SENATE

Senate Bill No. 906

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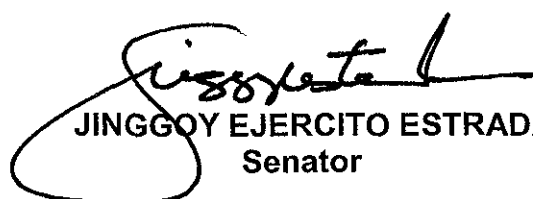## INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

Republic Act 1616 was enacted in 1957 to amend Commonwealth Act 186 which provides for the government employees' retirement benefits. It, likewise, introduced Gratuity retirement mode, a new scheme of paying retirement benefits which is a one-time payment to be made by the last employer of the retiree.

The Gratuity retirement mode was implemented to accommodate younger government employees who have not yet reached the minimum number of years of service required for them to qualify for the Old-Age Pension for Life retirement mode. However, because of the ambiguous phraseology of R.A. 1616, instead of its application being restricted to younger employees as intended, government employees who were already legally qualified to retire under the Old-Age Pension for Life retirement mode were also covered by the said law. This ambiguity became prejudicial to the latter because they were granted gratuity when they were already qualified to receive old-age pension for life.

While the deleterious provision of R.A. 1616 was impliedly phased out under Presidential Decree 1146, there has been no law enacted categorically repealing the subject provision thus causing further inequity. Even with the passage of the new law on government retirement benefits, R.A. 8291, the said provision still stands.

In order to address the flaws in R.A. 1616, the passage of this bill is earnestly requested. Retirees who were prejudiced under R.A. 1616 shall be compensated by allowing them to convert their mode of retirement to the more beneficial Old-Age Pension for Life retirement with survivorship benefits. Funding for the implementation of the law is proposed to be generated from a portion of the GSIS Residual Actuarial Reserve, part of which accumulated from the payments (and the investment earnings thereon) that were saved by the GSIS for not having paid the retirees qualified to receive old-age pension for life who were instead paid a measly one-time lump sum by their employers.

JINGGOY EJERCITO ESTRADA
Senator

S E N A T E

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

AN ACT
GRANTING OLD-AGE PENSION FOR LIFE TO SENIOR CITIZENS WHO RETIRED UNDER REPUBLIC ACT 1616 AS WELL AS SURVIVORSHIP BENEFITS TO THEIR SURVIVORS

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

SECTION 1. *Declaration of Policy.* It is the declared policy of the State to promote and provide a rising standard of living and an improved quality of life for all. In pursuit of such policy, the State recognizes the need and so undertakes to grant old age pension for life to senior citizens who retired under Republic Act 1616, as well as survivorship benefits to their survivors who are otherwise deprived thereof, in order that such pension would be responsive to their increasing needs.

SEC. 2. *Coverage.* This Act shall cover senior citizens who retired under R.A. 1616 effective June1, 1977 and thereafter.

SEC. 3. *Change of Mode of Retirement.* An employee who retired not earlier than June 1, 1977 under R.A. 1616 but who is otherwise qualified to retire under R.A. 660 or PD 1146, shall hereafter automatically have this gratuity retirement converted to a pension system of his choice under existing laws that is more beneficial to him, and thereafter shall receive the old-age pension for life as well as the survivors' benefits for this survivors provided under such laws. Additionally, the retiree or his survivors shall no longer be required to reimburse to the Government Service Insurance System (GSIS) the retirement gratuity previously received by him from his last employer as well as the refunds from the GSIS of the personal and employer's premium as the case may be but shall be considered as partial payment by the GSIS to the retiree under the pension law of his choice.

SEC. 4. *Status of the Converted Senior Citizen-Retiree.* Upon approval of this Act, the status of the converted senior citizen – retiree shall, for all intents and purposes, be the same as though he has originally retired under the annuity Pension System, and henceforth be accorded all the present and future benefits and privileges accruing to a retiree under the annual Pension System. However, if an R.A. 1616 retiree prefers not to be converted under this Act, then he shall so state in writing to the GSIS.

SEC. 5. *Funding.* Such sum as may be necessary for the payment of the retirement/survivorship benefits under Section 3 of this Act, shall be charged against the accumulated aggregate residual actuarial reserves as established pursuant to Section 24 (b) of Commonwealth Act 186, as amended, that the GSIS essentially saved from not being required to pay the old-age pension for life, as well as the survivorship benefits of thousand of R.A. 1616 retirees whose lump sum gratuity was each paid instead by his employer effective from the time R.A. 1616 took effect on May 31, 1975.

SEC. 6. *Implementing Guidelines.* The GSIS, in connection with the Department of Budget and Management, shall issue the necessary guidelines for the implementation of this Act not later than sixty (60) days after the approval hereof.

SEC. 7. *Separability Clause.* Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the invalid ones, shall remain in full force and effect.

SEC. 8. *Repealing Clause.* All laws, presidential decrees, letter of instruction, executive orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 9. *Effectivity Clause.* This Act shall take effect upon its approval.

Approved,