

**NINETEENTH CONGRESS OF THE]
REPUBLIC OF THE PHILIPPINES]
Second Regular Session]**

23 SEP 19 P5:53

SENATE

RECEIVED BY: _____

S.B. No. 2446

Introduced by SEN. WIN GATCHALIAN

**AN ACT
STRENGTHENING THE MILITARY AND UNIFORMED PERSONNEL PENSION
SYSTEM, CREATING THE MILITARY AND UNIFORMED PERSONNEL
INSURANCE FUND, AMENDING FOR THIS PURPOSE REPUBLIC ACT NO.
8291, OTHERWISE KNOWN AS "THE GOVERNMENT SERVICE INSURANCE
SYSTEM ACT OF 1997", AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Absent any reform, the existing military and uniformed personnel (MUP) retirement scheme continues to contribute to the ballooning government budget deficit as the last salary adjustment of active MUP translates to a corresponding increase in the pension that retired MUPs receive. Being non-contributory, the MUP pension and any increases thereto is drawn solely from the national budget through the General Appropriations Act.

In a 2020 actuarial study conducted by the Government Service Insurance System (GSIS) on the financial impact of the existing MUP retirement scheme, the total funding requirement of the current system was estimated at Php. 9.6 Trillion. If the current system prevails, the GSIS projects that around Php. 850 Billion may need to be allocated to MUP pensions annually for the next 20 years.¹ Based on a September 2021 presentation of the GSIS assuming a lower percentage of salary increase and

¹ Department of Finance. Available at <https://www.dof.gov.ph/btr-pension-reform-to-ensure-fiscal-stability-sustained-support-to-military-other-uniformed-personnel/>. Accessed on August 15, 2023.

including new entrants, the adjusted total funding requirements under the existing MUP retirement scheme still remains at over Php. 5.7 Trillion or roughly Php 500 Billion in annual payments if amortized over the course of 20 years.

Alarming, the amount spent by Uniformed Services for MUP pensions already exceed the amount they spend on maintenance and other operating expenses (MOOE), as well as capital outlays (CO). In 2022, Php. 164 Billion was spent on MUP pensions, roughly 31.2% higher than the amount spent by Uniformed Services on MOOE and CO combined during the same period.²

According to Department of Finance (DOF) Secretary Benjamin Diokno, the existing pension system is not sustainable and, if not addressed, will lead to fiscal collapse. The gravity of the situation is evident in the 48.39% increase of the Pension and Gratuity Fund (PGF) allocation from Php. 183.94 billion in 2022 to Php. 272.94 billion in 2023.³

Accordingly, this bill seeks to avert this impending fiscal disaster by establishing a government-guaranteed insurance and pension fund, the MUP Insurance Fund, to provide life insurance, retirement, and other social security benefits to new entrants to the uniformed services of the government. This fund shall be managed by the GSIS through an office specifically created to manage the MUP Insurance Fund. The fund shall be generated through mandatory monthly contributions of 9% and 12% from MUPs and the Uniformed Services respectively, or a total of 21% of the total monthly base pay of uniformed personnel. The fund and the proceeds from investing portions thereof shall be used to pay for the separation and retirement benefits of qualified uniformed personnel.

To ensure the viability of the MUP Insurance Fund, the GSIS is empowered to charge interests on delayed remittances to the fund, to be paid by the Uniformed Services concerned, without prejudice to any action that may be commenced by the GSIS or the aggrieved Uniformed Personnel against officers or employees of the Uniformed Services responsible for such delay. In addition, the MUP Insurance Fund

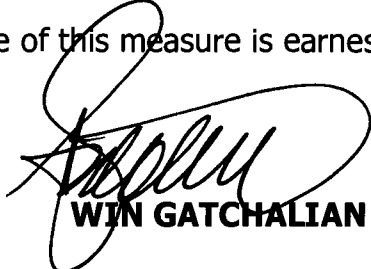
² Inquirer.net. Available at <https://newsinfo.inquirer.net/1769556/treasury-exec-govt-spending-more-on-pension-than-soldiers-training>. Accessed on August 15, 2023.

³ Philstar Global. Available at <https://www.philstar.com/headlines/2023/03/29/2255259/diokno-warns-fiscal-collapse-uniformed-personnel-pensions>. Accessed on May 18, 2023.

shall similarly be subject to the audit and examination provided under Republic Act No. 8291 or the "The Government Service Insurance System Act of 1997".

This bill will be applied prospectively in order to ensure that existing pensioners and MUPs 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 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 very urgent passage of this measure is earnestly sought.



WIN GATCHALIAN

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**AN ACT
STRENGTHENING THE MILITARY AND UNIFORMED PERSONNEL
PENSION SYSTEM, CREATING THE MILITARY AND UNIFORMED
PERSONNEL INSURANCE FUND, AMENDING FOR THIS PURPOSE
REPUBLIC ACT NO. 8291, OTHERWISE KNOWN AS "THE
GOVERNMENT SERVICE INSURANCE SYSTEM ACT OF 1997", AND
FOR OTHER PURPOSES**

*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
2 Uniformed Personnel Insurance Fund Act".

3
4 SEC. 2. *Declaration of Policy and Objectives.* - The State recognizes the
5 invaluable contribution of the uniformed services in providing an environment
6 conducive to nation-building and economic development. The State likewise
7 recognizes the role of uniformed personnel who faithfully carry out their
8 mandate to uphold Philippine sovereignty and territorial integrity; to protect
9 lives and properties; and to maintain peace, order, and safety – often at great
10 personal risk and peril. To recompense such dedicated performance of duty, it
11 is hereby declared the policy of the State to provide immediate and adequate
12 care, benefits, and other forms of assistance to veterans of the uniformed
13 services, as well as to their surviving spouses and orphans. Towards this end,

1 the State shall develop a sound, viable, and tax-exempt military and uniformed
2 personnel insurance and pension fund that caters to the needs of the uniformed
3 personnel of the National Government, and motivates them to faithfully abide
4 by their commitments to the country and its people.

5
6 **SEC. 3. *Definition of Terms.*** - For the purposes of this Act:

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

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

13 (c) Average Monthly Compensation (AMC) shall refer to the quotient
14 arrived at after dividing the aggregate compensation received by the member
15 during his last thirty-six (36) months of service preceding his separation /
16 retirement / disability / death by thirty-six (36), or by the number of months he
17 received such compensation if he has less than thirty-six (36) months of
18 service: *Provided*, That the average monthly compensation shall in no case
19 exceed the amount and rate as may be respectively set by the GSIS Board, in
20 consultation with representatives of the Uniformed Services under the rules and
21 regulations implementing this Act, as determined by the actuary of the GSIS:
22 *Provided, further*, That initially the average monthly compensation shall not
23 exceed Ten Thousand Pesos (P10,000.00);

24 (d) Government Service Insurance System (GSIS) shall refer to the
25 Government Service Insurance System created by Commonwealth Act No. 186,
26 as amended;

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

29 (f) Uniformed Personnel shall refer to the commissioned officers and
30 enlisted personnel of the uniformed services; and

31 (g) Uniformed Services shall refer to the Armed Forces of the Philippines
32 (AFP), Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau

1 of Jail Management and Penology (BJMP), Philippine Coast Guard (PCG) and
2 commissioned corps of the National Mapping and Resource Information
3 Authority (NAMRIA).

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

10 The GSIS shall be responsible for the administration of the MUP
11 Insurance Fund and the implementation of the provisions of this Act: *Provided,*
12 That the MUP Insurance Fund shall be administered and reported separately
13 from the GSIS Social Insurance Fund provided under Section 34 of Republic Act
14 (RA) No. 8291, otherwise known as "The Government Service Insurance
15 System Act of 1997"; *Provided further,* That there shall be an office under the
16 GSIS specifically created to manage the MUP Insurance Fund.

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

23
24 **SEC. 5. *Coverage.*** - Upon recruitment, appointment or admission,
25 coverage in the MUP Insurance Fund shall be mandatory for all new entrants
26 to the uniformed services.

27
28 **SEC. 6.** Section 3 of RA No. 8291 is hereby amended to read, as follows:

29 "Section 3. Compulsory Membership. — Membership in the
30 GSIS shall be compulsory for all employees receiving
31 compensation, **INCLUDING NEW ENTRANTS TO THE**
32 **UNIFORMED SERVICES COVERED BY THE MUP**

1 **INSURANCE FUND**, who have not reached the
2 compulsory retirement age, irrespective of employment
3 status, except members of the Armed Forces of the
4 Philippines and the Philippine National Police **WHO ARE**
5 **NOT COVERED BY THE MUP INSURANCE FUND**,
6 subject to the condition that they must settle first their
7 financial obligation with the GSIS, and contractuels who
8 have no employer and employee relationship with the
9 agencies they serve.

10 Except for the members of the judiciary and constitutional
11 commissions who shall have life insurance only, all
12 members of the GSIS shall have life insurance, retirement,
13 and all other social security protection such as disability,
14 survivorship, separation, and unemployment benefits."
15

16 SEC. 7. Section 24 of RA No. 8291 is hereby amended to read, as follows:

17 "Section 24. Compulsory Life Insurance. — All employees,
18 **INCLUDING NEW ENTRANTS TO THE UNIFORMED**
19 **SERVICES COVERED BY THE MUP INSURANCE**
20 **FUND**, except for members of the Armed Forces of the
21 Philippines (AFP) and the Philippine National Police (PNP)
22 **WHO ARE NOT COVERED BY THE MUP INSURANCE**
23 **FUND** shall, under such terms and conditions as may be
24 promulgated by the GSIS, be compulsorily covered with life
25 insurance, which shall automatically take effect as follows:
26 xxx"
27

28 SEC. 8. *MUP Insurance Fund Generation*. — It shall be mandatory for the
29 new entrants and the concerned Uniformed Services to pay monthly
30 contributions specified in the following schedule:

31 Monthly	Percentage of Monthly Compensation Payable by	
32 Compensation	New Entrant	Uniformed Services

1	I. Maximum Average		
2	Monthly Compensation		
3	(AMC) Limit and Below	9.0%	12.0%
4	II. Over the Maximum AMC Limit		
5	• Up to the Maximum AMC Limit	9.0%	12.0%
6	• In Excess of the AMC Limit	2.0%	12.0%

7 The Uniformed Services concerned shall include in its annual
8 appropriation such sums as may be necessary to cover the required contribution
9 provided for in this Act. The manner of collection and remittance of contributions
10 to the MUP Insurance Fund shall be in accordance with the relevant provisions
11 of RA No. 8291.

12 Uniformed Services which delay the remittance of any and all monies due
13 the GSIS under this Act shall be charged interests as may be prescribed by the
14 GSIS Board but not less than two percent (2%) simple interest per month. Such
15 interest shall be paid by the Uniformed Services concerned: *Provided*, That the
16 imposition of interests on delayed remittances shall not preclude the GSIS or
17 the aggrieved Uniformed Personnel from commencing any action against the
18 treasurer, finance officer, cashier, disbursing officer, budget officer, or other
19 official or employee of the Uniformed Services in accordance with Section 52 of
20 RA No. 8291.

21
22 **SEC. 9. MUP Insurance Fund Investments.** - The portions of the MUP
23 Insurance Fund which are not needed to meet any current obligation may be
24 invested in accordance with Section 36 of RA No. 8291.

25
26 **SEC. 10. Retirement, Separation and Other Benefits.** - The provision of
27 retirement, separation, and other benefits chargeable against the MUP
28 Insurance Fund, including eligibility requirements, shall be governed by the
29 relevant provisions of RA No. 8291.

30

1 SEC. 11. *Grant of Additional Retirement and Separation Benefits.* - GSIS
2 may, upon determination of actuarial soundness, provide better pension
3 benefits to qualified military and uniformed personnel retirees covered by the
4 MUP Insurance Fund.

5
6 SEC. 12. *Exemptions from Tax, Legal Process and Lien.* - Any provision
7 of the law to the contrary notwithstanding, all contributions for the MUP
8 Insurance Fund and all accruals thereto and income or investment earnings
9 therefrom shall be exempt from any tax, assessment, fee, charge, or customs
10 or import duty in accordance with Section 39 of RA No. 8291.

11
12 SEC. 13. *Government Guarantee.* - The government of the Republic of
13 the Philippines hereby guarantees the fulfillment of the obligations of the GSIS
14 to military and uniformed personnel members covered by the MUP Insurance
15 Fund as and when they fall due.

16
17 SEC. 14. *Cost of MUP Insurance Fund Administration.* - The MUP
18 Insurance Fund shall bear the costs of its administration and development, in
19 such amounts and for limits as the GSIS Board of Trustees may deem
20 appropriate, but not exceeding ten percent (10%) of the annual revenues from
21 all sources subject to review by Congress every three (3) years after the
22 effectivity of this Act: *Provided,* That the President of the Philippines may, on
23 the basis of actuarial and management studies, increase the allotment for the
24 administrative and operational expenses for the MUP Insurance Fund.

25
26 SEC. 15. *Audit and examination.* - The MUP Insurance Fund shall be
27 subject to the audit and examination provided in Sections 46 and 48 of RA No.
28 8291.

29
30 SEC. 16. *Pension Benefits for Pensioners and Active Uniformed Personnel*
31 *Prior to the Effectivity of this Act*- Existing pensioners and uniformed personnel
32 in active duty prior to the effectivity of this Act shall enjoy the retirement

1 benefits provided under Presidential Decree No. 1638, as amended; Republic
2 Act No. 6975, as amended by Republic Act No. 8551; Republic Act No. 9993;
3 and other applicable laws.

4
5 SEC. 17. *Appropriations.* - The amount necessary for the implementation
6 of the provisions of this Act shall be included in the annual General
7 Appropriations Act following its enactment into law.

8
9 SEC. 18. *Implementing Rules and Regulations.* - Within ninety (90) days
10 from effectivity of this Act, the GSIS and the Department of Budget and
11 Management (DBM) shall, in coordination with the Department of Environment
12 and Natural Resources (DENR), the Department of the Interior and Local
13 Government (DILG), the Department of National Defense (DND), and the
14 Department of Transportation (DOTr), and after consultation with directly
15 affected stakeholders, promulgate the rules and regulations to effectively
16 implement the provisions of this Act.

17
18 SEC. 19. *Separability Clause.* - If any provision of this Act is declared
19 invalid or unconstitutional, the provisions not affected thereby shall remain in
20 full force and effect.

21
22 SEC. 20. *Repealing Clause.* - All laws, presidential decrees, executive
23 orders, presidential proclamations, rules and regulations or parts thereof
24 contrary to or inconsistent with this Act are hereby repealed or modified
25 accordingly.

26
27 SEC. 21. *Effectivity Clause.* - This Act shall take effect fifteen (15) days
28 after its publication in the *Official Gazette* or in a newspaper of general
29 circulation.

Approved,