



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

'17 MAY 15 11:05

RECEIVED BY: 

SENATE

S. No. 1451

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 to finance 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 appropriating funds for a ballooning pension requirement without a viable fund source. For 2017 alone, the government has set aside P102.44 billion, or 4.1% of its total new appropriations, for military and uniformed personnel pension— an amount equivalent to 321% of the amount appropriated for the same purpose just a decade ago. 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 hemorrhage 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.

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*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 Uniformed*
2 *Personnel Insurance Fund Act of 2017.”*

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

15 **SEC. 3.** *Definition of Terms.* – For the purposes of this Act:

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

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

22 (c) Government Service Insurance System (GSIS) shall refer to the Government
23 Service Insurance System created by Commonwealth Act No. 186, as amended;

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

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

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

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

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

The MUP Insurance Fund shall not be used for purposes other than those provided for under this Act. No portion of the MUP Insurance Fund or income thereof shall accrue to the General Fund of the national government and its political subdivisions, instrumentalities and other agencies including government-owned and controlled corporations except as may be allowed under this Act.

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

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

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

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

“SECTION 24. Compulsory Life Insurance. — All employees [except for Members of the Armed Forces of the Philippines (AFP) and the Philippine

1 National Police (PNP)] AND NEW ENTRANTS TO THE UNIFORMED SERVICES
2 COVERED BY THE MUP INSURANCE FUND shall, under such terms and conditions
3 as may be promulgated by the GSIS, be compulsorily covered with life insurance,
4 which shall automatically take effect as follows:

5 "X. X. X."

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

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

14 **SEC. 9. MUP Insurance Fund Investments.** – The portions of the MUP Insurance Fund
15 which are not needed to meet any current obligation may be invested in accordance with Section
16 36 of Republic Act No. 8291, otherwise known as "*The Government Service Insurance System*
17 *Act of 1997.*"

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

22 **SEC. 11. Grant of Additional Retirement and Separation Benefits.** – GSIS may, upon
23 determination of actuarial soundness, provide better pension benefits to qualified military and
24 uniformed personnel retirees covered by the MUP Insurance Fund.

25 **SEC. 12. Exemptions from Tax, Legal Process and Lien.** – All laws to the contrary
26 notwithstanding, all contributions for the MUP Insurance Fund and all accruals thereto and
27 income or investment earnings therefrom shall be exempt from any tax, assessment, fee, charge,
28 or customs or import duty in accordance with Section 39 of Republic Act No. 8291, otherwise
29 known as "*The Government Service Insurance System Act of 1997.*"

30 **SEC. 13. Government Guarantee.** – The government of the Republic of the Philippines
31 hereby guarantees the fulfillment of the obligations of the GSIS to uniformed personnel members
32 covered by the MUP Insurance Fund as and when they fall due.

33 **SEC. 14. Cost of MUP Insurance Fund Administration.** – The MUP Insurance Fund shall
34 bear the costs of its administration and development, in such amounts and for limits as the GSIS
35 Board of Trustees may deem appropriate, but not exceeding ten percent (10%) of the annual
36 revenues from all sources: *Provided, That* the President of the Philippines may, on the basis of
37 actuarial and management studies, increase the allotment for the administrative and operational
38 expenses for the MUP Insurance Fund.

1 **SEC. 15. *Audit.*** – The audit of the MUP Insurance Fund shall be conducted in accordance
2 with Section 22 of Republic Act No. 8291, otherwise known as “*The Government Service*
3 *Insurance System Act of 1997.*”

4 **SEC. 16. *Pension Benefits for Pensioners and Active Uniformed Personnel Prior to the***
5 *Effectivity of this Act.* – Existing pensioners and uniformed personnel in active duty prior to the
6 effectivity of this Act shall enjoy the retirement benefits provided under Presidential Decree No.
7 1638 as amended, Republic Act No. 6975 as amended by Republic Act No. 8551, Republic Act
8 No. 9993, and other applicable laws.

9 **SEC. 17. *Appropriations.*** – The amount necessary for the initial implementation of this
10 Act shall be charged against any available funds and/or savings of the AFP, PNP, BFP, BJMP,
11 PCG and NAMRIA. Thereafter, such sums as may be necessary for the implementation of this
12 Act shall be included in the General Appropriations Act.

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

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

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

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

27 Approved,