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SENATE
P.S. Res. 308

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Introduced by Senator Villar

RESOLUTION

URGING THE SENATE COMMITTEE ON GOVERNMENT CORPORATIONS AND PUBLIC ENTERPRISES TO CONDUCT A COMPREHENSIVE ASSESSMENT, IN AID OF LEGISLATION, ON THE VIABILITY OF IMPLEMENTING A NOTIONAL DEFINED CONTRIBUTION (NDC) CONCEPT OF INSURANCE RETIREMENT SYSTEM

Whereas, during the last century Filipino workers/employees are covered by two major retirement plans: for those in the public sector, under the Government Service Insurance System (GSIS) and for those in the private sector, the Social Security System (SSS);

Whereas, these retirement/pension plans are envisioned to ensure the employees' financial stability after retirement or separation from employment, when applicable;

Whereas, of late though, there are emerging problems and negative perceptions on the capability and viability of both the GSIS and SSS: heavy financial losses, legitimate members being refused payments when they are prematurely separated from employment caused by death, illness, resignation, transfer and other forms of incapacity to continue employment; overly generous benefits for workers within the Systems but stringent and unfair treatment of members and others;

Whereas, government must find measures to fully address these concerns including the feasibility of providing an alternative retirement/pension plans or programs that will promote retired workers' welfare;

Whereas, at least six (6) countries are implementing the notional defined contribution (NDC) model of retirement and pension plan: Sweden, Italy, Poland, Latvia, Kyrgyz Republic and Mongolia;

Whereas, the NDC concept of insurance retirement system has proven to be an effective tool in ensuring the financial security of senior citizens and retired personnel in countries mentioned;

- Budgetary savings. Partial privatization, combined with reform of the government-run, pay-as-you-go portion of the retirement system shall result in fiscally sustainable system. The said future expenditures will be significantly lower, protecting its citizens from higher taxes, spending and large deficits;
- Higher retirement income. The ability to invest privately over a working lifetime shall allow workers to benefit from compounding terms. The average blue collar worker could enjoy more old age income and the retirees will have a safer and more comfortable retirement;
- Economic growth. By reducing the payroll tax rate and creating a direct link between lifetime income and pension benefits, said pension reform shall increase incentives to work. Moreover, the shift to a funded system will boost national savings, thus providing capital for future growth.

Whereas, such reform or shift to the NDC concept in lieu of the existing retirement scheme implemented by GSIS and SSS may be the only way to ensure a safe and comfortable retirement income for today's workers: Now therefore be it

Resolved by the Senate, as it is hereby resolved, to urge the Senate Committee on Government Corporation and Public Enterprises to conduct a comprehensive assessment on the viability of implementing a notional defined contribution (NDC) concept of retirement system.

Adopted,



MANNY VILLAR