


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

8 MAR 13

SENATE
S. No. 2273

RECEIVED BY: 

Introduced by Senator Antonio "Sonny" F. Trillanes IV

EXPLANATORY NOTE

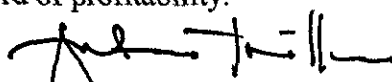
Except for the personnel of the AFP and the PNP, membership in the GSIS by all government employees is compulsory. It is thus mandatory for a member to pay a monthly contribution that is deductible to his salary. The government shoulders its share in the contribution. However, this arrangement does not in any way dilute the fiduciary character of the funds managed by the GSIS. The fact remains that the funds under its administration are partly contributed by the government employees. It is well to stress that the GSIS, particularly, its funds does not belong to the government, much less to any administration, and that the interest of the members can only be duly safeguarded if the administrators of GSIS act with utmost fidelity and care.

Section 36 of Presidential Decree No. 1146 as amended by Republic Act No. 8291, otherwise known as the "Revised Government Service Insurance System Act of 1997", enumerates the possible investments that the GSIS may enter into. Funds of the GSIS that are not needed to meet the current obligations may be invested under such terms and conditions and rules and regulations that may be prescribed by the GSIS Board of Trustees. The investment should satisfy the requirements of liquidity, safety or security and yield. The GSIS is likewise mandated to submit an annual report on all investments made to both Houses of Congress of the Philippines. In other words, the GSIS is constrained to remain circumspect in handling the funds in order to protect the thousands upon thousands of members against dubious investments.

Nevertheless, it would be naïve to presume that these safeguards are full proof. There is no assurance that these investments will invariably yield a return considering the volatility of the market. The fact that the prices of stock vary daily cannot be denied. The exchange rate of the peso vis-avis the U.S. dollar and other convertible foreign currencies also change from day to day. These fluctuations in market prices and in foreign exchange rates certainly have unpredictable effects upon the funds of GSIS.

The broad authority granted the GSIS presumes that as long as the investment is amongst those allowed under the law, the same is good for members. But that presumption cannot reasonably be indulged in casually in these times of fast economic change marked by unstable costs of living and fluctuations in the value of domestic currency. Investment in stocks, bonds, debentures and evidence of indebtedness other than those issued by government expose the GSIS funds to disproportionate risks. Such investments defeat the purposes of establishing a fiduciary fund that would answer primarily for the retirement needs, education, health, and welfare of the members and their dependents.

This bill seeks to trim down the areas of investments to only those that assure predictability in order to protect the mass of members from the vagaries of trade and commerce, and from enterprises with false pretentions of track record of profitability.


ANTONIO "SONNY" F. TRILLANES IV
Senator

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AN ACT
LIMITING THE INVESTMENT OF FUNDS OF THE GOVERNMENT SERVICE
INSURANCE SYSTEM AMENDING FOR THE PURPOSE SECTION THIRTY-
SIX OF PRESIDENTIAL DECREE NUMBER ELEVEN HUNDRED FORTY-SIX
AS AMENDED, OTHERWISE KNOWN AS THE REVISED GOVERNMENT
SERVICE INSURANCE SYSTEM ACT OF 1977

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

1 **SECTION 1.** Section 36 of Presidential Decree No. 1146 as amended otherwise
2 known as the Revised Government Service Insurance Act of 1977, as further amended by
3 Republic Act No. 8291, is hereby amended to read as follows:

4
5 SEC. 36. Investment in Funds. – The funds of the GSIS which are
6 not needed to meet current obligations may be invested under such terms
7 and conditions and rules and regulations as may be prescribed by the
8 Board: Provided, That investment shall satisfy the requirements of
9 liquidity, safety, security and yield in order to ensure the actuarial
10 solvency of the funds of the GSIS: Provided, further, That the GSIS shall
11 submit an annual report on all investments made to both Houses of
12 Congress of the Philippines, to wit:

13 (a) In interest-bearing bonds or securities or other evidence of
14 indebtedness of the Government of the Philippines;

15 (b) In interest-bearing deposits or securities in any domestic
16 bank doing business in the Philippines; Provided, That in case of such

1 deposits, these shall not exceed at any time the unimpaired capital and
2 surplus or total private deposits of the depository bank, whichever is
3 smaller: Provided, further, That said bank has prior designation as a
4 depository bank for the purpose by the Monetary Board of the Central
5 Monetary Authority.

6 (c) In direct housing loans to members and group housing
7 projects secured by first mortgage, giving priority to the low income
8 groups and in short – and medium – term loans to members such as salary,
9 policy, educational, emergency, stock purchase plan and other similar
10 loans: Provided, That no less than forty percent (40%) of the investable
11 funds of the GSIS Social Insurance Fund shall be invested for these
12 purposes;

13 (d) In bonds, securities, promissory notes or other evidence of
14 indebtedness of educational or medical institutions to finance the
15 construction, improvement and maintenance of schools and hospitals;

16 (e) In real estate property including shares of stocks involving
17 real estate property and investments secured by first mortgages on real or
18 other collaterals acceptable to the GSIS: Provided, That such investments
19 shall, in the determination of the Board, redound to the benefit of the
20 GSIS, its members as well as the general public;

21 [(f) In debt instruments and other securities traded in the
22 secondary markets;]

23 [(g) In loans to, or in bonds, debentures, promissory notes or
24 other evidence of indebtedness of any solvent corporation created or
25 existing under the laws of the Philippines;]

26 [(h) In common and preferred stocks of any solvent corporation
27 or financial institution created or existing under the laws of the Philippines

1 listed in the stock exchange with proven track record of profitability over
2 the last three (3) years and payment of dividends at least once over the
3 same period;]

4 [(i) In domestic mutual funds including investments related to
5 the operations of mutual funds; and]

6 [(j) In foreign mutual funds and in foreign currency deposits or
7 foreign currency-denominated debts, non-speculative equities and other
8 financial instruments or other assets issued in accordance with existing
9 laws of the countries where such financial instruments are issued:
10 Provided, That these instruments or assets are listed in bourses of the
11 respective countries where these instruments are issued: Provided, further,
12 That the issuing company has proven track record of profitability over the
13 last three (3) years and payment of dividends at least once over the same
14 period.]

15
16 **SEC. 2.** The funds that have been invested in activities heretofore disallowed
17 shall, under the supervision of the GSIS Board of trustees and in accordance with the
18 guidelines it shall promulgate therefore, be liquidated within one year after the effectivity
19 of this Act. All such investments including all profits and earnings derived therefore shall
20 revert to the general fund of the GSIS.

21
22 **SEC. 3.** The penal provisions under Presidential Decree No. 1146, as amended,
23 shall apply in the liquidation of funds as herein provided.

24
25 **SEC. 4.** The GSIS shall submit a liquidation report to be included in the annual
26 report on all investments made to both the Senate and the House of Representatives of
27 Congress of the Philippines.

1 **SEC. 5.** All laws, decrees, executive orders, rules and regulations inconsistent
2 herewith are hereby repealed or amended accordingly.

3

4 **SEC. 6.** This Act shall take effect fifteen (15) days from its publication in the
5 Official Gazette or in any two newspapers of general circulation.

Approved,