

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **4709**



INTRODUCED BY: REPRESENTATIVE **MAGNOLIA ROSA C. ANTONINO**

EXPLANATORY NOTE

The Armed Forces of the Philippines Retirement and Separation Benefit System (AFP-RSBS) was established on December 30, 1973 by virtue of Presidential Decree No. 361 to provide retirement and separation benefits to the military members of the AFP, including the Philippine Constabulary (PC), which later became the Philippine National Police (PNP). In 1979, this Decree was amended to establish a new system of retirement and separation for military personnel by virtue Presidential Decree No. 1638, which was later amended by Presidential Decree No. 1650.

Due to the failure to become a self-sustaining military pension fund, the AFP-RSBS was dissolved by Executive Order No. 590 on December 31, 2006. As the number of pensioners and their benefits continue to grow each year, the funding of which being sourced out of the annual appropriations of the AFP, the pension crisis has grown out of proportion.

It is worthy to note that in 2005, the AFP pension budget was only P9.7 billion. This amount has ballooned to P24.1 billion in 2011 or a significant increase of 149% in a span of seven (7) years.

Based on records of the AFP Pension and Gratuity Management Center (AFP-PGMC), the pension arrears had grown tremendously from P16 Billion in 2010 for 111,404 military and PNP personnel and has now reached almost P20 billion this year.

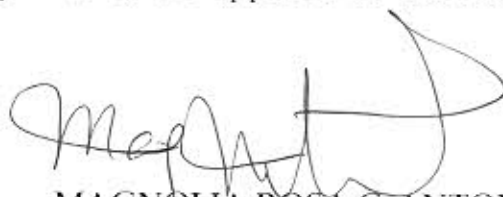
What further aggravates the situation is the indexation of pensions to salaries of those military personnel in the active service. Section 17 of PD 1638 or the AFP Retirement Law of 1979 provides that the "retirement pay shall be subject to adjustment on the prevailing scale of base pay of military personnel in the active service." In other words, when the salaries of active soldiers and policemen increase, the pension of retirees also increase.

Under this situation, it is projected that the budget for AFP and PNP pensioners will overtake the salary allocation for active military and PNP servicemen by 2017. On the said year, pension pay is expected to amount to P54.1 billion compared to the salary of active military personnel which is estimated at P51.9 billion.

According to Secretary Benjamin Diokno of the Department of Budget and Management (DBM), even without salary increase, the data suggests that in 6 years, total pension may account for 80% of the military's budget and only 20% will be left for salaries of those in the active service.

This bill therefore seeks to establish a single retirement and separation benefit system for government employees, including members of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP), in order to avert the huge impact on future outlays of ballooning pensions and establish a reliable funding scheme that will effectively guarantee the payment of benefits of AFP and PNP retirees and pensioners, similar to all government employees.

In view of the foregoing reasons, the approval of this bill is earnestly sought.



MAGNOLIA ROSA C. ANTONINO

Representative

Fourth District, Nueva Ecija

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HOUSE BILL NO. ³⁰ **4709**

INTRODUCED BY: REPRESENTATIVE MAGNOLIA ROSA C. ANTONINO

AN ACT

ESTABLISHING A SINGLE RETIREMENT AND SEPARATION BENEFIT SYSTEM FOR GOVERNMENT EMPLOYEES, INCLUDING MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP), AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1146, AS AMENDED BY REPUBLIC ACT NO. 8291 OTHERWISE KNOWN AS "THE GOVERNMENT SERVICE INSURANCE ACT OF 1997" AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. - This Act shall be known as the "*Single Retirement and Separation Benefit System for Government Employees Act.*"

SEC. 2. Definition of Terms. - As used in this Act, the following terms shall mean:

- a. GSIS - The Government Service Insurance System created by Commonwealth Act No. 186, as amended;
- b. Employer - The national government, its political subdivisions, branches, agencies or instrumentalities, including the Armed Forces of the Philippines (AFP), the Philippine National Police (PNP), government-owned and controlled corporations, and financial institutions with original charters, the constitutional commissions and the judiciary;
- c. Member or employee - all employees of the national government, its political subdivisions, branches, agencies or instrumentalities, including officers and members of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP), government-owned and controlled corporations, and financial institutions with original charters, the constitutional commissions and the judiciary.,

- d. Board - The Board of Trustees of the Government Service Insurance System;

SEC. 3. *Membership in the GSIS.* - Section 3 of Presidential Decree No. 1146, as amended by Republic Act No. 8291 otherwise known as the Government Service Insurance Act of 1997, is hereby further amended to read as follows:

"SEC. 3. *Compulsory Membership.* - Membership in the GSIS shall be compulsory for all employees receiving compensation who have not reached the compulsory retirement age, irrespective of employment status [except] **INCLUDING** members of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP), subject to the condition that they must settle their financial obligation with the GSIS, and contractuels who have no employer and employee relationship with the agencies they serve."

"Except for the members of the judiciary and constitutional commissions who shall have life insurance only, all members of the GSIS shall life insurance, retirement, and all other social security protections such as disability, survivorship, separation, and unemployment benefits."

SEC. 4. *Retirement Benefits.* - Sections 13 and 13-A of PD No. 1146, as amended by the Government Service Insurance Act of 1997, are hereby further amended to read as follows:

"SEC. 13. - *Retirement Benefits.* - (a) Retirement benefits shall be:

"(1) the lump sum payment as defined in this Act payable at the time of retirement plus an old-age pension benefit equal to the basic monthly pension benefit equal to the basic monthly pension payable monthly for life, starting upon expiration of the five-year (5) year guaranteed period covered by the lump sum; or

(2) cash payment equivalent to eighteen (18) months of his basic monthly pension plus monthly pension for life payable immediately with no five-year (5) guarantee.

"(b) Unless the service is extended by appropriate authorities, retirement shall be compulsory for an employee of sixty-five (65) years of age with at least fifteen (15) years of service, **EXCEPT FOR MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP), WHOSE COMPULSORY NON-EXTENDIBLE RETIREMENT SHALL BE SIXTY TWO (62) YEARS OF AGE: *Provided,*** That if he has less than fifteen (15) years of service, he may be allowed to

"SEC. 13-A. *Conditions for Entitlement.* - A member who retires from 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 years of service;
- (2) he is at least sixty (60) years of age AND FIFTY EIGHT (58) YEARS OF AGE FOR MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP), at the time of retirement; and
- (3) he is not receiving a monthly pension benefit from permanent total disability."

SEC. 5. *Compulsory Life Insurance.* - Section 24 of PD No. 1146, as amended by the Government Service Insurance Act of 1997, is hereby further amended to read as follows:

"SEC. 24. *Compulsory Life Insurance.* - All employees, [except for] **INCLUDING** members of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP) shall, under such terms and conditions as may be promulgated by the GSIS, be compulsory covered with life insurance, which shall automatically take effect as follows:

- (1) for those employed after the effectivity of this Act, their insurance shall take effect on the date of their employment;
- (2) for those whose insurance will mature after the effectivity of this Act, their insurance shall be deemed renewed on the day following the maturity or expiry date of their insurance;
- (3) for those without any life insurance as of the effectivity of this Act, their insurance shall take effect following said effectivity.."

SEC. 6. *Non-diminution of Retirement and Separation Benefits.* - Nothing herein contained shall diminish the retirement and separation benefits already enjoyed under the laws that existed at the time of retirement.

SEC. 7. *Implementing Rules and Regulations.* - The Government Service Insurance System (GSIS), in coordination with the Department of National Defense (DND), Department of Finance, Department of Budget and Management (DBM), Armed Forces of the Philippines (AFP), shall promulgate the necessary implementing rules and regulations within sixty (60) days upon the effectivity of this Act.

SEC. 8. *Separability Clause.* - If, for any reason, any part or provision of this Act, is held invalid, the remaining provision not affected thereby, shall remain in full force or effect.

SEC. 9. *Repealing Clause.* - Section 17 of Presidential Decree No. 1638, as amended, in so far as the indexation of pensions to salaries of those military and PNP personnel in the active service, and Section 39 of Republic Act No. 6975 are hereby repealed.

All laws, decrees, executive orders, rules and regulations which are inconsistent with this Act are hereby amended, repealed or modified accordingly.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,