

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 3785

Introduced by Honorable Edgar S. San Luis

EXPLANATORY NOTE

This bill seeks to improve the welfare benefits for all the members of the Government Service Insurance System (GSIS), amending for the purpose Presidential Decree No. 1146, otherwise known as the "*Revised Government Service Insurance System Act of 1977*," as amended.

The GSIS was created in 1936 under Commonwealth Act No. 186 with the goal to promote the efficiency and welfare of the employees of the Philippine Government. Since then, various social insurance legislations were enacted to further improve the structure and provide better benefits schemes, financing coverage, administration and organization.

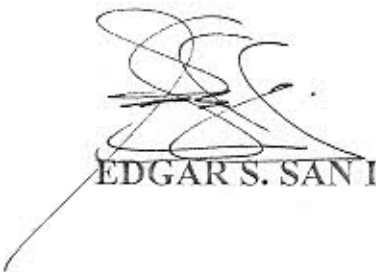
In 1977, Presidential Decree No. 1146 was issued which effected a major revision of the GSIS charter. It aimed to enhance the quality of life of the government workers by increasing, expanding and integrating their social security insurance benefits and facilitating the payment thereof. It was amended by Republic Act No. 8291 in 1997, which further expanded and increased the coverage and benefits provided by the GSIS.

However, given the noble intent of said laws, the GSIS found itself mired in controversy owing to questionable policies and rules issued by the GSIS which its members found to be unjust, vague and detrimental to the interests of all government employees nationwide. Among the issues are mismanagement of funds, exorbitant salaries and allowances of the GSIS executives and employees, delayed release of retirement benefits, whimsical investment strategies of the GSIS, lack of transparency, disproportionate representation of teachers and retirees to the Board of Trustees, and limited coverage of benefits. As a result, majority of the GSIS members are clamoring for remedies to ensure that their hard-earned contributions and

interests can be duly safeguarded and not squandered, with utmost fidelity and care.

The broad authority granted the GSIS needs to be revised in order to assure its members that no excesses can be committed at the members' expense. The GSIS was established supposedly for the well-being of all government employees especially after they have rendered invaluable services to the government. It therefore befits the members that their contributions be administered efficiently, protected, invested and spent for their sole benefit.

In order to dissipate the growing doubts and discontent of government employees with the GSIS and to restore the fund managers' credibility, vital reforms must be instituted. In view of the foregoing, approval of this bill is earnestly sought.



EDGAR S. SAN LUIS

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AN ACT

**IMPROVING THE WELFARE BENEFITS FOR THE MEMBERS OF
THE GOVERNMENT SERVICE INSURANCE SYSTEM, FURTHER
AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO.
1146, AS AMENDED, OTHERWISE KNOWN AS THE "REVISED
GOVERNMENT SERVICE INSURANCE SYSTEM ACT OF 1977"**

*Be it enacted by the Senate and House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. Section 4 of Presidential Decree No. 1146, as amended,
is hereby further amended to read as follows:

"SEC. 4. *Effect of Separation from the Service.* – A
member separated from the service shall continue to be a
member, and shall be entitled to whatever benefits he has
qualified to in the event of any contingency compensable under
this Act.

AFTER SEPARATION FROM THE SERVICE, A MEMBER MAY OPT TO CONTINUE THE PAYMENT OF THE NECESSARY CONTRIBUTIONS IN ORDER TO QUALIFY FOR ANY OF THE AVAILABLE GSIS BENEFITS."

SEC. 2. Section 7 of the same Presidential Decree is hereby amended to read as follows:

"SEC. 7. *Interests on Delayed Remittances, OVERPAYMENTS OF BENEFITS.* Agencies which delay the remittance of any and all monies due to the GSIS shall be charged [interest as may be prescribed by the Board but not less than] two percent (2%) simple interest per month. Such interest shall be paid by the employers [concerned].

HOWEVER, THE GSIS SHALL BE LIABLE TO PAY THE MEMBER TWO PERCENT (2%) SIMPLE INTEREST PER MONTH IN CASES WHEN: (A) THE MEMBER MAKES A LOAN OVERPAYMENT TO THE GSIS; OR (B) ANY BENEFIT DUE TO THE MEMBER IS NOT REFUNDED OR RELEASED BY THE GSIS WITHIN

THIRTY (30) DAYS AFTER SUBMISSION OF ALL THE REQUIREMENTS TO THE GSIS.”

SEC. 3. Section 10 of the same Presidential Decree is hereby amended to read as follows:

“SEC. 10. *Computation of Service.* – (a) The computation of service for the purpose of determining the amount of benefits payable under this Act shall be from the date of original appointment[/] OR election, NOTWITHSTANDING THAT THE PAYMENT OF PREMIUM WAS MADE AT A LATER DATE THAN THE DATE OF THE ORIGINAL APPOINTMENT OR ELECTION, including periods of service at different times under one or more employers, those performed overseas under the authority of the Republic of the Philippines, and those that may be prescribed by the GSIS in coordination with the Civil Service Commission.”

SEC. 4. Section 13 of the same Presidential Decree is hereby amended to read as follows:

“SEC. 13. *Retirement Benefits.* – (a) Retirement benefit shall be:

x

x

x

SEC. 13-A. *Conditions for Entitlement.* – A member who retires from the service shall be entitled to the retirement benefits enumerated in paragraph (a) of Section 13 hereof: *Provided, That:*

(1) He has rendered at least fifteen (15) years of service;

(2) He is at least sixty (60) years of age at the time of retirement; and

(3) He is not receiving a monthly pension benefit from permanent total disability.

HOWEVER, THE RETIREMENT AGE REQUIREMENT UNDER THIS ACT SHALL BE WAIVED IF A MEMBER HAS RENDERED AT LEAST TWENTY (20) YEARS OF SERVICE.”

SEC. 5. Section 20 of the same Presidential Decree is hereby further amended to read as follows:

“SEC. 20. *Survivorship Benefits.* – When a member or pensioner dies, the beneficiaries shall be entitled to survivorship benefits provided in Sections 21 and 22 hereunder subject to the conditions therein provided for. The survivorship pension shall consist of:

(1) The basic survivorship pension which is [fifty percent (50%)] ONE HUNDRED PERCENT (100%) of the basic monthly pension; and

(2) The dependent children’s pension not exceeding fifty percent (50%) of the basic monthly pension.”

SEC. 6. Section 23 of the same Presidential Decree is hereby amended to read as follows:

“SEC. 23. *Funeral Benefit.* – The amount of funeral benefit shall be determined and specified by the GSIS in the rules and regulations but shall not be less than [Twelve thousand pesos (P12,000.00)] TWENTY THOUSAND PESOS (P20,000.00): *Provided,* That it shall be increased to at least [Eighteen thousand pesos (P18,000.00)] THIRTY THOUSAND PESOS (P30,000.00) after five years AND ADDITIONAL

TWO THOUSAND PESOS (P2,000.00) EVERY TWO (2) YEARS THEREAFTER FOR THE NEXT TEN (10) YEARS.”

SEC. 7. Section 35 of the same Presidential Decree is likewise hereby amended to read as follows:

“SEC. 35. *Deposits and Disbursements.* – All revenues collected and all accruals thereto shall be deposited, administered and disbursed in accordance with the law. A maximum expense loading of twelve percent (12%) OF THE YEARLY TOTAL MEMBER CONTRIBUTIONS AND THREE PERCENT (3%) of the yearly revenues from all sources may be disbursed for administrative and operational expenses. [except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.]”

SEC. 8. Section 36 of the same Presidential Decree is likewise hereby amended to read as follows:

“SEC. 36. *Investment of Funds.* – The funds of the GSIS which are not needed to meet the current obligations may be invested under such terms and conditions and rules and

regulations as may be prescribed by the Board; *Provided*, That investments shall satisfy the requirement of liquidity, safety[, security and yield in order to ensure the actuarial solvency of the funds of the GSIS: *Provided, further*, That the GSIS shall submit an annual report on all investments made to both Houses of Congress of the Philippines, to wit:

(a) In interest-bearing bonds or securities or other evidence of indebtedness of the government of the Philippines;

x

x

x

[(j) In foreign mutual funds and in foreign currency deposits or foreign currency-denominated debts, non-speculative equities and other financial instruments or other assets issued in accordance with existing laws of the countries where such financial instruments are issued: *Provided*, That there instruments or assets are listed in bourses of the respective countries where these instruments are issued: *Provided, further*, That the issuing company has proven track record of profitability over the last three (3) years and payment of dividends at least once over the same period.]

THE FUNDS OF THE GSIS THAT ARE INVESTED IN FOREIGN MUTUAL FUNDS AND IN FOREIGN CURRENCY DEPOSITS OR FOREIGN CURRENCY-DENOMINATED DEBTS, NON-SPECULATIVE EQUITIES AND OTHER FINANCIAL INSTRUMENTS OR OTHER ASSETS ISSUED IN ACCORDANCE WITH EXISTING LAWS OF THE COUNTRIES WHERE SUCH FINANCIAL INSTRUMENTS ARE ISSUED, SHALL BE LIQUIDATED WITHIN ONE YEAR AFTER THE EFFECTIVITY OF THIS ACT IN ACCORDANCE WITH THE GUIDELINES THAT THE GSIS BOARD OF TRUSTEES SHALL PROMULGATE. ALL SUCH INVESTMENTS, INCLUDING ALL PROFITS AND EARNINGS DERIVED THEREFROM SHALL REVERT TO THE GENERAL FUND OF THE GSIS."

SEC. 9. a) Section 41 of the same Presidential Decree is hereby further amended to read as follows:

"SEC. 41. *Powers and Functions of the GSIS.* – The GSIS shall exercise the following powers and functions:

(a) x x x

(j) To have one or more offices in and outside of the Philippines, and to conduct its business and exercise its powers throughout and in any part of the Republic of the Philippines [and/or] OR in any or all foreign countries, states and territories: *Provided*, That the GSIS shall ESTABLISH AND maintain a branch office in every province where there exists a minimum of [fifteen] TEN thousand [(15,000)] (10,000) membership; *PROVIDED, FURTHER*, THAT THE GSIS MAY OPT TO ESTABLISH AND MAINTAIN A BRANCH OFFICE IN ANY CITY OR MUNICIPALITY WHENEVER AND WHEREVER IT MAY BE EXPEDIENT, NECESSARY AND FEASIBLE, AND TO INSPECT OR CAUSE TO BE INSPECTED SUCH OFFICES PERIODICALLY;

X

X

X

[(u) Any provision of law to the contrary notwithstanding, to authorize the payment of extra remuneration to the officials and employees directly involved in the collection and/or remittance of contributions, loan repayments, and other monies due to the GSIS at such rates and

under such conditions as it may adopt: *Provided*, That the best interest of the GSIS shall be observed thereby;]"

b) The succeeding sub-sections after sub-section "u" are hereby renumbered accordingly.

SEC. 10. Section 42 of the same Presidential Decree is hereby further amended to read as follows:

"SEC. 42. *The Board of Trustees: Its Composition, Tenure and Compensation.* – The corporate powers and functions of the GSIS shall be vested in and exercised by the Board of Trustees composed of the President and General Manager of the GSIS and [eight (8)] TWELVE (12) other members to be appointed by the President of the Philippines, [one (1) of whom shall be either the President of the Philippine Public School Teachers' Association (PPSTA) or the President of the Philippine Association of School Superintendents (PASS),] FOUR (4) SHALL BE PUBLIC SCHOOL TEACHERS WHO SHALL BE NOMINATED BY ANY TEACHERS' ORGANIZATIONS OR ASSOCIATIONS NATIONWIDE, another [two (2)] THREE (3) shall represent

the leading organizations or associations of government employees[/] OR retirees, ONE OF WHOM SHALL BE NOMINATED BY THE GOVERNMENT RETIREES ASSOCIATION OF THE PHILIPPINES, another four (4) from the banking, finance, investment and insurance sectors, and one (1) recognized member of the legal profession who at the time of appointment is also a member of the GSIS. The Trustees shall elect from among themselves a Chairman while the President and General Manager of the GSIS shall automatically be the vice-chairman.”

SEC. 11. Section 43 of the same Presidential Decree is hereby further amended to read as follows:

“SEC. 43. *Powers and Functions of the Board of Trustees.* – The Board of Trustees shall have the following powers and functions:

(a) To formulate, ADOPT, AMEND AND RESCIND, SUBJECT TO THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES, the policies, guidelines and programs to effectively carry out the purposes of this Act;

x

x

x

(d) Upon recommendation of the President and General Manager, to approve the GSIS's organizations and administrative structures and staffing pattern, and to establish, fix, review, revise and adjust, SUBJECT TO THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES, the appropriate compensation package for the officers and employees of the GSIS with reasonable allowances, incentives, bonuses, privileges and other benefits as may be necessary or proper for the effective management, operation and administration of the GSIS, which shall be exempt from Republic Act No. 6758, otherwise known as the Salary Standardization Law and Republic Act No. 7430, otherwise known as the Attrition Law;

x

x

x.”

SEC. 12. *Repealing Clause.* – The provisions of Presidential Decree No. 1146, as amended by Republic Act No. 8291, and all other laws, decrees, executive orders, proclamations, rules and regulations, and issuances, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 13. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,