Performance Appraisal Model for Pension Fund: Before and After the Application of Good Pension Fund Governance in the Perspective of Political Economy of Accounting

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Abstract
This research has long-term objective to reconstruct performance appraisal model for pension fund by taking into account the fairness of distribution of power and wealth of related parties, namely the employers, pension fund trustees, and pension fund participants. The specific objective of this research was to elaborate the factors namely fairness of power and wealth distribution of related parties, namely the employers, pension fund trustees, and pension fund participants before and after the implementation of Good Pension Fund Governance (GPFG). This is a descriptive qualitative research by nature using the theory of critical paradigm of Political Economy of Accounting (PEA). Data collection technique in this study was carried out directly and indirectly on the Pension Fund of Merdeka University Malang, Central Association of Pension Fund Indonesia (ADPI), KOMDA VI East Java and surroundings, as well as the Financial Services Authority (OJK). Sources of data for this research were obtained from informants through observation and interviews in the form of both financial data and also non-financial. Results of this study are to formulate performance appraisal model for pension fund before GPFG where the fairness of power and wealth distribution of the employers, pension fund trustees and pension fund participants, including general management, administration of financial and participation as well as accounting and investments, while the formulation of the evaluation model of pension funds performance after GPFG where fairness of power and wealth distribution of the employers, pension fund trustees and pension fund participants including sixteen guidelines for the application of GPFG.

Keywords: political economy of accounting, good pension fund governance

1. Research Background and Research Questions

Recent development of pension funds today especially in Indonesia has been very promising. This can be seen from the investment activities conducted by the pension funds. Since 2009 to 2013, there has been a shift in the investment of pension funds, where the investment was dominated by short-term instruments to long-term investment instruments. In 2013, the portion of long-term investments of pension funds reached 70.96% of total investment (FSA, 2014, p. 16).

In the performance appraisal, especially in the pension fund industry, the dominance of the role of the elements that exist in the pension funds has potential that may reduce the interests of the employees. The employee's interests or rights are namely payment of pension benefits on time, easy access to information, especially related to the transparency in the management of pension funds, as well as other types of rights. Therefore, it has been unfair if the current trend of performance appraisal in the pension fund industry applies only on the financial performance aspect. The performance appraisal cannot provide a broader perspective, including the values of distributive fairness. Therefore we need a broader and integrated perspective in the performance evaluation of pension funds.

The performance appraisal might be able to provide a broader perspective including the values of distributive fairness which in line with the performance appraisal in the perspective of the Political Economy of Accounting (PEA). This performance appraisal focuses on the aspects of fair distribution of wealth and power, and also the relationship between the distribution of power and wealth (relations of power and wealth). In addition to be shareholder-oriented, this performance appraisal is well-oriented to the stakeholders. The greater the power, it
will be followed by the growing wealth (Tinker, 1980; Hoogvel & Tinker, 1978; Irianto, 2006; Irianto, 2007).

In managing the pension plan, is is necessary that the founder and manager are committed to prudent management upon the funds from the participants, minimizing any possibilities of moral hazard for the interest abuse of certain parties whose efforts are not related to any commitment to improve the welfare of the participants. It also takes commitment of the founders to meet their obligations, either as a result of past serviceas well as long-term fundings in order to sufficient enough wealth to pay pensions which is done through the process of collecting and managing funds to ensure that the investments made are correct and efficient. Therefore, in order to meet the expectations of stakeholders, the pension fund management needs to be taken professionally. One of the methods to manage the pension funds is by applying the Good Pension Fund Governance (GPFG). If the management of public funds is not implemented in the mandate and ignore the aspect of GPFG, it may cause any abuses and even irregularities which in turn will harm the participants as the ultimate owner of these funds.

Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) has required all pension funds to construct and apply the Codes and Governance of Pension Funds since January 1, 2008. The decision was stipulated in Decree of the Chairman of Bapepam-LK Number KEP-136/BL/2006 with the main objective is to encourage the institutions to draft guidelines for good governance in the pension funds as well as provide a reference to the founder, the employers, pension fund trustees and participants. Pension fund governance guidelines are expected to be prepared by referring to the rules covering disclosure (transparency), accountability, responsibility, independence, as well as equality and fairness. The decision was actually an implementation of financial sector policy package (PKSK) in the pension fund sector. The points set out in the Decree include, namely: (a) the obligation of pension funds to prepare and implement the Guidelines for Pension Fund Governance; (b) Guidelines for Pension Fund Governance made by the pension funds should include at least (i) the rules related to principles and codes of behavioral governance of conduct in accordance with general acceptable practice; (ii) setting the position, duties, functions, authority, responsibilities, (iii) the rights and obligations and the relationship among relevant parties. Other liabilities are also (c) publishing technical guidelines for the implementation of the governance of pension funds. In addition, (d) the decision of the supervisory board requires pension funds to carry out evaluation and prepare a written evaluation of the results of the application of the pension fund governance guidelines. Furthermore, (e) the guidelines for pension fund governance will be reviewed periodically by Bapepam-LK.

Based on the description above, the formulation of the problem in this research is how the construction of evaluation model of performance before and after the application of Good Pension Fund Governance (GPFG) in the pension fundsin the perspective of Political Economy of Accounting (PEA)?

2. Theoretical Review: Political Economy of Accounting

The theory of Political Economy of Accounting (PEA) is one method of performance appraisal of which the performance appraisal concerns with the fairness aspect of the distribution of power and wealth. In the neo-classical economic view, an element of profit is the bottom line of business activity, which is used as a tool to measure the efficiency of the production process. This is in contrast with the views of classical political economy that profit is a reflection of the power that is owned by the owners of the capital. The implication is that the greater the profits from the company, then the greater the power held by the investors (the company owners). It shows that the group whose great power will gain greater profits from operating companies (Tinker, 1980, 1984). In addition to power, classical political economy also concerns with the just and fair distribution of wealth. The underlying view of classical political economy is that the profits from the company is an indicator of “the firm’s market viability” and also as a tool to measure the “social efficiency in utilizing society’s resources”, and not “a technical measure of efficiency in the conversion of input to output” (Tinker, 1980, p. 147; Tinker et al., 1982; Neimark & Tinker, 1986, pp. 374-76, Irianto, 2006, p. 19). This view provides a new understanding of the function of capital that is not only as a means of a physical instrument of the production process, but also as a medium of social relations in the production process (Bhadui, 196, p. 9, in Tinker, 1980, p. 153). Thus PEA analysis shows that the greater the power that is owned by the owners of the capital, the greater the share of wealth or well-being that will be obtained (Tinker, 1980; Hoogvel & Tinker, 1978; Irianto, 2006; Irianto, 2007).

3. Research Method

This research used critical paradigm which was employed critically by adopting various disciplines, such as accounting, management, economics, sociology, anthropology, social psychology and other relevant disciplines to the purpose of this research. The research was conducted at the site of the Pension Fund C. The unit of analysis in this study was the practice of performance appraisal for pension funds both from the economic, social
Informants in this study were determined by using snowball sampling through in-depth interviews with other informants so the information or data submitted to resemble or no difference with the previous information. Therefore, it is possible that the informants were from parties outside the pension funds but they have enough information about the pension funds. Informants in this study were the officials of Central ADPI, employer, board of trustees, pension fund trustees and both active and passive participants. In order to obtain the important data, researchers used documentation, observation and interviews to collect data. Observations involved the researchers themselves directly in the situation being investigated as a pure observer and systematically observe the various existing dimensions, including interactions, relationships, actions, events, and so on (Mason, 1996, p. 60). Observations were made on real activity or else can also be done by watching video footage or photographs gathered (Sutopo, 2002, p. 65). Unstructured interviews were randomly conducted to the informants, whereas in a structured interview was also conducted by the researchers supported with prepared materials to obtain the expected data.

In order to build a model of performance appraisal of Pension Fund C before and after the application of GPFG, researchers used a PEA analysis tool introduced by Tinker (1984). The reason from the researchers of using this analysis tool was because of this analytical tools were capable of analyzing the practices of fair distribution of power and welfare that occurs in the Pension Fund C, whether committed by the employers, pension fund trustees and pension fund participants.

This analysis technique was done in two periods: the period before the application of GPFG (pre-GPFG) and the period after the application GPFG (post-GPFG). In the analysis before the application of GPFG, researchers referred to a system including general management, financial administration, membership systems, and accounting systems and investment. While the analysis after the application of GPFG, researchers conducted the analysis based on the application of sixteen guidelines for the implementation GPFG run by Pension Funds C.

4. Critical Exploration of Pension Funds C

In this sub-section focusing on the results of this study, particular aspects of the controversy associated with fair
distribution of power distribution and the distribution of wealth will be elaborated critically. Relevant parties related to the distribution of power and welfare aspects mentioned above are the parties who are directly related to the management of pension funds, namely the employers, the pension fund trustees and the pension fund participants. In detail the controversy is presented as follows:

4.1 Controversy on the Employers

The existence of the Board of Trustees is intended supervise the management of pension fund conducted by the board to run as well as possible and to avoid any possibilities that are detrimental to the pension funds. Although the duties are supervision, but supervisors cannot directly hold accountability to the board. The authority is in the founder. In this case the Board of Trustees is only obliged to report its supervisory activities to the founder (Law Number 11 of 1992, Article 11).

A statement related to the functions of the Board of Trustees of the Pension Fund C is less optimum and they lack of knowledge of pension fund trustees are presented by one of the administrators as follows:

Board of Trustees is too busy in the main job, so they cannot perform they functions properly. In addition, the lack of knowledge related to the pension fund (will affect their performance) (Fi, 2013).

The statement proves that the Board of Trustees could not perform optimally in running their functions. In addition to their less optimal supervisory performance, Board of Trustees in carrying out their functions, they had insufficient knowledge related to the supervisory board of the pension fund management. This less optimum supervisory function of the Board of Trustees might cause the increasingly flexible authority belonging to the officials who tend not to be careful in managing the pension funds; therefore, the more increasing risks of pension fund management which may result in lower performance of the pension funds.

Employer’s liability of an employer pension fund is the payment of pension contributions are on timein appropriate amount. A statement from the employer related to the payment of pension contributions and commitment of the employer to the pension fund is as the following:

Basically the employers want the welfare of their employees; one of them is through this pension fund. If it comes to late payment of contributions, in case on the employer’s account, there might be small problem in the cash flow. This is because the system is based on priorities which should take first (Sk, 2013).

The statement above shows that in fact there was a strong commitment from the employers to the Pension Fund C. The only problem of the employers was when the condition of cash flow was down, and then the employers should make a decision which should come first according to priorities. Regarding the Law Number 11 of 1992 that payment of pension contributions by the employer is compulsory by nature, and then the employers have to put priority in payment of contributions to the pension funds.

In relation to the ability of employers to provide funding and the obligations to the high pension fund, the officials were required to meet the targets of the technical interestsby actuary of 12.5% annually (Attachment: 7). To meet these targets, the officials concluded that there was an opportunity in the capital market. Because macroeconomic conditions are less favorable, particularly during the economic recession in 2008, stocks and mutual funds which were the options for the officials were impaired fairly significant, so that investment income could not meet the target. It was stated by Fi as Deputy II in investment and accounting as follows:

Due to the actuarial target of technical interest which 12.5% is too high, the officials decided to have aggressive investment strategy, which most of the investment was in the capital market (Fi, 2013).

The determination of high technical interest was due to the high ratio of actuarial liabilities on the availability of pension fund assets. If the Higher Education Foundation C as employers of Pension Fund C were willing to cover part of the deficit that occurs where the deficit was the margin between actuarial liabilities with available assets, the amount of the technical interest rate would be be lowered.

The employers gave some recommendations to the pension fund trustees to invest in certain investment instruments. As the employers had big power in relation to pension funds, the pension fund trustees were to implement the recommendation from the employers. As the time passed, it turned out into the high-risk investment that pension funds were ultimately harmed and investment targets could not be achieved. The condition when the achievement of investment targets were not met may result in the funding of pension funds into deficit, resulting unfair distribution of pension benefit payments to the pension fund participants as the stakeholders. In relation to the investment recommendations from the employers is delivered by pension fund trustee as follows:

There are several pension fund investment recommendations given by the employer, almost all the
recommendations were high-risk investments that may result in losses for pension funds (Fi, 2013).

The statement above corroborates that the pension fund has not become an independent institution as the employer has to intervene against the pension funds. Pension fund should have an independent institution in which the management of the pension fund should not be intervened by any parties, including the employer (Law Number 11 of 1992). One form of intervention against the pension fund management is the recommendations from the employer for investments which even may harm the pension fund because the investment was actually problematic.

In conducting investment activities, the pension fund officials should refer to the the investment plan of pension fund, which is drawn up by the Board under the direction of the employer. In relation with this investment plan, the employer only provides direction but not to determine the direction. The following statement of the board related to the above case:

In order to have professionality in pension funds particularly related to investment management the investment direction should not be based on the the employer’s determination. This condition may cause the trustees not to become flexible in investing the fund (Fi, 2013).

The findings of the above corroborates that the determination of the direction for investing the fund by the employers may cause the pension fund trustees cannot manage the investment of pension funds optimally. This condition is under the consideration that the employer may have less knowledge related to the profile of investment and the current trend of investment of pension fund. The examples of problem include the types of placement and placement portion in the respective type of investment.

Company’s responsibility for the the welfare of its employees is not only when the employees are still active in the company, but also at the time the employee will be at retirement age. The benefits of the employee’s retirement age are run by the company by involving all employees into a pension fund. Concerning the rights of the employees as participants of the pension fund, Company C has determined that for the welfare of the employees at the retirement age, especially new employees who were accepted at the company beginning in 2011 were included as participants of Financial Institutions of Pension Fund (DPLK). The following statement was made by the representative of the employer:

Starting 2011, all new employees were not included in the defined benefit of pension plans, but they are included into programmable defined contribution plan that is DPLK. If they are put into defined benefit pension plans, it will become the employer’s burden, it is too heavy. (Sk, 2013).

The research finding above proves us that this decision was taken by Company C because of the Foundation’s objection towards the new employees who were accepted in 2011 were included as participants of the Pension Fund C. This schemewouldbecome additional burden to the Foundation’s expenditure because Company C should spend more money to pay the employer’s contribution obligations consisting of both normal and additional fees.

The main objective of the establishment of pension fund is to provide welfare to the employees at the retirement age. One parameter of the welfare of the employees at the age of retirement is of the amount of the pension benefit received by the retired employees. One of several factors that may determine the amount of the pension benefit is the basic salary. Related to the participants basic salary of Pension Fund C was delivered by the following employer:

The employers want to increase salaries, but the increase is not on the basic salary component, but on the allowances component in the form of earnings improvement. If the increase of the basic salary component, it will have impact on the increase in employer’s contributions to pension funds and this is very burdensome for the employer. (Sk, 2013).

The finding above explains that the employer, in this case Company C, is willing to increase the income of the employees, instead of increasing the basic salary, however, the increase is in the form of allowances component. Why would Company C increase the income of the pension fund participants from the increase in the allowances? The reason is when the increase is on the basic salary component, it will add the burden of the employer’s contributions to pension funds in particular because employer’s contributions which include normal fees. But if the employers raise the income in terms of the allowance component, then this increase does not affect the increase in the amount of fees for pension fund. In other words, the value of pension benefits will not increase.

4.2 Controversy on the Pension Fund Trustees

The effectiveness of the activities of pension fund trustees is also influenced by the effectiveness of supervision
performed by the Board of Trustees as well as by the regulators. Especially for the function, duties, and powers of Board of Trustees is to supervise the management of the pension fund by the Board and submit the written annual report on the results of monitoring to the founders and another copy should be announced so that the participants have information (Law Number 11 of 1992, Article 11). The existence of the Board of Trustees is intended that pension fund management activities are conducted by the Board to run as best as possible and to avoid things that are detrimental to the pension fund. Related to the functions of the board of trustees at the Pension Fund C, the following is a statement of the pension fund trustees:

Board of Trustees is too busy in the main job, so they cannot perform they functions properly. In addition, the lack of knowledge related to the pension fund (will affect their performance) (Fi, 2013).

The appointment of the board of trustees by the employer is intended for the supervisory board and the representative of the employer to supervise the management of pension funds by pension fund trustees. In the research finding above illustrates the information that the function of the board of trustees at the Pension Fund C is not running as it is expected. The personnel board of trustees appointed by the employer was too busy with the activities of personnel in the company, in addition to knowledge of each personnel of the board of trustees, especially related to the management of pension funds, was also lacking. This was certainly very unfavorable for pension funds because of the lack of understanding of the performance of pension fund trustees.

To create a pension fund management which was transparent and accountable, the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) has required all pension funds to construct and apply the Code and Governance Pension Fund since January 1, 2008. The decision was stipulated in Decree Number KEP-136/BL/2006 with the aim of encouraging the preparation of guidelines for good governance in the pension fund as well as providing a reference to the founder, the employer, pension fund officials and trustees. In relation to the implementation of the sixteen policy guidelines of GPFG in the Pension Fund C, the following is a statement from one of the officials:

Pension Fund C is pension fund assets with small size, so the officials of pension funds should not be carrying out sixteen policy guidelines of GPFG set by Bapepam-LK. This is because if we carry out all the guidelines, it is even inefficient. (Sk, 2013).

In the research findings related to the implementation of sixteen policy guidelines in the Pension Fund C, that pension fund trustees did not apply all the sixteen guidelines of the policy with the reason that the sixteen policy guidelines might lead into inefficiency in the pension fund management, it is due to the size of the assets of the Pension Fund C was categorized into small size and the transactions were much simpler than the pension funds from medium and large categories.

4.3 Controversy on Pension Fund Participants

One objective of the establishment of pension funds is to provide welfare to the employees at their retirement age. This pension plan is the right of every employee who has met certain requirements and this right is guaranteed by law. Concerning the right of the participants to pension funds, it may be in the form of both financial and non-financial rights. The following statement related to the rights of pension fund participants in Pension Fund C, submitted by the pension fund participants:

I fond the information that the amount of our pension benefit is small, isn’t it, Sir. Please increase the retirement benefits. I agree if the fees (contribution) are raised from of my regular salary (Wk, 2013).

The finding above explains that the participants of the Pension Fund C found the amount of pension benefits they have received so far are too small and they are willing to pay more for contribution fee from their monthly salary.

Participant’s financial right from pension fund is pension benefits. The pension benefits are regular payment which is paid to participants at their retirement time and through particular methods as stated in the Pension Fund Regulations (Regulation of the Minister of Finance of the Republic of Indonesia Number 50/PMK.010/2012 Article 1 paragraph (14)). Related to the time of payment of pension benefits in the Pension Fund C is delivered by one of the participants as follows:

Don’t wait too long for the pension benefits. As the employees come into their retirement age, the benefits should be paid directly (Yu, 2013).

According to the finding above, it is corroborated that the participants of pension fund of the Pension Fund C expect that the payment of retirement benefits should be paid at the time when they have reached retirement age. The appropriate payment time for retirement benefits to the participants of this pension fund is one of the rights
of pension fund participants as the stakeholders in the form of non-financial.

In addition to the right of payment time of pension benefits, there are some other rights of the pension fund participants namely the access to the announcement from the committee on the development of the investment portfolio using the pension fund and the results of at least 6 month progress, delivering advice and opinions to the founders and the board of trustees about the development and the results of the investment portfolio and obtaining a copy of the supervisory report of the board of trustees for the management of pension funds (Bapepam-LK, 2006). Concerning the rights of participants in the Pension Fund C, particularly related to the development of the individual investments of participants, was delivered by one of the pension fund participants as follows:

As the participants of the pension fund, when we want to obtain information especially related to the development of the investment portfolio, please serve us immediately (Mi, 2013).

According to the finding above, it is stated that the participants expect the disclosure of the development of the investment portfolio from the pension funds as a form of responsibility from the fund officials in managing pension fund transparently and accountably in accordance with the guidelines set in the GPFG. The disclosure of information of pension fund management by pension fund trustees to the pension fund is one of the non-financial rights of the pension fund participants as the stakeholders.

4.4 Construction of Performance Appraisal Model of Pension Fund C before and after Good Pension Fund Governance

Pension Fund C is an employer’s pension fund with defined benefit plan. To achieve the objectives of the Pension Fund C, the pension fund trustees drew up a work program annually based on the strategic plan that has been set. Broadly speaking, the Pension Fund C before GPFG was divided into three major parts, namely 1) general management activities that are held by the chairman of the pension fund, 2) general administration activities, participation of pension funds managed by the Deputy Chairman 1, 3) investment and accounting activities which are managed by the Deputy Chairman 2. All the activities mentioned previously were assisted by two administration staffs.

Critical analysis from the perspective of Political Economy of Accounting according Thinker (1980; 1984) that the Political Economy of Accounting also see about the fair distribution of wealth. The performance assessment models in the Pension Fund C before the application of GPFG is presented in the figure below:

Figure of appraisal performance model of Pension Fund C before the application of GPFG is elaborated in the
following section:

1. In conducting the performance appraisal model of pension fund before the application of GPFG, there were three relevant parties involved in the management of pension funds: first is the employer (this is because the pension fund in this context is a pension fund by the employer or DPPK), the pension fund trustees is the second party as the party entrusted by the employer to the pension fund management, and the last party is pension fund participants as the party who should pay fee or contributions to the pension fund, which is from their cut salary and the assistance of the employer. At the end of retirement, the participants will receive pension benefits, in accordance with the applicable provisions that can be paid in cash or partly paid in cash and in part will be paid on a monthly basis or annuity.

2. According to two premises of critical analysis by Political Economy of Accounting namely the distribution of power and wealth, the activities of each party mentioned above were analyzed in order to know which ones are included either in the power distribution or wealth distribution categories.

3. Based on a critical analysis of Political Economy of Accounting at Number 2, the power distribution of the employer covers the amount of the employer’s contribution, the dissolution of the pension fund, determining and amending the PDP as well as appointing and dismissing the board and the board or trustees. Wealth distribution of the employer was indicated by the amount of their regular income. The greater the amount of profit earned by the employer, the greater the distribution of power and wealth of the employer. Power distribution includes pension fund trustees who could make cooperation with the third party without the board or trustees and laws on behalf of pension funds. Wealth distribution of pension fund trustees was indicated from the percentage of salary costs on total operating costs. Power distribution of pension fund participants is indicated from the amount of participants’ contribution compared with the amount of the contribution from the employer. Wealth distribution of pension fund participants can be seen from the retirement benefits they receive both financially, as monthly pension benefit or all at once as well as pension benefits, and non-financially, such as the right to obtain information related to the management of pension funds as well as the extent of the opportunity provided by the pension fund trustees to the pension fund to provide advice or input associated with improved quality of service pension fund.

After the discussion with the construction of performance appraisal model of pension fund before the application of GPFG, the next is to discuss the construction of performance appraisal model of pension fund after the application of GPFG. Broadly speaking, the activities of Pension Fund C after the application of GPFG was in accordance with the Decree of the Chairman of Bapepam-LK Number Kep-136/BL/2006 dated on December 21, 2006 that the implementation of the GPFG referred to the sixteen guidelines which include guidelines for internal control, codes of conduct and code of ethics, guidelines for risk management, funding guidelines, investment guidelines, guidelines for the organization and working procedures, guidelines for the preparation of budget, accounting guidelines, guidelines for membership services, information system guidelines, guidance sale or disposal or removal of troubled assets investments and operating assets, taxation guidelines, procurement guidelines, guidelines for decision making, guidance for final archival guidelines and correspondence. In relation to the technical aspects of the entire implementation of the guidelines mentioned above were assisted by two administration staffs.

Critical analysis from the perspective of Political Economy of Accounting according Thinker (1980; 1984) that the Political Economy of Accounting also see about the fair distribution of wealth. The performance assessment models in the Pension Fund C after the application of GPFG is presented in the figure below:
Figure of appraisal performance model of Pension Fund C after the application of GPFG is elaborated in the following section:

1. In conducting the performance appraisal model of pension fund after the application of GPFG, there were three relevant parties involved in the management of pension funds: first is the employer (this is because the pension fund in this context is a pension fund by the employer or DPPK), the pension fund trustees is the second party as the party entrusted by the employer to the pension fund management, and the last party is pension fund participants as the party who should pay fee or contributions to the pension fund, which is from their cut salary and the assistance of the employer. At the end of retirement, the participants will receive pension benefits, in accordance with the applicable provisions that can be paid in cash or partly paid in cash and in part will be paid on a monthly basis or annuity.

2. According to two premises of critical analysis by Political Economy of Accounting namely the distribution of power and wealth, the activities of each party mentioned above were analyzed in order to know which ones are included either in the power distribution or wealth distribution categories.

3. Based on a critical analysis Political Economy of Accounting at No. 2 mentioned above, the power distribution of the employer covers budgeting and funding. Wealth distribution of the employer was indicated from the amount of their income. The greater the amount of profit earned, the greater the distribution of power and wealth of the employer. Power distribution of pension fund trustees includes the organization and working procedures, investment, risk management, codes of conduct and codes of ethics, internal controlling systems, accounting, service participation, information systems, sales or asset disposals of problematic invested assets and operating assets, taxation, procurement and services, decision-making, archive and correspondence. Wealth distribution of pension fund trustees was indicated from the percentage of salary costs on total operating costs. Power distribution of pension fund participants was indicated from the amount of participants in comparison with the amount of the employer’s contribution. Wealth distribution of pension fund participants can be seen from the retirement benefits they receive both financially, as monthly pension benefit or all at once as well as pension benefits, or non-financially such as the right to obtain information related to the management of pension funds as well as the extent of the opportunity provided by the pension fund trustees to the pension fund to provide advice or input related to the improvement of service quality pension funds and pension fund participant’s right to have supervision over the management of pension funds by pension fund trustees.

The procedures of the application of performance appraisal of pension fund before and after the application of GPFG consist of:
1. Asking questions about the phenomena above based on existing items in the instrument. This question should be addressed to the targets; in this case they are the employer, pension fund trustees, and pension fund participants. The purpose of the filing of this question is to explore critically on any activities related to fair distribution of power and wealth committed by the employer, pension fund trustees and pension fund participants.

2. Upon the filing of the questions, the answers obtained will be analyzed by using analytical tools of Political Economy of Accounting (PEA). By using this analysis tool PEA with regard premise of fairness distribution of wealth, and the relation between the distribution of power and wealth.

3. After a critical analysis is conducted in the perspective of the PEA, the next step is to formulate the results of discussions and recommendations to be submitted to the relevant parties such as the employer, board of trustees, administrators, and other stakeholders in order to make decisions.

5. Conclusions

1) In general, it is unfair if the performance appraisal of the pension fund industry is just based on the financial performance approach only. There should performance appraisal that is capable of expressing the values of fairness for better distribution of power and wealth. The performance appraisal that can express these values is the performance appraisal in the perspective of the PEA. The performance appraisal focuses on the aspects of fair wealth distribution, and the relation between the distribution of power and wealth.

2) In particular, the construction of the performance appraisal model of pension fund before the application of GPFG considers the types of activities including 1) pension fund management activities of public pension funds, 2) public administration activities and participation of pension funds, and 3) accounting and investment activities of pension funds. Construction of performance appraisal model of pension funds after the application of GPFG considers the types of activities of pension funds which refer to the sixteen guidelines for the implementation of the GPFG that include the guidelines of the internal control, codes of conduct and code of ethics, guidelines for risk management, funding guidelines, investment guidelines, guidelines for the organization and working procedures, guidelines for budgeting, accounting guidelines, guidance service participation, guidance information system, guidelines for the sale or disposal or removal of problematic invested assets and operating assets, guidelines for taxation, guidelines for procurement of goods and services, guidelines for decision-making, the guidelines archival and guidelines correspondence.

6. Suggestions

1) It is recommended that the academician extend this study into broader context, such as the future research should not only discuss internal parties in the management of pension funds as the employer, pension fund trustees and pension fund participants, but external parties such as the Financial Services Authority or stakeholders should be included into research subjects. By expanding the parties concerned in the management of pension funds either directly or indirectly, the performance appraisal of pension fund will become more in-depth and comprehensive, and this research has higher significance.

2) It is recommended that the policy makers evaluate the effectiveness of the application of the performance appraisal model for pension fund which has been applicable to the aspect of fair distribution of power and wealth on the relevant parties. As the implementation of the performance appraisal model is growing, it is expected that this model has more significant impact on the management of pension funds to become more transparent and accountable, so that the dream of all of us to realize Good Pension Fund Governance (GPFG) comes true. Amen.

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