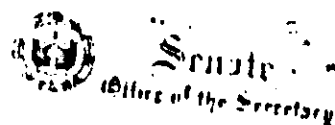


SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



15 OCT 27 P6:57

SENATE

S. No. 2995

RECEIVED BY:

Introduced by Senator Ralph G. Recto

AN ACT
RATIONALIZING THE POWERS, DUTIES AND ACCOUNTABILITIES OF THE
SOCIAL SECURITY COMMISSION, FURTHER AMENDING FOR THE PURPOSE
REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL
SECURITY LAW"

Explanatory Note

In the spirit of social justice, the State is mandated to establish, develop, and promote a suitable, sound and viable social security service that will protect covered employees and their families from the hazards of disability, sickness, old age and death.

Social insurance programs are designed to mitigate income risks by pooling resources and spreading risks across time and groups of individuals¹. Social insurance like the Social Security System (SSS) needs to provide basic economic security for the people while curbing poverty, providing economic stability, redistributing income and preserving important social and individual values². Given these requirements, an effective social security protection will depend significantly on a robust financial capacity, extensive membership, and sustainability of benefits vis-à-vis revenues.

Year-on-year financial reports of the SSS indicated an effective management of the social pension funds. Total SSS revenue grew by an average annual rate of 10% from 2010 to 2014. Membership contributions rose by 52% from P79.27 billion in 2010 to P120.65 billion in 2014 when the Commission increased the P15,000 maximum salary credit to P16,000. Investments likewise grew by 23% during the same period, from P27.85 billion to P34.53 billion. Total assets in 2014 have increased by 43.55% from total assets in 2010. The average annual operating cost from 2010-2014 amounted to only about six percent (6%) of the total collected revenues, or roughly 36% lower than the established charter limits³.

Despite the rosy financial statistics, the SSS is still fraught with two crucial concerns. First, constrained capacity to improve collection rate and efficiency deprived the Commission of additional funds that it could use for social security protection and investments. In 2014, SSS collected from 11.17 million paying members which accounts for only 46.7% of the average full-time employed labor force⁴. A Commission on Audit Report also noted the P8.168 billion pesos delinquency in premium contributions and penalties as well as a net receivable of 61.23 billion from its membership loans, of which P20.7 billion has been delinquent for over five years⁵. Second, restricted investment options kept the Commission from maximizing potential market

¹ Manasan, R. G. (2010). "Reforming Social Protection Policy: Responding to the Global Financial Crisis and Beyond." *Research Paper Series*. Makati: Philippine Institute for Development Studies.

² Social Security System. (2004). *Actuarial Study Notes*. Quezon City: Social Security System.

³ Social Security System. (2014). *Year-ender Report*. Quezon City: Social Security System

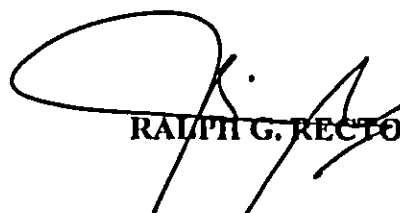
⁴ Total Average Labor Force Estimate for 2014 is 41.379 million; Total employed labor force is 38.651 million. Data taken from Philippine Statistics Authority 2015 Current Labor Statistics.

⁵ Commission on Audit. (2014) Annual Audit Report of the Social Security System.

gains and made them more dependent on membership contributions to extend benefits and services. While SSS revenues have been increasing since 2010, the increases came not from investment income but from membership contributions. Increases in contribution collections accounted for 86.1% of the increases recorded from 2010-2014, while investments income comprised the remaining 13.9%. The share of membership contribution to the total revenue increased from 74% in 2010 to 78% in 2014, while the returns on investments decreased from 10.8% to 8.3% during the same period. In the absence of judicious intervention, the Commission would be unable to improve its revenue generation capability and mitigate market risks like inflation, currency fluctuation, and economic downturn. These issues will, in turn, adversely affect the SSS fund life and put the future of the social security at risk.

The most sensible way to secure the future of the SSS and its 32.5 million members is to provide the Social Security Commission powers to ensure prudent fiscal management and sound investment strategies. This bill⁶ seeks to do so by empowering the Commission, bolstering its collection capabilities, and improving its revenue generation. It grants flexibility by allowing the Commission to formulate and implement measures to improve its collection rate and efficiency by expanding membership coverage and encouraging member compliance. The bill also provides the Commission with a broader menu of investment options to increase its non-contribution revenue. Through these interventions, the bill aims to strengthen the revenue generation capability of the SSS and allow it to provide better services and benefits to its active members and pensioners.

Social security protection is one of the keystones in protecting the right of all the people to human dignity, reduction of social, economic, and political inequalities, and the removal of cultural inequities. As such, it is imperative to ensure that social security protection would be enjoyed by the generations to come. In view of the foregoing, the swift passage of the proposed measure is earnestly sought.



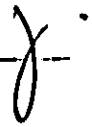
RALPH G. RECTO

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⁶ This is a counterpart measure of House Bill No. 6112.

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REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL
SECURITY LAW"

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

1 **SECTION 1.** Section 4(a) of the Republic Act No. 1161, as amended, is hereby further
2 amended to read as follows:

3 **"SEC. 4. Powers and Duties of the Commission and SSS. – (a) The Commission. –**
4 For the attainment of its main objectives as set forth in Section 2 hereof, the Commission
5 shall have the following powers and duties:

6 **"x x x**
7 **"(2) To establish a provident fund for the members which will consist of**
8 voluntary contributions of employers and/or employees, self-employed and voluntary
9 members and their earnings, for the payment of benefits to such members or their
10 beneficiaries, subject to such rules and regulations as it may promulgate [and approved
11 by the President of the Philippines];

12 **"x x x**
13 **"(6) To compromise or release, in whole or in part, any interest, penalty or any**
14 civil liability to SSS in connection with the investments authorized under Section 26
15 hereof, under such terms and conditions as it may prescribe [and approved by the
16 President of the Philippines];

17 **"x x x**
18 **"(7) ANY LAW TO THE CONTRARY NOTWITHSTANDING, TO CONDONE, ENTER**
19 INTO COMPROMISE OR RELEASE, IN WHOLE OR IN PART, PENALTIES IMPOSED UPON
20 DELINQUENT SOCIAL SECURITY CONTRIBUTIONS REGARDLESS OF THE AMOUNT
21 INVOLVED UNDER SUCH VALID TERMS AND CONDITIONS IT MAY PRESCRIBE WHEN THE
22 FINANCIAL POSITION OF THE EMPLOYER DEMONSTRATES A CLEAR INABILITY TO PAY
23 THE ASSESSED DELINQUENCY.

24 **"THE COMMISSION SHALL SUBMIT TO BOTH THE SENATE AND HOUSE OF**
25 REPRESENTATIVES OF THE PHILIPPINES AN ANNUAL REPORT ON THE EXERCISE OF THE
26 POWERS UNDER THIS PROVISION, STATING THEREIN THE FOLLOWING FACTS AND
27 INFORMATION, AMONG OTHERS: NAMES AND ADDRESSES OF EMPLOYERS WHOSE
28 PENALTY DELINQUENCIES HAVE BEEN THE SUBJECT OF COMPROMISE OR
29 CONDONATION; AMOUNT INVOLVED; AMOUNT COMPROMISED OR CONDONED; AND THE
30 JUSTIFICATIONS THEREON TO DETERMINE THAT SAID POWERS ARE REASONABLY
31 EXERCISED AND THAT THE SSS IS NOT UNDULY DEPRIVED OF REVENUES.

32 **"(8) TO DETERMINE AND FIX FROM TIME TO TIME THROUGH THE ISSUANCE OF**
33 RULES AND REGULATIONS, THE MINIMUM AND MAXIMUM MONTHLY SALARY CREDITS
34 OF MEMBER-EMPLOYEES, THE SCHEDULE AND THE RATE OF CONTRIBUTIONS OF
35 EMPLOYERS AND MEMBER EMPLOYEES, THE RATE OF PENALTY ON DUE BUT

UNREMITTED CONTRIBUTIONS OF EMPLOYERS AND MEMBER EMPLOYEES AND UNPAID LOAN AMORTIZATIONS OF ITS MEMBERS, TAKING INTO CONSIDERATION ACTUARIAL CALCULATIONS, RATE OF BENEFITS, INFLATION AND OTHER RELEVANT SOCIO-ECONOMIC DATA: *PROVIDED*, THAT THE ADJUSTMENT OF THE MAXIMUM SALARY CREDIT SHALL BE DONE GRADUALLY, TAKING INTO ACCOUNT THE ECONOMIC AND FINANCIAL EXIGENCIES OF ALL STAKEHOLDERS: *PROVIDED, FURTHER*, THAT THE ADJUSTMENT OF THE MONTHLY SALARY CREDIT EXCEEDING ONE HUNDRED AND TWENTY THOUSAND PESOS (P120,000) AND MODIFICATION OF THE SCHEDULE AND THE RATE OF CONTRIBUTIONS ARE SUBJECT TO APPROVAL OF THE PRESIDENT OF THE PHILIPPINES; AND

"[(7)] (9) To approve, confirm, pass upon or review any and all actions of the SSS in the proper and necessary exercise of its powers and duties hereinafter enumerated."

"(b) *The Social Security System* – Subject to the provision of Section [Four (4), paragraph seven (7)] 4, SUBSECTION (a9) hereof, the SSS shall have the following powers and duties:

"x x x

"(2) To require the actuary to submit a valuation report on the SSS benefit program every four (4) years, or more frequently as may be necessary, and to undertake the necessary actuarial studies and calculations concerning increases in benefits taking into account inflation and the financial stability of the SSS and to provide feasible increases in benefits every four (4) years, including the addition of new ones, under such rules and regulations as the Commission may adopt, [subject to the approval of the President of the Philippines]: *Provided*, That the actuarial soundness of the reserve fund shall be guaranteed[: *Provided further*, That such increases in benefits shall not require any increase in the rate of contribution];

"x x x"

SEC. 2. Section 18(a) of the Republic Act No. 1161, as amended, is hereby deleted and a new paragraph shall be introduced to read as follows:

"SEC. 18. *Employee's Contribution*. – Beginning as of the last day of the calendar month when an employee's compulsory coverage takes effect and every month thereafter during his employment, the employer shall deduct and withhold from such employee's monthly salary, wage, compensation or earnings, the employee's contribution in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with [the following schedule:

Range of Compensation	Monthly Salary Credit	Employer – Employee				SE/VM/OFW			
		Social Security ER	EE	EC Total	Total Contribution ER	EE	Total Contribution		
1,000 – 1,249.99	1,000	73.70	36.30	110	10	83.70	36.30	120	110
1,250 – 1,749.99	1,500	110.50	54.50	165	10	120.50	54.50	175	165
1,750 – 2,249.99	2,000	147.30	72.70	220	10	157.30	72.70	230	220
2,250 – 2,749.99	2,500	184.20	90.80	275	10	194.20	90.80	285	275
2,750 – 3,249.99	3,000	221.00	109.00	330	10	231.00	109.00	340	330
3,250 – 3,749.99	3,500	257.80	127.20	385	10	267.80	127.20	395	385
3,750 – 4,249.99	4,000	294.70	145.30	440	10	304.70	145.30	450	440
4,250 – 4,749.99	4,500	331.50	163.50	495	10	341.50	163.50	505	495
4,750 – 5,249.99	5,000	368.30	181.70	550	10	378.30	181.70	560	550
5,250 – 5,749.99	5,500	405.20	199.80	605	10	415.20	199.80	615	605
5,750 – 6,249.99	6,000	442.00	218.00	660	10	452.00	218.00	670	660
6,250 – 6,749.99	6,500	478.80	236.20	715	10	488.80	236.20	725	715
6,750 – 7,249.99	7,000	515.70	254.30	770	10	525.70	254.30	780	770
7,250 – 7,749.99	7,500	552.50	272.50	825	10	562.50	272.50	835	825
7,750 – 8,249.99	8,000	589.30	290.70	880	10	599.30	290.70	890	880
8,250 – 8,749.99	8,500	626.20	308.80	935	10	636.20	308.80	945	935
8,750 – 9,249.99	9,000	663.00	327.00	990	10	673.00	327.00	1,000	990
9,250 – 9,749.99	9,500	699.80	345.20	1,045	10	709.80	345.20	1,055	1,045
9,750 – 10,249.99	10,000	736.70	363.30	1,100	10	746.70	363.30	1,110	1,100
10,250 – 10,749.99	10,500	773.50	381.50	1,155	10	783.50	381.50	1,165	1,155
10,750 – 11,249.99	11,000	810.30	399.70	1,210	10	820.30	399.70	1,220	1,210
11,250 – 11,749.99	11,500	847.20	417.80	1,265	10	857.20	417.80	1,275	1,265
11,750 – 12,249.99	12,000	884.00	436.00	1,320	10	894.00	436.00	1,330	1,320
12,250 – 12,749.99	12,500	920.80	454.20	1,375	10	930.80	454.20	1,385	1,375
12,750 – 13,249.99	13,000	957.70	472.30	1,430	10	967.70	472.30	1,440	1,430
13,250 – 13,749.99	13,500	994.50	490.50	1,485	10	1,004.50	490.50	1,495	1,485

1	13,750 - 14,249.99	14,000	1,031.30	508.70	1,540	10	1,041.30	508.70	1,550	1,540
2	14,250 - 14,749.99	14,500	1,068.20	526.80	1,595	10	1,078.20	526.80	1,605	1,595
3	14,750 - 15,249.99	15,000	1,105.00	545.00	1,650	30	1,135.00	545.00	1,680	1,650
4	15,250 - 15,749.99	15,500	1,141.80	563.20	1,705	30	1,171.80	563.20	1,735	1,705
5	15,750 - OVER	16,000	1,178.70	581.30	1,760	30	1,208.70	581.30	1,790	1,760

6
7 The foregoing schedule of contribution shall also apply to self-employed and
8 voluntary members.

9 "The maximum monthly salary credit shall be nine thousand pesos (P9,000.00)
10 effective January nineteen hundred and ninety six (1996): *Provided*, That it shall be
11 increased by One thousand pesos (P1,000.00) every year thereafter until it shall have
12 reached Twelve thousand pesos (P12,000.00) by nineteen hundred and ninety nine
13 (1999): *Provided, further*, That the minimum and maximum monthly salary credits as
14 well as the rate of contributions may be fixed from time to time by the Commission
15 through rules and regulations taking into consideration actuarial calculations and rate of
16 benefits, subject to the approval of the President of the Philippines.] **THE MONTHLY
17 SALARY CREDITS, THE SCHEDULE AND THE RATE OF CONTRIBUTIONS AS MAYBE
18 DETERMINED AND FIXED BY THE COMMISSION: PROVIDED, THAT THE ADJUSTMENT OF
19 THE MONTHLY SALARY CREDIT AND MODIFICATION OF THE SCHEDULE AND THE RATE
20 OF CONTRIBUTIONS ARE SUBJECT TO THE PROVISIONS OF SECTION 4, SUBSECTION (a8)
21 HEREOF.**

22 "THE MONTHLY SALARY CREDITS, SCHEDULE, AND RATE OF CONTRIBUTION
23 SHALL ALSO APPLY TO THE SELF-EMPLOYED AND VOLUNTARY MEMBERS."

24 SEC. 3. Section 22(a) of Republic Act No. 1161, as amended, is hereby further amended
25 to read as follows:

26 "SEC. 22. *Remittance of Contributions.* - (a) The contribution imposed in the
27 preceding section shall be remitted to the SSS within the first ten (10) days of each
28 calendar month following the month for which they are applicable or within such time as
29 the commission may prescribe. Every employer required to deduct and to remit such
30 contributions shall be liable for their payment and if any contribution is not paid to the
31 SSS as herein prescribed, [he] **THE DELINQUENT EMPLOYER** shall pay besides the
32 contribution a penalty thereon [of three percent (3%) per month] from the date the
33 contribution falls due until paid. **THE RATE OF THE PENALTY ON DELINQUENT
34 CONTRIBUTIONS PER MONTH SHALL BE DETERMINED AND FIXED BY THE COMMISSION
35 THROUGH THE ISSUANCE OF RULES AND REGULATIONS, TAKING INTO CONSIDERATION
36 THE CURRENT INFLATION RATE AND OTHER RELEVANT SOCIOECONOMIC DATA.** If
37 deemed expedient and advisable by the Commission, the collection and remittance of
38 contributions shall be made quarterly or semi-annually in advance, the contributions
39 payable by the employees to be advanced by their respective employers: *Provided*, That
40 upon separation of an employee, any contribution so paid in advance but not due shall be
41 credited or refunded to his employer.

42 SEC. 4. Section 26, paragraphs (b) and (i) of Republic Act No. 1161, as amended, are
43 hereby further amended to read as follows:

44 "SEC. 26. *Investment of Reserve Funds.* - All revenues of the SSS that are not
45 needed to meet the current administrative and operational expenses incidental to the
46 carrying out of this Act shall be accumulated in a fund to be known as the "Reserve
47 Fund". Such portions of the Reserve Fund as are not needed to meet the current benefit
48 obligations thereof shall be known as the "Investment Reserve Fund" which the
49 Commission shall manage and invest with the skill, care, prudence and diligence
50 necessary [under the circumstances then prevailing that a prudent man acting in like
51 capacity and familiar with such matters would exercise in the conduct of an enterprise of
52 a like character and with similar aims. Pursuant thereto, and in line with the basic
53 principles of safety, good yield and liquidity, the Commission shall invest the funds] to
54 earn an annual income not less than the average rates of treasury bills or any acceptable
55 market yield indicator in any of the following **UNDERTAKING, UNDER SUCH RULES AND
56 REGULATIONS AS MAY BE PRESCRIBED BY THE COMMISSION: PROVIDED, THAT
57 INVESTMENTS SHALL SATISFY THE REQUIREMENTS OF LIQUIDITY, SAFETY/SECURITY
58 AND YIELD IN ORDER TO ENSURE THE ACTUARIAL SOLVENCY OF THE FUNDS OF THE**

1 **SSS: PROVIDED, FURTHER, THAT THE SSS SHALL SUBMIT AN ANNUAL REPORT ON ALL**
2 **INVESTMENTS MADE TO BOTH HOUSES OF CONGRESS OF THE PHILIPPINES:**

3 **"x x x**

4 **"(b) In bonds, securities, promissory notes or other evidence of indebtedness of the**
5 **Government of the Philippines or any of its agencies or instrumentalities [to finance domestic**
6 **infrastructure projects such as roads, bridges, ports, telecommunications, and other similar**
7 **projects: *Provided*, That the instrument issued by an agency or instrumentality of the**
8 **government shall be guaranteed by the Government of the Philippines or any government**
9 **financial institution or acceptable multilateral agency: *Provided, further*, That the SSS shall**
10 **have priority over the revenues of the projects: *Provided, finally*, That such investments shall**
11 **not exceed thirty percent (30%) of the Investment Reserve Fund;] OR EQUITY INVESTMENTS**
12 **IN PRIVATE SECTOR INFRASTRUCTURE OR DEVELOPMENT PROJECTS NORMALLY FINANCED,**
13 **CONSTRUCTED, OPERATED AND MAINTAINED BY THE PUBLIC SECTOR BUT WHICH WILL BE**
14 **WHOLLY OR PARTLY IMPLEMENTED BY THE PRIVATE SECTOR, INCLUDING BUT NOT**
15 **LIMITED TO, POWER PLANTS, HYDROPOWER PROJECTS, HIGHWAYS, TOLL WAYS,**
16 **RAILROADS AND RAILWAYS, TRANSPORT SYSTEMS, PORTS, AIRPORTS, CANALS, DAMS,**
17 **WATER SUPPLY, IRRIGATION, LAND RECLAMATION PROJECTS, INDUSTRIAL ESTATES OR**
18 **TOWNSHIPS, HOUSING, GOVERNMENT BUILDINGS, TOURISM PROJECTS, MARKETS,**
19 **SLAUGHTERHOUSES, WAREHOUSES, SOLID WASTE MANAGEMENT, SEWERAGE, DRAINAGE,**
20 **DREDGING, TELECOMMUNICATIONS, INFORMATION TECHNOLOGY NETWORKS AND**
21 **DATABASE INFRASTRUCTURE, AND OTHER INFRASTRUCTURE AND DEVELOPMENT PROJECTS**
22 **UNDERTAKEN THROUGH CONTRACTUAL ARRANGEMENTS AS DEFINED UNDER REPUBLIC**
23 **ACT NO. 6957 ENTITLED, "AN ACT AUTHORIZING THE FINANCING, CONSTRUCTION,**
24 **OPERATION AND MAINTENANCE OF INFRASTRUCTURE PROJECTS BY THE PRIVATE SECTOR**
25 **AND FOR OTHER PURPOSES," AS AMENDED, AND SUCH OTHER VARIATIONS AS MAY BE**
26 **APPROVED BY THE PRESIDENT OF THE PHILIPPINES.**

27 **"x x x**

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

35 **"x x x"**

36 **SEC. 5. *Implementing Rules and Regulations.* – Within ninety (90) days from effectivity**
37 **of this Act, the Commission shall promulgate the rules and regulations to effectively implement**
38 **the provisions of this Act.**

39 **SEC. 6. *Separability Clause.* – If any provision, section or part of this Act shall be**
40 **declared unconstitutional or invalid, such judgment shall not affect, invalidate or impair any**
41 **other provisions, sections or parts hereof.**

42 **SEC. 7. *Repealing Clause.* – All laws, decrees, orders, rules and regulations which are**
43 **inconsistent with the provisions of this Act are hereby repealed or modified accordingly.**

44 **SEC. 8. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication**
45 **in at least two (2) newspapers of general circulation or the Official Gazette.**

46 **Approved,**