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SENATE
P.S. Resolution No. **343**

RECEIVED BY

Introduced by **SENATOR IMEE R. MARCOS**

RESOLUTION

DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE STATUS OF LIQUIDATION AND WINDING DOWN OF THE OPERATIONS OF THE ARMED FORCES OF THE PHILIPPINES - RETIREMENT AND SEPARATION BENEFIT SYSTEM (AFP-RSBS), WITH THE END IN VIEW OF ENSURING THAT ADEQUATE FUNDS ARE AVAILABLE TO REFUND ITS MEMBERS' CONTRIBUTIONS

WHEREAS, by virtue of Presidential Decree 361 (PD 361), an AFP Retirement and Separation Benefit System (AFP-RSBS) was created in order to provide a funding scheme for the retirement and separation benefits of military personnel in the AFP, entirely independent from the annual General Appropriations;

WHEREAS, PD 361 was further amended by Presidential Decree 1656 (PD 1656) and Presidential Decree 1909 (PD 1909), allowing the RSBS to grow to be able to perpetually provide the cash requirement covering the retirement and separation benefits payments to military members of the AFP on a self-sustaining basis;

WHEREAS, in 1998, reports of anomalous transactions were uncovered by a series of investigations conducted by then Senate Blue Ribbon Committee and, pursuant to its recommendations, criminal prosecutions were initiated and rehabilitation efforts were instituted through the help of the private sector;

WHEREAS, in the Feliciano Commission Report issued in 2003, it was determined that the RSBS, in its present conception and structure, was "fundamentally flawed" and had not discharged its mandate and thus recommended that it be

liquidated in an orderly manner, such that soldiers' contributions be returned to them with interest and that an AFP Service and Insurance System be initiated, which shall be subject to the financial and investment disciplines of the Bangko Sentral ng Pilipinas (BSP) and the *Securities and Exchange Commission* (SEC);

WHEREAS, based on the Financial Advisory Report prepared by the KPMG Laya Mananghaya & Co., Philippines (KPMG Report), it was discovered that the RSBS was grossly mishandled, as evidenced by the inappropriateness of its investment portfolio, slow fund build-up and inability to achieve its goal of self-sufficiency, caused primarily by the low rate of profitability of a majority of its assets, classified as non-productive and low-yielding, among others;

WHEREAS, based on the 16th Actuarial Valuation Report rendered by Feliciano F. Miravite, Inc. dated 30 November 2005, it was concluded that the self-sufficiency projections under the current valuation estimate the point of self-sustaining status of RSBS to occur in the year 2058, and that the funds of the System shall be exhausted within 32 years after achieving self-sufficiency in the year 2090;

WHEREAS, then Secretaries of the Department of National Defense (DND), Department of Finance (DOF), and the Department of Budget and Management (DBM), together with the Chief of Staff, Armed Forces of the Philippines (CSAFP), have jointly recommended the deactivation and winding down of the RSBS since it does not and will not be able to attain its objective of attaining self-sufficiency;

WHEREAS, in order to ensure that the funds of RSBS shall be preserved for the refund of the contributions of members and to meet all other obligations of RSBS as they become due, there is a need to deactivate the operations of the RSBS;

WHEREAS, in 2006, then President Gloria Macapagal-Arroyo issued Executive Order No. 560, finally deactivating the RSBS, directing the transfer of its assets in trust to a government financial institution and providing for the specific guidelines for its deactivation, liquidation and winding down;

WHEREAS, in 2007, Executive Order No. 590-A was issued in order to hasten the accomplishment of the objectives of the deactivation of the RSBS;

WHEREAS, Independent Auditor's Reports of the Commission on Audit (COA) rendered adverse opinions for the CYs 2014 and 2015 in view of the overstatement of the total assets at year-end by two billion five hundred and forty two million pesos (PhP2,542,000,000.00) and two billion six hundred and twenty five million pesos (PhP2,625,000,000.00), respectively, the liabilities understated by three million four hundred and eighty six million pesos (PhP3,486,000.00) but overstated by ten billion six hundred and thirty one million pesos (PhP10,631,000,000.00), respectively, while equity assets were overstated by two billion five hundred and twenty five million pesos (PhP2,525,000,000.00) and thirteen billion two hundred and fifty six million pesos (PhP13,256,000,000.00), respectively;


WHEREAS, in 2016, Memorandum Order No. 90, was issued by then President Benigno Aquino, III, directing the abolition of the RSBS and the privatization of its subsidiaries, in order to address the increasing interest liability of the RSBS, depleting the retained earnings of the Government-Owned and Controlled Corporations (GOCCs);

WHEREAS, for the FYs 2017 and 2018, Independent Auditor's Reports of the Commission on Audit (COA) again rendered adverse opinions on the fairness of presentation of the financial statements of the RSBS in view of the unreconciled balances of Members' Contributions (MC) and Estimated liability on MC earnings account, amounting to ten billion two hundred and forty four million pesos (PhP10,244,000,000.00) and three billion four hundred and eighty eight million pesos (PhP3,488,000,000.00), respectively, in CY 2017 and nine billion six hundred and three million pesos (PhP9,603,000,000.00) and three billion two hundred and sixteen million pesos (PhP3,216,000,000.00), respectively, in CY 2018;

WHEREAS, there is a clear need to investigate the status of the RSBS funds, upon which the retirement benefits of AFP personnel is at stake;

NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, to direct the Committee on National Defense and Security to conduct an inquiry, in aid of legislation, on the status of liquidation and winding down of the operations of the Armed Forces of the Philippines - Retirement and Separation Benefit System (AFP-RSBS), with the end in view of ensuring that adequate funds are available to refund its members' contributions.

Adopted,


IMEE R. MARCOS