

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7461



Introduced by Representatives
HORACIO P. SUANSING, JR. and ESTRELLITA B. SUANSING

AN ACT
PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT, AND
PENSION OF THE MILITARY AND UNIFORMED PERSONNEL (MUP) SERVICES
OF THE REPUBLIC OF THE PHILIPPINES, PROVIDING FUNDS THEREFOR

EXPLANATORY NOTE

Since early 2019, President Rodrigo Duterte has certified as urgent a bill seeking reforms in the pension system of the military and other uniformed personnel (MUP) proposed by the Department of National Defense, through a letter written by Defense Secretary Delfin Lorenzana sent to Senate President Vicente Sotto III last November 22, 2018.¹ According to Secretary Lorenzana, said bill would create a new Military Pension System that is sustainable and permanent to retirees, in order to prevent a scenario where the government pays more for the pension of retired personnel than the salary of those in the active service.²

In his fifth State of the Nation Address, President Duterte said that “there is a need to adjust the pension system as applicable to newly-hired uniformed personnel so as not to cause a ‘ballooning effect’ that will greatly affect the budget of the military in the years to come³,” thereby providing further urgency in the passage of the law.

This measure is filed as an answer to the President’s clamor for the support of the aspirations of the Department of National Defense through the creation of a meaningful legislation that would address the problems hounding our military and uniformed personnel, and would aid them in properly attaining the fair and sustainable pension that they deserve. In recognition of their selfless service to the nation, the passage of this bill is earnestly sought.


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2nd District, Sultan Kudarat


REP. ESTRELLITA B. SUANSING
1st District, Nueva Ecija

¹ Manila Bulletin, “AFP lauds Duterte’s call for passage of military pension reform measure,” July 28, 2020, available at <https://mb.com.ph/2020/07/28/afp-lauds-dutertes-call-for-passage-of-military-pension-reform-measure/>

² Ibid.

³ Ibid.

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

Section 1. Short Title. This Act shall be known as the "Unified System of Separation, Retirement and Pension of the Military and Uniformed Personnel Act of 2020."

Title I
Declaration of Policy

Sec. 2. Declaration of Policy. The State duly recognizes the indispensable role of military and uniformed personnel in providing internal and external security, promoting peace and order, ensuring public safety, and further strengthening local government capability, all aimed towards the effective delivery of essential services to the citizenry. The State also recognizes the extraordinary hazards, risks, perils, and dangers that military and uniformed personnel encounter in the performance of their duties.

Therefore, it shall be the primary concern of the State to provide for all military and uniformed personnel their adequate remuneration and benefits, including retirement benefits and pension. The State shall ensure that the retirement benefits and pension scheme of the military and uniformed personnel is secure, reliable, and sustainable.

Title II

Definition of Terms

Sec. 3. Definition of Terms. - For the purposes of this Act:

a. "Military and Uniformed Services" shall refer to the Armed Forces of the Philippines (AFP), Philippine National Police (PNP), Philippine Coast Guard (PCG), Bureau of Fire Protection (BFP), Bureau of Jail Management and Penology (BJMP), Bureau of Corrections (BuCor), and employees of National Mapping and Resource Information Agency (NAMRIA) who were Philippine Navy officers and enlisted personnel and members of the defunct Philippine Navy Coast and Geodetic Survey that became the nucleus of the NAMRIA:

b. "New Entrants" shall refer to military and uniformed personnel from the Military and Uniformed Services who entered the Military and Uniformed Services after the effectivity of this Act;

c. "Active Members" shall refer to military and uniformed personnel from the Military and Uniformed Services in the Active Service, and those who shall enter into the Military and Uniformed Services before the effectivity of this Act;

d. "Active Service" shall mean Active Service rendered by a Military or Uniformed Services Personnel as a commissioned officer, non-commissioned officer, enlisted personnel, cadet, probationary officer, trainee or draftee in the Military or Uniformed Services and service rendered by him/her as a civilian official or employee in the Philippine Government prior to the date of his/her separation or retirement from the Military or Uniformed Services, for which armed and/or civilian service he/she shall have received pay from the Philippine Government and/or such others as may hereafter be prescribed by law as Active Service;

Provided, that for purposes of retirement, he/she shall have rendered at least ten (10) years of Active Service as an officer or enlisted man in the Military or Uniformed Services;

Provided, further, that no period of such civilian government service longer than his/her active armed service shall be credited for purposes of retirement;

Provided, finally, that service rendered as a cadet, probationary officer, trainee or draftee in the Military or Uniformed Services shall be credited for retirement purposes with a maximum of four (4) years, subject to applicable rules and regulations;

e. "Total permanent physical disability" shall mean the anatomical loss or the permanent loss of use of both hands, of both feet, of both eyes, of both ears or any combination, or loss of mental faculties, as determined by the medical board created for the purpose:

f. "Survivors" shall mean:

1. Surviving spouse of a deceased Military or Uniformed Services Personnel not legally separated by judicial decree from the deceased issued on grounds not attributable to said spouse, and such marriage was contracted during the Active Service of the deceased’;

Provided, that entitlement of said spouse to benefits under this Act shall terminate upon re-marriage or co-habitation with another, or the commission of any of the acts amounting to "physical violence", "sexual violence", "psychological violence", or "economic abuse" against the biological or adopted children of the deceased as defined in Republic Act No. 9262, as determined by a Board created for the purpose;

Provided, further, that the conviction of the surviving spouse of any crime which carries a penalty of imprisonment of more than six (6) years and one (1) day, the conception of a child after the death of the deceased, or loss of Philippine Citizenship shall terminate the entitlement of such surviving spouse to benefits under this Act;

2. Surviving legitimate, adopted and illegitimate children of a deceased Military or Uniformed Services Personnel conceived, adopted or acknowledged prior to separation or retirement of the parent from active service:

Provided, that entitlement of said children to benefits under this Act shall terminate when such children attain twenty-one (21) years of age or upon marriage, whichever is earlier;

Provided, further, that children who suffer from total permanent disability as defined in this Act, shall be entitled to benefits under this Act for their lifetime;

Provided, finally, that the conviction of the surviving child of any crime which carries a penalty of imprisonment of more than six (6) years and one (1) day, or loss of Philippine Citizenship shall terminate the entitlement of such child to benefits under this Act:

3. In default of those mentioned in sub-paragraphs f (1) and (2) above, surviving parents of a deceased Military or Uniformed Services Personnel who are primarily dependent on the deceased for support, or in default thereof, surviving siblings who are under twenty-one (21) years of age and unmarried;

Provided, that the conviction of the parent or sibling of the deceased for any crime which carries a penalty of imprisonment of more than six (6) years and one (1) day, or loss of Philippine Citizenship shall terminate the entitlement of such parent or sibling to benefits under this Act;

g. "Death or physical disability in line of duty" shall refer to death, illness or injury incurred while in the Active Service and not attended by misconduct, willful failure, the use of drugs or alcoholic liquor, or vicious or immoral habits.

Title III Applicability

Sec. 4. *Applicability.* - This Act shall only apply to all new entrants of the Military and Uniformed Services unless otherwise specified in the succeeding provisions of this Act.

Title IV Retirement

Sec. 5. *Compulsory Retirement.* - The following active Military or Uniformed Services Personnel shall be compulsorily retired:

- a. Those who attain the age of sixty-five (65); provided, that he/she has accumulated at least thirty (30) years of satisfactory Active Service;
- b. Those who suffer death in line of duty: provided, that he/she has accumulated at least thirty (30) years of satisfactory Active Service;
- c. Those who incur total permanent physical disability in line of duty: Provided, That he/she has accumulated at least thirty (30) years of satisfactory Active Service;
- d. Those who are killed in action;
- e. Those who are wounded in action and incur total permanent physical disability as a result thereof;
- f. Those subject to attrition, as provided in Section 8 of this Act; provided, that he/she has accumulated at least thirty (30) years of satisfactory Active Service;
- g. Those separated by the appropriate Disciplinary Board under Section 14 of this Act; provided, that he/she has accumulated at least thirty (30) years of satisfactory Active Service.

Sec. 6. *Voluntary Retirement* - Upon accumulation of at least thirty (30) years of satisfactory Active Service, a Military or Uniformed Services Personnel may, at his/her own request, be retired from Active Service, subject to the approval of appropriate authority as provided in the Implementing Rules and Regulations of this Act.

Title V Separation

Sec. 7. Compulsory Separation. - The following Military or Uniformed Services Personnel shall be compulsorily separated from the Active Service:

- a. Those who attain the age of sixty-five (65) without having accumulated at least thirty (30) years of satisfactory Active Service;
- b. Those who suffer death in line of duty but without having accumulated at least thirty (30) years of satisfactory Active Service;
- c. Those who incur total permanent physical disability in line of duty but without having accumulated at least thirty (30) years of satisfactory Active Service;
- d. Those subject to attrition, as provided in Section 8 of this Act, without having accumulated at least thirty (30) years of satisfactory Active Service; or
- e. Those separated by the appropriate Disciplinary Board under Section 14 of this Act without having accumulated at least thirty (30) years of satisfactory Active Service.

Sec. 8. Attrition. - The attrition systems of Military or Uniformed Services shall be provided for in the Implementing Rules and Regulations of this Act.

Sec. 9. Voluntary Separation. - A Military or Uniformed Services Personnel, who has not accumulated at least thirty (30) years of satisfactory Active Service, may, at his/her own request, resign from Active Service, subject to the approval of appropriate authority as provided in the Implementing Rules and Regulations of this Act.

Title VI Retirement and Separation Benefits

Sec. 10. Gratuity and Retirement Pay. - When a Military or Uniformed Services Personnel is retired under Title IV of this Act, he/she shall, at his/her option, receive:

- a. Gratuity Pay - equivalent to one (1) month of base and longevity pay of the permanent grade last held for every year of service payable in one (1) lump sum; or
- b. Retirement Pay - a monthly retirement pay equivalent to two and one-half percent (2 1/2%) for each year of Active Service rendered, but not exceeding ninety percent (90%) of the monthly base and longevity pay of the permanent grade last held;

Provided, further, that when he/she retires, he/she shall be entitled to receive a lump sum equal to eighteen (18) months of his monthly retirement pay, and thereafter receive his/her annual retirement pay payable in equal monthly installments upon reaching sixty (60) years of age; *Provided*, finally, that if he/she dies before his/her retirement pay begins to accrue, and survived by beneficiaries as defined in this Act, the latter shall receive only the derivative benefits thereunder when they accrue.

Pension payments for those retired under Title IV shall commence immediately after their retirement from the service, except for those retired due to Attrition under Section 5 (f), Honorably Discharged under Section 5 (g), and those who avail of Voluntary Retirement under Section 6 shall be eligible to receive monthly retirement pay only upon reaching the age of sixty (60);

Provided, further, that the retirement pay of those that are Killed in Action under Section 5 (d), and those that are Wounded in Action resulting in Total Permanent Disability shall be computed at the rate of ninety (90%) of their monthly base and longevity pay regardless of their years in Active Service;

Provided, finally, that nothing in this Section shall be construed as authorizing adjustment of pay, or payment of any differential in retirement pay to Military or Uniformed Services Personnel who are already retired prior to the approval of this Act as a result of increases in salary of those in the Active Service may have their retirement pension adjusted based on the rank they hold and on the prevailing pay of military personnel in the Active Service, at the time of the termination of their recall to Active Service.

Sec. 11. Separation Pay. - Except for those provided for in Section 13 of this Act, when a Military or Uniformed Services Personnel is separated from the service under Section 7 and Section 9 of Title V of this Act, he/she, or his/her survivors as defined in this Act, shall receive a separation pay equivalent to one-month base plus longevity pay of the permanent grade he/she holds for every year of Active Service: provided, that nothing in this Section shall be construed as authorizing adjustment of pay, or payment of any differential in separation pay to Military or Uniformed Services Personnel who are already retired or separated from the service prior to the approval of this Act as a result of increases in salary granted to Military or Uniformed Services Personnel in Active Service.

Sec. 12. Survivorship Benefits. - The qualified survivors, as defined in this Act, of a deceased Military or Uniformed Services Personnel retired under Title IV, and Section 7 (b) and 7 (c) of Title V of this Act shall be entitled to a monthly annuity equivalent to seventy-five percent (75%) of his/her monthly retirement pay which he/she was receiving to be divided among them in equal shares and with the right of accretion; provided, that the minimum monthly annuity to be received shall be equivalent to fifty percent (50%) of the base and longevity pay of the permanent grade last held.

Sec. 13. Benefits for Death and Total Permanent Disability in Line of Duty. - A Military or Uniformed Services Personnel separated under Section 7(b) and 7(c) of Title V of this Act shall be entitled to a monthly life annuity the amount of which shall be fifty per centum (50%) of the base and longevity pay computed on the basis of his/her actual rank held at time of death or disability.

Sec. 14. Separation by the Disciplinary Board. - A Military or Uniformed Services Personnel referred to and found by the appropriate Disciplinary Board not fit for retention in the Active Service because of substandard performance, low potentiality, doubtful integrity and/or acts inconsistent with the best interest of the service shall be separated from the Active Service, subject to the approval of appropriate Disciplining Authority as provided in the Implementing Rules and Regulations of this Act;

Provided, that the Disciplining Authority, based on the facts and circumstances of the case, shall determine whether the subject Military or Uniformed Services Personnel shall be granted an Honorable Discharge and is entitled to receive benefits under Sections 10 or 11, as applicable, of Title VI of this Act, otherwise, all benefits under this act shall be forfeited.

Sec. 15. Disability Pension. - A Military or Uniformed Services Personnel retired for disability which is the proximate result of wounds or injuries received or sickness or disease incurred in line of duty or as a battle casualty shall receive, in addition to the other benefits under this Act, Disability Pension fixed as follows:

a. If and while the disability is rated twenty-five percent (25%), the monthly pension shall be PHP 2,500.00;

- b. If and while the disability is rated fifty percent (50%), the monthly pension shall be PHP 5,000.00;
- c. If and while the disability is rated sixty percent (60%), the monthly pension shall be PHP 6,000.00;
- d. If and while the disability is rated seventy percent (70%), the monthly pension shall be PHP 7,000.00;
- e. If and while the disability is rated eighty percent (80%), the monthly pension shall be PHP 8,000.00;
- f. If and while the disability is rated ninety percent (90%), the monthly pension shall be PHP 9,000.00; or
- g. If and while the disability is rated one hundred percent (100%), the monthly pension shall be PHP 10,000.00.

Sec. 16. Manner of Increase of Pension Benefits. - The automatic indexing of Gratuity and Retirement Pay, and Survivorship Benefits of pensioners with the salary increases of active Military and Uniformed Services Personnel is hereby terminated. Pension benefits shall be reviewed annually and increases and/or adjustments in Gratuity and Retirement Pay, and Survivorship Benefits, will be based on the recommendation of the actuary of the Pension Fund and approved by the Board of Directors of the Fund Manager of the Military and Uniformed Personnel Retirement Fund (MUPRF).

Title VII

Military and Uniformed Personnel Retirement Fund

Sec. 17. Creation of the Military and Uniformed Personnel Fund Authority. - For the purpose of carrying out and effecting the declared policy, as provided for in Section 2 hereof, there is hereby created a government instrumentality with corporate powers as defined in Section 3 (n) of Republic Act No. 10149 or the GOCC Governance Act of 2011, to be known as the Military and Uniformed Personnel Fund Authority which shall be organized within six (6) months from the approval of this Act.

The Authority shall execute its powers and functions through its Board of Directors, in such a manner, as will, in its judgment, aid to the fullest possible extent in carrying out the aims and purposes of this Act.

Sec. 18. Board of Directors, Composition. - The powers and functions of the Authority shall be exercised by the Board of Directors composed by the Chairman and President of the Authority, which shall be appointed by the President of the Philippines, and ten (10) other members: four (4) of whom shall be ex-officio Members from the Department of National Defense, Department of the Interior and Local Government, Department of Justice, Department of Transportation, Department of Finance and Department of Budget and Management as designated by the concerned Department Secretary from the undersecretaries of the concerned Departments; another three (3) shall be appointed by the President of the Philippines from the banking, finance, investment, and insurance sector, and one (1) shall be appointed by the President of the Philippines from the legal profession. The Board of Directors shall elect from amongst themselves a Vice-Chairman. The Members of the Board the Department Undersecretaries shall hold office for six (6) years without reappointment, or until their successors are duly appointed and qualified.

Vacancy, other than through the expiration of the term, shall be filled for the unexpired term only: provided, that, the Chairman and President shall be initially appointed to a six (6) year term, and one (1) member to a five (5) year term, one (1) member to a four (4) year term, one (1) member to a three (3) year term, and the representative from the legal profession to an initial term of two (2) years.

Sec. 19. Funding Sources. - Aside from the initial proposed capitalization, the MUPRF shall be funded through the following:

a. **Mandatory Contributions.** - It shall be mandatory for New Entrants and Active Members to contribute a percentage of their monthly compensation as their personal share to the MUPRF, the National Government shall allocate its share in the contribution sourced from the annual General Appropriations Act, allocated as follows:

1. For the first three (3) years after the effectivity of this Act, New Entrants and Active Members shall contribute five percent (5%) of their monthly base and longevity pay as personal share, while the National Government shall provide an equivalent of twenty-two (22%) as its share;
2. After such period, for the next three years. New Entrants and Active Members shall contribute seven percent (7%), while the National Government shall provide twenty percent (20%); and

3. For every year thereafter. New Entrants and Active Members shall contribute nine percent (9%) and the National Government shall provide eighteen percent (18%).

4. Additional funds to cover past service of Active Members subject to the recommendation of the actuary of the Pension Fund and approved by the Board of Directors of the Fund Manager of the Military and Uniformed Personnel Retirement Fund (MUPRF).

b. Additional Sources of Funding. - Additional funds for the maintenance of the MUPRF shall be sourced from the proceeds derived from the lease, joint development, or disposition of the assets of the Military and Uniformed Services, and other government properties identified for that purpose.

Sec. 20. Termination of Other Contributions of the Same Nature. - Upon the effectivity of this Act, other mandatory contributions by Military and Uniformed Services Personnel in the same nature and purpose, for their retirement benefits and pension, shall immediately cease and be subject to the provisions of this Act instead.

Sec. 21. Retirement Grade. - Military and Uniformed Services members, officers and other ranks, covered under this Act shall be retired in the grade they hold at the time of their retirement.

Title VIII General Provisions

Sec. 22. Retired List. - Military and Uniformed Service Personnel retired under Title IV of this Act shall be carried in the retired list of the applicable Military and Uniformed Services. The name of a retiree who loses his/her Filipino citizenship shall be removed from the Retired List and his/her retirement benefits terminated upon such loss.

Sec. 23. Recall to Active Service. -

(1) AFP Personnel carried in the retired list shall be subject to the Articles of War and may be recalled at any time by the President to Active Service in the permanent grade last held upon retirement. His/her refusal to perform such duty shall be a ground for court-martial under Article 97 of the Articles of War and subsequent termination of payments of benefits as determined by the court martial.

(2) When recalled to Active Service, a retiree shall receive the pay and allowances of the permanent grade last held and shall continue to be carried in the retired list and shall be eligible for promotion in the retired list as long as he/she remains in active status.

Sec. 24. Non-Encumbrance of Benefits. - The benefits authorized under this Act, except as provided herein, shall not be subject to attachment, garnishment, levy, execution or any tax whatsoever; neither shall they be assigned, ceded, or conveyed to any third person; provided, that if a retired or separated Military or Uniformed Services Personnel who is entitled to any benefit under this Act has unsettled money and/or property accountabilities incurred while in the Active Service, not more than fifty percent (50%) of the pension gratuity or other payment due such Military or Uniformed Services Personnel or his/her survivors under this Act may be withheld and be applied to settle such accountabilities.

Sec. 25. Accrual of Benefits to Personnel Separated by Court Martial. - The benefits authorized under this Act shall accrue to AFP Personnel separated by court martial action except when non-entitlement of such benefits is expressly adjudged by the military court and approved by the approving authority.

Sec. 26. Non-Diminution of Benefits. - Nothing in this Act shall be construed in any manner to reduce whatever retirement and separation pay or gratuity or other monetary benefits which any person is heretofore receiving or is entitled to receive under the provisions of existing law.

Title IX

Miscellaneous Provisions

Sec. 27. Penal Clause. - Any person found to have participated directly or indirectly in the commission of fraud, falsification, misrepresentation of facts, collusion or any similar anomaly in the issuance of any certificate or document for any purpose connected with this Act shall upon conviction be punished by a fine of not less than the amount defrauded but not more than threefold such amount and/or imprisonment of not less than six (6) months and one (1) day to six (6) years and perpetual disqualification from holding public office and from practicing any profession or calling licensed by the government.

Sec. 28. Rules and Regulations. - Within sixty days (60) days upon the effectivity of this Act, the Department of Finance, Department of National Defense, Department of the Interior and

Local Government, Department of Justice, Department of Transportation, Department of Environment and Natural Resources, Government Service Insurance System, and the Department of Budget and Management, in coordination with the AFP, PNP, PCG, BJMP, BFP, BuCor and NAMRIA and other relevant offices shall formulate and issue the Implementing Rules and Regulations necessary for the effective implementation thereof.

Sec. 29. Repealing and Modifying Clause. - Presidential Decree No. 1656, Presidential Decree No. 1638, Republic Act No. 340, Republic Act No. 5976, Republic Act No. 6975, Republic Act No. 8551, Republic Act No. 9263, Republic Act No. 9993, Republic Act No. 10575, and all laws, rules and regulations, and other issuances or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Sec. 30. Separability Clause. - If any provision of this Act shall be declared invalid or unconstitutional, the remaining parts or provisions not otherwise affected shall remain in force and effect.

Sec. 31. Effectivity Clause. - This Act shall take effect fifteen (15) days following its complete publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,