

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

TWENTIETH CONGRESS
1st Regular Session

House Bill No. 452



Introduced by Representative OMAR S. DUTERTE

EXPLANATORY NOTE

The invaluable service of the honorable Military and Uniformed Personnel in defending the Constitution, upholding sovereignty, and protecting the rights of the Filipino people is a source of national pride and recognition. However, such acknowledgment must be balanced with caution and prudence to ensure that the nation's fiscal stability is not compromised

The rising annual cost of pensions for Military and Uniformed Personnel presents a growing fiscal challenge to the national budget. It is imperative to reassess the current pension system to ensure alignment with other equally vital and urgent government expenditures, while adopting a long-term perspective that serves the best interests of the entire Filipino nation

According to a recent report by the Government Service Insurance System (GSIS) in 2019, the pension system for military, police, fire, and other uniformed personnel has emerged as a major fiscal concern. Between 2010 and 2019, pension expenditures increased at an average rate of 12.3% annually, surpassing allocations for capital outlays as well as maintenance and other operating expenses (MOOE). This trend is primarily attributed to the policy of automatic indexation, which grants retirees the same annual salary adjustments as active-duty personnel. From 2008 to 2019, active personnel salaries grew at an average of 19.6% per year, as reported by the Development Budget Coordination Committee (DBCC). As a result, unfunded pension liabilities rose sharply—from ₱5 trillion in 2016 to ₱9.6 trillion in 2019—based on actuarial studies conducted by the Bureau of the Treasury (BTr) and the Government Service Insurance System (GSIS). These liabilities represent projected future payouts for both current pensioners and active service members. Without reform, GSIS estimates that the government may face annual pension costs reaching ₱850 billion over the next 20 years

The current trajectory signals an urgent fiscal alarm which, if left unaddressed, could result in severe repercussions for the nation's economic stability and adversely impact the Filipino populace. In response, this proposal calls for the development of a fiscally sustainable pension framework for military and uniformed personnel. Central to this initiative is the establishment of mechanisms for the strategic utilization and disposition of government assets to ensure long-term financial resilience.

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



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AN ACT
CREATING A SUSTAINABLE FISCAL FRAMEWORK FOR THE PENSION
SYSTEM OF THE MILITARY AND UNIFORMED PERSONNEL, PROVIDING
MECHANISMS FOR THE DISPOSITION OF GOVERNMENT ASSETS FOR THE
PURPOSE, AND APPROPRIATING FUNDS THEREFOR

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

TITLE I
GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the “Military and Uniformed Personnel Pension Act.”

SEC. 2. *Declaration of Policy.* - The State duly recognizes the vital role of the military and uniformed personnel in providing internal and external security, promoting peace and order, and ensuring public safety.

The State also recognizes its obligation to secure the pension system for the military and uniformed personnel given the distinctive personal risks in their role in nation building and national security.

To protect the military and uniformed personnel against the extraordinary hazards, risks, and dangers that they encounter in the performance of their duties, the State shall ensure that there shall be an adequate, robust, and a well-managed insurance system that shall adequately and sustainably support their needs and that of their dependents.

Towards these ends, the State shall guarantee the sustainability of the pension and other benefits of the military and uniformed personnel by creating a fiscal framework that fully supports their funding requirements.

SEC. 3. *Definition of Terms.* – As used in this Act:

- a. Military and Uniformed Personnel refers to all employees of the government who wear uniforms, with ranks, may be armed or unarmed, primarily involved in national defense, enforcement of laws, and in the maintenance of peace, order, and security and who belong to any of the following services: Armed Forces of the Philippines, Philippine National Police, Philippine Coast Guard, Bureau of Fire Protection,

Bureau of Jail Management and Penology, Bureau of Corrections, and the employees of the Hydrography Branch of the National Mapping and Resource Information Authority who were transferred from the Bureau of Coast and Geodetic Survey;

- b. Pension refers to the sum of money representing the monthly retirement pay or the monthly life annuity of a military and uniformed personnel;
- c. Survivorship Pension refers to the monthly benefit or the monthly life annuity of the beneficiaries of a military and uniformed personnel who is retired or separated under the provisions of existing laws.

TITLE II

FISCAL SUSTAINABILITY OF PENSION BENEFITS

SEC. 4. *Fiscal Risk Management.* – To ensure that fiscal risks related to the military and uniformed personnel pension system are managed and addressed, the Secretary of Finance, as Chairperson of the Military and Uniformed Personnel Trust Fund Committee created under Section 9 of this Act, shall:

- a. Formulate policies, consistent with law, to ensure the fiscal sustainability of the pension of military and uniformed personnel;
- b. Assess possible risks to the fiscal sustainability of the pension of military and uniformed personnel and propose appropriate policy interventions;
- c. Identify, manage, and control risks that the pension of military and uniformed personnel may pose to the national government's fiscal position;
- d. Inform Congress of such risks through the annual Fiscal Risk Statement and propose legislative reforms to address such risks; and
- e. Obtain information from any officer or office of local governments and agencies and instrumentalities of the national government, as may be necessary.

SEC. 5. *Maturity Benefit from the Insurance Plan.* – A military and uniformed personnel who is retired or separated under the provisions of existing laws, or the qualified survivors in the case of death before retirement or separation, shall receive the maturity benefit from the life insurance plan funded by mandatory contributions paid by the military and uniformed personnel under Section 14 of this Act. The Military and Uniformed Personnel Trust Fund Committee as created under Section 9 of this Act, shall provide mechanisms to allow the enjoyment of this benefit either as a lump sum or in annuitized payments.

SEC. 6. *Disability Pension.* – In lieu of disability benefits provided under existing laws, a military and uniformed personnel who is retired by reasons of disability, which is the proximate result of wounds or injuries sustained or sickness or disease acquired in the line of duty shall receive a monthly disability pension corresponding to the disability incurred at the time of separation:

- a. If and while the disability is rated twenty-five percent (25%) – Five thousand pesos (P5,000.00);

- b. If and while the disability is rated fifty percent (50%) - Ten thousand pesos (P10,000.00);
- c. If and while the disability is rated seventy five percent (75%) - Fifteen thousand pesos (P15,000.00); and
- d. If and while the disability is rated one hundred percent (100%) – Twenty thousand pesos (P20,000.00).

SEC. 7. *Capped Automatic Indexation to Adjustments in Active Personnel Pay.* – The adjustment in pension of retired or separated military and uniformed personnel and survivorship pension of qualified survivors shall be automatically indexed to adjustments in the salary of military and uniformed personnel in active service holding the same rank: Provided, That within ten (10) years from the effectivity of this Act, the adjustment in the salary of active military and uniformed personnel shall not exceed five percent (5%) at any given year and the adjustment in the pension and survivorship pension shall not exceed five percent (5%) during the same year.

The President of the Philippines is hereby authorized, upon the recommendation of the Military and Uniformed Personnel Trust Fund Committee as created under Section 9 of this Act, and subject to consultation with the President of the Senate and the Speaker of the House of Representatives, to increase the pension and survivorship pension at a rate lower than the adjustment in the salary of active military and uniformed personnel of the same rank if the national government incurs an unmanageable public sector deficit.

TITLE III MILITARY AND UNIFORMED PERSONNEL TRUST FUND

SEC. 8. *Military and Uniformed Personnel Trust Fund.* – The Military and Uniformed Personnel Trust Fund, hereinafter referred to as the MUP Trust Fund, is hereby created for the budgetary support of the military and uniformed services, including the payment of pension and survivorship pension under existing laws and the disability pension and other benefits under this Act.

SEC. 9. *Military and Uniformed Personnel Trust Fund Committee.* – To carry out the declared policy of this Act, the Military and Uniformed Personnel Trust Fund Committee, hereinafter referred to as the Committee, is hereby created. The Committee shall be organized within ninety (90) days from the effectivity of this Act. The Committee is composed of the following members:

- a. Secretary of Finance, as Chairperson;
- b. Secretary of Budget and Management;
- c. Secretary of National Defense;
- d. Secretary of the Interior and Local Government;
- e. Secretary of Justice;

- f. Executive Secretary of the Office of the President; and
- g. President and General Manager of the Government Service Insurance System.

The Bureau of the Treasury shall serve as the Secretariat of the Committee and maintain the records and accounts of all investments, receipts, disbursements, and other transactions relating to the management, administration, and utilization of the MUP Trust Fund: Provided, That these records and accounts are maintained in accordance with the existing accounting and auditing laws, rules, and regulations and audited by the Commission on Audit.

SEC. 10. Powers and Functions of the Committee. – The Committee shall exercise the following powers and functions:

- a. Act as Trustee of the MUP Trust Fund and such other assets as may be assigned to the pension system of the military and uniformed personnel and direct how the assets of the MUP Trust Fund are managed;
- b. Manage the MUP Trust Fund, through the fund manager designated under Section 11 herein, and ensure that the fund is actuarially and financially optimal and sustainable;
- c. Authorize the necessary expenses to manage and administer the MUP Trust Fund;
- d. Authorize and direct the creation of a life insurance system for military and uniformed personnel which shall cover death and disability benefits in addition to those provided under this Act, to account for the significant risks involved in military and uniformed service and indemnify personnel who suffer such risks, and set reasonable mandatory insurance premiums therefor;

Provided, That the insurance system shall be administered by the Government Service Insurance System and supervised by the Insurance Commission: Provided, further, That the insurance system shall be managed separately from the pension system: Provided, finally, That, subject to the authorization of the Committee, the insurance system may undertake investments in debt and equity securities and in the money market, real estate investments, and other viable investments;

- e. Authorize and direct the creation of a provident fund or a mutual fund;
- f. Implement and execute functions related to the disposition of assets identified under this Act;
- g. Create, manage, and utilize separate trust fund accounts for the budgetary support of the military and uniformed services, retirement and survivorship benefits of military and uniformed personnel, provident or mutual fund and insurance provisions;
- h. Cause the undertaking of a survey or consultation to assess the preferences of military and uniformed personnel on the features of the pension system, including willingness to pay for contributions and interest in various benefit and investment schemes;

- i. Commission an actuarial evaluation of the fiscal sustainability of the pension scheme, including specific recommendations on the rates for contributions and investment options for the MUP Trust Fund, as applicable; and
- j. Perform other necessary functions for the effective management of the MUP Trust Fund.

Provided, That within one (1) year from the effectivity of this Act, the fund manager shall conduct the studies stated in Subsections (h) and (i) herein: Provided, further, That the findings and recommendations obtained from the studies shall be submitted to the Committee which shall promulgate implementing rules and regulations with respect to the mandatory contribution scheme, and other features of the pension scheme as applicable: Provided, furthermore, That an amount not exceeding Thirty million pesos (P30,000,000.00) is hereby appropriated for the conduct of the studies: Provided, finally, That the fund manager may engage the private sector, as needed, to ensure quality and timeliness in the implementation of the survey, consultation, and actuarial evaluation.

SEC. 11. *MUP Trust Fund Manager.* – The Government Service Insurance System is designated as the fund manager and benefits administrator of the MUP Trust Fund, and shall:

- a. Implement an investment management and benefits administration strategy as directed by the Committee;
- b. Monitor market and economic trends and track securities to make informed investment decisions;
- c. Recommend its portfolio strategy to the Committee;
- d. Track financial results of companies in the portfolio and its various metrics, including price-to-earnings ratios, inflation-adjusted return, sales, earnings, and dividends; and
- e. Perform other acts necessary to fulfill its mandate under this Act, or such Acts that may be delegated by the Committee.

SEC. 12. *Structure, Staffing Pattern, and Operating Budget.* - The organizational structure and staffing pattern for the management of the MUP Trust Fund within the Government Service Insurance System and for the creation of the MUP Trust Fund Secretariat within the Bureau of the Treasury shall be approved by the Committee within ninety (90) days from the enactment of this Act: Provided, That appointees to various positions shall comply with the qualification standards approved by the Civil Service Commission: Provided, further, That the Government Service Insurance System shall be entitled to a management fee, to be charged against the MUP Trust Fund and its derivative incomes, including budgetary requirement commensurate to the expertise and services rendered for the salaries and benefits of officials and employees assigned to the Committee.

SEC. 13. *Joint Responsibility.* – For the purpose of ensuring that only qualified military and uniformed personnel retirees and beneficiaries shall receive the retirement pension or separation benefits, the respective services or mother units shall assist and share, jointly or separately, the duty and obligation with the Committee in monitoring proof of life or life events that will affect the qualification of pensioners and beneficiaries to receive the pension or benefit.

The initial computation of pension and benefits accruing to each retiree or beneficiary shall be jointly undertaken and agreed upon by the concerned mother unit and the Committee.

SEC. 14. *Funding Sources.* – The MUP Trust Fund shall be funded through the following:

- a. **Capitalization.** – The amount of One hundred thirty billion pesos (P130,000,000,000.00) shall be appropriated to the MUP Trust Fund to cover the pension requirement of the Fiscal Year for which the fund was appropriated. Such sums as may be necessary for the sustainability of the fund as determined by the Committee shall be automatically appropriated and be automatically released to the MUP Trust Fund.
- b. **Mandatory Contributions.** – It shall be mandatory for military and uniformed personnel to contribute a percentage of their monthly compensation as their personal share to the MUP Trust Fund. There shall also be a National Government share which shall be automatically appropriated and used exclusively to fund pension benefits of the military and uniformed personnel. The mandatory contributions shall be allocated as follows:
 1. For the first three (3) years after the effectivity of this Act, military and uniformed personnel shall contribute five percent (5%) of their monthly compensation as personal share, while the National Government shall provide an equivalent of sixteen percent (16%) as its share;
 2. Thereafter, for the next three (3) years, military and uniformed personnel shall contribute seven percent (7%), while the National Government shall provide fourteen percent (14%); and
 3. For every year thereafter, military and uniformed personnel shall contribute nine percent (9%) and the National Government shall provide twelve percent (12%).

Provided, That contribution rates may be adjusted by the fund manager, subject to actuarial validation: Provided, further, That forty-five percent (45%) of mandatory contributions of the military and uniformed personnel shall be used for the establishment of a life insurance plan as authorized under this Act, with death, accident, and disability benefits in addition to those mandated under this Act; forty-five percent (45%) shall be used to establish the Provident Fund; and ten percent (10%) shall be used for the payment of disability pension granted under this Act: Provided, furthermore, That such allocations may be periodically adjusted by the Committee based on actual need and actuarial soundness: Provided, finally, That the life insurance plan shall include a cash benefit that shall be due and collectible at the plan's maturity date, which shall be the date of separation from service.

- c. **Additional Sources of Funding.** – The MUP Trust Fund may be augmented from the unprogrammed appropriations and proceeds derived from the lease, joint development, auction of development rights, or disposition of government properties identified for the purpose, investment income from the MUP Trust Fund identified and overseen by the fund manager subject to actuarial validation, and savings of the National Government.

SEC 15. *Government Guarantee.* — The government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the MUP Trust Fund to its members when they fall due.

SEC. 16. *Disposition of Military and Uniformed Services Assets.* – Within thirty (30) days from the effectivity of this Act, the concerned military and uniformed services shall submit a complete list of their real assets in the manner prescribed by the Committee to identify additional sources of funding for budgetary support of their services, and augment the financing of the separation, retirement, and pension benefits of their military and uniformed personnel under existing laws and this Act.

Thereafter, the Committee shall conduct a complete accounting and inventory of the assets of military and uniformed services that may be used to support the MUP Trust Fund, including the amount, value, description and nature of such funds, properties, assets, records, choses in action, and other rights, claims, or causes of action pertaining thereto, and submit a report to the Office of the President, Congress, and the Commission on Audit.

Within thirty (30) days from the receipt of the inventory by the Committee, the Commission on Audit shall audit the accounting and inventory of the assets of concerned military and uniformed services to determine the completeness of the inventory and establish the reasonableness of the asset valuation.

Within one (1) year from the submission of the accounting and inventory of the assets of concerned military and uniformed services, the Commission on Audit shall submit to the Committee the audit report, including the complete list of the assets of concerned military and uniformed services and their valuation, and the empirical basis and the methodologies employed for the valuation.

The Committee shall, within fifteen (15) days from the receipt of audit report, publish the audit report in at least two (2) newspapers of general circulation. Nothing herein shall be construed as preventing the designated disposition entity from procuring a third-party appraisal of any of the assets of concerned military and uniformed services prior to or while preparing the privatization or disposition plans of the assets.

The Committee shall coordinate with the Office of the President, Philippine Reclamation Agency, and other disposition entities to be identified by the Committee in the execution and delivery of this mandate.

The Committee shall prioritize the disposition modes that may generate income from these assets without undertaking the sale thereof except when the Committee determines that selling a specific asset is the most optimal financial option: Provided, That the Committee may sell only portions thereof to meet the financial requirements.

To optimize revenues from the assets of the concerned military and uniformed personnel services, the Committee may seek the services of the Privatization Group of the Department of Finance which shall recommend to the Committee the most financially advantageous manner of disposition of the assets.

Unless otherwise directed by the President of the Philippines as the Commander-in-Chief and upon the recommendation of the Secretary of Finance, the proceeds from the disposition of assets of the concerned military and uniformed services shall be earmarked for the

budgetary support of the military and uniformed services for capital outlay and maintenance and other operating expenditures. The Committee shall allocate the proceeds from the disposition of assets based on the funding requirements of the specific purposes. The proceeds from the disposition of asset of the military and uniformed services shall inure to the benefit of, or as budget support to, the service to which the asset belongs if used towards budgetary support for capital outlays, pension fund, and maintenance and other operating expenses.

Within one (1) year from the effectivity of this Act, the military and uniformed services may add to the list such real assets required for identification and submission under this Section and which belonged to the military and uniformed services prior to the effectivity of this Act. Any real asset that is required by this Act to be included in the submitted lists and which are not included in actual submissions by the military and uniformed services may be disposed by the MUP Trust Fund Committee in the manner it deems appropriate.

SEC. 17. *Tax Treatment of the MUP Trust Fund.* – Notwithstanding any law to the contrary, the MUP Trust Fund, its assets, revenues, including all accruals thereto, and benefits paid, are exempt from all taxes, assessments, fees, charges, or duties of all kinds. These exemptions shall continue unless expressly and specifically revoked.

Subject to Section 20 of this Act, the MUP Trust Fund, the properties of the military and uniformed services identified by the Committee to be disposed and sums or monies for the payment of the benefits under this Act are exempt from attachment, garnishment, execution, levy or other processes issued by the courts, quasi-judicial agencies or administrative bodies and from all financial obligations of the members, including pecuniary accountability arising from or caused or occasioned by the members' exercise or performance of official functions or duties, or incurred relative to or in connection with the members' position or work except when the monetary liability, contractual or otherwise, is in favor of the MUP Trust Fund.

All other applicable tax exemptions granted to the Government Service Insurance System shall also apply to the MUP Trust Fund.

TITLE IV TRANSITORY PROVISIONS

SEC. 18. *Transfer of Power and Functions.* - For purposes of administration of military and uniformed personnel pension and retirement benefits, the powers and functions of units or instrumentalities of agencies that employ military and uniformed personnel and administer their pension system or parts thereof are hereby transferred to the MUP Trust Fund Committee.

SEC. 19. *Period of Transfer.* - There shall be a transition period of five (5) months from the effectivity of this Act to implement the transfer of powers and functions, rights, assets, and liabilities mentioned in this Title: Provided, That the same transition period shall be provided to allow the units or instrumentalities of agencies administering the military and uniformed personnel pension system to restructure: Provided, further, That all civilian personnel in the units or instrumentalities administering the military and uniformed personnel pension system affected by the transfer of powers and functions provided in this Title shall continue in office without need of reappointment: Provided, finally, That civilian employees in the units or instrumentalities of agencies administering the military and uniformed personnel pension system who opt to retire or resign as a result hereof, if qualified, shall be allowed and be entitled to

retirement and separation benefits under existing laws to officials and employees affected by an approved reorganization program.

TITLE V FINAL PROVISIONS

SEC. 20. *Non-encumbrance of Benefits.* – The benefits authorized under this Act, except as provided herein, are not subject to attachment, garnishment, levy, execution or any tax whatsoever, and may not be assigned, ceded, or conveyed to any third person: Provided, That if a retired or separated military and uniformed personnel who is entitled to any benefit under this Act has unsettled money or property accountabilities incurred while in the active service, an amount not exceeding fifty percent (50%) of the pension gratuity or other payment due to the military and uniformed personnel or their survivors under this Act may be withheld and be applied to settle such accountabilities.

SEC. 21. *Financial Literacy and Career Transition Training.* – The Bangko Sentral ng Pilipinas, in coordination with the military and uniformed services, shall provide mandatory, periodic financial literacy training for active personnel. The military and uniformed services shall formulate skills workshops for active personnel who plan to transition to other careers outside of the uniformed service.

SEC. 22. *Penal Clause.* – Any person who participates 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 of such amount 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 licensed by the government.

SEC. 23. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Secretary of Finance shall, in consultation with the Secretaries of National Defense, Interior and Local Government, Justice, Transportation, Environment and Natural Resources, Budget and Management, and the Head of the Government Service and Insurance System, promulgate the necessary rules and regulations for the effective implementation of this Act.

Supplemental rules and regulations governing the management and administration of the pension system of the military and uniformed personnel may be issued within one (1) year from the effectivity of this Act.

SEC. 24. *Repealing Clause.* – The pertinent provisions of these laws are hereby repealed:

- a. Presidential Decree No. 361, entitled “Providing for an Armed Forces Retirement and Separation Benefits System,” as amended by Presidential Decree No. 1656 and Presidential Decree No. 1909;
- b. Sections 23, 24, 26, and 31 of Presidential Decree No. 1638, entitled “Establishing a New System of Retirement and Separation for Military Personnel of the Armed

Forces of the Philippines and for Other Purposes,” as amended by Presidential Decree No. 1650;

- c. Section 11 of Republic Act No. 340, as amended, entitled “An Act to Establish a Uniform Retirement System for the Armed Forces of the Philippines, to Provide for Separation Therefrom, and for Other Purposes”, as amended;
- d. Sections 16, 17, 18, 19, 20 and 22 of Republic Act No. 5976, otherwise known as the “Coast Survey Officers Retirement and Separation Act of 1969”;
- e. Section 77 of Republic Act No. 6975, otherwise known as the “Department of Interior and Local Government Act of 1990”, as amended; and
- f. Sections 4 and 5 of Republic Act No. 9040, otherwise known as the “AFP Tax Exemption for Pay and Allowances Act of 2001.” All other laws, rules and regulations, and other issuances or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed, amended, or modified accordingly.

SEC. 25. *Separability Clause.* – If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SEC. 26. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,