



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Seventeenth Congress
First Regular Session

HOUSE BILL NO. **3746**



Introduced by Honorable Rodante D. Marcoleta

EXPLANATORY NOTE

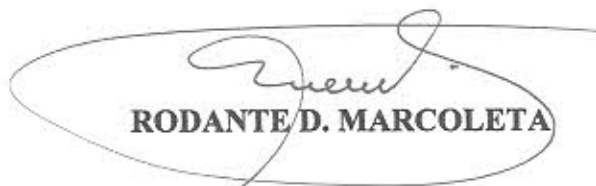
This bill seeks to establish the Overseas Filipino Workers Retirement System which will provide retirement benefits and welfare assistance to overseas Filipino workers (OFWs) and their dependents.

There is no doubt that OFWs play an important role in revitalizing the economy. OFWs' remittances contribute as much as 20% of the gross domestic product. The OFWs are the so called heroes of our time. Unfortunately, uncertainty lies before them during their old age and retirement years. The government has yet to establish a system that would truly assure social security and protection for the millions of OFWs during their retirement.

At present, the Social Security System (SSS) program for OFWs offers limited pension benefits which matures only at the age of 60. There is no law which would allow the OFWs to neither receive retirement pay at an earlier age nor provide voluntary separation benefits. Unlike the SSS members, the employment of an OFW is purely contractual and is usually only for a short period of time. OFWs such as domestic helpers and construction workers usually find reemployment difficult at the age of 45. Performing artists are not usually rehired at the age of 35. It is unthinkable for them to wait until the age of 60 to receive their pension benefits under the SSS program.

As our modern day heroes, OFWs deserve to be given appropriate benefits and be accorded greater security after their employment days are over. The present set-up necessitates improvement in that direction. This bill therefore proposes to establish a retirement system designed to provide the OFWs with funds they can use to establish a business or other productive endeavors when they decide to finally retire or separate from work.

In view of the foregoing, the approval of this bill is earnestly recommended.


RODANTE D. MARCOLETA



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Seventeenth Congress
First Regular Session

HOUSE BILL NO. **3746**

Introduced by Honorable Rodante D. Marcoleta

AN ACT
ESTABLISHING THE OVERSEAS FILIPINO WORKERS SOCIAL SECURITY
AND RETIREMENT SYSTEM AND APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. **Short Title.** – This Act shall be known as the “*Overseas Filipino Workers Retirement System Act of 2016.*”

SEC. 2. **Declaration of Policy.** – It is hereby declared the policy of the State to protect and promote the welfare of overseas Filipino workers. Towards this end, there is a need to pioneer and develop innovative means to provide incentives designed to uplift their standard of living as well as those of their families.

SEC.3. **Definition of Terms.** – For purposes of this Act, the following terms shall mean:

- a) “**Overseas Filipino Worker (OFW)**” refers to a Filipino citizen with a valid contract of employment outside the Philippines through a legitimate agency or employer and who possesses the necessary documents to work abroad;

- b) *“Non-documented OFW”* refers to an overseas Filipino worker who does not have valid contract of employment nor possesses the necessary documents to work abroad;
- c) *“Beneficiaries”* refers to the dependent spouse of an OFW, his dependent children, whether legitimate or illegitimate, who are the primary beneficiaries. In their absence, the dependent parents shall be the secondary beneficiaries. In the absence of the foregoing, another person designated by the OFW.
- d) *“Dependent”* refers to the legitimate, legitimated or legally adopted child who is unmarried, not gainfully employed, and not over twenty-one years of age, or over twenty-one years of age: *Provided*, That he is congenitally incapacitated and incapable of self-support, physically or mentally; legitimate spouse dependent for support upon the employee; and the legitimate parents wholly dependent upon the covered employee for regular support.

SEC.4. *Overseas Filipino Workers Social Security and Retirement System.* –

There is hereby established an Overseas Filipino Workers Social Security and Retirement System, hereinafter referred to as the System, which shall cover all documented OFWs who are duly registered with the Philippine Overseas Employment Administration.

SEC.5. *Objectives.* – The System shall have the following objectives:

- a) Provide retirement benefits and welfare assistance to OFWs and their dependents;

- b) Develop a savings pension plan by which OFWs can be encouraged collectively to contribute part of their earnings in order to protect them against the hazards of old-age, disability, sickness and death;
- c) Ensure the viability of the funds remitted by IFWs; and
- d) Establish a trust fund which will constitute the contributions of OFWs.

The system shall endeavor to strike a right balance in management and safekeeping of the funds remitted by OFWs while extending the benefits of the System's services to the rightful beneficiaries.

SEC.6. ***Board of Trustees.*** – The System shall be administered by a board of trustees which shall be composed of the Secretary of Labor and Employment, as chairman, the Administrator of Philippine Overseas Employment Administration (POEA), the Director of the System, two (2) representatives from the land-based overseas workers, two (2) representatives from the seamen of seafarer's group, and one (1) representative each from the management and labor sectors, as members.

The director of the System and the representatives of both management and labor sectors, upon the recommendation of the Secretary of Labor and Employment, and the representative of both the land-based overseas workers and the seamen or the seafarers, upon the recommendation of their respective organizations, shall be appointed by the President.

The director shall be the chief executive officer of the System. He shall have the qualifications, rank and compensation of bureau director. The director shall be assisted by

a deputy director who shall be appointed by the board of trustees upon the recommendation of the chairman.

SEC.7. ***Powers and Functions.*** – The Board of Trustees shall have the following powers and functions:

- a) Formulate and implement measures to attain the system's objectives and purposes;
- b) Enter into agreements or contracts for such service and aid, as may be necessary for the proper and effective administration of the System;
- c) Manage the retirement fund and other sources of the System subject to pertinent accounting rules and regulations issued by the Commission on Audit;
- d) Adopt from time to time a budget of expenditures for the System including its annual budget which shall not be more than thirty percent (30%) of the retirement fund;
- e) Acquire property, real or personal, which may be necessary for the attainment of the purposes of this Act;
- f) Determine and fix the monthly contribution of the OFWs;
- g) Sue and be sued in court;
- h) Appoint such personnel as may be deemed necessary to ensure the efficient administration of the System; and
- i) Perform such other acts as may be necessary for the effective implementation of this Act.

SEC.8. *Chairman; Power and Functions.* – The chairman shall have authority and responsibility of exercising the powers and functions of the System. He shall be appointed by the President.

The Chairman shall have the following powers and functions:

- a) Formulate and implement policies and programs to attain the objectives and purposes of the System;
- b) Issue rules and regulations to carry out the objectives and purposes of the System;
- c) Administer fund resources and recommend to the Board of Trustees the annual budget of the System;
- d) Determine the functions, composition, and compensation of the personnel of the System;
- e) Determine and fix the amount of contributions of employers of land-based and sea-based OFWs;
- f) Coordinate all policies and programs relating to OFWs as provided in this Act; and
- g) Undertake necessary consultations concerning matters affecting the welfare of OFWs and their families, and recommend to the President policies and programs relative thereto.

SEC.9. *Secretariat.* – The Secretariat personnel shall be appointed by the Chairman, upon the recommendation of the Director. The compensation of the personnel

and the operating expenses of the Secretariat shall be charged to the Retirement Fund as hereinafter established.

SEC. 10. ***Compulsory Coverage.*** – The System shall be compulsory upon all documented OFWs; *Provided*, That if an OFW is a member of Social Security System or any similar entity as provided under existing laws, the same shall be discontinued and any benefit or benefits accruing to the OFW from such membership shall be integrated into the System.

Compulsory coverage of the OFW under this system shall take effect on the first day of his employment in the foreign country.

SEC. 11. ***Separation from Employment.*** – When a covered OFW is separated from employment, the obligation to pay contributions from that employment shall cease at the end of the month of separation, but he shall be credited with all contributions paid and shall be entitled to all benefits provided in this Act.

SEC.12. ***Retirement Benefits.*** – All covered OFWs who had paid at least one hundred twenty (120) monthly contributions prior to the semester of retirement and who has reached the age of forty-five (45) years shall be entitled to a monthly pension.

The computation of the monthly pension shall be determined by the Board of Trustees in accordance with the actuarial system of the Social Security System.

Upon the death of the retired OFW pensioner, his primary beneficiaries as of the date of his retirement shall be entitled to eighty percent (80%) of the monthly pension and his dependents to the dependent's pension: *Provided*, That if he has no primary beneficiaries and he dies within sixty months from the start of his monthly pension, his

secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the greater of (a) twenty (2) times the monthly pension or (b) the difference of sixty (60) times the monthly pension and the total monthly pensions by the System excluding the dependent's pension.

SEC.13. ***Dependent's Pension.*** – The dependent's pension shall be equivalent to ten percent (10%) of the monthly pension for each dependent child which shall not exceed five, beginning with the youngest and shall be without substitution: *Provided,* That his dependents born before his retirement of a marriage subsisting when he was forty (40) years old shall be entitled to the dependent's pension.

SEC.14. ***Early Retirement and Voluntary Separation Benefits.*** – Any OFW who voluntarily elects in writing to retire prior to the age of forty-five (45) but who has served for at least five (5) years in overseas employment or separated from the overseas employment shall be paid retirement or separation benefits equivalent to one and one-fourth (1 ¼) month basic salary for every year of their respective overseas employment or the nearest equivalent fraction thereof favorable to them on the basis of the highest salary which they respectively received in the course of their employment in the foreign country.

SEC.15. ***Retirement Fund.*** – There shall be created an Overseas Filipino Workers Retirement Fund, hereinafter, referred to as the Fund, where all OFWs who are duly registered as such with the Philippine Overseas Worker's Administration (POEA) shall remit five (5%) of their gross monthly income for at least ten (10) years.

The Fund shall be used for the purpose of providing retirement benefits and similar gratuities to OFW or their beneficiaries.

SEC. 16. *Source of Fund.* – In addition to the monthly contribution of the OFWs to the Fund, the Fund shall be financed from the following sources:

- a) Ten percent (10%) from the fees charged by medical testing centers which provide medical test to overseas job-applicants;
- b) Ten percent (10%) from fees charged by Philippine international airports to outgoing OFWs;
- c) Ten percent (10%) from fees charged by OFW training centers; and
- d) Fifty Million Pesos (P50,000,000.00) annually for five (5) years to be appropriated and be taken from the Contingency Fund of the Office of the President to complement the Overseas Filipino Workers Fund's Reserve.

SEC.17. *Appropriation.* – To effectively implement the provisions of this Act, there is hereby appropriated the amount of One Hundred Million Pesos (P100,000,000.00) for the initial capitalization of the System to be charged to the current appropriations of the Office of the President. Thereafter, the amount necessary for the continuous operation of the System shall be included in the annual General Appropriations Act.

SEC.18. *Implementing Rules and Regulations.* –The POEA shall, within sixty (60) days after the effectivity of this Act, promulgate the necessary rules and regulations for the implementation of this Act.

SEC.19. ***Repealing Clause.*** – Any provision of laws, decrees, executive orders, proclamations, rules and regulations, or parts thereof, which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC.20. ***Separability Clause.*** – If any portion of this Act is declared unconstitutional or invalid, the other provisions not affected shall continue in full force and effect.

SEC.21. ***Effectivity Clause.*** – This Act shall take effect fifteen (15) days following the completion of its publication in two (2) newspapers of general circulation.

Approved,