



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

Seventeenth Congress
First Regular Session

HOUSE BILL NO. **5673**



Introduced By:

REP. FRANCISCO JOSE F. MATUGAS II
1ST District, Surigao del Norte (*Siargao Island*)

EXPLANATORY NOTE

The importance of reforming the benefit and pension system in the uniformed service was emphasized by President Rodrigo R. Duterte himself in his Budget Message for the Fiscal Year 2017:

“The reform on Military and Uniformed Personnel (MUP) pension shall be pursued in view of the ballooning budget burden where the total cost of the pensions of retired soldiers will exceed the compensation of those in the active service. The proposed law will create a pension fund that is similar to or part of the Government Service Insurance System, replacing the current system where the pensions of the military and other uniformed personnel are appropriated annually by Congress.”

The above pronouncement of the President is in line with the findings of the Development Budget Coordination Committee, in its *Fiscal Risk Statement (2015-2016)*, that the pension costs of all uniformed services are rapidly increasing every year. In 2016, the pension budget amounted to P71.0 billion and which was projected to reach more than double in eight years at P187.9 billion. According to the Committee, the problem is “mainly attributable to the features present in all existing retirement laws of the uniformed services – (a) pension entitlement of a retiree is automatically adjusted based on the prevailing scale of base pay for similarly ranked active personnel; (b) pension is non-contributory in nature hence budget comes from the annual general appropriations of the government; and (c) early entitlement to pension benefits even before attaining the compulsory retirement age of fifty-six.”

It is therefore imperative that we introduce reforms in the pension system of uniformed personnel to make it more sustainable. The immediate passage of this bill is, therefore, earnestly sought.

FRANCISCO JOSE F. MATUGAS II



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INTRODUCED BY REPRESENTATIVE FRANCISCO JOSE F. MATUGAS II

**AN ACT AMENDING PERTINENT LAWS ON THE RETIREMENT BENEFITS
AND PENSION OF UNIFORMED PERSONNEL OF THE UNIFORMED
SERVICES AND PROVIDING FUNDS THEREFORE**

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

1 SECTION 1. *Title.* – This Act shall be known as the “Unified Uniformed
2 Personnel Retirement Benefits and Pension Reform Act”.

3
4 SEC. 2. *Declaration of State Policy.* – The State duly recognizes the vital role of
5 the uniformed services in providing internal and external security, promoting peace
6 and order, ensuring public safety and further strengthening local government
7 capability aimed towards the effective delivery of basic services to the citizenry. The
8 State also recognizes the extraordinary hazards, risks, perils and dangers that the
9 uniformed services encounter in the performance of their duties.

10
11 It shall therefore, be the prime concern of the State to provide all uniformed
12 personnel adequate remuneration and benefits, including retirement benefits and
13 pension. To this end, the State shall ensure that the retirement benefits and pension
14 scheme of the uniformed personnel is secure, reliable, and sustainable.

15
16 SEC. 3. *Definition of Terms.* – As used in this Act, the following terms shall
17 have the corresponding meanings hereinafter set forth:

- 1 a) AFP-RSBS shall refer to the Armed Forces of the Philippines
2 Retirement and Separation Benefits System established by virtue of
3 Presidential Decree (P.D.) 361, as amended by P.D. 1656;
4
5 b) Existing retirees shall refer to retired uniformed personnel who are
6 currently receiving or entitled to receive retirement benefits and
7 pension under existing laws applicable to the uniformed services at the
8 time of the effectivity of this Act;
9
10 c) Future Retirees shall refer to uniformed personnel active at the time of
11 the effectivity of this Act, and to new entrants, all of whom, at the time
12 of their actual retirement from the uniformed services, are eligible to
13 receive retirement benefits and pension under existing laws applicable
14 to the uniformed services;
15
16 d) GSIS shall refer to the Government Service Insurance System;
17
18 e) New Entrants shall refer to uniformed personnel who enter the
19 uniformed services upon the effectivity of this Act, excluding those
20 who entered the uniformed services through lateral entry from
21 uniformed service;
22
23 f) Uniformed Personnel shall refer to the officers and enlisted personnel
24 of the uniformed services; and
25
26 g) Uniformed Services shall refer to the Armed Forces of the Philippines
27 (AFP), Philippine National Police (PNP), Philippine Coast Guard
28 (PCG), Bureau of Fire Protection (BFP), Bureau of Jail Management and
29 Penology (BJMP), Bureau of Corrections (BuCor), and National
30 Mapping and Resource Information Authority (NAMRIA).
31

32 SEC. 4. *Standardizing the Uniformed Services Monthly Retirement Pay.* New
33 entrants of the uniformed services, upon retirement, shall be entitled to receive a
34 monthly retirement pay equivalent to two and one-half percent (2 ½%) for each year
35 of active service rendered, but not exceeding ninety percent (90%), of the monthly
36 base and longevity pay of the grade next higher than the permanent grade last held.
37

38 SEC. 5. *Rationalized Adjustment of Retirement Benefits and Pension.* The
39 retirement benefits and pension of all new entrants shall not be subject to automatic
40 adjustments based on the prevailing scale of base pay of active uniformed personnel:

1 *Provided, however,* That the existing and future retirees shall continue to receive
2 retirement benefits and pension and their corresponding automatic adjustments:
3 *Provided, further,* That the existing and future retirees of the Philippine Coast Guard
4 shall likewise be subject to adjustments based on the prevailing scale of base pay of
5 the PCG uniformed personnel in the active service, the funding of which shall still be
6 sourced from the annual General Appropriations Act (GAA).

7
8 SEC. 6. *Receipt of Retirement Benefits and Pension.* All new entrants who, at the
9 time of their actual retirement, are eligible to receive retirement benefits and pension
10 under existing laws applicable to the uniformed services shall be entitled to receive
11 their lump sum benefit equivalent to three (3) years pay within one (1) month of
12 their effective date of retirement.

13
14 SEC. 7. *Automatic Review.* The retirement benefits and pension of the new
15 entrants shall be reviewed commencing two (2) years after the year of retirement of
16 the first new entrant retirees and every two (2) years thereafter, by the Department
17 of National Defense (DND), Department of Interior and Local Government (DILG),
18 Department of Justice (DOJ), Department of Transportation and Communication
19 (DOTC), Department of Budget and Management (DBM), the Department of Finance
20 (DOF), and the GSIS for the purpose of recommending to the President, for his
21 approval, appropriate adjustments thereto, in accordance with rules and regulations
22 to be jointly promulgated by the DOF and the DBM under Section 13 of this Act.

23
24 SEC. 8. *Disability Pension.* All uniformed personnel who are disabled in the
25 line of duty shall be eligible to receive a monthly pension, the rates of which shall be
26 determined by the respective department concerned.

27
28 SEC. 9. *Creation of a Uniformed Personnel Retirement Fund and Sources of*
29 *Funding.* A Uniformed Personnel Retirement Fund (UPRF), to be managed by the
30 GSIS, shall be established for the sustainability of the retirement benefits and
31 pension of uniformed personnel.

32
33 The GSIS shall create a new department which shall exclusively administer
34 the UPRF for the payment of retirement benefits and pension of new entrants.

35
36 The UPRF shall be financed through the following:

37
38 (a) *Mandatory Contributions.* Upon the effectivity of this Act, it shall be
39 mandatory for new entrants to contribute a percentage of their monthly
40 compensation as personal share and for the National Government to contribute a
41 corresponding share sourced from the annual general appropriations for the
42 maintenance of the UPRF, as provided hereunder:

- 1 i) New entrants shall contribute nine percent (9%) of their monthly
2 compensation as personal share and for the National
3 Government a corresponding share of eighteen percent (18%);
4 and
5 ii) The National Government representing the active uniformed
6 personnel's contribution, shall contribute twenty-two percent
7 (22%) of the monthly compensation of the aforementioned
8 uniformed personnel.
9

10 (b) *Additional Sources of Funding.* Additional funds for the maintenance of
11 the UPRF shall be sourced from:
12

- 13 i) The proceeds derived from the sale or disposition of public
14 lands, as may be authorized by the President for this purpose;
15
16 ii) The proceeds derived from the lease or joint development of
17 public lands, as may be authorized by the President for this
18 purpose, pursuant to the provisions of existing laws and
19 regulations governing lease or joint development of public
20 lands, including such immovable and other facilities as may be
21 found therein; and
22
23 iii) The proceeds derived from reclamation projects to be approved
24 by the President for this purpose.
25

26 SEC. 10. *Deactivation of the AFP-RSBS.* The AFP-RSBS shall be deactivated
27 upon the effectivity of this Act.
28

29 For purposes of this Section, the AFP-RSBS Board, at the option of the
30 Secretary of National Defense, shall constitute the Board of Liquidators (BOL), which
31 is mandated to supervise collecting and realizing the assets of the AFP-RSBS, and
32 effect the settlement of the obligations of the AFP-RSBS to third persons. The BOL is
33 hereby authorized to perform such other functions as may be necessary for the
34 purpose of winding-up the affairs of the AFP-RSBS, which may include, but are not
35 limited to, the payment of obligations, set-offs, write-offs, condonations, collections,
36 reappraisals, prosecution and defense of suits, disposal and conveyance of
37 properties, and distribution of assets: *Provided*, That the BOL shall continue to
38 perform its mandated duties and authorized functions until all the obligations of the
39 AFP-RSBS have been settled, for a period not to exceed three (3) years from the time
40 the BOL is constituted: *Provided, further*, That the remaining assets and obligations of
41 the AFP-RSBS, if any, shall be transferred to the UPRF after the said three-year
42 period.

1
2 SEC. 11. *Termination of Contributions to the AFP-RSBS.* Upon the effectivity of
3 this Act, the active AFP personnel shall immediately cease to pay to AFP-RSBS the
4 contributions required under Section 4 of P.D. 361, as amended by P.D. 1656.
5

6 SEC. 12. *Return of Contributions Made to the AFP-RSBS.* All contributions
7 previously paid by the active uniformed personnel of the AFP shall be refunded
8 within a period not to exceed three (3) years from effectivity of this Act.
9

10 SEC. 13. *Implementing Rules and Regulations.* Within sixty (60) days from the
11 effectivity of this Act, the DBM and the DOF, in consultation with the GSIS, shall
12 promulgate the necessary rules and regulations for the effective implementation of
13 this Act.
14

15 SEC. 14. *Separability Clause.* - If any provision, section or part of this Act shall
16 be declared unconstitutional or invalid, such judgment shall not affect, invalidate or
17 impair any other provisions, sections or parts hereof.
18

19 SEC. 15. *Repealing Clause.* - The pertinent portions of the following legal
20 provisions, insofar as they dispose of the net income of the Philippine Reclamation
21 Authority, are hereby repealed and/or modified accordingly: (a) Section 112, R.A.
22 8435, as amended by R.A. 9281; (b) Section 42 (a), R.A. 7279; and (c) Section 10 (d),
23 R.A. 7835.
24

25 R.A. 9993, R.A. 8551, P.D. 1638, P.D. 361, P.D. 1656 and all other laws, decrees,
26 orders, rules and regulations, or parts thereof, specifically inconsistent with any
27 provision of this Act shall be deemed repealed, amended or modified accordingly.
28

29 SEC. 16. *Effectivity.* - This Act shall take effect fifteen (15) days after its
30 publication in the Official Gazette or in a newspaper of general circulation.
31

32 *Approved,*