



**JAMSOSTEK**

PT. JAMINAN SOSIAL TENAGA KERJA (PERSERO)

# RISK MANAGEMENT FOR SOCIAL SECURITY PROVIDER IN INDONESIA

## Case study PT JAMSOSTEK - INDONESIA

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**PT. Jamsostek - Indonesia**

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# BACKGROUND : VISION, MISSION and VALUES

*Become an institution of social security trust, with excellence in service and provide optimal benefit to all participants and their families.*

**Vision**

**Mission**

**Values**

As the agency administering the social security workforce that meets the basic protection for workers as well as a trusted partner;

\* Labor : Provide adequate protection to workers and families

\* Entrepreneur : Being a trusted partner to provide protection for labor and increase productivity

\* Country : Participate in development

- Commitment and high integrity, with great responsibility
- The interests and satisfaction of participant as top priority
- Honesty and creativity
- Dynamic and harmonic teamwork

- Continuous learning and Improvement
- Trust and mutual respect
- Effective leadership
- Cost awareness
- Competency Based

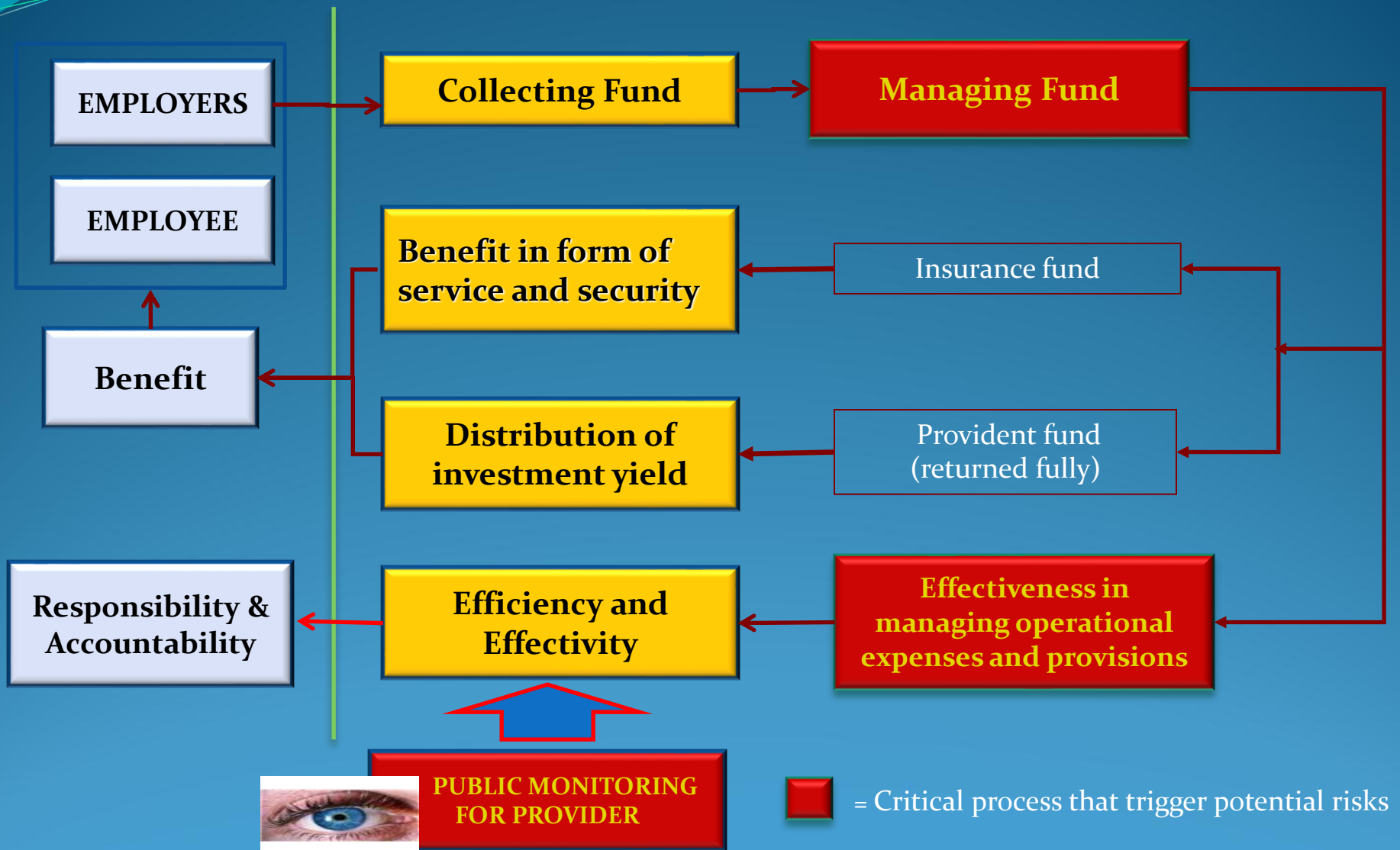
# SOCIAL SECURITY INSTITUTION IN INDONESIA

- **PT. Jamsostek (Persero)** : Provide Old Age Benefit, Health Care Benefit, Work Related Accident Benefit and Death Benefit for Private Employee and Non Government Employee.
- **PT. Taspen (Persero)** : Provide Pension Fund Benefit/Program for Government Employee.
- **PT. Asabri (Persero)** : Provide Pension Fund Benefit/Program for Military Personnel.
- **PT. Askes (Persero)** : Provide Health Care Benefit for Government Employee and Military Personnel.

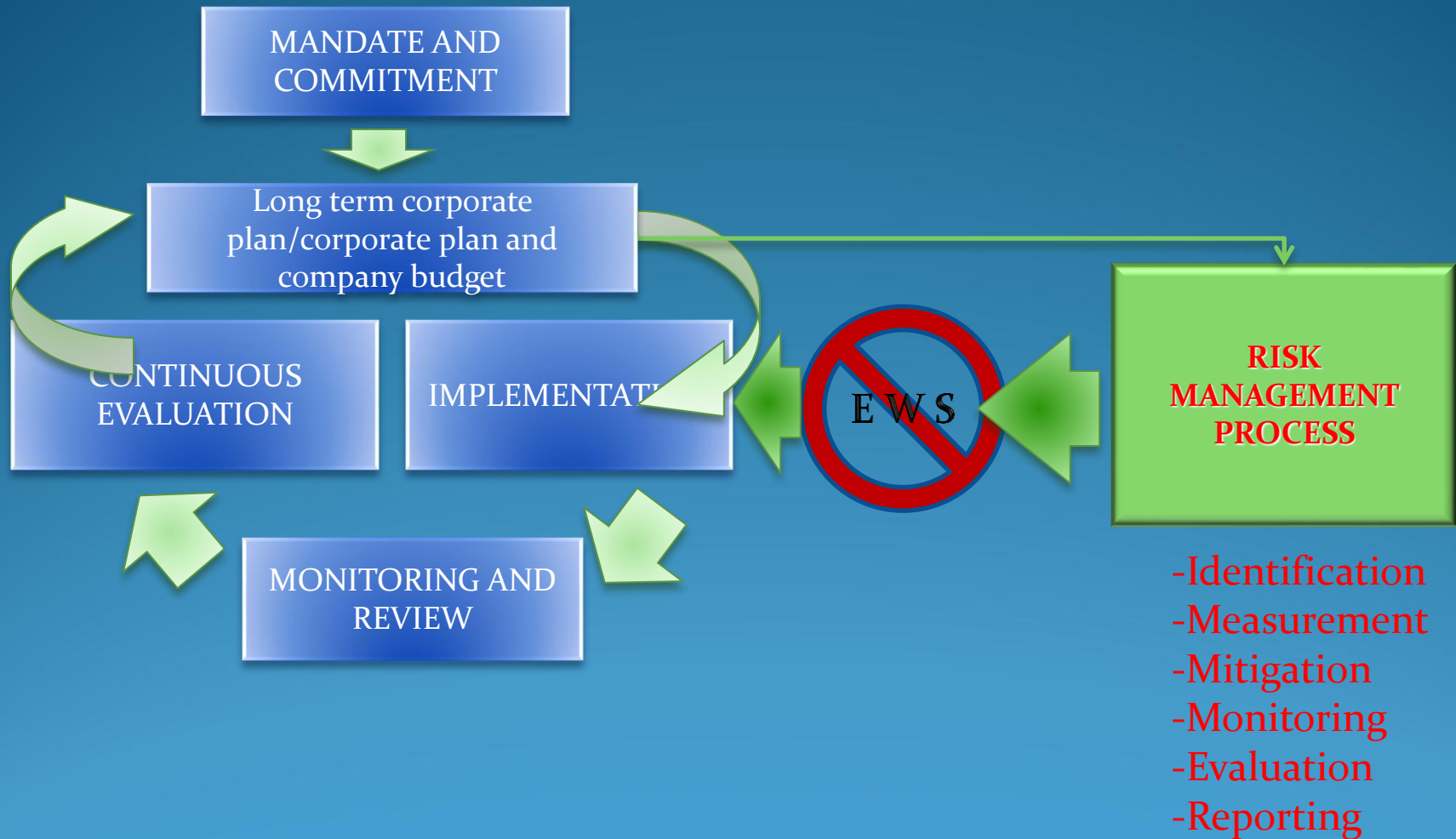
# Figure of PT. Jamsostek (Persero)

- The total Offices of PT Jamsostek (Persero) in 2011
  - Headquarter Office : 1 Office
  - Regional Offices : 8 Offices
  - Branch Offices : 121 Offices
- ISO 9001 – 2000
  - 19 branch offices in 2002
  - 8 branch offices in 2003
  - 30 branch offices in 2011

# POINT FOR POTENTIAL RISK MANAGEMENT



# Risk Management Structure



# EARLY WARNING SYSTEM (EWS)

- EWS is a user interface systemic process for evaluating and measuring risks early in order to take pre-emptive steps to minimize its impact on the financial system.
- EWS allows policy-makers to detect economic weaknesses and vulnerabilities and gives hints for bad/good events to the financial system at an early stage and contributes significantly to the process of on-going supervision.
- EWS seeks to predict the possibility of a crisis occurring within a specific time horizon, through the use of various models, attempts to assess whether a crisis will occur during a particular period.

# PT. JAMSOSTEK's POTENTIAL RISKS

SOURCES	SYMPTOMS	POTENTIAL RISKS
TRIGGER	INDICATOR	CONSEQUENCES
- Economic Crisis	<ul style="list-style-type: none"> <li>- Interest rate decline</li> <li>- Share price fluctuation</li> <li>- Issuer performance decline</li> </ul>	<ul style="list-style-type: none"> <li>- Negative yield from portfolio</li> <li>- Illiquid portfolio</li> </ul>
- Changes in Government Regulations	<ul style="list-style-type: none"> <li>- Negative review towards program implementation.</li> <li>- Program implementation merger and take over.</li> </ul>	<ul style="list-style-type: none"> <li>- Diminishing of program run by Jamsostek</li> </ul>
- Workforce climate and employer behavior	<ul style="list-style-type: none"> <li>- Negative growth of its membership</li> <li>- Claim ratio increase</li> </ul>	<ul style="list-style-type: none"> <li>- Reputation to held the program</li> <li>- Non active member ratio increase</li> <li>- Provision liquidity decrease</li> </ul>
- Company internal condition	<ul style="list-style-type: none"> <li>- Conflict of interest</li> <li>- Increase in audit findings</li> <li>- Cost inefficiency</li> </ul>	<ul style="list-style-type: none"> <li>- GCG implementation</li> <li>- Fraud increase</li> <li>- Operational expense can not be accounted</li> </ul>
- Environmental Factor	- Environmental Condition	- Natural disasters



# TOOLS FOR MONITORING RISK

- Risk Scoring
- Sensitivity Analysis
- Value at Risk
- Altman Z-Score
- Capital Requirement
- Monitoring and Review
- Communication and Consultation
- Risk Profile

\*) An integrated EWS implementation in development stage

# JAMSOSTEK's RISK MANAGEMENT MILESTONES

**2006**

**2007**

**2008**

**2009**

**2010**

1. Risk Management Policy
2. Cut loss Policy
3. Internal Investment Policy
4. BCP DRP Policy
5. Risk Scoring of Investment Portfolio
6. Risk Database Concept Arrangement

Others : Methods in development

Sensitivity Analysis

Value at Risk

Capital Requirement

Communication and Consultation

1. Review of Risk Management Policy
2. Improvement of Internal Investment Policy
3. Improvement of BCP DRP
4. Improvement and Update of risk database
5. Risk Profile
6. Arrangement of Awareness and Risk Management concept as one of parameter.
7. Preparation for ERM implementation
  - a. Infrastructure gap analysis.
  - b. Infrastructure completion and improvement.
8. Suggestions: Establishment of risk officer in regional office and risk management socialization.

Non Routine

**Review of new investment risk**

**Review of Investment Portfolio risk**

**Review of business process risk (Operational)**

Routine

# ROADMAP 2011 - 2013



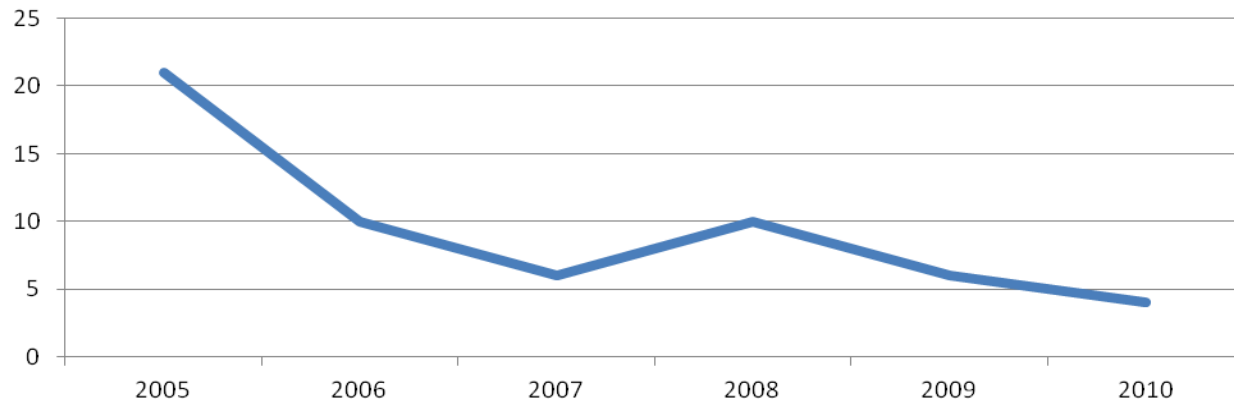
# IMPACT FROM RISK MANAGEMENT IMPLEMENTATION

- Compliance in business process activity.
- Prudence in policy and action.
- Preemptive action to manage risks.
- Provide optimal benefit to members.

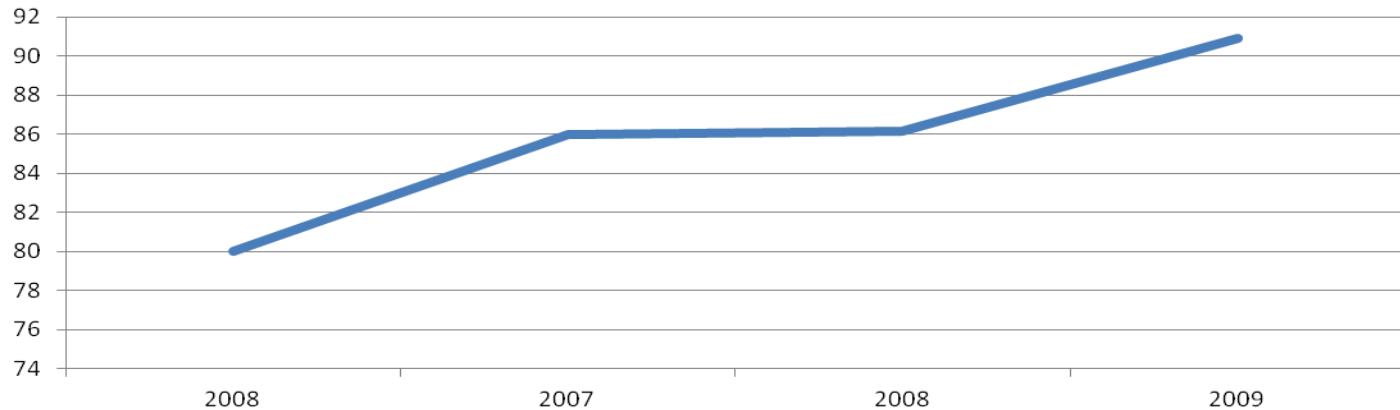
# IMPACT FROM RISK MANAGEMENT IMPLEMENTATION

**Decrease in auditor finding and increase in GCG assessment**

**Independent Auditor Finding**

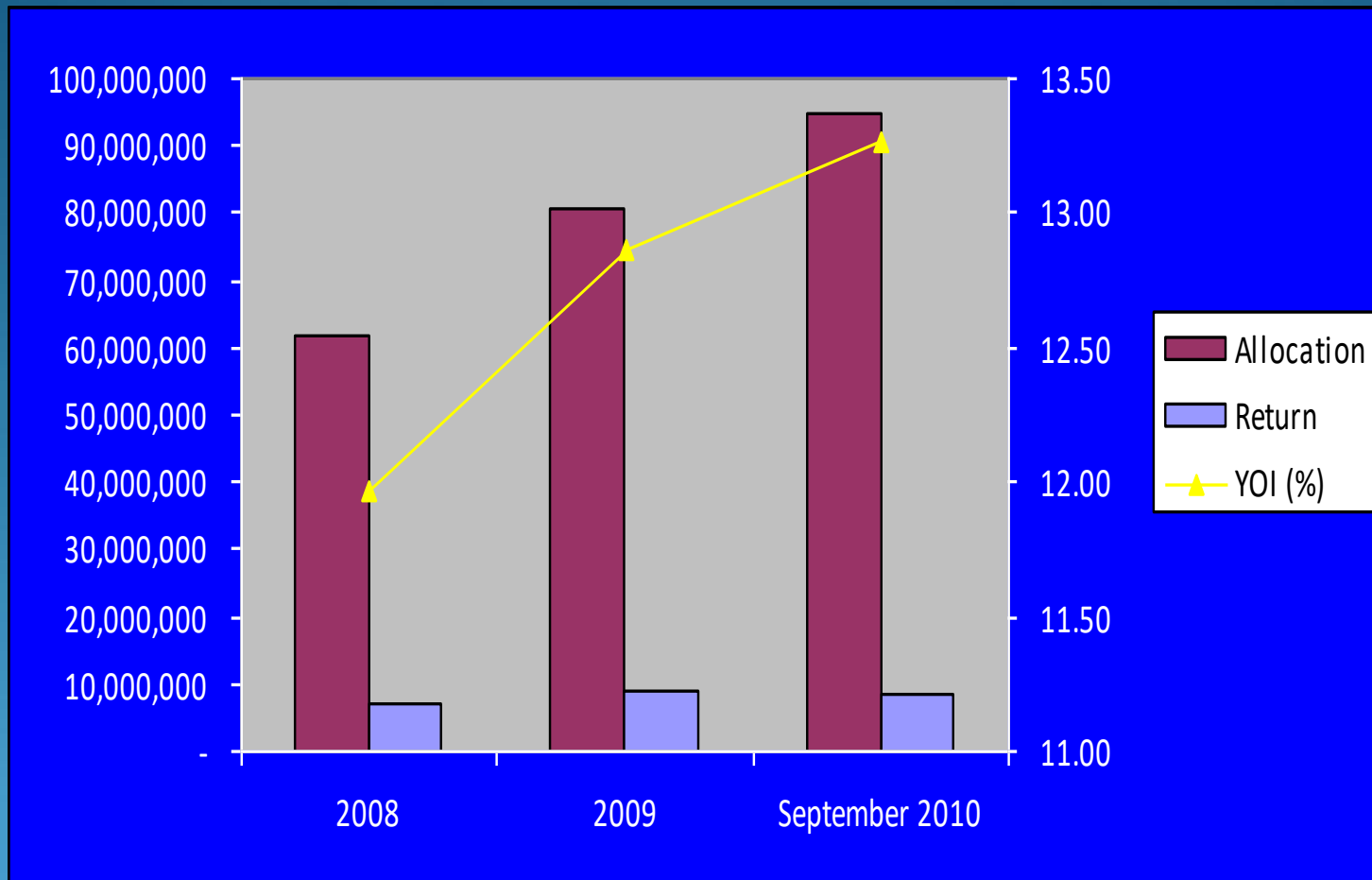


**Assessment GCG**



# IMPACT FROM RISK MANAGEMENT IMPLEMENTATION

## Increase in Investment Portfolio 2008 - 2010



# IMPACT FROM RISK MANAGEMENT IMPLEMENTATION

## Increase in Compliance and Public Acceptance



- Corruption Eradication Commission (Komisi Pemberantasan Korupsi-KPK) appointed PT Jamsostek (Persero) among 15 public institutions with the highest integrity score.



- The Indonesian Institute For Corporate Governance (IICG) awarded PT. Jamsostek (Persero) for the best paper in Good Corporate Governance (GCG) Award - 2009.



- SWA Magazine awarded PT Jamsostek (Persero) as the most trusted companies with one of the best Good Corporate Governance implementation.

# IMPACT FROM RISK MANAGEMENT IMPLEMENTATION



- PT. Jamsostek (Persero) was awarded with Annual Report Award (ARA) in three consecutive years 2006, 2007, 2008 for the category of State Own Enterprise for non listed Finance Institutions.



- Good Practice Award by International Social Security Association (ISSA) with title of Self Regulating Quality Assurance for Healthcare Provider in General Primary Level.



# KEY SUCCESS FACTORS

- Full support from The Board and Management.
- Risk Awareness Training and Facilitation Workshops.
- Total Commitment.
- Adequate Infrastructure.
- Organization Culture.

THANK YOU