



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3421

Introduced by:
Representative FRANCISCO JOSE F. MATUGAS II


EXPLANATORY NOTE

This bill, which seeks to reform the benefit and pension system in the uniformed service, has been certified as urgent by the President. The importance of this bill was emphasized by the President as early as his Budget Message for the Fiscal Year 2017:

“The reform on Military and Uniformed Personnel (MUP) pension shall be pursued in view of the ballooning budget burden where the total cost of the pensions of retired soldiers will exceed the compensation of those in the active service. The proposed law will create a pension fund that is similar to or part of the Government Service Insurance System, replacing the current system where the pensions of the military and other uniformed personnel are appropriated annually by Congress.”

The above pronouncement of the President is in line with the findings of the Development Budget Coordination Committee, in its *Fiscal Risk Statement (2015-2016)*, that the pension costs of all uniformed services are rapidly increasing every year. In 2016, the pension budget amounted to P71.0 billion and which was projected to reach more than double in eight years at P187.9 billion. According to the Committee, the problem is “mainly attributable to the features present in all existing retirement laws of the uniformed services – (a) pension entitlement of a retiree is automatically adjusted based on the prevailing scale of base pay for similarly ranked active personnel; (b) pension is non-contributory in nature hence budget comes from the annual general appropriations of the government; and (c) early entitlement to pension benefits even before attaining the compulsory retirement age of fifty-six.”

It is therefore imperative that we introduce reforms in the pension system of uniformed personnel to make it more sustainable. The immediate passage of this bill is, therefore, earnestly sought.



Francisco Jose F. Matugas II
Surigao del Norte, First District
(Siargao Island)



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AN ACT
AMENDING PERTINENT LAWS ON THE RETIREMENT
BENEFITS AND PENSION OF UNIFORMED PERSONNEL OF
THE UNIFORMED SERVICES AND PROVIDING FUNDS
THEREFORE

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

1 SECTION 1. *Title.* – This Act shall be known as the “Unified
2 Uniformed Personnel Retirement Benefits and Pension Reform Act”.

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

10 It shall therefore, be the prime concern of the State to provide all
11 uniformed personnel adequate remuneration and benefits, including
12 retirement benefits and pension. To this end, the State shall ensure that

1 the retirement benefits and pension scheme of the uniformed personnel is
2 secure, reliable, and sustainable.

3 SEC. 3. *Definition of Terms.* – As used in this Act, the following
4 terms shall have the corresponding meanings hereinafter set forth:

5 a) **AFP-RSBS** shall refer to the Armed Forces of the Philippines
6 Retirement and Separation Benefits System established by virtue of
7 Presidential Decree (P.D.) 361, as amended by P.D. 1656;

8 b) **Existing retirees** shall refer to retired uniformed personnel
9 who are currently receiving or entitled to receive retirement benefits and
10 pension under existing laws applicable to the uniformed services at the
11 time of the effectivity of this Act;

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

17 d) **GSIS** shall refer to the Government Service Insurance System;

18 e) **New Entrants** shall refer to uniformed personnel who enter
19 the uniformed services upon the effectivity of this Act, excluding those who
20 entered the uniformed services through lateral entry from uniformed
21 service;

22 f) **Uniformed Personnel** shall refer to the officers and enlisted
23 personnel of the uniformed services; and

24 g) **Uniformed Services** shall refer to the Armed Forces of the
25 Philippines (AFP), Philippine National Police (PNP), Philippine Coast
26 Guard (PCG), Bureau of Fire Protection (BFP), Bureau of Jail
27 Management and Penology (BJMP), Bureau of Corrections (BuCor), and
28 National Mapping and Resource Information Authority (NAMRIA).

29 SEC. 4. *Standardizing the Uniformed Services Monthly Retirement*
30 *Pay.* - New entrants of the uniformed services, upon retirement, shall be

entitled to receive a monthly retirement pay equivalent to two and one-half percent (2 ½%) for each year of active service rendered, but not exceeding ninety percent (90%), of the monthly base and longevity pay of the grade next higher than the permanent grade last held.

SEC. 5. - *Rationalized Adjustment of Retirement Benefits and Pension.* The retirement benefits and pension of all new entrants shall not be subject to automatic adjustments based on the prevailing scale of base pay of active uniformed personnel: *Provided, however,* That the existing and future retirees shall continue to receive retirement benefits and pension and their corresponding automatic adjustments.

SEC. 6. *Receipt of Retirement Benefits and Pension.*- All new entrants who, at the time of their actual retirement, are eligible to receive retirement benefits and pension under existing laws applicable to the uniformed services shall be entitled to receive their lump sum benefit equivalent to three (3) years pay within one (1) month of their effective date of retirement.

SEC. 7. *Automatic Review.* - The retirement benefits and pension of the new entrants shall be reviewed commencing two (2) years after the year of retirement of the first new entrant retirees and every two (2) years thereafter, by the Department of National Defense (DND), Department of Interior and Local Government (DILG), Department of Justice (DOJ), Department of Transportation and Communication (DOTC), Department of Budget and Management (DBM), the Department of Finance (DOF), and the GSIS for the purpose of recommending to the President, for his approval, appropriate adjustments thereto, in accordance with rules and regulations to be jointly promulgated by the DOF and the DBM under Section 13 of this Act.

SEC. 8. *Disability Pension.* - All uniformed personnel who are disabled in the line of duty shall be eligible to receive a monthly pension,

1 the rates of which shall be determined by the respective department
2 concerned.

3 SEC. 9. *Creation of a Uniformed Personnel Retirement Fund and*
4 *Sources of Funding.* - A Uniformed Personnel Retirement Fund (UPRF), to
5 be managed by the GSIS, shall be established for the sustainability of the
6 retirement benefits and pension of uniformed personnel.

7 The GSIS shall create a new department which shall exclusively
8 administer the UPRF for the payment of retirement benefits and pension
9 of new entrants.

10 The UPRF shall be financed through the following:

11 (a) *Mandatory Contributions.* Upon the effectivity of this Act, it
12 shall be mandatory for new entrants to contribute a percentage of their
13 monthly compensation as personal share and for the National Government
14 to contribute a corresponding share sourced from the annual general
15 appropriations for the maintenance of the UPRF, as provided hereunder:

16 i) New entrants shall contribute nine percent (9%) of their
17 monthly compensation as personal share and for the National
18 Government a corresponding share of eighteen percent (18%); and

19 ii) The National Government representing the active
20 uniformed personnel's contribution, shall contribute twenty-two
21 percent (22%) of the monthly compensation of the aforementioned
22 uniformed personnel.

23 (b) *Additional Sources of Funding.* Additional funds for the
24 maintenance of the UPRF shall be sourced from:

25 i) The proceeds derived from the sale or disposition of
26 public lands, as may be authorized by the President for this purpose;

27 ii) The proceeds derived from the lease or joint development
28 of public lands, as may be authorized by the President for this
29 purpose, pursuant to the provisions of existing laws and regulations

governing lease or joint development of public lands, including such immovable and other facilities as may be found therein; and

iii) The proceeds derived from reclamation projects to be approved by the President for this purpose.

SEC. 10. *Deactivation of the AFP-RSBS.* - The AFP-RSBS shall be deactivated upon the effectivity of this Act.

For purposes of this Section, the AFP-RSBS Board, at the option of the Secretary of National Defense, shall constitute the Board of Liquidators (BOL), which is mandated to supervise collecting and realizing the assets of the AFP-RSBS, and effect the settlement of the obligations of the AFP-RSBS to third persons. The BOL is hereby authorized to perform such other functions as may be necessary for the purpose of winding-up the affairs of the AFP-RSBS, which may include, but are not limited to, the payment of obligations, set-offs, write-offs, condonations, collections, reappraisals, prosecution and defense of suits, disposal and conveyance of properties, and distribution of assets: *Provided*, That the BOL shall continue to perform its mandated duties and authorized functions until all the obligations of the AFP-RSBS have been settled, for a period not to exceed three (3) years from the time the BOL is constituted: *Provided, further*, That the remaining assets and obligations of the AFP-RSBS, if any, shall be transferred to the UPRF after the said three-year period.

SEC. 11. *Termination of Contributions to the AFP-RSBS.* - Upon the effectivity of this Act, the active AFP personnel shall immediately cease to pay to AFP-RSBS the contributions required under Section 4 of P.D. 361, as amended by P.D. 1656.

SEC. 12. *Return of Contributions Made to the AFP-RSBS.* -All contributions previously paid by the active uniformed personnel of the AFP shall be refunded within a period not to exceed three (3) years from

effectivity of this Act.

SEC. 13. *Implementing Ruled and Regulations.* - Within sixty (60) days from the effectivity of this Act, the DBM and the DOF, in consultation with the GSIS, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 14. *Separability Clause.* - If any provision, section or part of this Act shall be declared unconstitutional or invalid, such judgment shall not affect, invalidate or impair any other provisions, sections or parts hereof.

SEC. 15. *Repealing Clause.* – The pertinent portions of the following legal provisions, insofar as they dispose of the net income of the Philippine Reclamation Authority, are hereby repealed and/or modified accordingly: (a) Section 112, R.A. 8435, as amended by R.A. 9281; (b) Section 42 (a), R.A. 7279; and (c) Section 10 (d), R.A. 7835.

R.A. 9993, R.A. 8551, P.D. 1638, P.D. 361, P.D. 1656 and all other laws, decrees, orders, rules and regulations, or parts thereof, specifically inconsistent with any provision of this Act shall be deemed repealed, amended or modified accordingly.

SEC. 16. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,

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