

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **11066**



Introduced by: **REPRESENTATIVE ERIC L. OLIVAREZ**

EXPLANATORY NOTE

Retirement should provide security and dignity to those who have spent their productive years contributing to the Social Security System (SSS). Yet, the purchasing power of pensions can gradually decline as the cost of food, healthcare, utilities, and other basic necessities increases. Without a predictable mechanism for periodic adjustment, pensioners may find it increasingly difficult to meet their daily needs.

The SSS has recognized the need to improve pension adequacy through its pension reform initiatives, including increases for retirement, disability, death, and survivor pensioners. These measures demonstrate the importance of providing pensioners with meaningful and predictable adjustments while taking into account the long-term sustainability of the Social Security Fund.

This measure seeks to institutionalize an automatic pension escalation mechanism so that pension increases will no longer depend solely on periodic administrative action or discretionary adjustments.

Under the proposed measure, retirement and disability pensioners shall receive an annual increase of ten percent (10%) or the official annual average inflation rate, whichever is higher, while death and survivor pensioners shall receive an annual increase of five percent (5%) or the official annual average inflation rate, whichever is higher. The adjustment shall be applied to the pension in effect immediately prior to the adjustment and shall be compounded annually.

The ten percent (10%) and five percent (5%) rates are intended not merely to offset inflation but also to improve pension adequacy and provide a predictable minimum annual enhancement to pension income.

The proposed mechanism provides pensioners with a predictable minimum increase while protecting the purchasing power of their pensions.

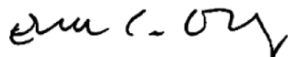
against higher inflation. At the same time, the measure does not diminish any existing pension benefit or increase granted under existing law.

Recognizing the importance of maintaining the long-term viability of the SSS, the measure requires an annual actuarial valuation and review of the Social Security Fund. The review will assess the financial impact of the pension escalation and consider contribution collections, investment income, membership growth, demographic trends, reserves, and other factors affecting the Fund. It will also provide Congress and the Department of Finance with timely information necessary to ensure the continued sustainability of the pension system.

The measure further provides for a periodic Congressional review every five (5) years, allowing Congress to assess the adequacy of pension benefits in light of prevailing economic and demographic conditions while ensuring the long-term sustainability of the Social Security Fund.

Through this measure, pensioners are provided with a fair, predictable, and inflation-responsive mechanism for maintaining the value of their pensions, while preserving the financial integrity of the SSS.

In view of the foregoing, the immediate passage of this measure is earnestly sought.


ERIC L. OLIVAREZ

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**“AN ACT
INSTITUTIONALIZING THE AUTOMATIC PENSION
ESCALATION MECHANISM FOR RETIREMENT, DISABILITY,
DEATH, AND SURVIVOR PENSIONERS OF THE SOCIAL
SECURITY SYSTEM (SSS), PROVIDING FUNDS THEREFOR,
AND FOR OTHER PURPOSES”**

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

SECTION 1. Short Title. - This Act shall be known as the “SSS
Automatic Pension Escalation Act.”

SECTION 2. Declaration of Policy. - It is the policy of the State to
safeguard the welfare of private sector retirees, persons with disabilities, and
qualified beneficiaries of deceased SSS members by ensuring that their
pensions are regularly adjusted to preserve their purchasing power, protect
them against inflation, and provide adequate and predictable income.

SECTION 3. Institutionalization of Automatic Pension Escalation. -
The automatic pension escalation mechanism of the Social Security System
(SSS) is hereby institutionalized.

All SSS retirement and disability pensioners shall receive an annual
increase in their monthly pension equivalent to ten percent (10%) or the official
annual average inflation rate, as measured by the Consumer Price Index (CPI)
and published by the Philippine Statistics Authority (PSA), for the immediately
preceding calendar year, whichever is higher.

Those receiving death and survivor pensions shall receive an annual
increase in their monthly pension equivalent to five percent (5%) or the official
annual average inflation rate, as measured by the CPI and published by the
PSA, for the immediately preceding calendar year, whichever is higher.

The annual increase shall be applied to the monthly pension in effect immediately prior to the adjustment and shall be compounded annually.

The adjustment shall take effect every January 1, beginning on the first January 1 following the effectivity of this Act.

SECTION 4. Coverage. - This Act shall apply to all SSS retirement, disability, death, and survivor pensioners, including existing pensioners as of the effectivity of this Act.

It shall not apply to persons whose SSS benefit is payable solely as a lump-sum benefit in lieu of a monthly pension, in accordance with applicable laws, rules, and regulations.

SECTION 5. Funding Source. - The pension escalation provided under this Act shall be funded from SSS funds and investment income lawfully available for the payment of benefits, consistent with Republic Act No. 11199, as amended, and applicable actuarial standards.

The SSS Board of Directors shall ensure that adequate funds are allocated for the implementation of the pension escalation mechanism while maintaining the long-term actuarial viability and financial sustainability of the Social Security Fund.

The implementation of this Act shall not authorize the diversion or use of funds legally earmarked for other statutory obligations of the SSS.

SECTION 6. Annual Actuarial Review and Report. - The SSS shall conduct an annual actuarial valuation and review of the Social Security Fund to assess the financial impact and long-term sustainability of the automatic pension escalation mechanism established under this Act.

The actuarial review shall consider, among others:

- (a) The projected financial impact of the pension escalation for the succeeding ten (10) years;
- (b) The effect of the pension escalation on the actuarial life, reserves, and funding position of the Social Security Fund;
- (c) Contribution collections, investment income, membership growth, demographic trends, and other factors affecting the financial condition of the Fund; and
- (d) Measures necessary to preserve the long-term actuarial viability and sustainability of the Fund.

The SSS shall submit the annual actuarial report to the Speaker of the House of Representatives, the Chairpersons of the House Committees on Appropriations and on Government Enterprises and Privatization, the Senate President, the Chairpersons of the Senate Committees on Finance and on Government Corporations and Public Enterprises, and the Secretary of the Department of Finance, within thirty (30) days from the completion of the actuarial valuation.

The actuarial review shall not, by itself, constitute authority to suspend, reduce, or withhold the pension escalation mandated under this Act.

SECTION 7. Implementing Rules and Regulations. - Within ninety (90) days from the effectivity of this Act, the SSS, in coordination with the Governance Commission for GOCCs (GCG), the Department of Finance (DOF), the Philippine Statistics Authority (PSA), and other appropriate government agencies and stakeholders, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 8. Periodic Congressional Review. - Every five (5) years from the effectivity of this Act, Congress shall undertake a review of the automatic pension escalation mechanism established herein.

The review shall consider the prevailing inflation rate, pension adequacy, contribution rates, investment performance, demographic trends, fund reserves, actuarial life of the Social Security Fund, and other relevant economic and financial conditions.

Based on the review, Congress may enact such legislative measures as may be necessary to ensure the continued adequacy of pension benefits and the long-term sustainability of the Social Security Fund.

SECTION 9. Non-Diminution of Benefits. - Nothing in this Act shall be construed to diminish, reduce, or impair any existing pension benefit, increase, adjustment, or other benefit granted under Republic Act No. 11199, as amended, or other applicable laws, rules, and regulations.

SECTION 10. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SECTION 11. Repealing Clause. - All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 12. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved.