

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **4976**



Introduced by Rep. Winston "Winnie" Castelo

EXPLANATORY NOTE

This bill seeks to provide the Social Security Commission the authority to condone penalties on delinquent contributions and loans, to determine the monthly salary credits, the schedule and rate of contributions, benefit increases and the rate of penalty on delinquent contributions and unpaid loan amortizations sans Presidential approval, thereby further amending Republic Act No. 1161, otherwise known as the Social Security Law, as amended.

Five years ago, the Commission convened as the governing board of the Social Security System (SSS) to establish what it has determined as collegial marching orders, priorities and strategic directions, guided by its fiduciary duty to protect the welfare of SSS members and the fortitude to exercise extraordinary diligence in the care of the SS fund.

All the nine (9) members of the Commission are appointed by the President of the Philippines for a term of one year and their performance is evaluated by the Office of the President every year. The Commission is a collegial body where the government, the employers, the workers and the general public are well-represented.

The valued assistance of the six support committees of the Commission permits a multi-faceted and interlinked view of SSS operations, allowing for speedy but circumspect decision-making, the prevention of red tape, and offering support for proposed plans and programs that will sustain the continued growth of SSS, such as the review of policies that resulted in policy recommendations and enhancements in investments, lending and asset management, service delivery, contracts and procurement activities, information technology and budget utilization.

The Commission believes that a strong and vibrant social protection system fulfills an emerging country. With devotion to its mandate and the willingness to keep learning, the Commission and the SSS reinforce their commitment for a better SSS in the years to come.

Reaching out initiative reaps increased membership and collections; SSS investment yield outperforms benchmark; surplus of contribution collections over benefit payments at a five-year high; operating expenses carefully managed; service delivery further improved; workforce empowerment through education; approval of major reform measures granted; responsibility for social security – The long-term benefit of these SSS reforms will be felt during this present administration. These reforms were never conceived to be a panacea, but rather a movement towards strengthening this institution, on which over 30 million members depend. It is hoped that the succeeding SSS administrations will take on this initiative so that SSS members are assured of the continued delivery of benefits and better service.

Interest or penalty condonation on unpaid member loans sans Presidential approval

Loans granted by SSS primarily serve as investment vehicles for the pension fund. Long-term loans help spur economic growth by providing private sector employee wider access to credit, or individual members with funds to buy, erect or repair their own homes. On the other hand, short term loans allow qualified members to meet their immediate financial needs.

The Commission is authorized under Section 4, paragraph (6) of Republic Act No. 1161 as amended (SS Law) to compromise or release, in whole or in part, any interest, penalty or any civil liability to SSS accruing from unpaid member loans. However, the exercise of this authority is subject to approval by the President.

The proposed amendment seeks to forego Presidential nod as a statutory requirement when the Commission exercises such authority on the strength of the following:

- 1) As a collegial body vested under the SS Law with quasi-judicial and regulatory functions, all the members of the Commission are appointed by the President. Thus, each Commissioner may be considered as an extension of Presidential prerogatives in ensuring full representation of all the sectors and stakeholders in the country's social security program. The one-year term of all the Commissioners (under the auspices of the GOCC Governance Act of 2011 in Section 17, Chapter IV thereof) already sets some restrictive parameters due to the short term of office and the prospects of being sooner replaced for untoward conduct or dismissal performance.
- 2) The current expression of Legislative will on the non-requirement of Presidential approval in the exercise by the governing boards of their statutory powers are found in the laws enacted by Congress after the passage of the SS Law on 24 May 1997:
 - a) the GSIS Law (Republic Act No. 8291) on 30 May 1997;
 - b) the Home Development Mutual Fund (HDMF) of Pag-Ibig Law (RA No. 9679) on 21 July 2009;
 - c) the National Internal Revenue Code of the Philippines (RA No. 8424) on 28 July 2008, and
 - d) the Philippine Health Insurance Corporation (PhilHealth) Charter (RA No. 10606) on 23 July 2012

These laws provide the requisite background on the proposal to align the SS Law with the above-enumerated retirement, social and health protection laws.

- 3) The statutory powers of GSIS', Philhealth's and HDMF's governing Boards are not subject to Presidential approval.
 - a) Section 43 of RA No. 8291 expressly vests in the GSIS Board of Trustees without need of Presidential approval, the following powers:
 - a.i) to compromise or release, in whole or in part, any claim or settle liability to the GSIS, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the GSIS;
 - a.ii) to approve and adopt guidelines affecting investments, insurance coverage of government properties, settlement of claims, disposition of acquired assets, development of housing projects, increased benefit and loan packages to members, and
 - a.iii) to do and perform any and all acts necessary, proper or incidental to the

attainment of the purposes and objectives of the GSIS Law.

- b) Section 16 of RA No. 10606 authorizes PhilHealth Corporation to compromise, waive or release, in whole or in part, such interest or surcharges imposed upon employers regardless of the amount involved under such valid terms and conditions it may prescribe, without Presidential approval, notwithstanding the provisions of any law to the contrary;
- c) Section 9 of RA No. 9679 empowers the Board of Trustees of HDMF to waive or suspend the coverage and/or payment of monthly Pag-Ibig contributions without securing approval from the President of the Philippines by reasons of nature of employment, condition of business, ability to make contributions and other reasonable considerations, and;
- d) Section 204, Chapter I, Title VIII of RA No. 8424 grants the BIR Commissioner the authority *i)* to abate and refund or credit taxes and *ii)* to compromise the payment of any internal revenue tax, when (1) a reasonable doubt as to the validity of the claim against the taxpayer exists; or (2) the financial position of the taxpayer demonstrates a clear inability to pay the assessed tax subject to the following minimum amounts:
 - i. for cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and
 - ii. for other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

Where the basic tax involved exceeds One million pesos (P1,000,000.00) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the BIR Commissioner and the four (4) Deputy BIR Commissioners.

It is therefore evident that the President signed RA No. 8291, RA No. 10606, RA No. 9679 and RA No. 8424 into laws, knowingly dispensing the requirement of Presidential approval upon GSIS', Philhealth's and HDMF's governing Boards as well as the BIR Commissioner and BIR Evaluation Board exercising their said statutory powers.

- 4) The proposed amendment will allow the Commission to immediately act on situations needing its urgent attention. This will provide the flexibility and the needed discretion in running SSS' operations and managing its loan portfolio. The details of operational matters need not necessarily involve and burden the President. This makes more sense when we consider that, on the one hand, it is not easy to schedule an appointment and obtain a portion of Presidential time mainly because there are equally pressing matters and affairs of the State that oftentimes are more important, that hence, demand's the President's precious attention.
- 5) SSS' ability to extend more financial assistance to its members is hampered by the breach in statutory limit for this type of SSS program where it currently stands at 10% of the Investment Reserve Fund (IRF) for short and medium-term member loans. This proposal will help provide the opportunity to address the breach in the statutory limit brought about by continuously carrying in its books the huge loan delinquencies of millions of SSS members. This will enable the Commission and SSS better manage its loan portfolio.
- 6) The proposal will ensure that the policy decisions and issuances of the Commission, as a collegial body, are less politicized. It means a lot the Commission and its members are of proven technical competence and proficiency in the field of social security and member-loan administration and are supported by the technocrats and professional men and women who

run SSS and its day-to-day operations. The decision-making process will be greatly expedited for the benefit of millions of SSS members.

Penalty condonation on delinquent contributions

Under Section 22 (a) of the SS Law, a penalty of three percent (3%) a month is assessed on unremitted contributions. This penalty is burdensome as it continues to accrue from the date the contribution falls due until paid. As a result, the delinquency, if not quickly addressed, can really pile up. For troubled companies, that, by and large, do not want to be delinquent in the first place but failed to remit what is due as their employees' contributions to SSS could easily find themselves in arrears.

It is reported that for a big number of billing or demand letters issued against employers-members of the SSS, the amount of contribution-delinquency is computed based on presumptive delinquency under Section 22 (a) of the SS Law, and hence not yet final being subject to reconciliation of records. The Large Account Division of SSS has a collectible of P1,033 Billion as of May 2014 from delinquent employers. P408 Million is accounted for by penalties and P625.9 Million is for contributions that are due. By providing a breathing space, we are actually helping SSS to immediately collect about P625.9 Million overdue SS contributions which would otherwise be difficult to collect. It is not a secret that companies choose not to pay what SS demands of them because of penalties slapped upon them that have accumulated through the years which, at times, are actually bigger than the principal that should have been paid. This measure provides a strong incentive for those that have been in arrears in the payment of their employees' contributions to immediately settle what is due and overdue, minus the huge burden of dealing with the delinquency penalties. Past SSS condonation experience shows the amount of P3.42 B that was condoned as penalties while enabling the SSS, at the same time, to collect P3.546B from 24,042 delinquent employers which availed of the program. This amount easily beefed up the SS Fund and contributed to its stability and viability.

More importantly, this is a welcome development for the privately employed workers comprising SSS' general membership, the self-employed individuals, the financially distressed companies, small and medium businesses, other social enterprises, the contributing members of the informal sector, the farmers and fisherfolk, the *kasambahays* and their household employers. They can now avail of the privileges SSS members of good standing, full benefits and loans, which would otherwise not be available had their delinquent payments remained unsettled.

This is a three-pronged stimulus package that will benefit all stakeholders of the SSS in the light of the recent calamities and economic debacles besieging our country. It is important that the loan privileges of SSS members such as calamity, housing and other loan packages remain available. This can only happen if contribution payments are up to date. The law will help the SSS, the employers and workers.

To foster public accountability, transparency and good governance, Congress is not deprived of its oversight functions because an annual report on the exercise of the proposed power shall be required to be submitted to both Houses, stating therein the following facts and information, among others: names and addresses of employers whose penalty delinquencies have been the subject of compromise or condonation; amount involved; amount compromised or condoned; and the reason/s for the exercise of power to determine that said powers are reasonably exercised and that the SSS is not unduly deprived of revenues.

This new provision is patterned after the GSIS Law, the HDMF/Pag-Ibig Law, PhilHealth Law and the National Internal Revenue Code. Under the said laws, the statutory powers which the governing boards of GSIS, PhilHealth and HDMF can exercise in carrying out their mandates is not subjected to Presidential approval. This proposal is based on the theory that operational details and accounts management are the province of the Commission and the SSS, the ones entrusted with the mandate of the running the affairs of the country's social security system including the exercise of discretion and flexibility in managing its own affairs.

The aim is to replicate and/or align the SS Law with the Legislative will of Congress as contained and expressed in its more recent Legislative enactments, to wit:

- a) Section 43 of RA No. 8291 expressly vests in the GSIS Board of Trustees without need of Presidential approval, the following powers:
 - a.i) to compromise or release, in whole or in part, any claim or settle liability to the GSIS, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the GSIS;
 - a.ii) to approve and adopt guidelines affecting investments, insurance coverage of government properties, settlement of claims, disposition of acquired assets, development of housing projects, increased benefit and loan packages to members, and
 - a.iii) to do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of the GSIS Law.
- b) Section 16 of RA No. 10606 authorizes PhilHealth Corporation to compromise, waive or release, in whole or in part, such interest or surcharges imposed upon employers regardless of the amount involved under such valid terms and conditions it may prescribe, without Presidential approval, notwithstanding the provisions of any law to the contrary;
- c) Section 9 of RA No. 9679 empowers the Board of Trustees of HDMF to waive or suspend the coverage and/or payment of monthly Pag-Ibig contributions without securing approval from the President of the Philippines by reasons of nature of employment, condition of business, ability to make contributions and other reasonable considerations, and;
- d) Section 204, Chapter I, Title VIII of RA No. 8424 grants the BIR Commissioner the authority *i)* to abate and refund or credit taxes and *ii)* to compromise the payment of any internal revenue tax, when (1) a reasonable doubt as to the validity of the claim against the taxpayer exists; or (2) the financial position of the taxpayer demonstrates a clear inability to pay the assessed tax subject to the following minimum amounts:
 - i. for cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and
 - ii. for other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

and in certain instances, the BIR Evaluation Board.

Again, it bears stressing that the President did not veto but signed the bills into what are now known as RA No. 8291, RA No. 10606, RA No. 9679 and RA No. 8424 knowingly dispensing the requirement of Presidential approval in the exercise by GSIS', PhilHealth's and HDMF's governing Boards as well as the BIR Commissioner and BIR Evaluation Board of their statutory authorities.

Fixing the monthly salary credits, the schedule and rate of contributions and the rate of penalty on delinquent contributions and unpaid loan amortizations

What is embodied in Section 18 of the SS Law is an outdated schedule of the social security contributions and the corresponding monthly salary credits that have failed to keep pace with the changing times. Amendments to the SS Law last introduced in 1997 (now 17 years old) are no longer reflective of current socio-economic conditions. The minimum monthly credit still pegged at P1,000.00

per month is way below minimum salary/wage in the private sector while the maximum salary credit at P15,000.00 per month is a far cry from existing realities in compensation administration and labor developments.

The SS contribution rate is an altogether different story. Since 1980, the contribution rate was pegged at 8.4 percent for 23 years, until it was increased by one percent to 9.4 percent in 2003, to 10.4 percent in 2007 and 11 percent in 2014 to avoid fund depletion.

The contribution rate of the GSIS stands at 21 percent. Given this, it is timely that Congress revisit the SS Law and ensure that this provision is responsive to the present-day realities.

Upon the other hand, across-the-board pension increases of eight to fifty percent were granted 24 times (the last one in 2007); and the minimum monthly pension was also increased under the 1997 SS Law Amendment to P1,200 if with at least 10 Credited Year of Service (CYS) and to P2,400 if with at least 20 CYS. These pension increases averaged 15.12 percent per year for the period 1972 to 2007 and were often announced on "special occasions" such as Labor Day in May and SSS anniversary in September.

It is just unfortunate that while these pensions increases averaged 15.12 percent per year for the period 1972 to 2007 the SS contributions was increased only six times from 1960 to 2014.

The toll exacted by these benefit increases with no counterpart contribution increases is the drastic deterioration of the life of the fund from perpetuity (per 1983 Valuation) to only until 2043 (per 2011 Valuation), and the accumulation of unfunded liabilities. By 2027, benefit payments (P225.36 Billion) would already exceed contributions (P222.02 Billion). This would persist in succeeding years at an increasing rate.

Prudent fiscal management coupled with solid investment strategies are continuously being undertaken because they remain as the key drivers toward strengthening the viability of the SS Fund. The SSS continues to find ways to keep the fund viable by ensuring a balanced investment portfolio with emphasis on liquidity and risk management. The investment income plays the important role of financing the gap between contributions and expenditures covering the shortfall of contributions to total expenditures. However, today's difficult times are fraught with a lot of uncertainties. Managing the risks and optimizing the return of investment will prove a real challenge and there is no simple formula that will ensure financial success. By year 2034, the investment income would no longer be sufficient to cover the gap; hence the SS Fund would have to be tapped to finance the deficit. In the succeeding years, the annual deficits will be covered by dipping into the SS Fund until it is exhausted by 2043.

The heavy strain on the SS Fund being exacted by the increasing benefit obligations of the SSS to be paid to its members and their beneficiaries has a dire effect on the fund's long-term viability. To lighten this load, the SSS, at the same time, should carefully manage benefit payouts and operating expenses to minimize SSS' unfunded liability.

SSS initiatives to enlighten more workers on the value of SSS and the importance of the active membership have helped boost contributions collections, which is the lifeblood of the SSS Fund. However, the existing contribution set-up does not ensure that SSS can continuously cover its ballooning unfunded liabilities in the future. To address such concern and be able to cope with this predicament, something must be done about the SSS contribution rates and align the same with industry standards and sound international practices taking into consideration actuarial calculations, rate of benefits, inflation and other relevant socio-economic indicators.

Under the present provisions of the SS Law, the Commission cannot increase the minimum and maximum monthly salary credits, the schedule and the rate of contributions as well as the rate of benefits without securing the approval of the President of the Philippines. This process is usually tedious and takes a determinable time.

As a quazi-judicial body, all the stakeholders in the implementation of the social security program in the Philippines have a seat in the Commission. To live up to the Commission's full representative capacity where the sectors of the government, the workers, the management and the general public are well represented, the authority to determine and fix from time to time through rules and regulations, the minimum and maximum monthly salary credits, the schedule and the rate of contributions as well as the rate of increase in benefits, without the Presidential approval requirement, is now being proposed.

Corollary to the power to determine and fix the minimum and maximum monthly salary credits, the schedule and the rate of contributions as well as the rate of increase in benefits is the authority to review and periodically adjust the rate of penalty on due but unremitted contributions and unpaid loan amortizations taking into consideration inflation and other pertinent socio-economic data. This is the logical consequence as this harmonizes the power to condone, compromise or release, in whole or in part, such penalties imposed upon delinquent social security contributions regardless of the amount involved under such valid terms and conditions it may prescribe when the financial position of the employer demonstrates a clear inability to pay the assessed delinquency.

As earlier discussed, the proposed bill is aligned with the GSIS Law, the PhilHealth Charter, the Pag-Ibig Law and the NIRC.

The GSIS Law (in Section 43 thereof) expressly vests in the GSIS Board of Trustees without need of Presidential approval, the power *i)* to fix and periodically review and adjust the rates of interest and other terms and conditions for loans and credits extended to its members or other persons, whether natural or juridical, *ii)* to compromise or release, in whole or in part, any claim or settle liability to the GSIS, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the GSIS, *iii)* to approve and adopt guidelines affecting investments, insurance coverage of government properties, settlement of claims, disposition of acquired assets, development of housing projects, increased benefit and loan packages to members, *iv)* to determine, fix and impose interest upon unpaid or unremitted premiums and/or contributions, and *v)* to do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of the GSIS Law.

Also, the PhilHealth Corporation has authority pursuant to Section 16 of its Charter to *i)* impose interest and/or surcharges not exceeding three percent (3%) per month, in case of delay by a public or private employer in the remittance of contributions within the prescribed period, and *ii)* to compromise, waive or release, in whole or in part, such interest or surcharges imposed upon employers regardless of the amount involved under such valid terms and conditions it may prescribe, without Presidential approval, notwithstanding the provisions of any law to the contrary.

The Board of Trustees of the HDMF, in the same vein, may waive or suspend the coverage and/or payment of monthly Pag-Ibig contributions pursuant to Section 9 of the Pag-Ibig Law without securing approval from the President by reasons of nature of employment, condition of business, ability to make contributions and other reasonable considerations.

Similarly, the same statutory powers are also found in the provisions of the RA 8424 granting the BIR Commissioner the authority *i)* to abate and refund or credit taxes and *ii)* to compromise the payment of any internal revenue tax, when (1) a reasonable doubt as to the validity of the claim against the taxpayer exists; or (2) the financial position of the taxpayer demonstrates a clear inability to pay the assessed tax and BIR Evaluation Board in certain instances.

*SSS power, subject to SSC review, to provide
Increases in benefits and additional ones without
Presidential approval*

- and -

Deletion of the proviso – “That such increases in Benefits shall not require any increase in the rate of contributions”

The SSS is cognizant of the fact that members join or continue their membership not just because of the ease, accessibility and speed by which they are able to transact with SSS, but primarily because of the benefits that they stand to receive.

Under the present dispensation, the SSS, subject to SSC review, can provide feasible increases in benefits and additional ones only upon the approval of the President of the Philippines pursuant to Section 4, paragraph 2 of the SS Law. This bill seeks to do away with Presidential approval so that SSS can act with dispatch especially if there are situations that demand an increase in benefits or introduction of new ones for as long as the actuarial soundness of the reserve fund is guaranteed.

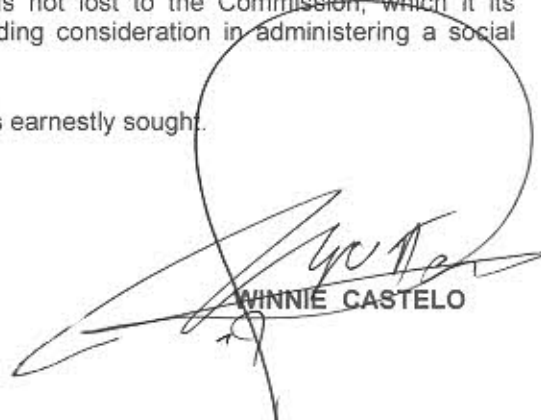
Synchronization is achieved because the dropping of the requirement of Presidential approval on increases in benefits is a parallel move and the logical consequence of the other proposals in this bill to allow the Commission to determine and fix the monthly salary credits and rate of contributions of SSS members without going to the President, every now and then, seeking approval. There is matching in the principle and in the language of the proposed law.

To stress, lest it be misinterpreted, the proposal not to seek Presidential approval does not mean that Congress is clipping the powers of the President. There is really a felt need to empower the Commission to move the pensions and other benefits whenever economic conditions require it. And as previously pointed out, this is being pursued to align the SS Law with the GSIS Law and the PhilHealth and HDMF Charters where their governing boards can exercise their statutory powers thereunder without need of Presidential approval.

As another important manifestation of the proposal to empower the Commission to exercise both the power to fix the rate of contributions and the power to increase benefits, the above quoted proviso in Section 4, paragraph 2 of the SS Law (*“Provided, further, That such increases in benefits shall not require any increase in the rate of contributions”*), by necessity, must be dropped. In the past, benefit increases were provided by the Commission without any additional increase in premium contributions for as long as the actuarial soundness of the reserve fund is guaranteed.

The statutory safeguard of “actuarial soundness” is not lost to the Commission, which in its humble submission, is the most compelling and the overriding consideration in administering a social security program of any pension fund for this matter.

It is in this context that the early passage of this bill is earnestly sought.



WINNIE CASTELO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **4976**

Introduced by Rep. Winston "Winnie" Castelo

AN ACT

AUTHORIZING THE SOCIAL SECURITY COMMISSION TO CONDONE PENALTIES ON DELINQUENT CONTRIBUTIONS AND TO DETERMINE THE MONTHLY SALARY CREDITS, THE SCHEDULE AND RATE OF CONTRIBUTIONS AND THE RATE OF PENALTY ON DELINQUENT CONTRIBUTIONS AND UNPAID LOAN AMORTIZATIONS, THEREBY FURTHER AMENDING REPUBLIC ACT NO. 1161, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW, AS AMENDED

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

SECTION 1. Section 4, paragraph (a) of Republic Act No. 1161, otherwise known as the Social Security Law," is hereby further amended to read as follows:

"SEC. 4. Powers and Duties of the Commission and SSS. – (a) The Commission. – For the attainment of its main objectives as set forth in Section 2 hereof, the Commission shall have the following powers and duties:

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(6) To compromise or release, in whole or in part, any interest, penalty or any civil liability to SSS in connection with the investments authorized under Section 26 hereof, under such terms and conditions as it may prescribe; ~~[and approved by the President of the Philippines; and]~~

(7) NOTWITHSTANDING THE PROVISIONS OF ANY LAW TO THE CONTRARY, TO CONDONE, COMPROMISE OR RELEASE, IN WHOLE OR IN PART, SUCH PENALTIES IMPOSED UPON DELINQUENT SOCIAL SECURITY CONTRIBUTIONS REGARDLESS OF THE AMOUNT INVOLVED UNDER SUCH VALID TERMS AND CONDITIONS IT MAY PRESCRIBE WHEN THE FINANCIAL POSITION OF THE EMPLOYER DEMONSTRATES A CLEAR INABILITY TO PAY THE ASSESSED DELINQUENCY. THE IMPLEMENTING RULES AND REGULATIONS TO CARRY OUT THE PROVISION SHALL BE ADOPTED AND PROMULGATED BY THE COMMISSION NOT LATER THAN NINETY (90) DAYS AFTER THE APPROVAL OF THIS ACT.

THE COMMISSION SHALL SUBMIT TO BOTH THE SENATE AND HOUSE OF REPRESENTATIVES, AN ANNUAL REPORT ON THE EXERCISE OF THE POWERS UNDER THIS SECTION, STATING THEREIN THE FOLLOWING FACTS AND INFORMATION, AMONG OTHERS: NAMES AND ADDRESSES OF EMPLOYERS WHOSE PENALTY DELINQUENCIES HAVE BEEN THE SUBJECT OF COMPROMISE OR CONDONATION; AMOUNT INVOLVED, AMOUNT COMPROMISED OR CONDONED; AND THE REASON/S FOR THE EXERCISE OF POWER TO DETERMINE THAT SAID POWERS ARE REASONABLY EXERCISED AND THAT THE SSS IS NOT UNDULY DEPRIVED OF REVENUES.

(8) TO DETERMINE AND FIX FROM TIME TO TIME THROUGH RULES AND REGULATIONS, THE MINIMUM AND MAXIMUM MONTHLY SALARY CREDITS, THE SCHEDULE AND THE RATE OF CONTRIBUTIONS, THE RATE OF PENALTY ON DUE BUT UNREMITTED CONTRIBUTIONS AND UNPAID LOAN AMORTIZATIONS TAKING INTO CONSIDERATION ACTUARIAL CALCULATIONS, RATE OF BENEFITS, INFLATION AND OTHER RELEVANT SOCIO-ECONOMIC DATA, AND;

~~[(7)]~~ (9) To approve, confirm, pass upon or review any and all actions of the SSS in the proper and necessary exercise of its powers and duties hereinafter enumerated,"

SECTION 2. Section 4, paragraph (b), sub-paragraph (2) of the Social Security Law is hereby further amended to read as follows:

"SEC. 4. Powers and Duties of the Commission and SSS. – xxx xxx xxx

(b) The Social Security System – Subject to the provision of Section four (4), paragraph (a) ~~[seven-(7)]~~, SUB-PARAGRAPH NINE (9) hereof, the SSS shall have the following powers and duties;

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(2) To require the actuary to submit a valuation report on the SSS benefit program every four (4) years, or more frequently as may be necessary, and to undertake the necessary actuarial studies and calculations concerning increases in benefits taking into account inflation and the financial stability of the SSS and to provide feasible increases in benefits every four (4) years, including the addition of new ones, under such rules and regulations as the Commission may adopt, ~~[subject to the approval of the President of the Philippines]~~ **Provided**, That the actuarial soundness of the reserve fund shall be guaranteed ~~[Provided, further, That such increases in benefits shall not require any increase in the rate of contribution];~~

SECTION 3. Section 18, paragraph (a) of the Social Security Law is hereby further amended to read as follows:

"SEC. 18. Employees' Contribution. – (a) Beginning as of the last day of the calendar month when an employee's compulsory coverage takes effect and every month thereafter during his employment, the employer shall deduct and withhold from such employee's monthly salary, wage, compensation or earnings, the employee's contribution in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the ~~[following schedule]~~ MONTHLY SALARY CREDITS, THE SCHEDULE AND THE RATE OF CONTRIBUTIONS AS MAYBE DETERMINED AND FIXED BY THE COMMISSION.

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The foregoing MONTHLY SALARY CREDITS, schedule AND RATE OF contributions shall also apply to self-employed and voluntary members.

~~The maximum monthly salary credit shall be Nine thousand pesos (P9,000.00) effective January Nineteen hundred and ninety six (1996). Provided, That it shall be increased by One Thousand Pesos (P1,000.00) every year thereafter until it shall have reached Twelve Thousand Pesos (P12,000.00) by Nineteen hundred and ninety nine (1999). Provided, further, That the minimum and maximum monthly salary credits as well as the regulations taking into consideration actuarial calculations and rate of benefits, subject to the approval of the President of the Philippines.~~

SECTION 4. Section 22, paragraph (a) of the Social Security Law is hereby further amended to read as follows:

"SEC. 22. Remittance of Contributions. – (a) The contribution imposed in the preceding section shall be remitted to the SSS within the first ten (10) days of each calendar month following the month for which they are applicable or within such time as the commission may prescribe. Every employer required to deduct and to remit such contributions shall be liable for their payment and if any contribution is not paid to the SSS as herein prescribed, he shall pay besides the contribution a penalty thereon [~~of three percent (3%) per month~~] from the date the contribution fall due until paid. THE RATE OF THE PENALTY ON DELINQUENT CONTRIBUTIONS PER MONTH SHALL BE DETERMINED AND FIXED BY THE COMMISSION THROUGH RULES AND REGULATIONS TAKING INTO CONSIDERATION THE CURRENT INFLATION RATE AND OTHER RELEVANT SOCIO-ECONOMIC DATA. If deemed expedient and advisable by the Commission, the collection and remittance of contributions shall be made quarterly or semi-annually in advance, the contributions payable by the employees to be advanced by their respective employers: **Provided,** That upon separation of an employee, any contribution so paid in advance but not due shall be credited or refunded to his employer."

SECTION 5. Separability Clause. If any provision of this Act is declared invalid, the other provisions not affected thereby shall remain valid.

SECTION 6. Repealing Clause. All laws, decrees, orders, rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 7. Effectivity. – This Act shall take effect fifteen (15) days following its publication in the Official Gazette and in at least (2) newspapers of general circulation.

Approved,