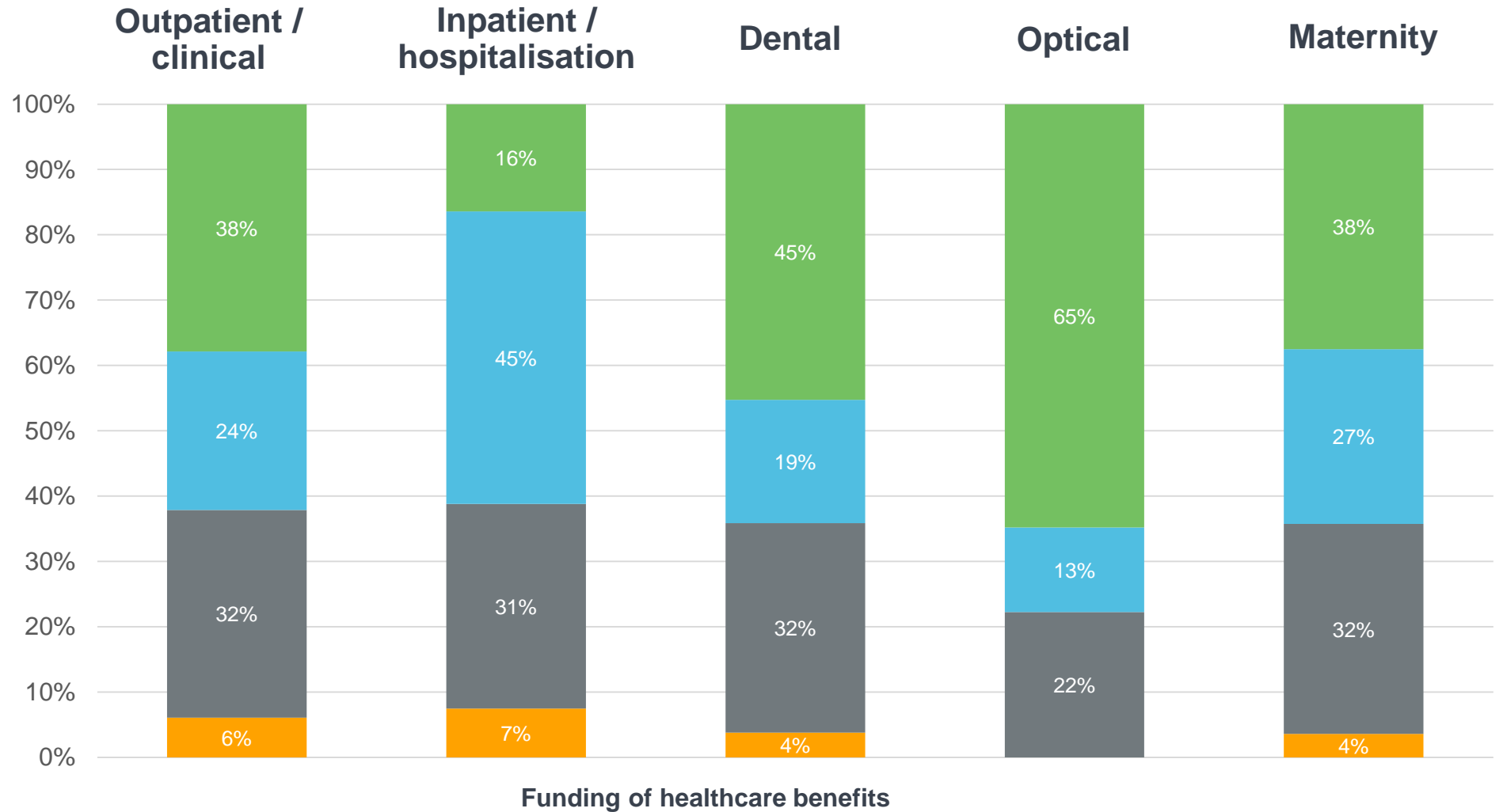
Prevalence of healthcare benefits in Indonesia

Healthcare benefits see high prevalence in Indonesia



Funding of healthcare benefits in Indonesia

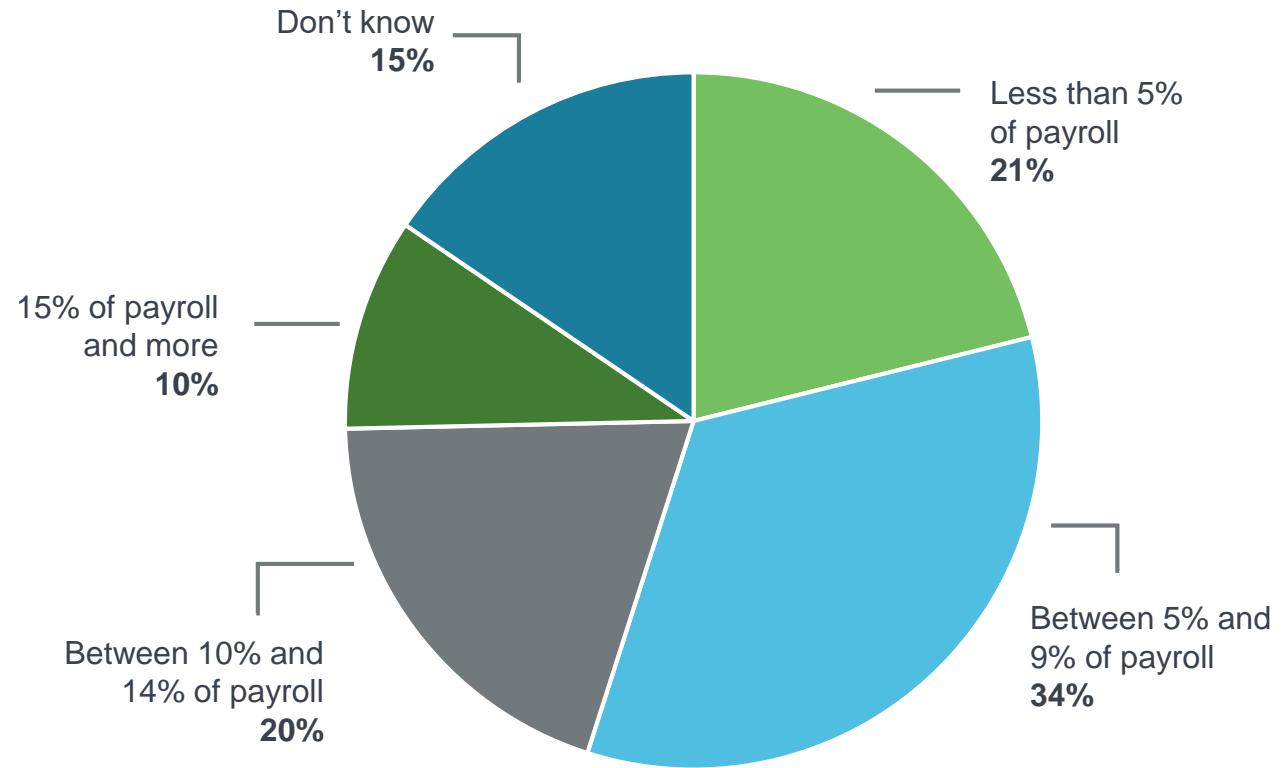
Use of insurance is highest for inpatient / hospitalisation



Healthcare spending as a percentage of basic payroll

How much does your company spend on healthcare benefits as a percentage of basic payroll?
(combining BPJS and other healthcare benefits)

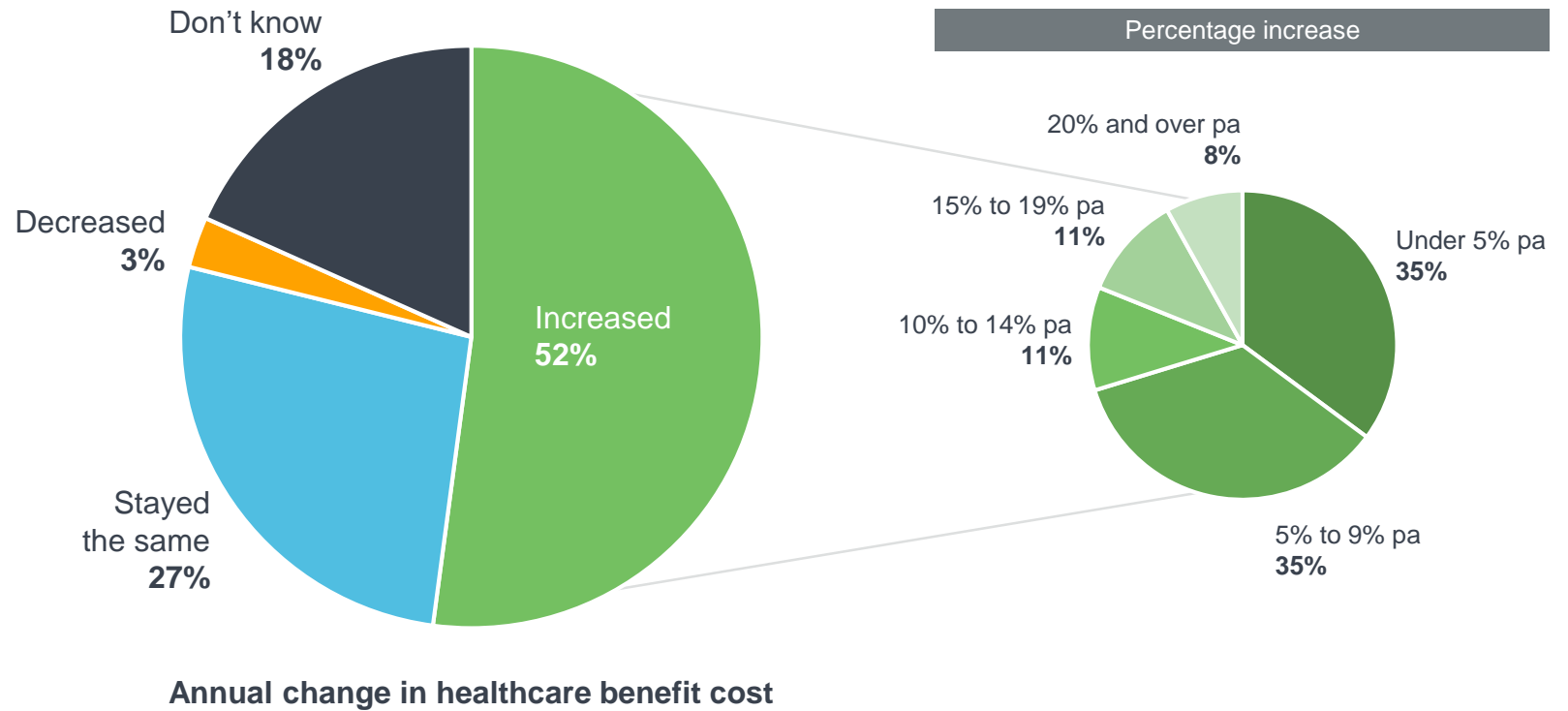
30%
spent more than 10% of payroll on healthcare benefits



Percentage of basic payroll

Annual healthcare cost increases in Indonesia

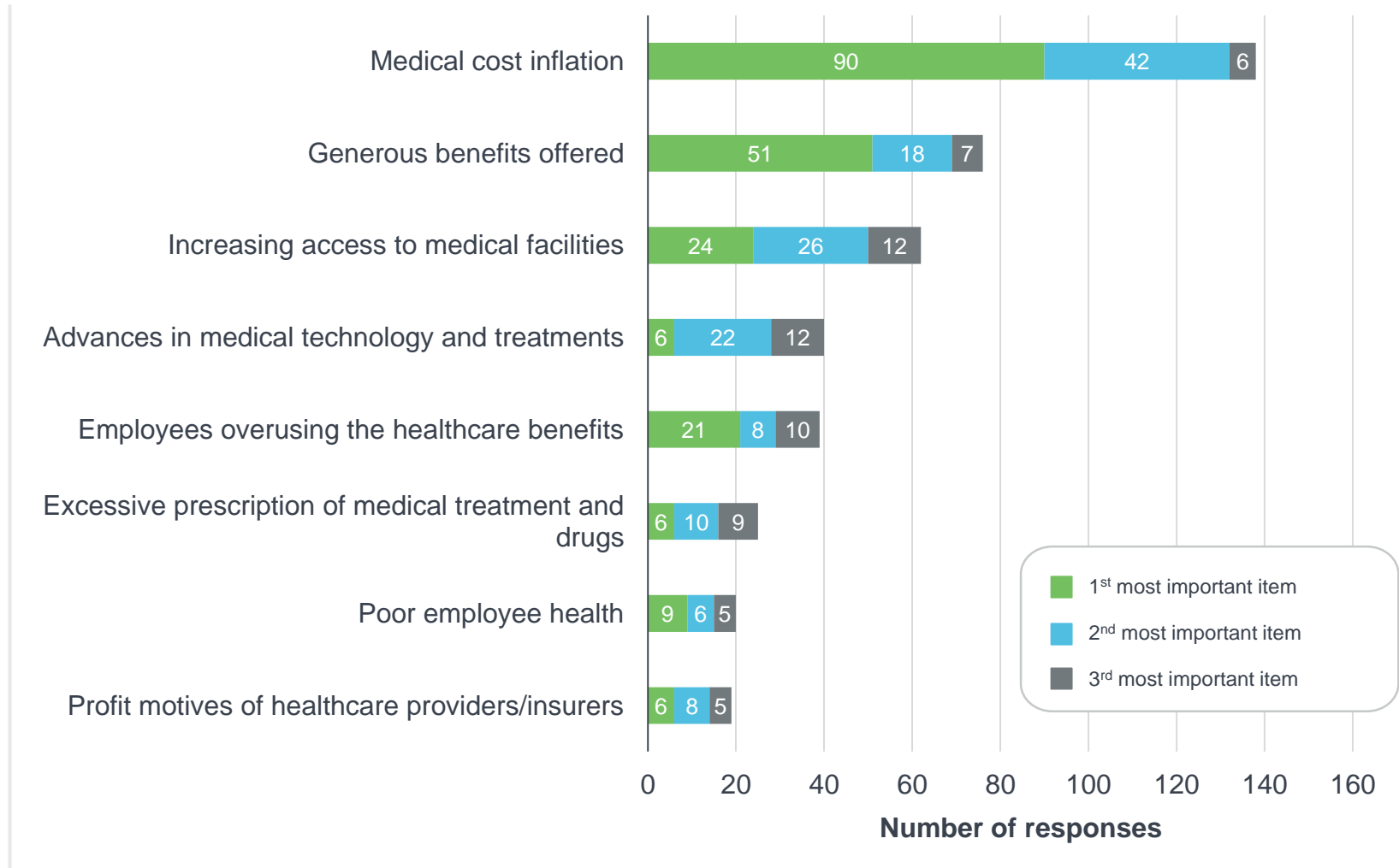
30%
of those who said their healthcare cost was increasing saw increases of more than 10% pa



Drivers of healthcare cost increases in Indonesia

What do you think are the top 3 drivers of healthcare cost increases at your company?
(up to three answers – starting with the 1st most important)

Whilst underlying medical cost inflation is the key driver, employers are recognising that the generous benefits offered impact on employee behaviour

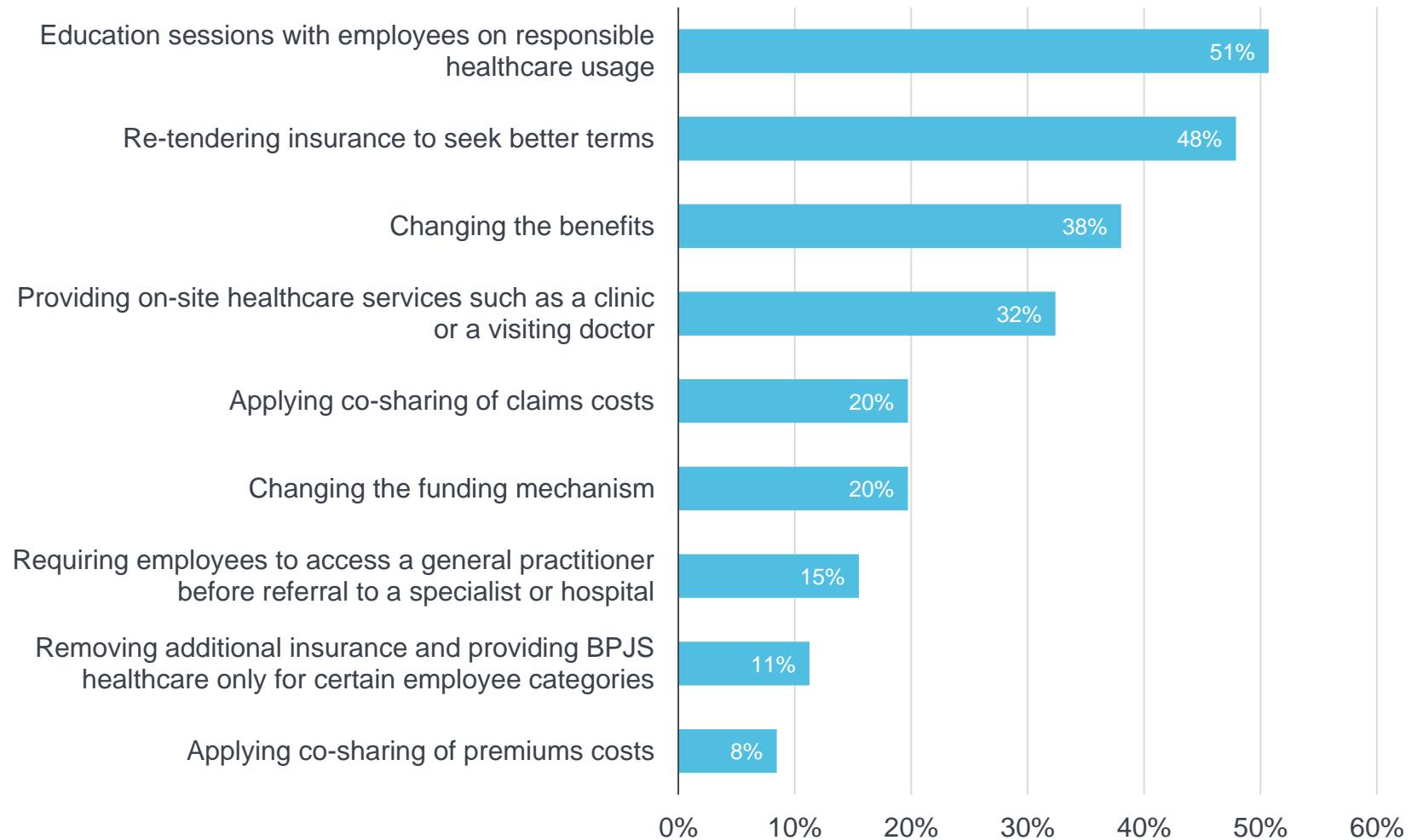


Cost containment measures in Indonesia

Aside from any wellness initiatives, which healthcare cost containment measures has your company used?

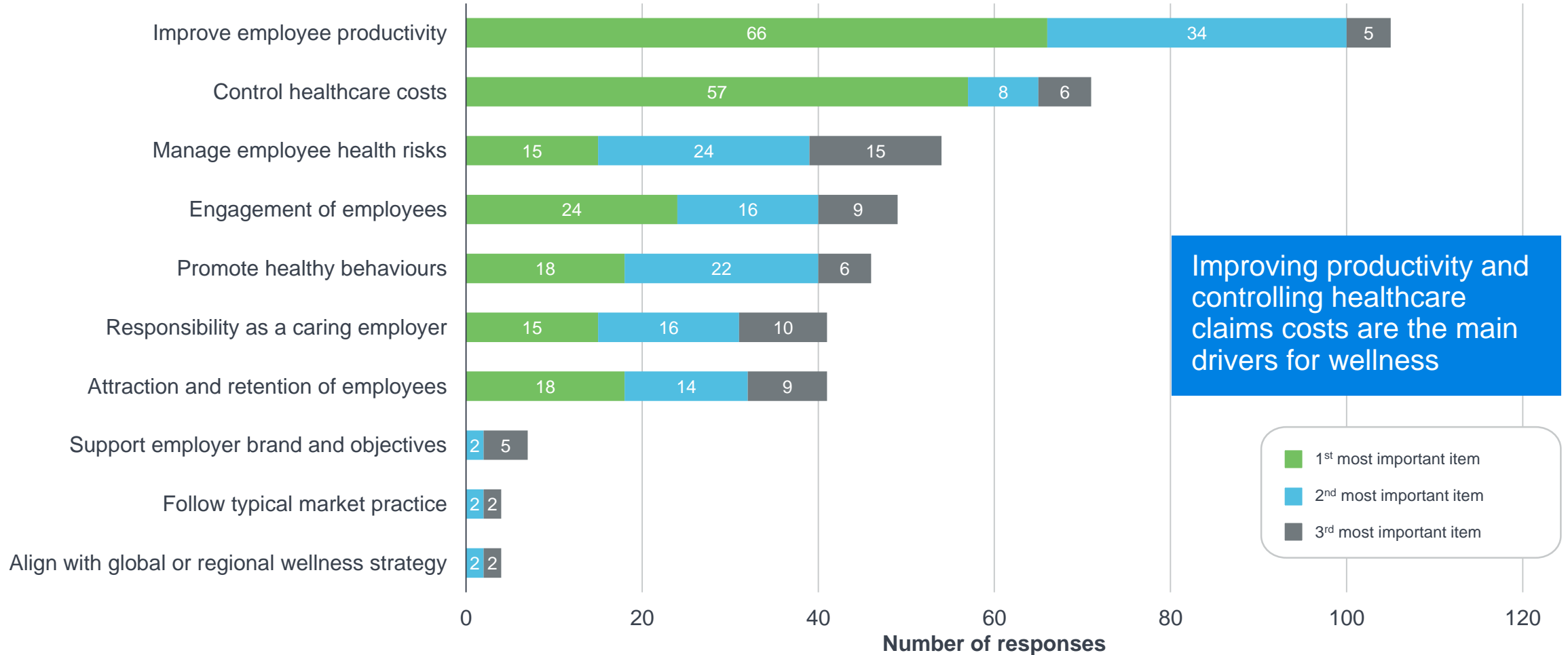
96%

of respondents have used at least one cost containment measure



Reasons for provision of wellness programs in Indonesia

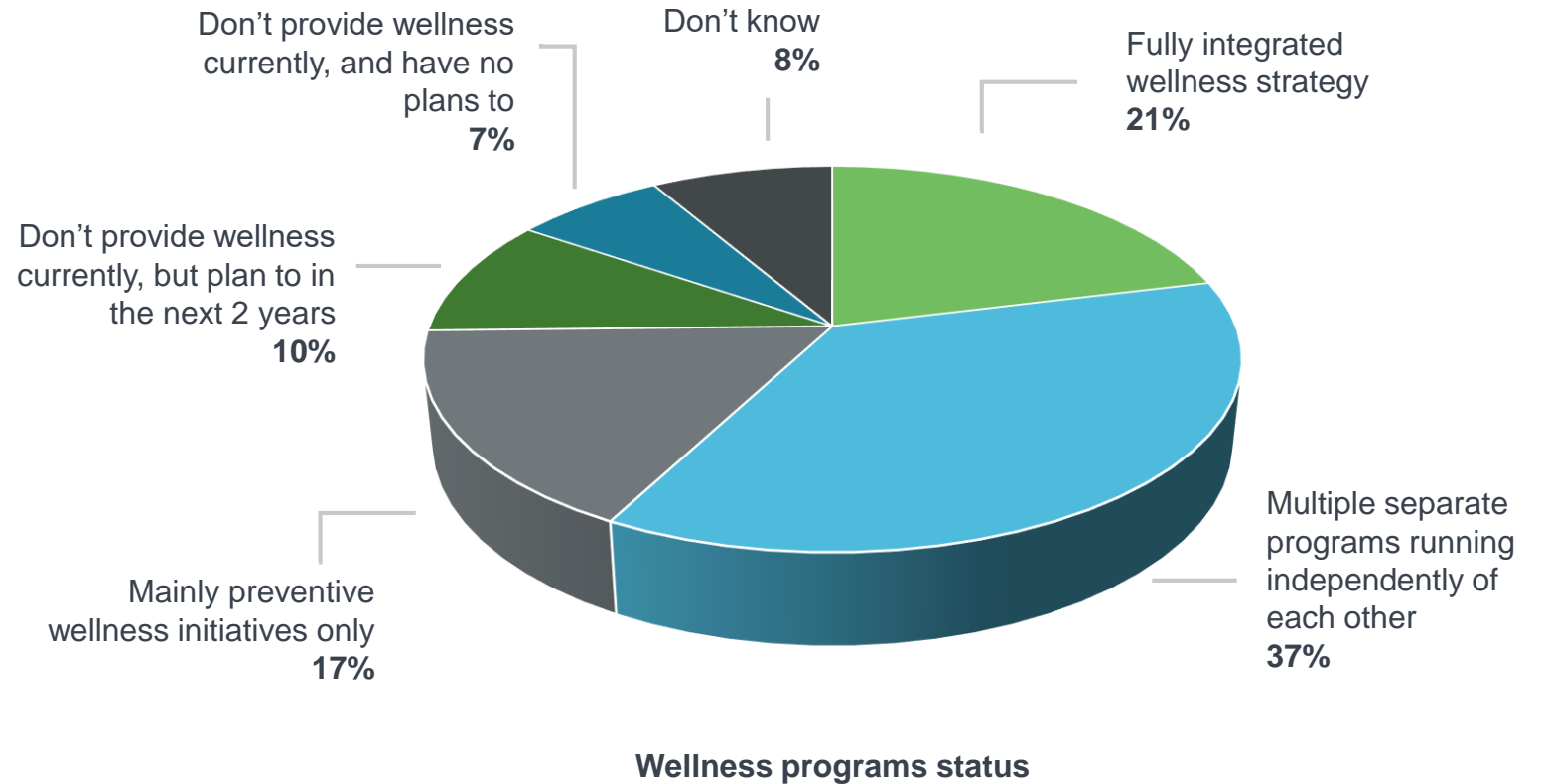
What are your company's main reasons for offering or considering the provision of wellness programs? (up to three answers – starting with the 1st most important)



Status of wellness programs in Indonesia

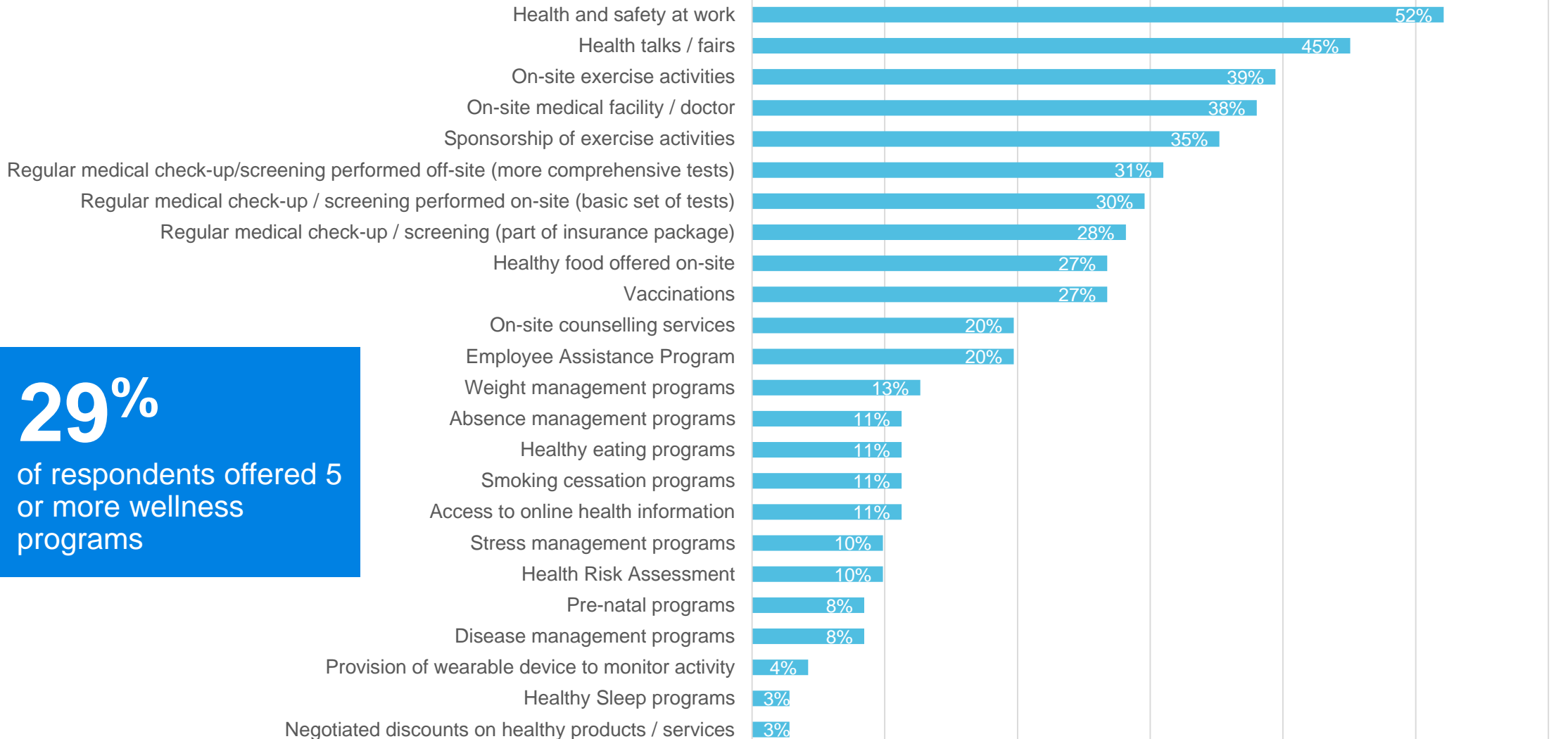
How would you describe the current status of your wellness programs?

Companies in Indonesia are at different stages of development on their wellness offerings



Prevalence of wellness programs in Indonesia

Which of the following wellness programs is offered to the majority of employees at your company?

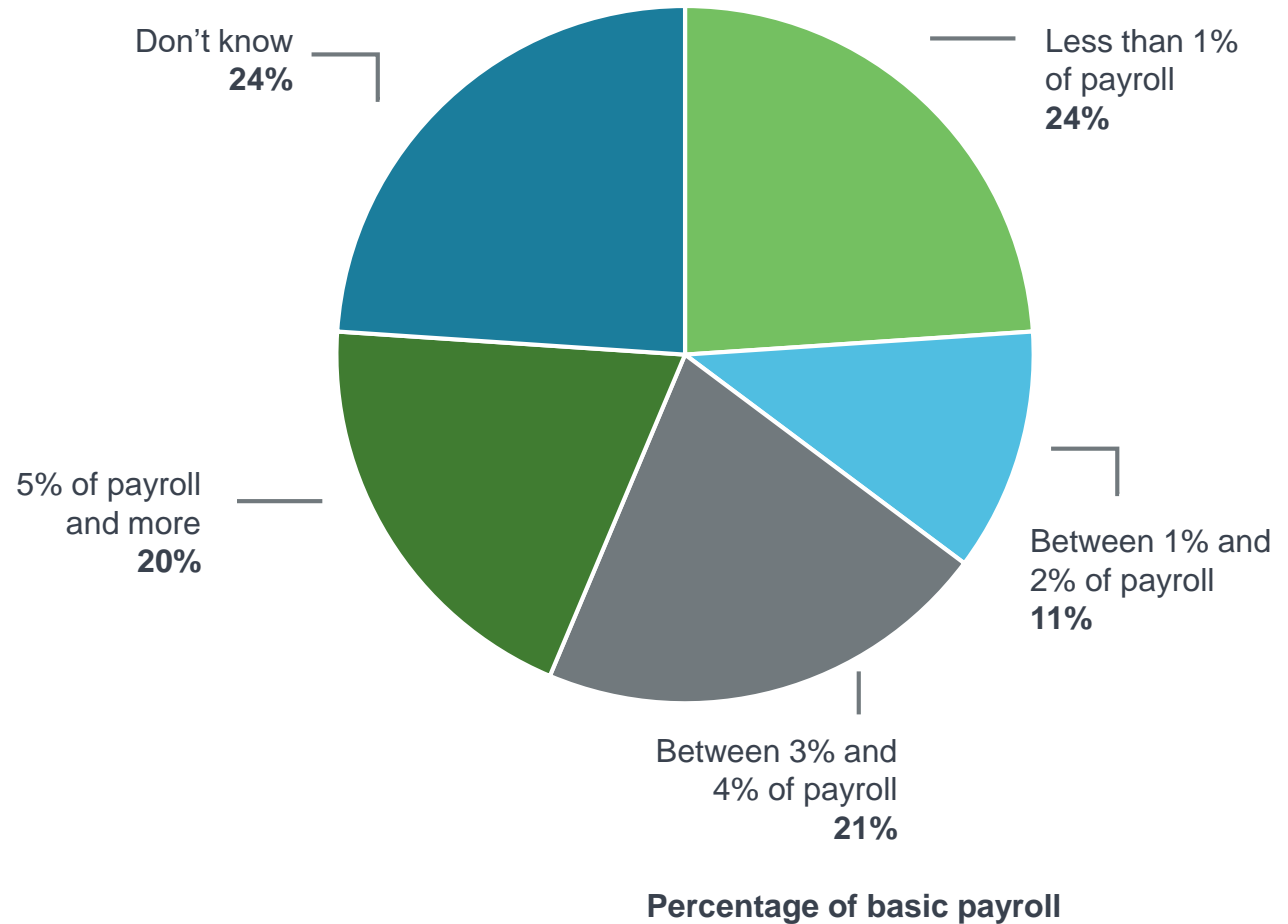


29%
of respondents offered 5 or more wellness programs

Wellness benefits spending as a percentage of basic payroll

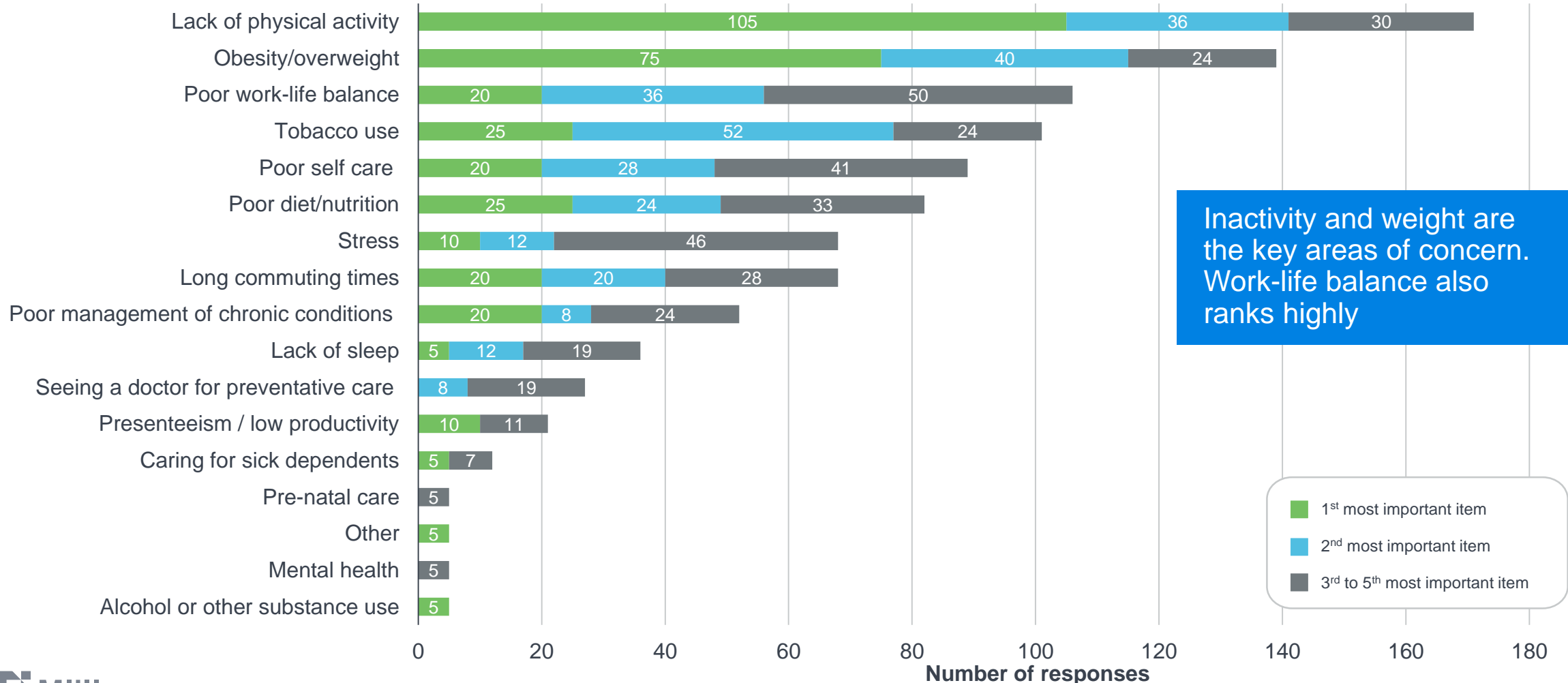
How much does your company spend on wellness benefits as a percentage of payroll?

Around half of respondents spend less than 1% of payroll or don't know their spending on wellness



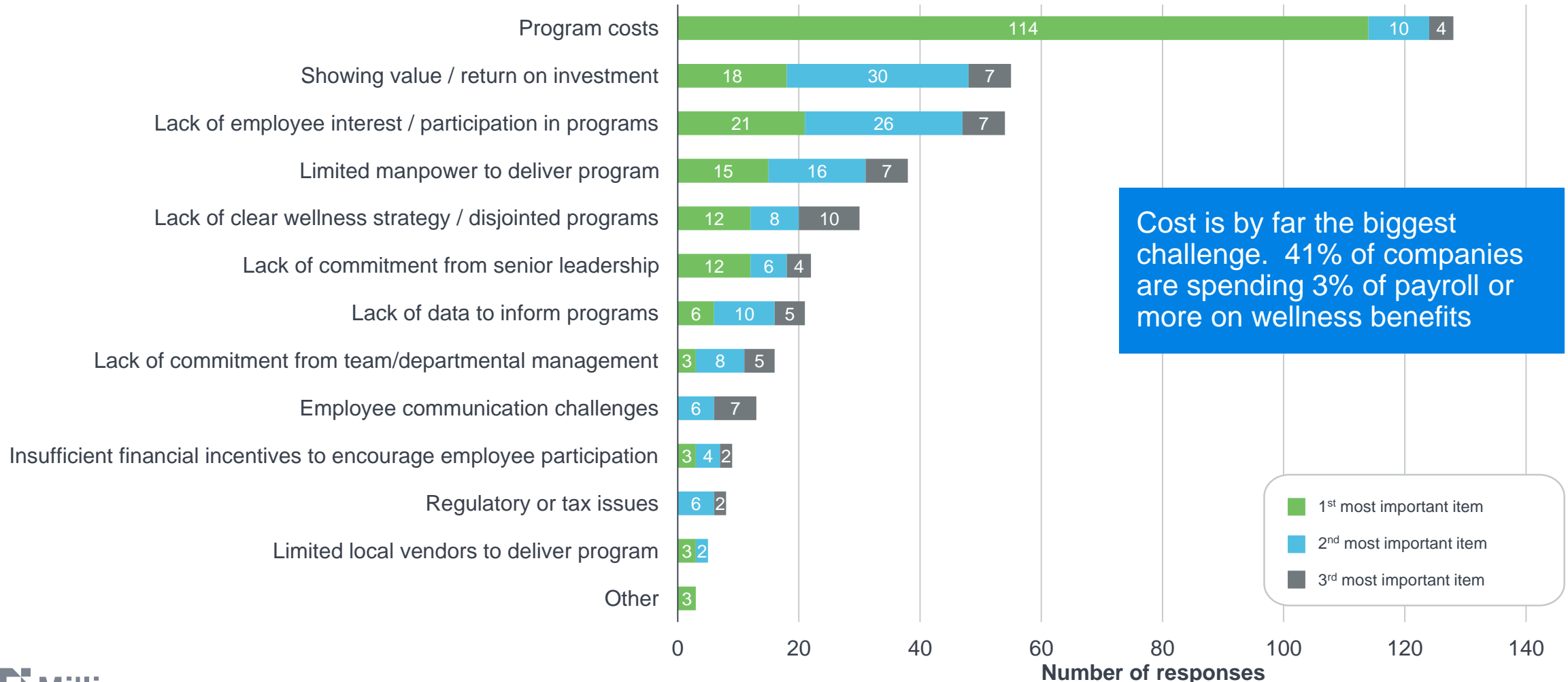
Main health risks in Indonesia

What do you think are the main health risks at your company?
(up to five answers – starting with the 1st most important)



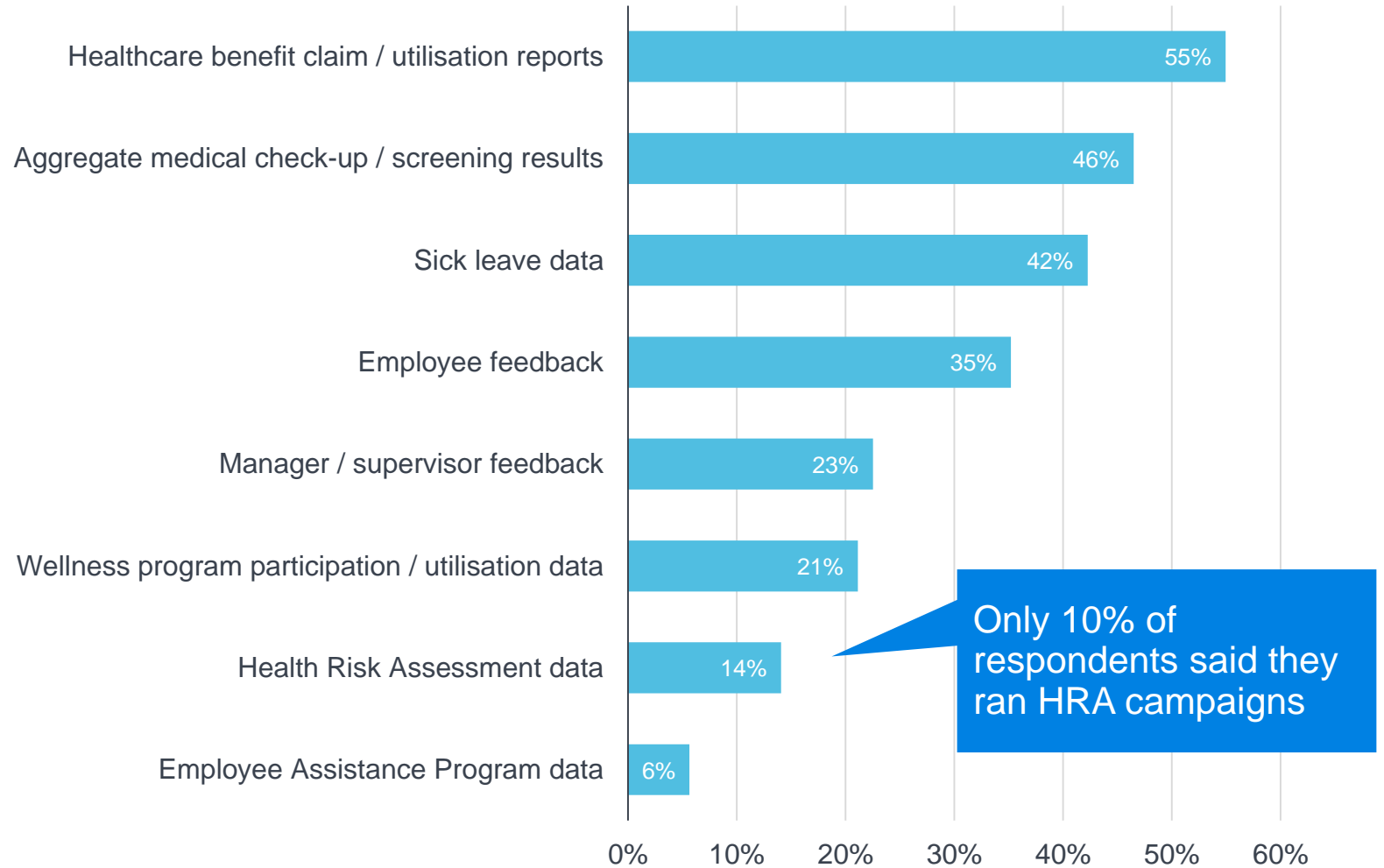
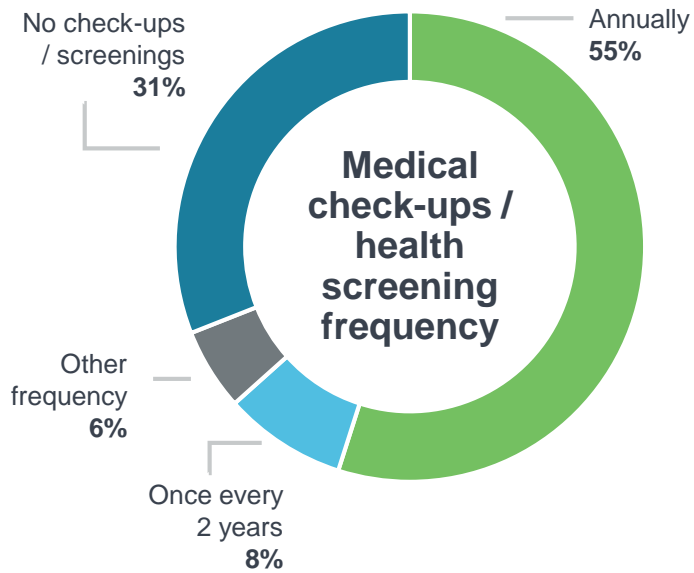
Challenges in providing wellness benefits in Indonesia

What are the main challenges in providing and sustaining wellness benefits at your company?
(up to three answers – starting with the 1st most important)



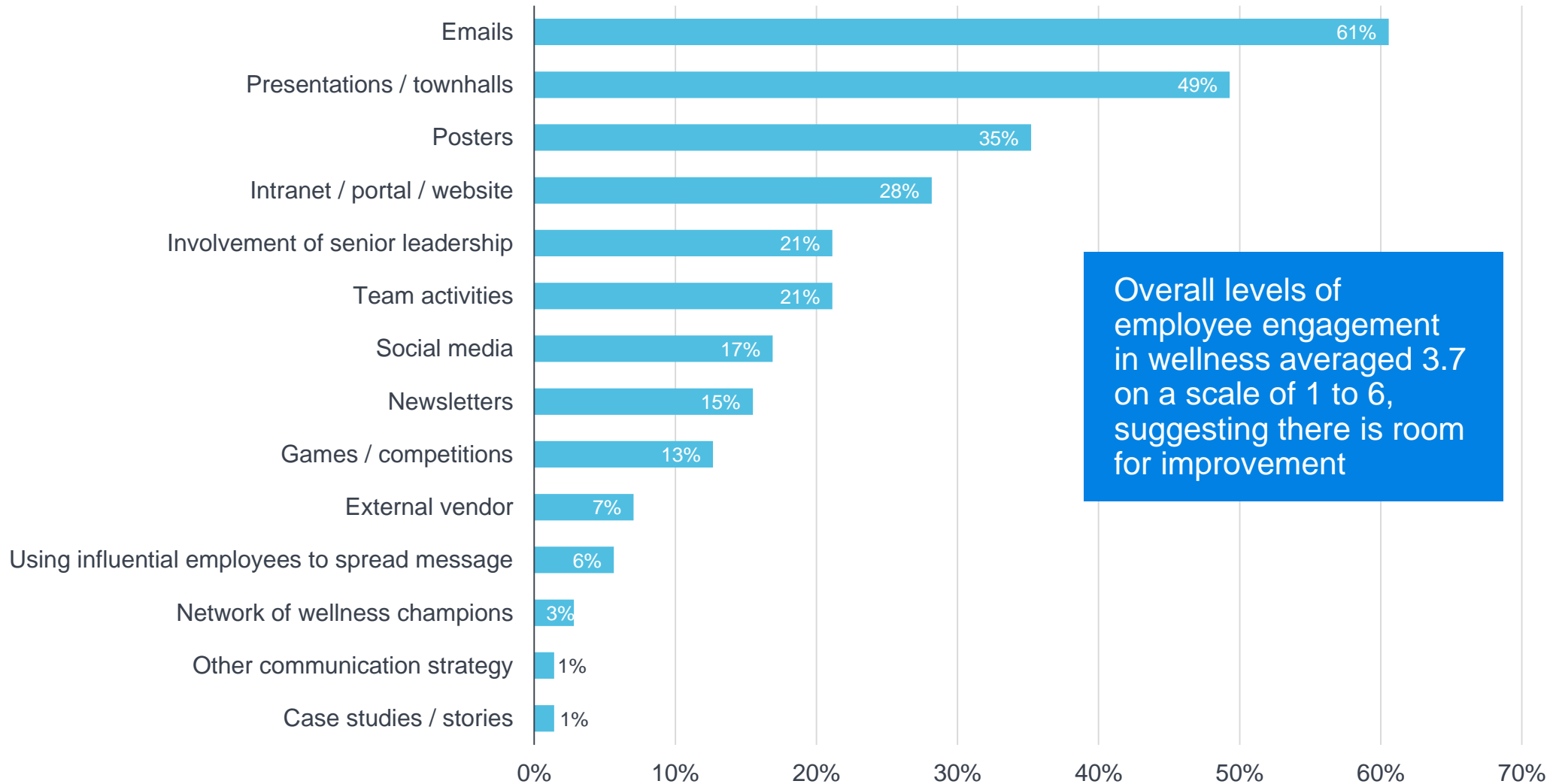
Management of wellness programs in Indonesia

What data do you analyse to define or measure wellness programs at your company?



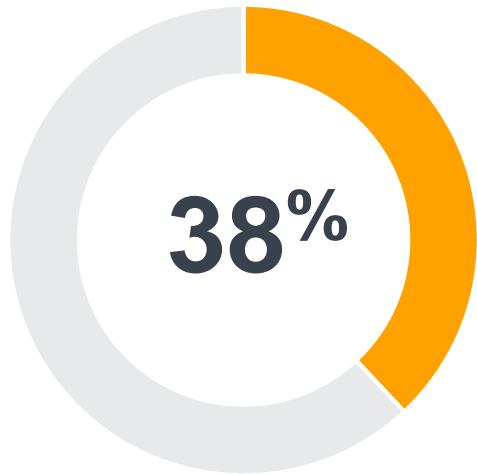
Communication of wellness programs

How do you communicate your company's wellness programs?



Incentives for wellness program participation

What incentives do you use to encourage participation in wellness programs?

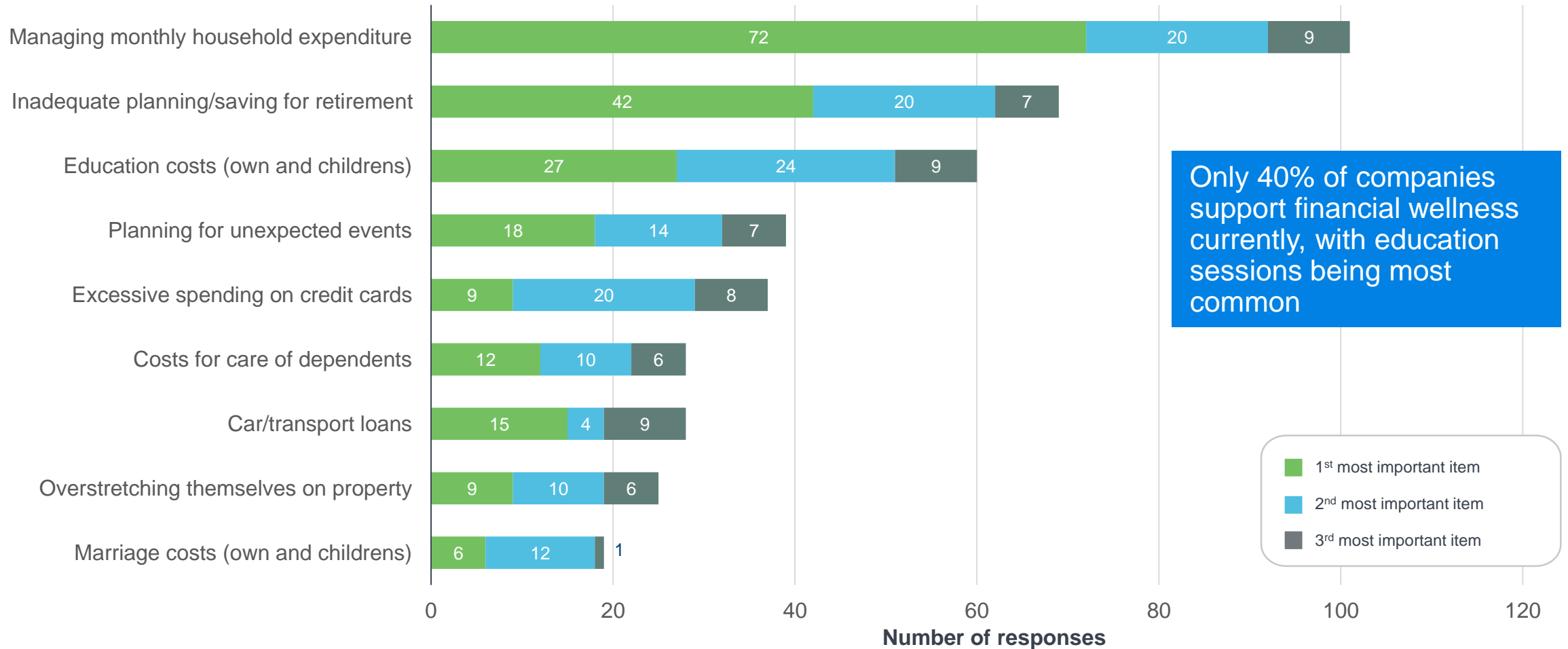


38% of companies provide incentives to encourage participation in wellness programs



Financial challenges faced by employees in Indonesia

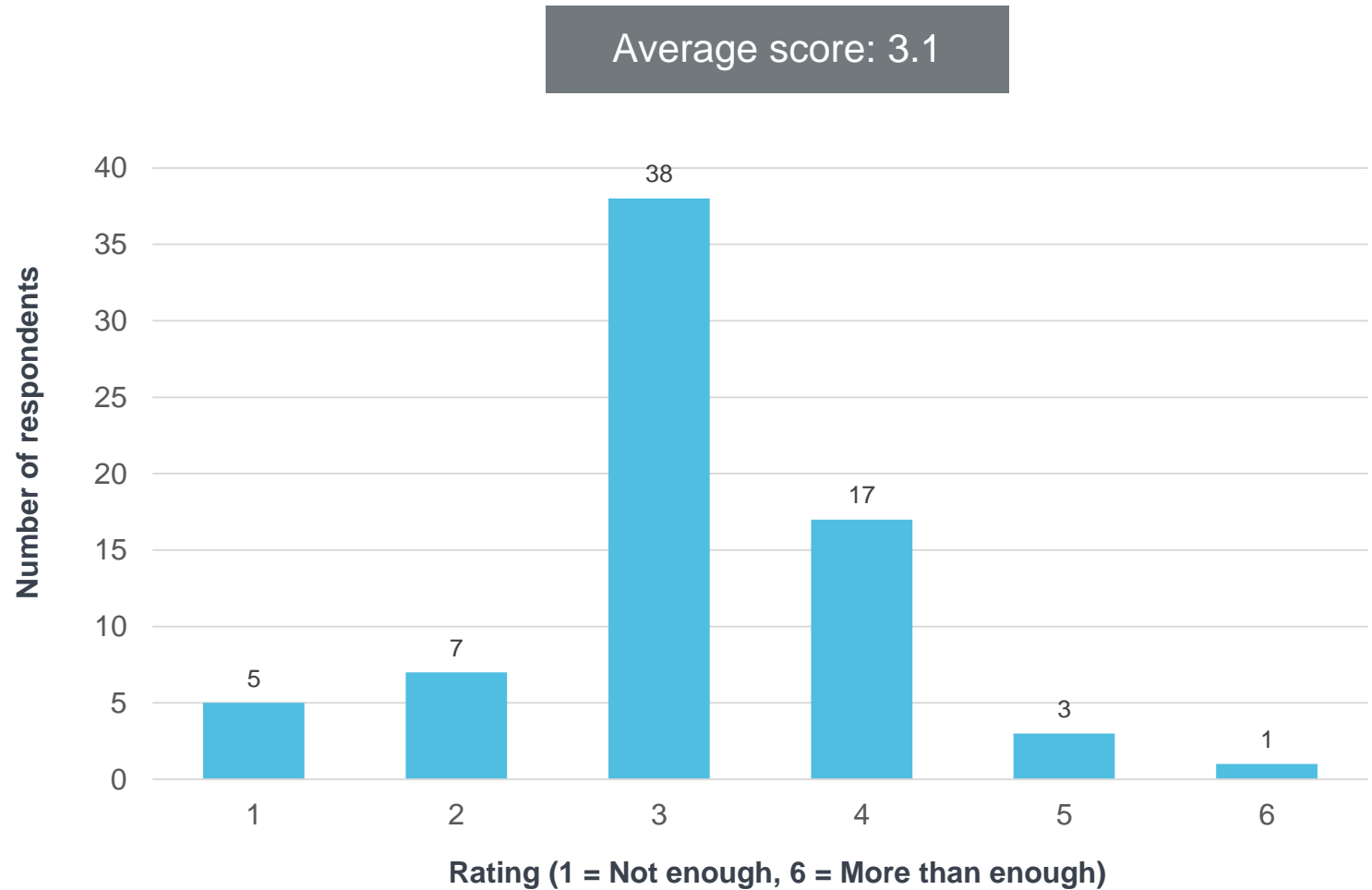
What do you think are the main financial challenges employees at your company face?
(up to three answers – starting with the 1st most important)



Saving for retirement in Indonesia

Do you think employees at your company are saving enough for their retirement?

Retirement benefits are hard for employees to understand. Employees value support in this area

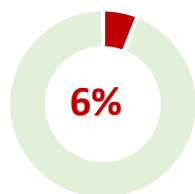


Retirement Benefits Trend

Global Retirement benefits in post DB World

Key Finding

1 The Death of DB is global phenomenon



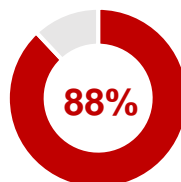
Only 6% feel that DB arrangement are the best way to provide pensions to employees

90% intend to use defined contribution as the predominant form in retirement provision

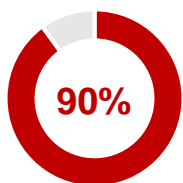
2 Legacy of DB obligations are seen as a huge risk

88% are concerned about the adverse impact of legacy DB liabilities

45% intend to transfer liabilities off their balance sheet (e.g to an external insurance company) and 39% are actively considering hedging unwanted interest rate, inflation and longevity risk



3 Employers still believe they've a critical role to play in the provision of retirement benefits, but they're unsure of what that role should be



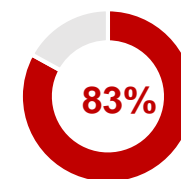
90% believe that the employer should continue to play a significant role

91% feel it's important that employers help employees to make informed decisions about their retirement savings

4 Flexibility is seen as essential

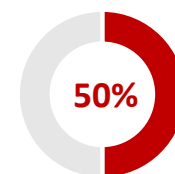
83% believe they need to give more flexibility to their employees, in the way they save for retirement and in how and when they can use their benefits

Only 15% feel that their current benefits policy is effective for the new world of work



Employees agree almost unanimously that flexibility will be an essential ingredient in retirement benefits in the future. But most haven't yet resolved how this might work in practice

5 Pension governance and control is a work in progress



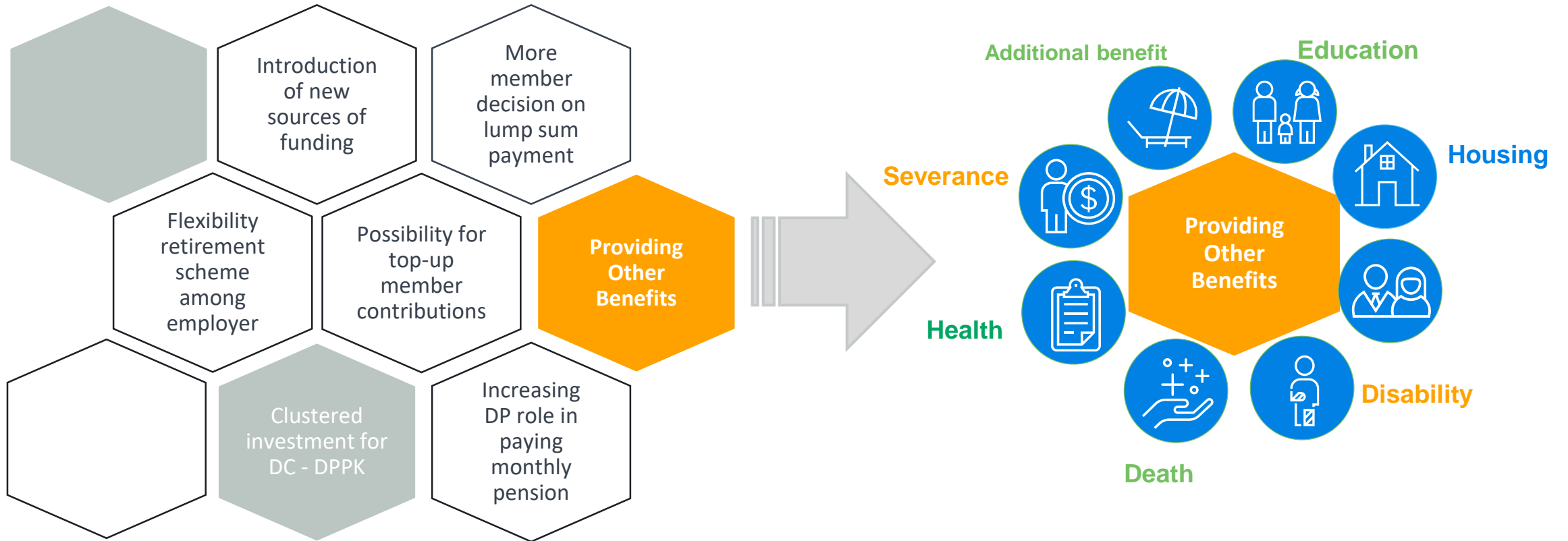
Only half of employers have formal global policies that they expect local management to follow

73% feel that they have insufficient quality information about local benefit arrangements in order to make well-informed decisions.

*PWC Survey of global multinationals, Feb 2014
(survey of 114 major multinationals from across the globe)*

Change on Pension Regulatory in Indonesia

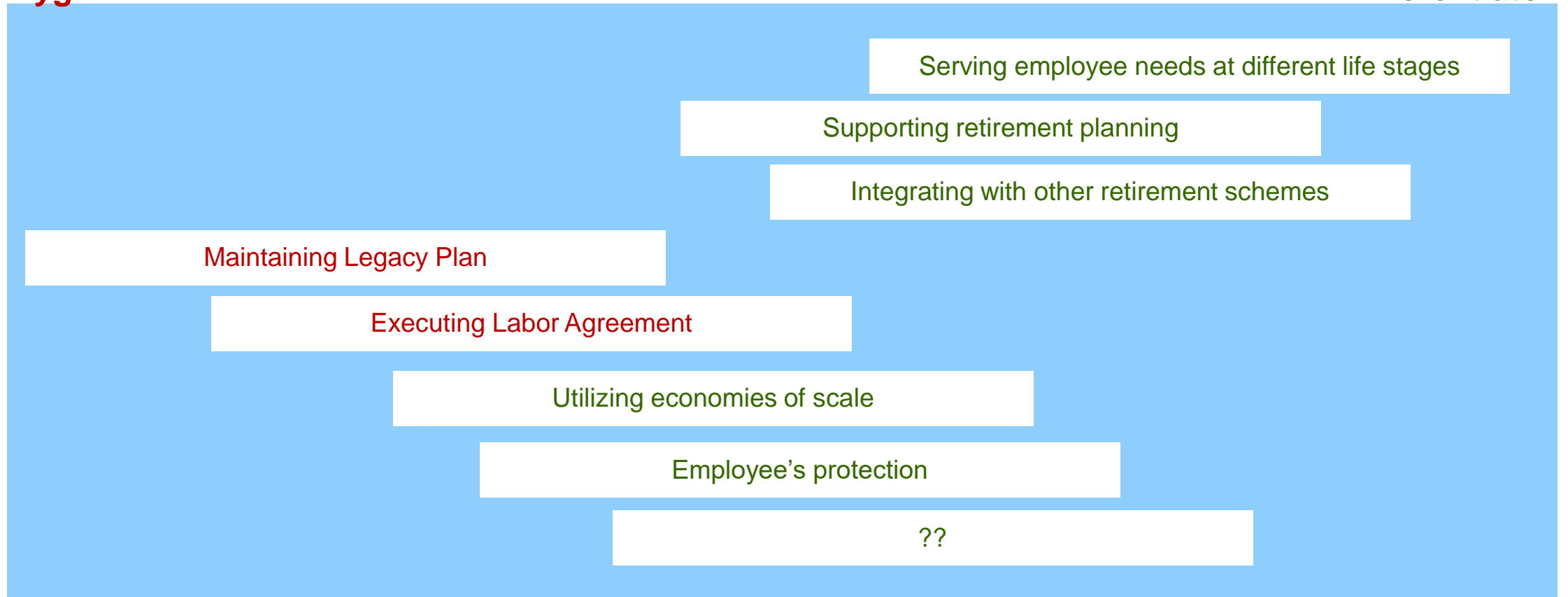
POJK 5: Scope & Flexibility of Pension Fund



Employer Pension Values: Hygiene Factor vs. Differentiator

Hygiene

Differentiator

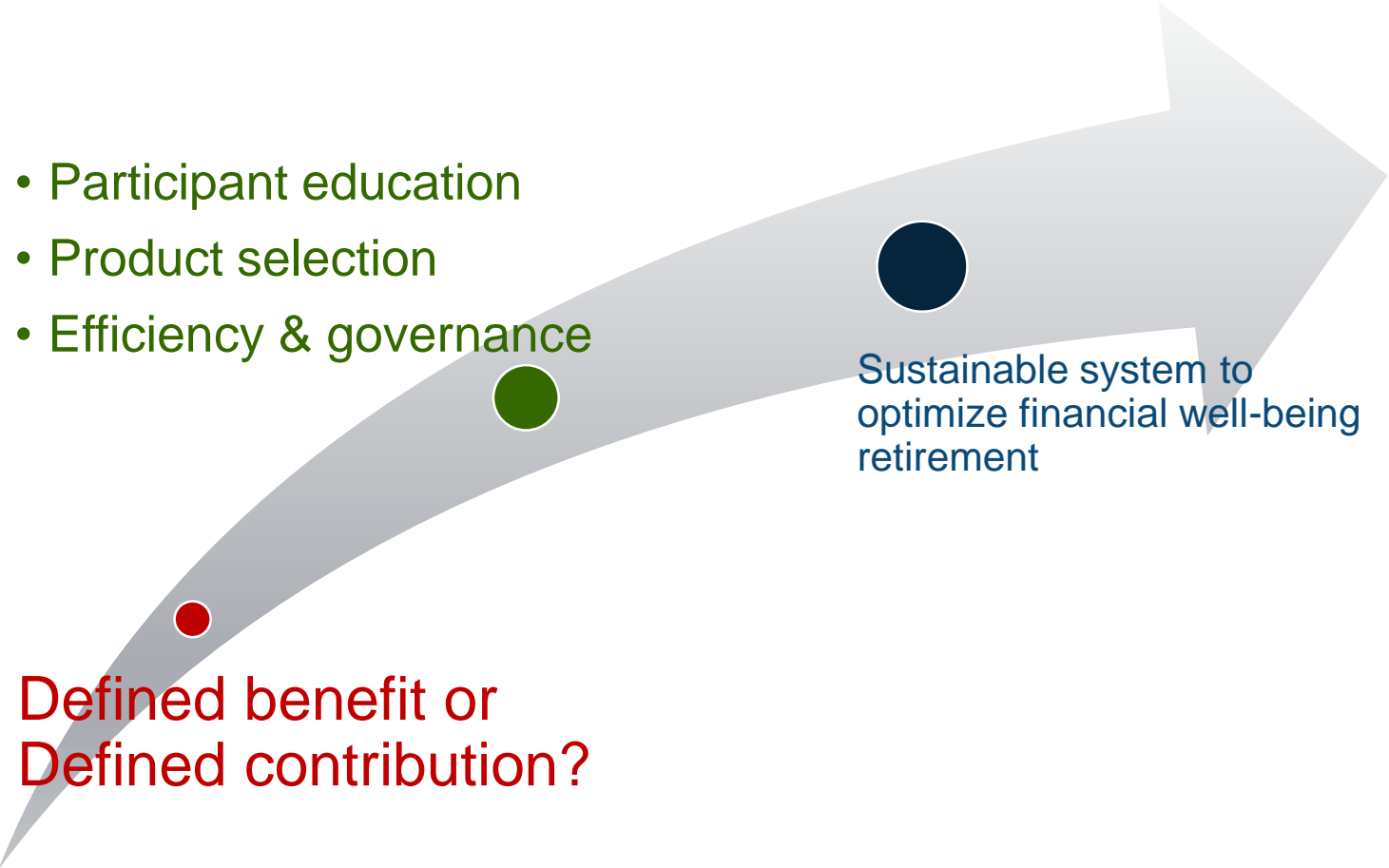


One size fits all

Tailored to the Individual

Anticipating new approach for retirement benefit plan?

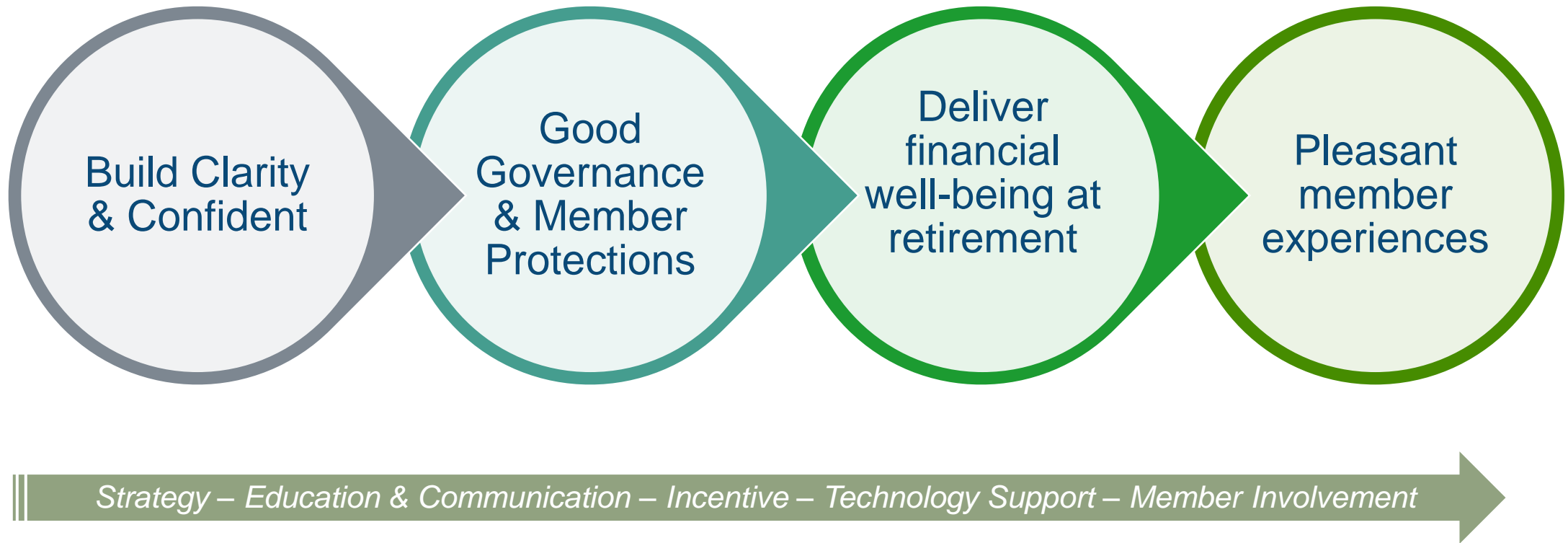
- Participant education
- Product selection
- Efficiency & governance



Sustainable system to
optimize financial well-being
retirement

Defined benefit or
Defined contribution?

Key Critical Elements



Accounting Impact of Employee Benefit Plan

IAS 19 and IFRS 17

Comparison on key related items

	IFRS 17	IAS 19
Scope	Accounting for insurance contract	Accounting for employee benefits plans
Typical User	Insurance provide insurance contract (can be employee benefits)	Employer provide employee benefits plans
Key main topics	Profit or loss recognition Technical reserve	Cost recognition Employee benefit liability
Basis for recognition	Insurance contract Attributed to insurance coverage	Substance of benefits (legal contractual or constructive obligation) Attributed to period of service
Selection of assumptions	Unbiased and market consistent	Unbiased and market consistent
Discount rate	Time value of money and financial risk related to cash flow	Time value of money with reference to High Quality Corporate Bonds that has consistent terms and currency
Risk adjustment and service margin	Required to project risk adjustment and CSM	Focus on best estimate
Impact on re-measurement	Change in discount rate → OCI Change in cash flow → PL	Change in assumption and experience adjustment → OCI

Key Takeaways

Benefit trends help understand customer needs for employee benefits segment

Insurance offerings are significant to get the optimum corporate employee benefits solution

IFRS 17 implication to insurance offering for employee benefits

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