

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



SENATE
S.B. No. 1042

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
REFORMING THE MILITARY AND UNIFORMED PERSONNEL RETIREMENT
AND PENSION, AMENDING PRESIDENTIAL DECREE NOS. 361, 1638, 1656,
REPUBLIC ACT NOS. 8551 AND 9993,
AND FOR OTHER PURPOSES

EXPLANATORY NOTE

In declarations made by the Malacañang as early as February of this year, President Rodrigo Roa Duterte signified his intent to certify as urgent bills reforming the country's pension system for military and uniformed personnel (MUP).

Under the present system, the pension requirements of the MUP retirees, solely derived from the General Appropriations Act of the National Government, have become onerous and unaffordable. Pension benefits of uniformed personnel increase alongside the salary hikes of those in active service, even as retired uniformed personnel enjoy indexation of benefits. Hence, it has become apparent that the government cannot sustain such pension system, with no additional sources of financing besides the National Budget.

Last 2017, the government set aside PhP 102.44 billion, or 4.1 percent of its total new appropriations, for the MUP pension fund, equivalent to 321 percent of the amount appropriated for the same purpose just a decade ago. These ballooning amounts demand the establishment of a sustainable insurance fund for the MUP retirees.

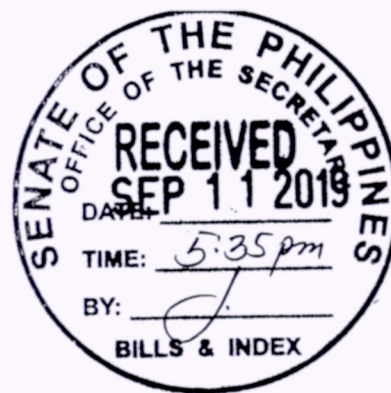
This, this bill seeks to create an MUP Fund to be supervised by the Government Service Insurance System (GSIS), its funds to be separate and distinct from other funds. It shall cover new entrants to the service, while, the existing pension system shall apply to those either already in active service or are among existing pensioners. An additional feature of this bill is the option given to early retirees to withdraw a minimal portion of their pension to be used for various legitimate purposes, provisions on post-retirement preparation, preferential hiring of retirees in government agencies, and a more comprehensive medical and health care for the MUP retirees.

Hence, the passage of this bill is earnestly sought.

A handwritten signature in black ink, reading "Imee R. Marcos", is written over a horizontal line. The signature is cursive and includes a long, sweeping flourish that extends to the right.

IMEE R. MARCOS

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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 law shall be known as the "Military and Uniformed
2 Personnel Retirement and Pension Reform Act of 2019."

3

4 Section 2. **Declaration of State Policy.** - The State duly recognizes the vital
5 role of the uniformed services in ensuring security, promoting peace and order,
6 ensuring public safety and further strengthening local government capability aimed
7 towards the effective delivery of basic services to the citizenry. The State also
8 recognizes the extraordinary hazards, risks, perils and dangers that the uniformed
9 personnel services encounter in the performance of their duties.

10 In an effort to compensate in some small measure the soldier's invaluable
11 service, it shall be the State's prime concern to provide all veterans of uniformed
12 services, as well as their surviving spouses and orphans, adequate remuneration and
13 benefits, including retirement benefits and pensions.

14 It shall also be the concern of the State to modernize the military and uniformed
15 services retirement benefits and pension system to provide economic security for its
16 retirees and their families efficiently and transparently.

1 Section 3. **Definition of Terms.** –

2 (A) Base Pay -- shall refer to the primary cash compensation for work performed
3 by uniformed personnel of the uniformed services, excluding any other pay,
4 allowances, benefits or incentives;

5 (B) Military and Uniformed Personnel (MUP) Insurance Fund -- shall refer to the
6 special insurance fund for the new entrants to the uniformed services of the National
7 Government created under Section 4 of this Act;

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

10 (D) Existing Retirees -- shall refer to the retired uniformed personnel who are
11 currently receiving or entitled to receive retirement benefits and pension under
12 existing laws applicable to the uniformed services at the time of effectivity of this Act;

13 (E) Future Retirees -- shall refer to the uniformed personnel active at the time
14 of the effectivity of this Act, and to new entrants, all of whom, at the time of their
15 actual retirement from the uniformed. services, are eligible to receive retirement
16 benefits and pension under existing laws applicable to the uniformed services;

17 (F) Uniformed Personnel -- shall refer to the commissioned officers and
18 personnel of the uniformed service; and

19 (G) Uniformed Services -- shall refer to the Armed Forces of the Philippines
20 (AFP), Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau of Jail
21 Management and Penology (BJMP), Bureau of Corrections (BuCor), Philippine Coast
22 Guard (PCG) and commissioned corps of the National Mapping and Resource
23 Information Authority (NAMRIA).

24

25 Section 4. **Coverage.** - Upon recruitment, appointment or admission,
26 coverage in the MUP Insurance Fund shall be mandatory for all new entrants to the
27 uniformed services.

28

29 Section 5. **Education, Training and Financial Literacy Program.** - The
30 Uniformed Services shall provide educational and training opportunities, whether
31 graduate, diploma or short-term, to enhance both necessary skillsets for service, as
32 well as new career possibilities after retirement.

1 In the appraisal for promotions, attendance to these courses shall be
2 considered in addition to such meritorious services as may have been rendered by the
3 personnel.

4
5 Section 6. **Standardizing the Uniformed Services Monthly Retirement**
6 **Pay.** - New entrants and those in the active service of the uniformed services, upon
7 their retirement, shall be entitled to receive a monthly retirement pay equivalent to
8 fifty percent (50%) of the base pay and longevity pay of the retired grade in case of
9 twenty (20) years of active service, increasing by two and one-half percent (2.5%) for
10 every year of active service rendered beyond twenty (20) years to a maximum of
11 ninety percent (90%) for thirty-six (36) years of active service and over.

12
13 Provided that, the uniformed personnel shall have the option to receive in
14 advance and in lump sum his retirement pay for the first three (3) years, which shall
15 be made within six (6) months from effectivity date of retirement and/or completion.

16
17 Section 7. **Early Availment of Retirement Benefits.** - Upon completion of
18 ten (10) years satisfactory service, the uniformed personnel may withdraw thirty
19 percent (30%) of his/her lump sum optional retirement benefit. The advanced amount
20 shall be invested only for the following purposes: housing, educational expenses, and
21 purchase of low-risk government securities.

22 Upon completion of twenty (20) years satisfactory service, another thirty
23 percent (30%) of his/her lump sum compulsory retirement benefit, to be used as
24 desired.

25
26 Section. 8. **Rationalized Adjustment of Retirement Benefits and**
27 **Pension.** - The retirement benefits and pension of all new entrants shall not be
28 subjected to automatic adjustments based on the prevailing scale of the base pay of
29 active uniformed personnel, Provided, however, That future and existing retirees shall
30 continue to receive retirement benefits and pension and their corresponding
31 adjustments:

1 Provided, That the existing and future retirees of the Philippine Coast Guard
2 shall likewise be subject to adjustments based on the prevailing scale of the base pay
3 of the PCG uniformed personnel in the active service, the funding of which shall be
4 sourced from the annual General appropriations Act (GAA).

5
6 Provided, further, That existing uniformed personnel of NAMRIA at the date of
7 effectivity of this Act shall also be covered thereby, the funding of which shall be
8 sourced from the annual GAA.

9
10 Section 9. **Receipt of Retirement Benefits and Pension.** - All new
11 entrants, who at the time of their actual retirement, are eligible to receive retirement
12 benefits and pension under existing laws applicable to the uniformed services, shall
13 receive their lump sum benefit equivalent to 18 months pay within three (3) months
14 of their actual retirement.

15
16 Section 10. **Disability Pension.** - All uniformed personnel who are disabled
17 in line of duty shall be eligible to receive a monthly pension, the rates of which shall
18 be determined by the respective department concerned.

19
20 Section. 11. **Creation of Military and Uniformed Personnel Insurance**
21 **Fund.** - To carry out the purposes of this Act, the Military and Uniformed Personnel
22 Insurance Fund is hereby created, herein referred to as MUP Insurance Fund, as
23 special insurance fund for the new entrants to the uniformed services who received
24 their initial appointments after the effectivity of this Act.

25
26 The Government Service Insurance System (GSIS) shall be responsible for the
27 administration of the MUP Insurance Fund and the implementation of the provisions
28 of this Act: Provided, That the MUP Insurance Fund shall be administered and reported
29 separately from the GSIS Insurance Fund provided under Section 34 of RA 8291,
30 otherwise known as "the GSIS Act of 1997".

31

1 Section. 12. **MUP Insurance Fund Generation.** - The government agency
2 concerned shall contribute to the MUP Insurance Fund an amount equivalent to 9%
3 of the monthly base pay of their uniformed personnel appointed after the effectivity
4 of this Act, and for the National Government a corresponding share of 12%.

5
6 The government agency concerned shall include in its annual appropriation
7 such sums as may be necessary to cover the required contribution provided for in this
8 Act. The manner of collection and remittance of contributions to the MUP Insurance
9 fund shall be in accordance with the relevant provisions of RA 8291, otherwise known
10 as "The Government Service Insurance System act of 1997".

11
12 Section 13. **Cost of MUP Insurance Fund Administration.** - The MUP
13 Insurance Fund shall bear the costs of its administration and development, in such
14 amounts and for limits as the GSIS Board of Trustees may deem appropriate, but not
15 exceeding 10% of the annual revenues from all sources: Provided, That the President
16 of the Philippines may, on the basis of actuarial and management studies, increase
17 the allotment for administrative and operational cost.

18
19 Section 14. **Exemptions from Tax, Legal Process and Lien.** - All laws to
20 the contrary notwithstanding, all contributions to the MUP insurance Fund and all
21 accruals thereto and income or investment earnings therefrom shall be exempt from
22 any tax, assessment, fee, charge, or custom or import duty in accordance with
23 Section 39 of RA 8291, otherwise known as "The Government Service Insurance
24 System Act of 1997".

25
26 Section 15. **Retirement Guidance.** - The Uniformed Services shall establish
27 retiree assistance centers to render services such as providing labor market
28 information and civilian workplace requirements to retiring and exiting members,
29 conducting outreach efforts to potential employers and establishing linkages with
30 national and local chambers of commerce, undertaking, in conjunction with employers,
31 conducting job bridging and preparation/training for post-retirement employment.

1 Section 16. **Preference in Employment.** - The government, having invested
2 in the training and education of the members, shall prioritize said personnel in hiring
3 for employment in government-owned or controlled corporations, national
4 government agencies/offices, and LGU's where his/her qualifications are appropriate.
5

6 Section 17. **Medical and Health Care.** – In coordination with the Department
7 of Health (DOH), the Uniformed Services shall continue to provide medical and health
8 care services to their personnel who have rendered twenty (20) years satisfactory
9 service and have retired optionally shall be given medical and health care services
10 until they are fifty-six (56) years old. The early retirees may choose to be admitted
11 into a public hospital or health facility of their choice.
12

13 Section 18. **Automatic review.** - The retirement benefits and pension,
14 including the compulsory retirement age, of the new entrants shall be reviewed
15 commencing two (2) years after the year of retirement of the first new entrant retirees
16 and every two (2) years thereafter by the Department of National Defense (DND),
17 Department of the Interior and Local Government (DILG), Department of
18 Transportation (DOTr), Department of Justice (DOJ), Department of Budget and
19 Management (DBM), Department of Finance (DOF) and the GSIS for the purpose of
20 recommending to the President, for his approval, appropriate adjustments thereto.
21

22 Section 19. **Implementing Rules and Regulations.** - Within ninety (90)
23 days from the effectivity of this Act, the GSIS and the Department of Budget and
24 Management (DBM), shall, in coordination with the Department of National Defense
25 (DND), Department of the Interior and Local Government (DILG), Department of
26 Transportation (DOTr) and Department of Justice (DOJ) and after consultation with
27 affected stakeholders, promulgate the rules and regulations to effectively promulgate
28 the provisions of this Act.
29

30 Section 20. **Repealing Clause.** – Presidential Decree Nos. 361, 1638, 1656,
31 Republic Act Nos. 8551, 9993, and all laws, decrees, executive orders, administrative

1 orders or parts thereof inconsistent with the provisions of this Act are hereby repealed,
2 amended or modified accordingly.

3

4 Section 21. **Separability Clause.** - If any provision of this Act is held invalid
5 or unconstitutional, other provisions not affected thereby shall continue to be in full
6 force and effect.

7

8 Section 22. **Effectivity Clause.** - This Act shall take effect fifteen (15) days
9 following its complete publication in the Official Gazette or in at least two (2)
10 newspaper of general circulation.

11

12 Approved,