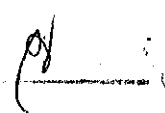


13th CONGRESS OF THE REPUBLIC)
 OF THE PHILIPPINES)
 First Regular Session)

04 JUL -6 10:55

SENATE

RECEIVED BY: S. BILL NO. 1344

Introduced by Senator Recto

EXPLANATORY NOTE

In pursuit of the Constitutional mandate to promote public welfare through the delivery of ample social services, particularly responding to the need for decent shelter, a system of mandatory employee-employer contributions for housing purposes was established through Presidential Decree 1752 otherwise known as the "Home Development Mutual Fund (HDMF) Law of 1980." During the term of President Aquino, the fund contributions to the HDMF were temporarily suspended for the purpose of studying how the burden of the lower income earners can be reduced and their benefits increased. After consultation with concerned sectors and by virtue of Executive Order No. 35, the operation of the Fund was continued. In 1994, P.D. 1752 was amended by Republic Act 7742, allowing the Fund to invest not less than seventy percent (70 %) of its investible fund to housing.

The Fund's primary purpose is to grant a Housing Plan which will provide financial assistance to qualified employees by extending loans for the acquisition of a house/lot, construction or improvement of a house. The Fund also offers a Provident Plan that includes retirement, membership maturity, death, disability/insanity, permanent departure, separation due to health benefits and Additional Death Benefit.

It is apparent that the Provident Benefits offered by the Fund are also being granted by the Government Service Insurance System (GSIS) and the Social Security System (SSS) through their Employees Compensation Program.

Statistics reveal that as of September 2003, there are 5,305,000 members of HDMF whose total contributions reached P 8.169 Billion to its Fund. However, the amount paid for total benefits during the same period, including Provident and Additional Death Benefits was only P 2.881 Billion or 35 % of the total membership contributions. Only 105,004 members or a measly 1.98% of its total membership availed of the said benefits.

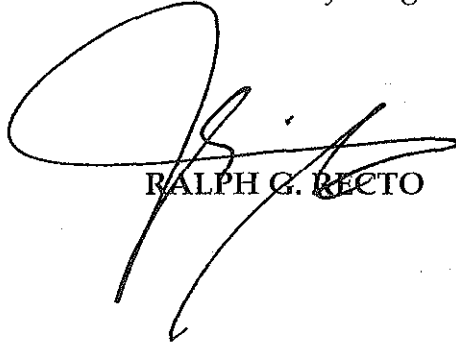
The low turn out of members availing of provident benefits from the HDMF may be due to the duplication of benefits being granted by the Fund and the GSIS and SSS. Further, it may also be an indication that more members may want to contribute a portion of their hard-earned salaries to other forms of investments, which are of equal or even greater need to them than those established in the Fund's Provident Plan.

Notwithstanding the importance of providing a roof over our heads, this measure motivates employees to voluntarily plan and provide for their future needs through investments of their own choice, while maintaining the corresponding employer's contribution. Employees are thereby not bound by mandatory

contributions to a Provident Fund that is in a greater part dedicated to housing purposes.

This bill which allows employees to avail of Pre-Need Plans as an option to Home Development Mutual Fund (HDMF) membership, recognizes the employees' right to individual responsibility for their salaries by giving them the free choice to avail of investments which provide for the performance of future service/s at the time of actual need.

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




RALPH G. RECTO

MRC/SB1756-Pre-Need Plans Option.doc

13th CONGRESS OF THE REPUBLIC)
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SENATE

RECEIVED BY: 

S. BILL NO. 1344

Introduced by Senator Recto

**AN ACT
ALLOWING EMPLOYEES TO AVAIL OF PRE-NEED PLANS AS AN OPTION TO
HOME DEVELOPMENT MUTUAL FUND (HDMF) MEMBERSHIP**

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

1 SECTION 1. *Title.* - This Act shall be known as the "Pre-Need Plans Option Act
2 of 2004"

3 SEC. 2. *Declaration of Policy.* - It is hereby declared a policy of the State to
4 motivate the employed and other earning groups to better plan and provide for their
5 future needs in a voluntary manner with contributory support of their employers in
6 pursuit of social justice and equity.

7 SEC. 3. *Definition of Terms.* Whenever used in this Act, the following terms shall
8 have their respective meanings:

- 9 a.) "Pre-Need Plans" shall refer to contracts which provide for the performance
- 10 of future service/services or payment of future monetary consideration at the
- 11 time of actual need, payable either in cash or installment by planholders at
- 12 prices stated in the contract, with or without interest or insurance coverage
- 13 and includes but not limited to life, pension, education, travel, interment,
- 14 cremation and other similar contracts and investments; and
- 15 b.) "Pre-Need Company" is any corporation registered with the Securities and
- 16 Exchange Commission (SEC) and authorized/licensed to sell or offer for sale
- 17 pre-need plans. A Pre-Need Company may be a single plan (selling one type

1 of Pre-Need Plan) or multi-plan (selling more than one (1) type of Pre-Need
2 Plan).

3 SEC. 4. *Amendment to Section 4 of R.A. 7742.* - Section 4 of Republic Act
4 Numbered Seven Thousand Seven Hundred Forty-Two is hereby amended to read as
5 follows:

6 "SEC. 4. *Fund Coverage.* - Coverage of the Fund shall be VOLUNTARY
7 [mandatory] upon all employees covered by the Social Security System and the
8 Government Service Insurance System, and their respective employers: [*Provided,*
9 *however,* That coverage of the employees whose Monthly Compensation is less
10 than Four thousand pesos (P 4,000.00) shall be voluntary:] *Provided, [further,]* That
11 upon membership with the Fund, their employers shall contribute an amount in
12 accordance with Section 5 of this Act.

13 "Such coverage may be extended to other working groups, with or
14 without employer contributions, as may be determined by the Board of
15 Trustees."

16 SEC. 5. *Coverage.* - All employees covered by the Social Security System (SSS)
17 and the Government Service Insurance System (GSIS) and other earning groups shall be
18 allowed to avail of pre-need plans as an option to HDMF Contributions: *Provided,* That
19 the cost to be borne by the employer shall not exceed P 100.00: *Provided, further,* That
20 any amount in excess of the employer's share of P100.00 shall be shouldered by the
21 employee. He/she may sign an Authorization allowing his/her employer to deduct
22 from his/her salary said amount.

23 SEC. 6. *Duration of Contribution.* Employees who resign, are laid-off or
24 suspended from employment may wish to continue their Contract with the Pre-Need
25 Company: *Provided, however,* That, the employer's counterpart contribution of P100 per
26 month shall now be shouldered by the employee.

1 SEC. 7. *Accountability for Delinquent Accounts.* The employer or office shall not be
2 held accountable for any delinquent account maintained by the employee with the Pre-
3 Need Company as a result of the employee's negligent payment of his/her
4 contributions.

5 SEC. 8. *Implementing Rules and Regulations.* - Within sixty (60) days from the
6 approval of this Act, the Civil Service Commission (CSC) in cooperation with the
7 Department of Budget and Management (DBM) shall promulgate the rules and
8 regulations necessary for the effective implementation of this Act.

9 SEC. 9. *Separability Clause.* - If any provision or section of this Act or the
10 application thereof to any person or circumstance is held to be invalid, the other
11 provisions or sections of this Act, and the application of such provision or section to
12 other persons or circumstances, shall not be affected thereby.

13 SEC. 10. *Repealing Clause.* - All laws, executive orders, rules or regulations, or any
14 part thereof, inconsistent with any provision of this Act are hereby repealed or modified
15 accordingly.

16 SEC. 11. *Effectivity.* - This Act shall take effect fifteen (15) days after its
17 publication in the *Official Gazette* or in at least two (2) national newspapers of general
18 circulation, whichever comes first.

19 *Approved,*