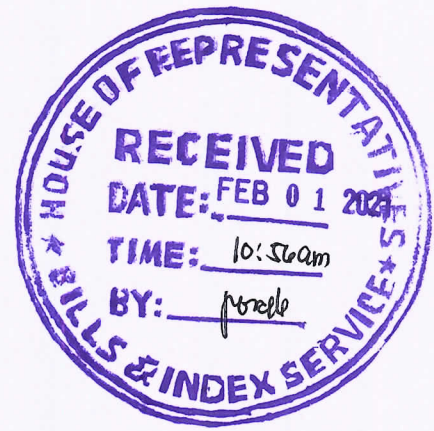


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 8593



Introduced by REP. JOEY SARTE SALCEDA

AN ACT
PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT
AND PENSION OF THE MILITARY AND UNIFORMED SERVICES
PERSONNEL OF THE REPUBLIC OF THE PHILIPPINES,
CREATING THE MILITARY AND UNIFORM PERSONNEL RETIREMENT
FUND AUTHORITY FOR THIS PURPOSE, PROVIDING FUNDS THEREFOR,
AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The pension cost of the Military and Uniformed Personnel (MUP) is rapidly increasing every year and pose significant fiscal burden with the continuous claims against the annual government budget.

Fiscal risks come from the following key vulnerabilities in the system:

First, the pension of MUP is indexed to the salary of active personnel. Second, unlike other government employees, MUP are entitled to retirement pension starting at 20 years of service before reaching retirement age. Finally, unlike the Government Service Insurance System (GSIS), the MUP pension is non-contributory in nature.

We recognize the bravery of servicemen and servicewomen in defending the Constitution and the people. In doing so, what we must not do, however, is to compromise the same nation they are defending by risking its fiscal situation.

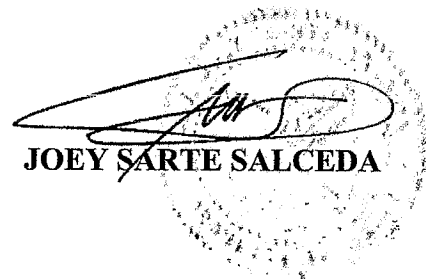
The urgency of the situation is shown clearly by the size of the problem. Around P9.6 trillion is the latest estimated total funding requirements if status quo is observed according to the updated actuarial study by GSIS.

The size of the problem will continue to expand as we recruit more MUP. MUP pension is nine times that of the average pensioner of the Social Security System (SSS) and three times that of the average GSIS pensioner.

To address this staggering fiscal overhang, this bill proposes the following reforms:

- 1) Impose mandatory contributions as follows: First three years: 5% employee, 16% NG
Next three years: 7% employee, 14% NG Years thereafter: 9% employee, 12% NG, in parity with other GSIS pensioners;
- 2) Pension indexation. Discontinuation of automatic indexation but shall be reviewed periodically and can be adjusted to a maximum of 1.5%
- 3) Adjustments in pensionable age. MUP Pensionable age will be set at 56 years, regardless of years of service.
- 4) Fund administrator of MUP pension. A new entity will be established to be the administrator of the MUP fund while GSIS will act as its fund manager
- 5) Other sources of funding. Proceeds from the sale/lease of assets of the MUP and from NG assets from Manila Bay reclamation, and other identified assets, will be sources of additional funding.

In view of the urgency of the matter, the passage of this reform is urgently sought.



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AND FOR OTHER PURPOSES

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

TITLE I
Declaration of Policy

SECTION 1. *Short title.* – This Act shall be known as the “Unified Military and Uniformed Services Personnel Separation, Retirement and Pension Act of 2021”.

SEC 2. *Declaration of Policy.* – The State duly recognizes the vital 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, aimed towards the effective delivery of basic 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.

It shall therefore be the prime concern of the State to provide all military and uniformed personnel adequate remuneration and benefits, including retirement benefits and pension. Therefore, 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 National Mapping and Resource Information Agency (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 on the day of 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 may be credited for retirement purposes at the option of the Military or Uniformed Services Personnel concerned, 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; *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 disability, as defined in the Magna Carta for Disabled Persons, 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 b (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 apply to all Military and Uniformed Services Personnel; *Provided*, That only the existing uniformed personnel of NAMRIA at the date of the effectivity of this Act shall be covered thereby; *Provided*, finally, That, those classified as New Entrants in NAMRIA shall be covered by the Pension System of the Government Service Insurance System (GSIS).

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 (60); *Provided*, That he/she has accumulated at least twenty (20) years of satisfactory Active Service;
- b) Those who suffer death in line of duty; *Provided*, That he/she has accumulated at least twenty (20) 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 twenty (20) 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; or
- f) Those subject to attrition, as provided in Section 8 of this Act; *Provided*, That he/she has accumulated at least twenty (20) 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 20 years of satisfactory Active Service.

SEC 6. *Voluntary Retirement.* – Upon accumulation of at least twenty (20) 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 (60) without having accumulated at least twenty (20) years of satisfactory Active Service;
- b) Those who suffer death in line of duty but without having accumulated at least twenty (20) years of satisfactory Active Service;
- c) Those who incur total permanent physical disability in line of duty but without having accumulated at least twenty (20) years of satisfactory Active Service;
- d) Those subject to attrition, as provided in Section 8 of this Act, without having accumulated at least twenty (20) 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 20 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 twenty (20) 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 fifty six (56) years of age; *Provided*, finally, That if he/she dies before his/her retirement pay begins to accrue, and is survived by beneficiaries as defined in this Act, the latter shall receive only the derivative benefits thereunder when they accrue.

Provided, That 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 only be eligible to receive monthly retirement pay upon reaching the age of fifty six (56); *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 and Uniformed Personnel Services 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, 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 percent (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. *Benefits for Battle Casualty* – A Military or Uniformed Services Personnel who is killed in action (KIA) shall be entitled to a monthly life annuity the amount of which shall be ninety per centum (90%) of the base and longevity pay computed on the basis of his/her actual rank held at time of death or disability.

SEC 15. *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 16. *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 25 per centum the monthly pension shall be P2,500.00;
- b) If and while the disability is rated 50 per centum the monthly pension shall be P5,000.00;
- c) If and while the disability is rated 60 per centum the monthly pension shall be P6,000.00;
- d) If and while the disability is rated 70 per centum the monthly pension shall be P7,000.00;
- e) If and while the disability is rated 80 per centum the monthly pension shall be P8,000.00;
- f) If and while the disability is rated 90 per centum the monthly pension shall be P9,000.00; or.

- g) If and while the disability is rated 100 per centum the monthly pension shall be P10,000.00.

SEC 17. *Manner of Increase of Pension Benefits.* – The automatic indexing of Gratuity and Retirement Pay, and Survivorship Benefits with the salary of active Military and Uniformed Services Personnel holding the same rank as the last actual rank held of the retiree is hereby terminated for existing pensioners/retirees, those in the active service and new entrants. Increases and/or adjustments in Gratuity and Retirement Pay, and Survivorship Benefits, up to one and a half percent (1.5%) of the pension benefit being received by the pensioner at the time, will be based on the recommendation of the actuary 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 18. *Creation of the Military and Uniformed Personnel Fund Authority.* – For the purpose of carrying out and effecting the declared policy, 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 19. *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, and eight (8) other members to be appointed by the President of the Philippines, one (1) of whom shall be an Undersecretary of the Department of National Defense, one (1) of whom shall be an Undersecretary of the Department of the Interior and Local Government, one (1) of whom shall be an Undersecretary of the Department of Justice, one (1) of whom shall be an Undersecretary of the Department of Transportation, another three (3) from the banking, finance, investment, and insurance sectors, and one (1) recognized member of the legal profession. The Board of Directors shall elect from amongst themselves a Vice-Chairman.

The Members of the Board, except the Chairman and President and 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.

SEC 20. *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 years after the effectivity of this Act, New entrants and Active Members shall contribute five percent (5%) of their monthly compensation as personal share, while the National Government shall provide an equivalent of twenty-two (16%) as its share;
 2. After such, for the next three years, New entrants and Active Members shall contribute seven percent (7%), while the National Government shall provide twenty percent (14%); and
 3. For every year thereafter, New Entrants and Active Members shall contribute nine percent (9%) and the National Government shall provide eighteen percent (12%).
- 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, real assets owned by the National Government from land reclamation projects in Manila Bay, and other government properties identified for that purpose.

SEC 21. *Termination of Other Contributions of the Same Nature.* – Upon the effectivity of this Act, other 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 22. *Retirement Grade.* – New Entrants and Active Members of the Military and Uniformed Services covered under this Act shall be retired in the actual grade they hold, irrespective of their years in Active Service and regardless of the circumstances of their separation/retirement.

TITLE VIII

General Provisions

SEC 23. *Retirement 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 Service. 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 24. *Recall to Active Service.* –

- a) 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.
- b) 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 25. *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 per centum 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 26. *Accrual of Benefits.* – 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 27. *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 28. *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 29. *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 hereof.

SEC 30. *Repealing 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 and 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 31. *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 32. *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,