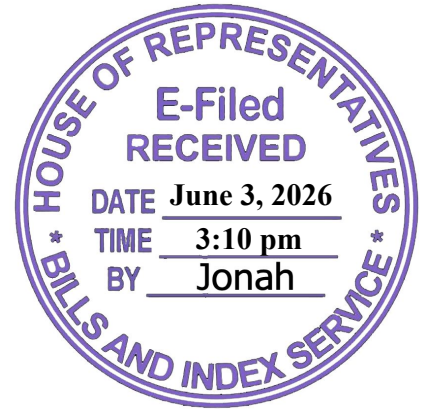


Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9723



Introduced by Representative Kenneth T. Gatchalian

EXPLANATORY NOTE

The necessity for reform in the system of benefits for the military and uniformed personnel has never been more urgent in light of the unexpected spending brought about by the ongoing war in Gulf area.

The reality of the budgetary burden should of course not turn a blind eye on our Constitutional duty to ensure professionalism in the service and adequate remuneration and benefits of its members. Reformation in the system of benefits is an appropriate response in recognition of the invaluable role of the military and uniformed personnel in protecting the nation and its citizens from various threats.

This bill intends to find a balance between the existing ballooning financial burden of meeting the benefits to uniformed personnel and ensuring provision on adequate remuneration and benefits to them. It is after all the State's constitutional duty to, from time to time, review the pensions and other benefits due to retirees of both the government and the private sectors.

Accordingly, this bill primarily intends to establish a Uniformed Personnel Trust Fund Committee in order to establish a system of contributions that would ensure the continuity of the benefits.

The immediate passage of this bill is most earnestly sought.


KENNETH T. GATCHALIAN

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9723

Introduced by Representative Kenneth T. Gatchalian

AN ACT
PROVIDING A NEW SEPARATION, RETIREMENT, AND PENSION
SYSTEM FOR THE MILITARY AND THE UNIFORMED PERSONNEL, 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. *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 ensure a secure, reliable, and
sustainable pension system for the Military and Uniformed Personnel given the
distinctive personal risks in their role in nation-building, national defense, and
security.

The State shall provide immediate and adequate care, benefits, and other
forms of assistance to war veterans and veterans of military campaigns, their
surviving spouses and orphans.

1 Towards these ends, the State shall establish a fiscal framework that fully
2 supports their funding requirements.

3 **SEC. 2.** *Coverage.* – Unless otherwise specified, this Act shall apply only
4 to new entrants of the Military and Uniformed Services.

5 **SEC. 3.** *Definition of Terms.* –

6 (a) *New Entrants* are Military or Uniformed Personnel, as referred under
7 this Act, who entered or re-entered the Military or Uniformed Services
8 after the effectivity of this Act;

9 (b) *Military Personnel* refers to employees of the government who wear
10 uniforms, with ranks, may be armed or unarmed, primarily involved in
11 national defense, enforcement of laws, and in the maintenance of peace,
12 order, and security and who belong to the Armed Forces of the
13 Philippines (AFP);

14 (c) *Uniformed Personnel* refers to employees of the government who wear
15 uniforms, with ranks, may be armed or unarmed, primarily involved in
16 the enforcement of laws, and in the maintenance of peace, order, and
17 security and who belong to any of the following services: Philippine
18 National Police (PNP), Philippine Coast Guard (PCG), Bureau of Fire
19 Protection (BFP), Bureau of Jail Management and Penology (BJMP),
20 Bureau of Corrections (BuCor), and the Hydrography Branch of the
21 National Mapping and Resource Information Authority (NAMRIA);

22 (d) *Pension* refers to the sum of money representing the monthly retirement
23 pay or the monthly life annuity of a Military or Uniformed Personnel;

24 (e) *Survivors* refer to the following:

25 (1) Surviving spouse of the deceased Military or Uniformed Personnel
26 who married the deceased prior to the latter's retirement or separation
27 and not legally separated by judicial decree from the deceased issued
28 on grounds not attributable to the surviving spouse: *Provided, That*

entitlement to benefits shall terminate when the surviving spouse remarries, cohabits, engages in a common law relationship, commits any crime of violence or abuse against the children of the Military or Uniformed Personnel, is convicted of any crime which carries the penalty of imprisonment of more than six (6) years and one (1) day, loss of Philippine citizenship, or dies;

(2) Surviving children refer to:

- i. Children born within a marriage contracted prior to the retirement or separation from the active duty;
- ii. Adopted and illegitimate children by the deceased while in active duty; and
- iii. Children who are eighteen (18) years old and above but suffering from mental or physical incapacity, or any disability that renders them total dependent on the deceased.

Provided, That entitlement to benefits shall terminate when the surviving children attain eighteen (18) years of age or get married, except for surviving children who were duly medically certified by government medical practitioners, to be incapable of employment by reason of their mental or physical incapacity;

(3) In the absence of surviving spouse and surviving children as mentioned in paragraphs (1) and (2) above, survivors shall refer to the surviving parent or parents, the surviving unmarried brothers and sisters who are below eighteen (18) years of age and without parental obligation, surviving brothers and sisters eighteen (18) years old and above who are incapable of employment by reason of their mental or physical incapacity: *Provided*, That their entitlement to benefits shall terminate upon their death; and

1 (f) *Survivorship Pension* refers to the monthly benefit or the monthly life
2 annuity of the beneficiaries of a deceased Military or Uniformed
3 Personnel who is retired under the provisions of existing laws.

4 **TITLE II**
5 **MILITARY PERSONNEL SEPARATION, RETIREMENT,**
6 **AND PENSION SYSTEM**

7 **CHAPTER I**
8 **RETIREMENT**

9 **SEC. 4. *Active Duty.*** – It shall refer to the service as defined under
10 Republic Act No. 11709, as amended by Republic Act No. 11939, and its
11 implementing rules and regulations.

12 **SEC. 5. *Compulsory Retirement.*** - Military Personnel shall be
13 compulsorily retired from service in accordance with Republic Act No. 11709, as
14 amended by Republic Act No. 11939, and its implementing rules and regulations.

15 Military Personnel killed-in-action or wounded-in-action resulting in total
16 permanent disability as duly certified by the appropriate medical certification
17 process, shall be deemed compulsorily retired for purposes of computing
18 retirement benefits.

19 **SEC. 6. *Optional Retirement.*** – Military Personnel may voluntarily retire
20 upon accumulation of at least twenty (20) years of satisfactory active duty, subject
21 to the approval of the appropriate authority.

22 **CHAPTER II**
23 **BENEFITS**

24 **SEC. 7. *Retirement Grade and Pay.*** – The monthly retirement pay shall
25 be fifty percent (50%) of the monthly base pay and longevity pay of the permanent
26 grade last held by the Military Personnel in case of twenty (20) years in active
27 duty, increasing by two-point five percent (2.5%) for every year of active duty

1 rendered beyond twenty (20) years to a maximum of ninety percent (90%) for
2 thirty-six (36) years of active duty.

3 Upon retirement, Military Personnel shall choose between the following
4 modes of payment of retirement benefits:

5 (a) Lump Sum – To receive in advance and in one lump sum, retirement
6 benefits equivalent to thirty-six (36) months; and three (3) years thereafter,
7 to receive monthly retirement benefits as they accrue; or

8 (b) Direct Pension – To receive monthly retirement benefits as they accrue.

9 The retirement pay of Military Personnel who is killed-in-action or
10 wounded-in-action resulting in total permanent disability, as duly certified by the
11 appropriate medical certification process, shall be computed at the rate of ninety
12 percent (90%) of the monthly base and longevity pay of the retirement grade last
13 held by the personnel regardless of years in active duty.

14 **SEC. 8. *Separation Pay.*** – Military Personnel who separate or resign from
15 the service without reaching twenty (20) years of satisfactory active duty shall
16 receive a separation pay equivalent to one-month base pay plus longevity pay of
17 the permanent grade held at the time of separation for every year of active duty:
18 Provided, That such Military Personnel shall have rendered at least nine (9) years
19 of satisfactory active duty prior to resignation or separation.

20 **SEC. 9. *Survivorship Pension Rates.*** – The survivorship pension rates of
21 Military Personnel shall be governed by existing laws and regulations created
22 therefor.

23 **SEC. 10. *Adjustments in Pension.*** – There shall be no automatic adjustment
24 of the pension to the prevailing scale of salary of the active Military Personnel of
25 the same rank: *Provided*, That the President of the Philippines is hereby
26 authorized, subject to the recommendation of the Armed Forces of the Philippines
27 Trust Fund Committee (AFP Trust Fund Committee) created under this Act, to
28 adjust the retirement and survivorship pension by not less than one-point five

1 percent (1.5%) thereof, in consideration of fiscal or economic conditions, as
2 certified by the Development Budget Coordination Committee.

3 **SEC. 11.** *Harmonization of Total Permanent Disability Benefits.* – Military
4 Personnel with total permanent disability as a result of injuries sustained or
5 sickness contracted in the performance of duty, duly certified by the appropriate
6 medical certification process, shall be compulsorily retired.

7 **SEC. 12.** *Termination of Benefits.* – Retired Military Personnel who lose
8 their Filipino citizenship shall be removed from the retired list and forfeit all rights
9 to receive the benefits herein provided upon such loss.

10 **CHAPTER III**

11 **ARMED FORCES OF THE PHILIPPINES TRUST FUND**

12 **SEC. 13.** *Armed Forces of the Philippines Trust Fund (AFP Trust Fund).* –
13 The AFP Trust Fund is hereby created for the budgetary support and payment of
14 separation, retirement, pension, survivorship, and other benefits granted under this
15 Act.

16 The AFP Trust Fund is separate and distinct and should not be commingled
17 with the Government Service Insurance System (GSIS) funds. The GSIS shall not
18 advance funds and grant any form of loans to the AFP Trust Fund Committee from
19 the GSIS administered funds.

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

- 22 (a) *Mandatory Contributions.* – Military Personnel shall contribute seven
23 percent (7%) of their base pay and longevity pay as personal share and
24 the National Government shall contribute fourteen percent (14%) as its
25 counterpart share: *Provided,* That the aforementioned rates may be
26 adjusted by the Development Budget Coordination Committee, in
27 consultation with the AFP Trust Fund Committee, on account of adverse

1 fiscal or economic conditions or the fiscal constraints of the National
2 Government;

3 (b) *Additional Sources of Funding.* – The AFP Trust Fund may be funded
4 from the proceeds of the following:

5 (1) All residual assets and funds of the AFP Retirement and Separation
6 Benefits System (RSBS);

7 (2) Sale of military reservations, as may be authorized by Congress,
8 pursuant to the provisions of existing laws and regulations governing
9 sales of government properties, including such immovable and other
10 facilities as may be found therein, not otherwise covered by the
11 Bases Conversion and Development Authority (BCDA), as provided
12 for in Republic Act No. 7227, otherwise known as the "Bases
13 Conversion and Development Act of 1992", as amended;

14 (3) Lease or joint development of military reservations, as may be
15 authorized by the President, pursuant to the provisions of existing
16 laws and regulations governing lease or joint development of
17 government properties, including such immovable and other
18 facilities as may be found therein, not specifically enumerated under
19 Republic Act No. 7227, as amended;

20 (4) Income derived from public-private partnerships entered into by the
21 Department of National Defense (DND) or the AFP, as may be
22 authorized by the President, pursuant to the provisions of existing
23 laws and regulations;

24 (5) Non-strategic real estate assets of the DND or the AFP as determined
25 by the Secretary of National Defense; and

26 (6) Earnings and dividends from investment made by the GSIS as the
27 fund manager.

1 **SEC. 15. *AFP Trust Fund Committee.*** – To carry out the declared policy of
2 this Act, the AFP Trust Fund Committee, hereinafter referred to as the Trust Fund
3 Committee, is hereby created. The AFP Trust Fund Committee shall be organized
4 within ninety (90) days from the effectivity of this Act. It shall be composed of the
5 following members:

- 6 (a) Secretary of Finance as Chairperson;
- 7 (b) Secretary of National Defense as Co-Chairperson;
- 8 (c) Chief of Staff of the AFP;
- 9 (d) Secretary of Budget and Management; and
- 10 (e) President and General Manager of the GSIS.

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

17 **SEC. 16. *Powers and Functions of the Trust Fund Committee.*** – The Trust
18 Fund Committee shall exercise the following powers and functions:

- 19 (a) Formulate policies, guidelines and programs to ensure that the AFP
20 Trust Fund is actuarially and financially optimal and sustainable;
- 21 (b) Act as Trustee of the AFP Trust Fund and direct how the assets of the
22 AFP Trust Fund are managed;
- 23 (c) Perform oversight functions over the AFP Trust Fund manager;
- 24 (d) Provide the proper mechanisms for consultation and information
25 dissemination among members regarding the management, utilization,
26 investment, and administration of AFP Trust Fund;
- 27 (e) Implement and execute functions related to the disposition of assets
28 identified under this Act;

- 1 (f) Commission an actuarial evaluation of the fiscal sustainability of the
2 separation, retirement and pension scheme, including specific
3 recommendations on the rates for contributions and investment options
4 for the AFP Trust Fund, as applicable;
- 5 (g) Obtain information from any officer or office of local governments and
6 agencies and instrumentalities of the National Government, as may be
7 necessary;
- 8 (h) Assess possible risks to the fiscal sustainability of the pension of
9 Military Personnel and propose appropriate policy interventions;
- 10 (i) Identify, manage, and control risks that the pension of the Military
11 Personnel may pose to the National Government's fiscal position;
- 12 (j) Inform both Houses of Congress of such risks through the annual Fiscal
13 Risk Statement and propose legislative reforms to address such risks;
14 and
- 15 (k) Perform other necessary functions for the effective management of the
16 AFP Trust Fund.

17 **CHAPTER IV**
18 **INVENTORY, ACCOUNTING, AND DISPOSITION OF ASSETS**

19 **SEC. 17. *Inventory of Assets.*** – Within thirty (30) days from the creation of
20 the AFP Trust Fund Committee, the Military Service, through the DND, shall
21 submit a complete list of assets to the AFP Trust Fund Committee to identify
22 additional sources of funding as provided in Section 14(b) of this Act.

23 Thereafter, the AFP Trust Fund Committee shall conduct a complete
24 accounting and inventory of the assets of the Military Service that may be used to
25 support the AFP Trust Fund, including the amount, value, description and nature
26 of such funds, properties, assets, records, choses in action, and other rights, claims,

1 or causes of action pertaining thereto, and submit a report to the Office of the
2 President, both Houses of Congress, and the Commission on Audit (COA).

3 **SEC. 18.** *Accounting of Assets.* – Within thirty (30) days from the receipt
4 of the inventory by the AFP Trust Fund Committee, the COA shall audit the
5 accounting and inventory of the assets of the Military Service to determine the
6 completeness of the inventory and establish the reasonableness of the asset
7 valuation.

8 Within one (1) year from the submission of the accounting and inventory of
9 the assets of the Military Service, the COA shall submit to the AFP Trust Fund
10 Committee, both Houses of Congress and the Office of the President the audit
11 report, including the complete list of the assets of the Military Service and their
12 valuation, and the empirical basis and the methodologies employed for the
13 valuation.

14 **SEC. 19.** *Disposition of Assets.* – The AFP Trust Fund Committee shall
15 prioritize the disposition modes that may generate income from these assets
16 without undertaking the sale thereof. The AFP Trust Fund Committee may
17 recommend to the President the sale of an asset when there is a notice from the
18 GSIS of an unfunded liability and the AFP Trust Fund is no longer sustainable.

19 The AFP Trust Fund Committee shall publish any disposition of assets in a
20 newspaper of general circulation.

21 **TITLE III**
22 **UNIFORMED PERSONNEL SEPARATION, RETIREMENT, AND**
23 **PENSION SYSTEM**
24 **CHAPTER I**
25 **RETIREMENT**

26 **SEC. 20.** *Active Duty.* – Service rendered as an officer and non-officer,
27 cadet, trainee, draftee, probationary ensign or those rendered as a civilian official
28 or employee in the Philippine Government.

1 **SEC. 21. *Compulsory Retirement.*** – All Uniformed Personnel shall be
2 compulsorily retired from service upon reaching the age of fifty-seven (57)
3 including those in the active duty before the enactment of this Act.

4 Uniformed Personnel killed-in-action or wounded-in-action resulting in
5 total permanent disability, as duly certified by the appropriate medical certification
6 process, shall be deemed compulsorily retired for purposes of computing
7 retirement benefits.

8 **SEC. 22. *Optional Retirement.*** – Uniformed Personnel may voluntarily
9 retire upon accumulation of at least twenty (20) years of satisfactory active duty,
10 subject to the approval of the appropriate authority.

11 **CHAPTER II** 12 **BENEFITS**

13 **SEC. 23. *Retirement Grade and Pay.*** – The monthly retirement pay shall
14 be fifty percent (50%) of the monthly base pay and longevity pay of the permanent
15 grade last held by the Uniformed Personnel in case of twenty (20) years in active
16 duty, increasing by two-point five percent (2.5%) for every year of active duty
17 rendered beyond twenty (20) years to a maximum of ninety percent (90%) for
18 thirty-six (36) years of active duty and over.

19 Upon retirement, Uniformed Personnel shall choose between the following
20 modes of payment of retirement benefits:

21 (a) Lump Sum – To receive in advance and in one lump sum, retirement
22 benefits equivalent to thirty-six (36) months; and three (3) years
23 thereafter, to receive monthly retirement benefits as they accrue; or

24 (b) Direct Pension – To receive monthly retirement benefits as they accrue.

25 The retirement pay of Uniformed Personnel who is killed-in-action or
26 wounded- in-action resulting in total permanent disability, as duly certified by the
27 appropriate medical certification process, shall be computed at the rate of ninety

1 percent (90%) of the monthly base and longevity pay of the retirement grade of the
2 personnel regardless of years in active duty.

3 **SEC. 24. *Separation Pay.*** – Uniformed Personnel who separate or resign
4 from the service without reaching twenty (20) years of satisfactory active duty
5 shall receive a separation pay equivalent to one-month base pay plus longevity pay
6 of the permanent grade held at the time of separation for every year of active duty:
7 Provided, That such Uniformed Personnel shall have rendered at least nine (9)
8 years of satisfactory active duty prior to resignation or separation.

9 **SEC. 25. *Survivorship Pension Rates.*** – The survivorship pension rates of
10 Uniformed Personnel shall be governed by existing laws and regulations created
11 therefor.

12 **SEC. 26. *Adjustments in Pension.*** – There shall be no automatic adjustment
13 of pension to the prevailing scale of salary of the active Uniformed Personnel of
14 the same rank: *Provided*, That the President of the Philippines is hereby
15 authorized, subject to the recommendation of the Uniformed Personnel Trust Fund
16 Committee created under this Act, to adjust the retirement and survivorship
17 pension by not less than one-point five percent (1.5%) thereof, in consideration of
18 fiscal or economic conditions, as certified by the Development Budget
19 Coordination Committee.

20 **SEC. 27. *Harmonization of Total Permanent Disability Benefits.*** –
21 Uniformed Personnel with total permanent disability as a result of injuries
22 sustained or sickness contracted in the performance of duty, duly certified by the
23 appropriate medical certification process, shall be compulsorily retired.

24 **SEC. 28. *Termination of Benefits.*** – Retired Uniformed Personnel who lose
25 their Filipino citizenship shall be removed from the retired list and forfeit all rights
26 to receive the benefits herein provided upon such loss.

27 **CHAPTER III**

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SEC. 29. *Uniformed Personnel Trust Fund.* – The Uniformed Personnel Fund is hereby created for the budgetary support and payment of separation, payment, pension, survivorship, and other benefits granted under this Act.

The Uniformed Personnel Trust Fund is separate and distinct and should not be commingled with the GSIS funds. The GSIS shall not advance funds and grant the form of loans to the Uniformed Personnel Trust Fund Committee from the funds administered.

SEC. 30. *Funding Source.* – The Uniformed Personnel Trust Fund shall be funded through the following:

(a) **Mandatory Contributions.** – Uniformed Personnel shall contribute nine percent (9%) of their monthly base pay and longevity pay as personal share and the National Government shall contribute twelve percent (12%) as its counterpart share: *Provided*, That both the aforementioned rates may be adjusted by the Development Budget Coordination Committee, in consultation with the Uniformed Personnel Trust Fund Committee, on account of adverse fiscal or economic conditions or the fiscal constraints of the National Government; and

(b) Earnings and dividends from investment made by the GSIS as the fund manager.

SEC. 31. *Uniformed Personnel Trust Fund Committee.* – To carry out the policy of this Act, the Uniformed Personnel Trust Fund Committee is created. The Trust Fund Committee shall be organized within ninety (90) days from the effectivity of this Act. It shall be composed of the following members:

(a) Secretary of Finance as Chairperson;
(b) Chief of the PNP;

- 1 (c) Chief of the BFP;
- 2 (d) Chief of the BJMP;
- 3 (e) Director General of BuCor;
- 4 (f) Commandant of PCG;
- 5 (g) Director of the Hydrography Branch of NAMRIA;
- 6 (h) Secretary of Budget and Management; and
- 7 (i) President and General Manager of the Government Service Insurance
- 8 System (GSIS).

9 *Provided, That the participation of representatives of the Uniformed Personnel*
10 *in deliberations and decision-making processes of the Trust Fund Committee shall be*
11 *limited to the matters concerning their respective service.*

12 The Bureau of the Treasury shall serve as the Secretariat of the Trust Fund
13 Committee and maintain the records and accounts of all investments, receipts,
14 disbursements, and other transactions relating to the management, administration, and
15 utilization of the Uniformed Personnel Trust Fund: *Provided, That these records and*
16 *accounts are maintained in accordance with the existing accounting and auditing laws,*
17 *rules and regulations, and audited by the COA.*

18 **SEC. 32.** Powers and Functions of the Trust Fund Committee. – The
19 Uniformed Personnel Trust Fund Committee shall exercise the following powers
20 and functions:

- 21 (a) Formulate policies, guidelines and programs to ensure that the fund is
- 22 actuarially and financially optimal and sustainable;
- 23 (b) Act as Trustee of the Uniformed Personnel Trust Fund;
- 24 (c) Perform oversight function over the fund manager;
- 25 (d) Provide the proper mechanisms for consultation and information
- 26 dissemination among members regarding the management, utilization,
- 27 investment, and administration of funds;

- 1 (e) Commission an actuarial evaluation of the fiscal sustainability of the
2 separation, retirement and pension scheme, including specific
3 recommendations on the rates for contributions and investment options
4 for the Uniformed Personnel Trust Fund, as applicable;
- 5 (f) Obtain information from any officer or office of local governments and
6 agencies and instrumentalities of the National Government, as may be
7 necessary;
- 8 (g) Assess possible risks to the fiscal sustainability of the pension of
9 Uniformed Personnel and propose appropriate policy interventions;
- 10 (h) Identify, manage, and control risks that the pension of the Uniformed
11 Personnel may pose to the National Government's fiscal position;
- 12 (i) Inform both Houses of Congress of such risks through the annual Fiscal
13 Risk Statement and propose legislative reforms to address such risks;
14 and
- 15 (j) Perform other necessary functions for the effective management of the
16 Uniformed Personnel Trust Fund.

17

18 **TITLE IV**
19 **MANAGEMENT OF TRUST FUNDS**

20 **SEC. 33. *Manager of Trust Funds.*** – The GSIS is hereby designated as the
21 fund manager of AFP and Uniformed Personnel Trust Funds, and shall:

- 22 (a) Implement an investment management strategy as directed by the
23 Committees;
- 24 (b) Monitor market and economic trends and track securities to make
25 informed investment decisions that would be beneficial to the continued
26 growth and sustainability of the trust funds;
- 27 (c) Present and report its portfolio strategy to the Committees;

- 1 (d) Design and implement programs that will promote and mobilize
2 earnings, savings and additional resources for social security expansion
3 and afford individual members appropriate returns on their
4 savings/investments;
- 5 (e) Conduct continuing actuarial and statistical studies and valuations to
6 determine the financial condition of the trust funds and taking into
7 consideration such studies and valuations, recommend to the
8 Committees the adjustment of benefits, contributions, interest rates or
9 the allocation of the funds to the contingencies covered;
- 10 (f) Track financial results of companies in the portfolio and its various
11 metrics, including price-to-earnings ratios, inflation-adjusted return,
12 sales, earnings, and dividends; and
- 13 (g) Perform other acts necessary to fulfill its mandate under this Act, or
14 such acts that may be delegated by the Committees.

15 **SEC. 34.** *Structure, Staffing Pattern, and Operating Budget.* – The
16 organizational structure and staffing pattern for the management of the trust funds
17 within the GSIS and for the creation of the Trust Fund Secretariat within the
18 Bureau of the Treasury shall be approved by the Trust Fund Committees within
19 one hundred twenty (120) days from the effectivity of this Act, subject to further
20 extensions as may be approved by the Trust Fund Committees: *Provided*, That
21 appointees to various positions shall comply with the qualification standards
22 approved by the Civil Service Commission: *Provided, further*, That the GSIS shall
23 be entitled to reasonable annual management fees but shall not exceed one percent
24 (1%) of the total assets managed in each trust fund charged against the respective
25 Trust Funds.

26 **SEC. 35.** *Tax Treatment of the AFP and Uniformed Personnel Trust*
27 *Funds.* – Notwithstanding any law to the contrary, the trust funds, its assets,
28 revenues, including all accruals thereto, and benefits paid, are exempt from all

1 taxes, assessments, fees, charges, or duties of all kinds. These exemptions shall
2 continue unless expressly and specifically revoked.

3 Subject to Section 41 of this Act, the trust funds, the properties of the
4 Military identified by the AFP Trust Fund Committee to be disposed and sums or
5 monies for the payment of the benefits provided under this Act are exempt from
6 attachment, garnishment, execution, levy or other processes issued by the courts,
7 quasi-judicial agencies or administrative bodies and from all financial obligations
8 of the members, including pecuniary accountability arising from or caused or
9 occasioned by the members' exercise or performance of official functions or duties,
10 or incurred relative to or in connection with the members' position or work except
11 when the monetary liability, contractual or otherwise, is in favor of the trust funds.

12 All other applicable tax exemptions granted to the GSIS shall also apply to
13 the trust funds.

14 **SEC. 36. *Government Guarantee.*** – The government of the Republic of the
15 Philippines hereby guarantees the fulfillment of the obligations of the trust funds to
16 its members when they fall due.

17 **TITLE V**

18 **MISCELLANEOUS, PENAL, AND FINAL PROVISIONS**

19 **SEC. 37. *Administration of Benefits.*** - The powers and functions of units or
20 instrumentalities of agencies that employ Military or Uniformed Personnel and
21 administer their separation, retirement and pension system or parts thereof shall
22 remain with the existing offices of their respective agencies.

23 The respective services or mother units shall monitor proof of life or life
24 events that will affect the qualification of pensioners and beneficiaries to receive
25 the pension or benefit. The computation of pension and benefits accruing to each
26 retiree or beneficiary shall be undertaken by the concerned mother unit.

1 **SEC. 38.** Adjustments in Salary and Pension Benefits. – Upon the
2 effectivity of this Act, there shall be a guaranteed annual adjustment in the base
3 pay of three percent (3%) for the next ten (10) years for those in the active duty
4 and pension benefits of the retirees.

5 On the fifth (5th) year, and when the need arises thereafter, there shall be a
6 review on the base pay and the rule on automatic indexation by the Development
7 Budget Coordination Committee.

8 **SEC. 39.** *Separation, Retirement and Pension Benefits of the Active*
9 *Military and Uniformed Personnel.* – The separation, retirement and pension
10 benefits of Military or Uniformed Personnel in active duty prior to the effectivity
11 of this Act shall be governed by existing laws and regulations created therefor and
12 shall be funded annually under the General Appropriations Act: *Provided,* That the
13 maximum retirement pay for active Military or Uniformed Personnel who will
14 compulsorily retire after the effectivity of this Act shall be increased to ninety
15 percent (90%): *Provided, further,* That the rate of ninety percent (90%) shall also
16 apply to those deemed compulsorily retired by reason of having been killed-in-
17 action or wounded-in-action after the effectivity of this Act resulting in total
18 permanent disability: *Provided, finally,* That the separation, retirement and pension
19 benefits payable to the Uniformed Personnel from the Bureau of Corrections who
20 were affected by the implementation of Republic Act No. 10575 or the "Bureau of
21 Corrections Act of 2013" and who may or may not have contributed to the GSIS,
22 shall also be covered in full by the General Appropriations Act.

23 **SEC. 40.** *Medical Insurance.* – Military or Uniformed Personnel, who
24 enter the service after the effectivity of this Act, shall be provided medical
25 insurance upon their compulsory retirement.

26 **SEC. 41.** *Non-encumbrance of Benefits.* – The benefits authorized under
27 this Act, except as provided herein, shall not be subject to attachment,
28 garnishment, levy, execution or any tax whatsoever, and may not be assigned,

1 ceded, or conveyed to any third person: Provided, That if a retired or separated
2 Military or Uniformed Personnel who is entitled to any benefit under this Act has
3 unsettled money or property accountabilities incurred while in the active duty, an
4 amount not exceeding fifty percent (50%) of the pension gratuity or other payment
5 due to the Military or Uniformed Personnel or their survivors under this Act may
6 be withheld and be applied to settle such accountabilities.

7 **SEC. 42. *Rule on Interpretation.*** – Nothing in this Act shall be construed
8 as authorizing any downward adjustment of pay, or payment of any differential in
9 retirement pay, to Military or Uniformed Personnel who are already retired prior to
10 the effectivity of this Act.

11 **SEC. 43. *Submission of Report to Congress.*** – In accordance with the
12 pertinent provisions of this Act and its Implementing Rules and Regulations, and
13 International Financial Reporting Standards and Principles, the Committees shall
14 submit to both Houses of Congress every three (3) years after the effectivity of this
15 Act, the financial statements and reports, and all information as may be required,
16 to monitor and assess the distribution of retirement benefits and pension, as well as
17 the overall performance of Military or Uniformed Trust Funds, which are funded
18 in whole or in part by the National Government.

19 **SEC. 44. *Penal Clause.*** – Any person who participates directly or
20 indirectly in the commission of fraud, falsification, misrepresentation of facts,
21 collusion or any similar anomaly in the issuance of any certificate or document for
22 any purpose connected with this Act shall, upon conviction, be punished by a fine
23 of not less than the amount defrauded but not more than threefold of such amount
24 or imprisonment of not less than six (6) months and one (1) day to six (6) years
25 and perpetual disqualification from holding public office and from practicing any
26 profession licensed by the government: *Provided*, That a conviction or acquittal
27 obtained under this section shall not be a bar to the filing of an administrative,
28 civil, or criminal case under existing laws.

1 **SEC. 45. *Implementing Rules and Regulations.*** – Within sixty (60) days
2 from the effectivity of this Act, the Secretaries of Finance, National Defense,
3 Interior and Local Government, Justice, Transportation, Environment and Natural
4 Resources, Budget and Management, and the President and General Manager of
5 the GSIS, in consultation with the concerned Military or Uniformed Services, shall
6 promulgate the necessary rules and regulations for the effective implementation of
7 this Act: *Provided*, That the non-promulgation of the implementing rules and
8 regulations shall not prevent the implementation of this Act upon effectivity.

9 Supplemental rules and regulations governing the management and
10 administration of the pension system of the Military or Uniformed Personnel may
11 be issued within one (1) year from the effectivity of this Act.

12 **SEC. 46. *Separability Clause.*** – If any provision or part of this Act is
13 declared invalid or unconstitutional, the remaining parts or provisions not affected
14 shall remain in full force and effect.

15 **SEC. 47. *Repealing Clause.*** – The pertinent provisions of these laws are
16 hereby repealed, amended, or modified accordingly.

17 (a) Section 11 of Republic Act No. 340, as amended, entitled "An Act to
18 Establish a Uniform Retirement System for the Armed Forces of the
19 Philippines, to Provide for Separation Therefrom, and for Other
20 Purposes";

21 (b) Sections 2(b), 3, 5, 11, 12, 14, 16, 17, 18, 19, 20, and 22 of Republic Act
22 No. 5976, otherwise known as the "Coast Survey Officers Retirement
23 and Separation Act of 1969";

24 (c) Sections 5, 17, and 26 of Presidential Decree No. 1638, entitled
25 "Establishing a New System of Retirement and Separation for Military
26 Personnel of the Armed Forces of the Philippines and for Other
27 Purposes," as amended by Presidential Decree No. 1650;

- 1 (d) Presidential Decree No. 361, entitled "Providing for an Armed Forces
2 Retirement and Separation Benefits System," as amended by
3 Presidential Decree No. 1656 and Presidential Decree No. 1909;
4 (e) Section 39 of Republic Act No. 6975, otherwise known as the
5 "Department of the Interior and Local Government Act of 1990";
6 (f) Section 3 of Republic Act No. 8291, as amended, otherwise known as
7 "The Government Service Insurance System Act of 1997";
8 (g) Sections 4 and 5 of Republic Act No. 9040, otherwise known as "The
9 AFP Tax Exemption for Pay and Allowances Act of 2001";
10 (h) Sections 17 and 18 of Republic Act No. 9993, otherwise known as the
11 "Philippine Coast Guard Law of 2009";
12 (i) Sections 2 and 24 of Republic Act No. 10575, otherwise known as the
13 "Bureau of Corrections Act of 2013"; and
14 (j) Section 8 of Republic Act No. 11709, as amended, entitled "An Act
15 Strengthening Professionalism and Promoting the Continuity of Policies
16 and Modernization Initiatives of the Armed Forces of the Philippines, by
17 Prescribing Fixed Terms for Key Officers Thereof, Increasing the
18 Mandatory Retirement Age of Generals/Flag Officers, Providing for a
19 More Effective Attrition System, and Providing Funds Therefor."

20 All other laws, rules, and regulations, and other issuances or parts thereof,
21 which are inconsistent with the provisions of this Act, are hereby repealed,
22 amended, or modified accordingly.

23 **SEC. 48. *Effectivity.*** – This Act shall take effect after fifteen (15) days
24 following the completion of its publication in the Official Gazette or in a
25 newspaper of general circulation.

26 *Approved,*