

## ABSTRACT

The Retirement program operations has found its umbrella with the promulgation of Law Number 11 Year 1992 concerning on Pension Funds (State Gazette Year 1992 Number 37, Supplement Number 3477). With the said Law, the Government stipulated the institution of the Pension Fund as a legal body to regulate the practical operations of the retirement program as well as the legal relation between the Pension Fund and its members. The practical operations of the said retirement program are based on a number of main principles consisting of (1) the Principle of Segregated Pension Fund Assets from the Founders Asset, (2) the Principle of Implementation in A Funding System, (3) the Principles of Supervision, (4) the Locking-in Principle and (5) the Principle of Freedom to establish or not establish the Pension Fund. However, the existence of said Law is felt to be inadequate in fulfilling public demand. The application of the main Principles of the Pension Fund Law's still fails to be in conformity with the soul and spirit of the Law itself. Although there is the facility of the company/employer to enlist its employees in the retirement program, however the company/employer is not obliged as yet to enlist its employees in the retirement program. As a result, it is difficult to realize the main objective of the Pension Fund to provide continuity in income during the old days. Aside from this, additional main principles are needed in the Pension Fund management practices to guarantee the interest of its members, such as the Prudential Principles and the Confidential Relation between the Pension Fund and its members. The clauses

existing in the Pension Fund Law, meanwhile, fail to specifically regulate the legal contract between the Pension Fund and its participants. As a result, numerous problems in connection with the right of the members become unclear or poorly protected, giving rise to legal uncertainty. The involvement of the Government as the Supervisor in the Pension Fund sector, is necessary to regulate the legal contract between the Pension Fund and its members, for example in determining the rightful of beneficiaries on the pension benefits, and protection of the widower's right in the distribution of the existing pension benefits.

