

13<sup>th</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
FIRST REGULAR SESSION )

04 JUL -6 AM 11:19

SENATE

RECEIVED BY: 

SENATE BILL NO. 1362

---

INTRODUCED BY HONORABLE RALPH G. RECTO

---

EXPLANATORY NOTE

This bill seeks to rationalize the investment operations of the Social Security System (SSS) as effective social welfare legislation. In modifying the cumulative investment ceilings of the system, it is empowered to invest more in viable undertakings thereby reaping more benefits in favor of the system's contributing members.

The increase of 10% in the housing investment will translate to houses for the homeless and more decent housing facilities. The 10% increase in the short and medium-term member loans will give financial flexibility to members and the 5% increase in industry investment will also facilitate liquidity. More so, the 12.5% increase in the foreign-currency denominated investments will liberalize the investing capacity of the system.

The decrease of 15% in the investment to private securities and 10% in government financial institutions and corporations and 10% decrease in the infrastructure projects will limit high risk investments and prevents grants of behest and favored loans.

Through modifying the allowed portion of the Investment Reserve Fund, the members are assured of sound management practices and sustained operations and more effective delivery of social security benefits to its members.


It is in this light that immediate passage of this bill is earnestly sought.

  
RALPH G. RECTO

13<sup>TH</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUL -6 AM 11:19

SENATE

RECEIVED BY: 

S. BILL NO. 1362

---

Introduced by SENATOR RALPH G. RECTO

---

AN ACT

**RATIONALIZING THE INVESTMENT RESERVE FUNDS OF SOCIAL SECURITY SYSTEMS, THEREBY AMENDING SECTION 26 OF RA 8282 OTHERWISE KNOWN SOCIAL SECURITY ACT OF 1997, AND FOR OTHER PURPOSES**

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

1 SECTION 1. SEC. 26 of RA 8282, otherwise known as Social Security Act of  
2 1997, is hereby amended to read as follows:

3 "Sec 26. *Investment of Reserve Funds* -- All revenues of the SSS that are  
4 not needed to meet the current administrative and operational expenses incidental  
5 to the carrying out of this Act shall be accumulated in a fund to be known as the  
6 "Reserve Fund". Such portions of the Reserve Fund as are not needed to meet the  
7 current benefit obligations thereof shall be known as the "Investment Reserve  
8 Fund" which the commission shall manage and invest with the still, care,  
9 prudence and diligence necessary under the circumstances then prevailing that a  
10 prudent man acting in like capacity and familiar with such matters would exercise  
11 in the conduct of an enterprise of a like character and with similar aims. Pursuant  
12 thereto, and in line with the basic principles of safety, good yield and liquidity,  
13 the Commission shall invest the funds to earn an annual income not less than the  
14 average rates of treasury bills or any other acceptable market yield indicator in  
15 any or all of the following:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

“(a) x x x

“(b) in bonds, securities, promissory notes or other evidence of indebtedness of the Government of the Philippines or any of its agencies or instrumentalities to finance domestic infrastructure projects such as roads, bridges, ports, telecommunications, and other similar projects: *Provided*, That the instruments issued by an agency or instrumentality of the government shall be guaranteed by the Government of the Philippines or any government financial institution or acceptable multilateral agency: *Provided, further*, That the SSS shall have priority over the revenues of the projects: *Provided, finally*, that such investments shall not exceed [thirty] TWENTY percent ([3]20%) of the Investment Reserve Fund;

“(c) In bonds, securities, promissory notes or other evidence of indebtedness of government financial institutions or government corporations with acceptable credit or guarantee: *Provided*, That such investments shall not exceed [thirty] TWENTY percent ([3]20%) of the Investment Reserved Fund;

“(d) In bonds, securities, deposits, promissory notes or other evidence of indebtedness of any bank doing business in the Philippines, including schools, hospitals, small-and-medium scale industries, cooperatives and non-governmental organizations, in which case the collaterals or securities shall be assigned to the SSS, under such terms and conditions as the commission may prescribe: *Provided*, That in the case of bank deposits, they shall not exceed at any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller: *Provided, further*, That said bank shall first have been designated as a depository for this purpose by the Monetary Board of the Bangko Sentral ng Pilipinas: *Provided, finally*, That such investments shall not exceed [forty] TWENTY percent ([4]20%) of the Investment Reserve Fund;

1           “(e) In bonds, securities, promissory notes or other evidence of  
2 indebtedness of shelter agencies of the National Government or financial  
3 intermediaries to finance housing loans of members; and in long-term direct  
4 individual or group housing loans giving priority to the low-income groups, up to  
5 a maximum of ninety percent (90%) of the appraised value of the properties to be  
6 mortgaged by the borrowers; and

7           “In short and medium term loans to members such as salary, educational,  
8 livelihood, marital, calamity, and emergency loans: *Provided*, That not more than  
9 [thirty] FORTY five percent ([3]45%) of the Investment Reserve Fund at any time  
10 shall be invested for housing purposes: *Provided, further*, That not more than  
11 [ten] TWENTY percent ([1]20%) of the Investment Reserve Fund shall be  
12 invested in short and medium term loans;

13           “(f) In bonds, securities, promissory notes or other evidence of  
14 indebtedness of educational or medical institutions to finance the construction,  
15 improvement and maintenance of schools and hospitals and their equipment and  
16 facilities: *Provided*, That such investments shall not exceed [ten] TWENTY  
17 percent ([1]20%) of the Investment Reserve Fund;

18           “(g) x x x

19           “(h) In bonds, debentures, securities, promissory notes or other  
20 evidence of indebtedness of any prime corporation or multilateral institution to  
21 finance domestic projects: *Provided*, That the issuing or assuming entity or its  
22 predecessors shall not have defaulted in the payment of interest on any of its  
23 securities and that during each of any three (3) including the last two (2) of the  
24 five (5) fiscal years next preceding the date of acquisition by the SSS of such  
25 bonds, debentures or other evidence of indebtedness, the net earnings of the  
26 issuing or assuming institution available for its fixed charges, as defined in this

1 Act, shall have been not less than one and one-quarter times the total of its fixed  
2 charges for such year: *Provided*, further, That such investments shall not exceed  
3 [thirty] FIFTEEN percent ([30]15%) of the Investment Reserve Fund;

4 “(i) In preferred or common shares of stocks listed or about to be listed  
5 in the stock exchange or options or warrants to such stocks or, subject to prior  
6 approval of the *Bangko Sentral ng Pilipinas*, such other risk management  
7 instruments of any prime or solvent corporation or financial institution created or  
8 existing under the laws of the Philippines with proven track record of profitability  
9 over the last three (3) years and payment of dividends at least once over the same  
10 period: *Provided*, That such investments shall not exceed [thirty] FIFTEEN  
11 percent ([30]15%) of the Investment Reserve Fund;

12 “(j) In domestic or foreign mutual funds in existence or at least three  
13 (3) years and payment of dividends at least once over the same period: *Provided*,  
14 that such investments shall not exceed twenty percent (20%) of the Investment  
15 Reserve Fund: *Provided, further*, That investments in foreign mutual funds shall  
16 not exceed [one] TEN percent (1%) of the Investment Reserve Fund in the first  
17 year which shall be increased by one percent (1%) for each succeeding year, but  
18 in no case shall it exceed [seven and one-half] TWENTY percent ([7.5]20%) of  
19 the Investment Reserve Fund;

20 “(k) In foreign currency deposits or triple “A” foreign currency-  
21 denominated debts, prime and non-speculative equities, and other *Bangko Sentral*  
22 *ng Pilipinas* approved financial instruments or other assets issued in accordance  
23 with existing laws of the countries where such financial instruments are issued  
24 *Provided*, That these instruments or assets are listed in bourses of the respective  
25 countries where these instruments or assets are issued: *Provided, further*, That the  
26 issuing company has proven track record of profitability over the last three (3)

1 years and a record of regular dividend pay-out over the same period: *Provided,*  
2 *finally,* That such investments shall not exceed [one] TEN percent (10%) of the  
3 Investment Reserve Fund in the first year which shall be increased by one percent  
4 (1%) for each succeeding year, but in no case shall it exceed [seven and one-half  
5 percent] TWENTY ([7.5]20%) of the Investment Reserve Fund;

6 “(l) . . . x x x

7 “(m) In other *Bangko Sentral ng Pilipinas* approved investment  
8 instruments with the same intrinsic quality as those enumerated in  
9 paragraphs (a) to (l) hereof, subject to the policies and guidelines which  
10 the Commission may formulate.

11 “No portion of the Investment Reserve Fund or income thereof  
12 shall accrue to the general fund of the National Government or to any of  
13 its agencies or instrumentalities, including government-owned or  
14 controlled corporations, except as may be allowed under this Act:  
15 *Provided,* That no portion of the Investment Reserve Fund shall be  
16 invested for any purpose or in any instrument, institution or industry over  
17 and above the prescribed cumulative ceilings as follows:

18 [40%] **25%** in private securities

19 [35%] **45%** in housing

20 [30%] in real estate related investments

21 [10%] **20%** in short and medium-term member loans

22 [30%] **20%** in government financial institutions and corporations

23 [30%] **20%** in infrastructure projects

24 [15%] **20%** in any particular industry

25 [7.5%] **20%** in foreign-currency denominated investments

1        SEC. 2. **Implementing Rules and Regulations.** - The Department of Finance  
2        (DoF) and other appropriate government agencies shall promulgate rules and  
3        regulations necessary for the effective implementation of this Act.

4        SEC. 3.        **Repealing Clause.** - All other laws, decrees, orders, issuances  
5        and rules and regulations or parts thereof inconsistent with this Act are hereby  
6        amended or repealed accordingly.

7        SEC.4.        **Separability Clause.** - The provisions of this Act are hereby  
8        declared to be separable and, in the event any of such provisions is declared  
9        unconstitutional, the order provision which is not affected thereby shall remain in  
10       full force and effect.

11       SEC.5.        **Effectivity.** - This Act shall take effect fifteen (15) days after its  
12       complete publication in at least two (2) newspapers of general circulation.

13       Approved,