

SENATE

S. No. 755

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RECEIVED BY: _____

Introduced by Senator Ralph G. Recto

**AN ACT
STRENGTHENING THE MILITARY AND UNIFORMED PERSONNEL PENSION
SYSTEM, CREATING THE MILITARY AND UNIFORMED PERSONNEL
INSURANCE FUND, AMENDING SECTIONS 3 AND 24 OF REPUBLIC ACT
NUMBER 8291, AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Uniformed services are vested with the Aegean tasks of upholding Philippine sovereignty and territorial integrity, protecting lives and properties, and maintaining peace, order, and safety. To perform their respective mandates, uniformed services engage in the active recruitment of their respective manpower complement. Such recruitment of military men, police officers, firefighters, jail custodians, and coastguardsmen, will invariably result not only in increased operational cost today, but also in higher pension payments in the future.

The current system of financing the pension requirements of military and uniformed personnel retirees, however, is unsustainable, if not fiscally irresponsible. The pension system is entirely dependent on the funds appropriated for pension requirements in the annual general appropriations. Apart from the resulting delays in the payment of pension claims, the government is also burdened by the need to appropriate funds for a ballooning pension requirement without a viable fund source. For 2017, the government has obligated P75.17 billion, or 2.27% of total obligations¹, for military and uniformed personnel pension – an amount equivalent to

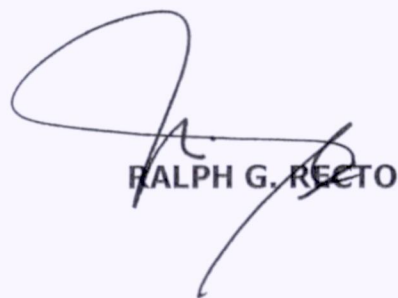
¹ Department of Budget and Management (2018). *Budget of Expenditures and Sources of Financing FY 2019*. Manila: Department of Budget and Management

230.69% of the amount obligated for the same purpose just a decade ago². This figure is almost equal to the P79.58 billion obligated for military and uniformed personnel base pay for the same year. Without ample intervention, funding requirements for pensioners shall eclipse the operational requirements of all active uniformed services in the country in a few years.

This bill seeks to arrest this impending fiscal disaster by establishing a government-guaranteed insurance fund to cover the insurance needs of new entrants to the uniformed services of the government. This fund shall be managed by the Government Service Insurance System (GSIS) and shall be supported by agency contributions equivalent to 21% of the total monthly base pay of their respective uniformed personnel. Proceeds from investing the fund shall then be used to pay for the separation or retirement benefits of qualified uniformed personnel member. This bill also ensures that existing pensioners and uniformed personnel in active service prior to its approval shall enjoy the prevailing retirement benefits at the time of their initial appointment, recruitment, or admission to the uniformed services.

Through the creation of the Military and Uniformed Personnel (MUP) Insurance Fund, it is hoped that a viable and sustainable funding source for pension requirements shall be secured, and a responsible management of scant government resources shall be realized.

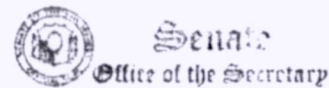
In view of the foregoing, the swift passage of this measure is earnestly sought.



RALPH G. RECTO

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² Department of Budget and Management (2008). *Budget of Expenditures and Sources of Financing FY 2009*. Manila: Department of Budget and Management



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NUMBER 8291, AND FOR OTHER PURPOSES**

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

1 Section 1. *Short Title.* – *This Act shall be known as the "Military and*
2 *Uniformed Personnel Insurance Fund Act."*

3 Sec. 2. *Declaration of Policy and Objectives.* – The State recognizes the
4 invaluable contribution of the uniformed services in providing an environment
5 conducive to nation-building and economic development. The State likewise
6 recognizes the role of uniformed personnel who faithfully carry out their mandate to
7 uphold Philippine sovereignty and territorial integrity; to protect lives and properties;
8 and to maintain peace, order, and safety – often at great personal risk and peril. To
9 recompense such dedicated performance of duty, it is hereby declared the policy of
10 the State to provide immediate and adequate care, benefits, and other forms of
11 assistance to veterans of the uniformed services, as well as to their surviving
12 spouses and orphans. Towards this end, the State shall develop a sound, viable, and
13 tax-exempt military and uniformed personnel insurance and pension fund that caters
14 to the needs of the uniformed personnel of the National Government, and motivates
15 them to faithfully abide by their commitments to the country and its people.

1 Sec. 3. *Definition of Terms.* – For the purposes of this Act:

2 (a) *Military and Uniformed Personnel (MUP) Insurance Fund* shall refer to the
3 special insurance fund for the new entrants to the uniformed services of the National
4 Government created under Section 4 of this Act;

5 (b) *Base Pay* shall refer to the primary cash compensation for work
6 performed by uniformed personnel of the uniformed services, excluding any other
7 pay, allowances, benefits or incentives;

8 (c) *Government Service Insurance System (GSIS)* shall refer to the
9 Government Service Insurance System created by Commonwealth Act No. 186, as
10 amended;

11 (d) *New Entrants* shall refer to newly-appointed, -recruited or -admitted
12 uniformed personnel of the uniformed services after the effectivity of this Act;

13 (e) *Uniformed Personnel* shall refer to the commissioned officers and enlisted
14 personnel of the uniformed services; and,

15 (f) *Uniformed Services* shall refer to the Armed Forces of the Philippines
16 (AFP), Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau of
17 Jail Management and Penology (BJMP), Philippine Coast Guard (PCG) and
18 commissioned corps of the National Mapping and Resource Information Authority
19 (NAMRIA).

20 Sec. 4. *Military and Uniformed Personnel Insurance Fund.* – To carry out the
21 purposes of this Act, the Military and Uniformed Personnel Insurance Fund is hereby
22 created, herein referred to as the MUP Insurance Fund, as a special insurance fund
23 for the new entrants to the uniformed services who received their initial
24 appointments after the effectivity of this Act.

25 The GSIS shall be responsible for the administration of the MUP Insurance
26 Fund and the implementation of the provisions of this Act: *Provided, That* the MUP
27 Insurance Fund shall be administered and reported separately from the GSIS Social
28 Insurance Fund provided under Section 34 of Republic Act No. 8291, otherwise
29 known as "*The Government Service Insurance System Act of 1997.*"

30 The MUP Insurance Fund shall not be used for purposes other than those
31 provided for under this Act. No portion of the MUP Insurance Fund or income thereof
32 shall accrue to the General Fund of the national government and its political

1 subdivisions, instrumentalities and other agencies including government-owned and
2 controlled corporations except as may be allowed under this Act.

3 Sec. 5. *Coverage.* – Upon recruitment, appointment or admission, coverage in
4 the MUP Insurance Fund shall be mandatory for all new entrants to the uniformed
5 services.

6 Sec. 6. Section 3 of Republic Act No. 8291, otherwise known as “The
7 Government Service Insurance System Act of 1997,” is hereby amended to read as
8 follows:

9 “Section 3. Compulsory Membership. — Membership in the GSIS
10 shall be compulsory for all employees receiving compensation **AND**
11 **FOR NEW ENTRANTS TO THE UNIFORMED SERVICES COVERED**
12 **BY THE MUP INSURANCE FUND**, who have not reached the
13 compulsory retirement age, irrespective of employment status, except
14 [~~members of the Armed Forces of the Philippines and the Philippine~~
15 ~~National Police, subject to the condition that they must settle first their~~
16 ~~financial obligation with the GSIS, and]~~ contractuales who have no
17 employer and employee relationship with the agencies they serve.”

18 Sec. 7. Section 24 of Republic Act No. 8291, otherwise known as “The
19 Government Service Insurance System Act of 1997,” is hereby amended to read as
20 follows:

21 “Section 24. Compulsory Life Insurance. — All employees
22 [~~except for Members of the Armed Forces of the Philippines (AFP) and~~
23 ~~the Philippine National Police (PNP)] **AND NEW ENTRANTS TO THE**
24 **UNIFORMED SERVICES COVERED BY THE MUP INSURANCE**
25 **FUND** shall, under such terms and conditions as may be promulgated
26 by the GSIS, be compulsorily covered with life insurance, which shall
27 automatically take effect as follows:~~

28 “x. x. x.”

29 Sec. 8. *MUP Insurance Fund Generation.* – The government agency
30 concerned shall contribute to the MUP Insurance Fund an amount equivalent to
31 twenty-one percent (21%) of the monthly base pay of their uniformed personnel
32 appointed after the effectivity of this Act.

1 The government agency concerned shall include in its annual appropriation
2 such sums as may be necessary to cover the required contribution provided for in
3 this Act. The manner of collection and remittance of contributions to the MUP
4 Insurance Fund shall be in accordance with the relevant provisions of Republic Act
5 No. 8291, otherwise known as "*The Government Service Insurance System Act of*
6 *1997.*"

7 Sec. 9. *MUP Insurance Fund Investments.* – The portions of the MUP
8 Insurance Fund which are not needed to meet any current obligation may be
9 invested in accordance with Section 36 of Republic Act No. 8291, otherwise known
10 as "*The Government Service Insurance System Act of 1997.*"

11 Sec. 10. *Retirement, Separation and Other Benefits.* – The provision of
12 retirement, separation, and other benefits chargeable against the MUP Insurance
13 Fund, including eligibility requirements, shall be governed by the relevant provisions
14 of Republic Act No. 8291, otherwise known as "*The Government Service Insurance*
15 *System Act of 1997.*"

16 Sec. 11. *Grant of Additional Retirement and Separation Benefits.* – GSIS may,
17 upon determination of actuarial soundness, provide better pension benefits to
18 qualified military and uniformed personnel retirees covered by the MUP Insurance
19 Fund.

20 Sec. 12. *Exemptions from Tax, Legal Process and Lien.* – Any provision of the
21 law to the contrary notwithstanding, all contributions for the MUP Insurance Fund
22 and all accruals thereto and income or investment earnings therefrom shall be
23 exempt from any tax, assessment, fee, charge, or customs or import duty in
24 accordance with Section 39 of Republic Act No. 8291, otherwise known as "*The*
25 *Government Service Insurance System Act of 1997.*"

26 Sec. 13. *Government Guarantee.* – The government of the Republic of the
27 Philippines hereby guarantees the fulfillment of the obligations of the GSIS to
28 military and uniformed personnel members covered by the MUP Insurance Fund as
29 and when they fall due.

30 Sec. 14. *Cost of MUP Insurance Fund Administration.* – The MUP Insurance
31 Fund shall bear the costs of its administration and development, in such amounts
32 and for limits as the GSIS Board of Trustees may deem appropriate, but not

1 exceeding ten percent (10%) of the annual revenues from all sources: *Provided,*
2 *That* the President of the Philippines may, on the basis of actuarial and management
3 studies, increase the allotment for the administrative and operational expenses for
4 the MUP Insurance Fund.

5 Sec. 15. *Audit.* – The audit of the MUP Insurance Fund shall be conducted in
6 accordance with Section 22 of Republic Act No. 8291, otherwise known as "*The*
7 *Government Service Insurance System Act of 1997.*"

8 Sec. 16. *Pension Benefits for Pensioners and Active Uniformed Personnel Prior*
9 *to the Effectivity of this Act.* – Existing pensioners and uniformed personnel in active
10 duty prior to the effectivity of this Act shall enjoy the retirement benefits provided
11 under Presidential Decree No. 1638 as amended, Republic Act No. 6975 as amended
12 by Republic Act No. 8551, Republic Act No. 9993, and other applicable laws.

13 Sec. 17. *Appropriations.* – The amount necessary for the implementation of
14 the provisions of this Act shall be included in the annual General Appropriations Act
15 following its enactment into law.

16 Sec. 18. *Implementing Rules and Regulations.* – Within ninety (90) days from
17 effectivity of this Act, the GSIS and the Department of Budget and Management
18 (DBM) shall, in coordination with the Department of Environment and Natural
19 Resources (DENR), the Department of the Interior and Local Government (DILG),
20 the Department of National Defense (DND), and the Department of Transportation
21 (DOTr), and after consultation with directly affected stakeholders, promulgate the
22 rules and regulations to effectively implement the provisions of this Act.

23 Sec. 19. *Separability Clause.* – If any provision, section or part of this Act shall
24 be declared unconstitutional or invalid, such judgment shall not affect, invalidate or
25 impair any other provisions, sections or parts hereof.

26 Sec. 20. *Repealing Clause.* – All laws, decrees, orders, rules and regulations
27 which are inconsistent with the provisions of this Act are hereby repealed or
28 modified accordingly.

29 Sec. 21. *Effectivity.* – This Act shall take effect fifteen (15) days following its
30 publication in at least two (2) newspapers of general circulation or in the *Official*
31 *Gazette.*

Approved,