

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
**First Regular Session**  
House Bill No. 3453

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REGISTRATION UNIT  
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Introduced by AKBAYAN Representative Tomasito S. Villarin

**EXPLANATORY NOTE**

The Government Service Insurance System was created in 14 November 1936 by virtue of Commonwealth Act No. 186 to ensure that government employees who have dedicated their lives to public service are taken care of once they retire. To pursue this mandate, the System's Charter was amended by Presidential Decree No. 1146, Republic Act No. 660, Republic Act No. 1616, and, the latest, by Republic Act No. 8291 (Revised Government Service Insurance System Act of 1997). All these amendments have the objective of providing better benefits to public servants.

With 1,649,330 active members, 113,883 survivorship pensioners, and 245,156 old age pensioners, the Government Service Insurance System is perhaps the most effective way by which the State protects employees in the public sector from socio-economic impacts of old age, death, loss of job and disability a State mandate pursuant to Article XII (Social Justice and Human Rights), Section 3 of the 1987 Philippine Constitution, which directs the State to afford full protection to labor. Public servants rely heavily on the System's mechanisms on pension, life insurance, disability insurance, employees' compensation, burial benefits, survivorship benefits and accessible loans to cushion the impact of such contingencies.

Sixteen years hence, this bill introduces amendments to Republic Act No. 8291 to make it more responsive to the changing needs of the System and its members. It further reinforces the value of the contribution of government workers-members, specifically of the organized public sector unions by introducing membership rights. It strengthens the participation of workers-members in developing and crafting policies of the System. This bill proposes measures to further the rights of workers-members towards a more responsive, efficient and professional System.

Core to the bill of rights is the right to be heard through institutionalization of regular interactions with public sector unions, employees' and retirees' organizations and other stakeholders, a mechanism which would not only enable workers-members to voice out their issues and concerns but also

capacitate the System to formulate policies which are more responsive to the need of workers-members.

This bill further introduces the notion of socially responsible investments which would also make it a policy of the System of opportunities for high returns but would also make it a policy of the System to invest in activities that would contribute to the building of better communities, ensuring the protection of human rights, and working towards sustainable development.

The introduction of harsher penalties and the enumeration of acts inconsistent with the System's objective of promoting workers-members rights are also introduced to deter further violations, primarily with regard to the failure to remit premium and loan amortizations of members by employers-agencies.

This bill will increase the coverage and amount of certain benefits to address the changing times and need of the System's members.

Lastly, this legislative proposal was filed by Akbayan's representatives during the 16<sup>th</sup> Congress. In view of the foregoing, the immediate passage of this bill is earnestly sought.



**TOMASITO S. VILLARIN**

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**AN ACT**  
**FURTHER STRENGTHENING THE GOVERNMENT SERVICE INSURANCE**  
**SYSTEM**

*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 “*Government Service Insurance System Act of 2016*.”

**SECTION 2. Declaration of Policy.** —It is a declared policy of the State to provide, develop and promote a sound social security system responsive to the needs of its employees. Likewise, the State shall review and strengthen policies that advance and protect the welfare of employees in the public sector and ensure their right to participate in policy and decision-making processes affecting their rights and benefits.

Toward this end, the State shall:

- (a) Ensure the adoption of policies beneficial to GSIS members, paving the way for a responsible, integrated and transparent social security system;
- (b) Provide greater representation for members at the highest policy-making level of the GSIS;
- (c) Insulate the Social Insurance Fund from dissipation due to the volatility of the global economy; and
- (d) Ensure that top-level officials of the GSIS are held accountable for mismanagement and inefficiencies in the delivery of services to members and beneficiaries.

**A. DEFINITIONS**

**SECTION 3. Definition of Terms.** —As used in this Act, and unless the context otherwise indicates:

- (a) 'Government Service Insurance System' or 'GSIS' shall refer to the system created under Commonwealth Act No. 186.
- (b) 'Board' shall refer to the Board of Trustees of the GSIS.
- (c) 'Employer' refers to the national government, its political subdivisions, branches, agencies or instrumentalities, including, government-owned or -controlled corporations, and financial institutions with original charters, the Congress of the Philippines, the Constitutional Commissions and the Judiciary.
- (d) 'Employee' or 'Member' refers to any person, receiving compensation while in the service of an employer, as the latter is defined in this Section, whether by election or appointment: *Provided*, That employees or members who are occupying appointive positions are considered employees or members regardless of the status of their appointment: *Provided, further*, That elected barangay and *sanggunian* officials are included in the term employee or member: *Provided, finally*, That such employee or member does not fall under Section 4(d) of this Act.
- (e) 'Active Member' refers to a member who is not separated from the service.
- (f) 'Beneficiaries' refer to the following:
  - (1) For married members:
    - (i) The legitimate spouse; and
    - (ii) All legitimate, legitimated, legally adopted and illegitimate unmarried child: *Provided*, That the child shall not be over the age of majority: *Provided, however*, That a child who is a person with disability and who is incapable of self-support due to a mental, physical or sensory impairment can still be a *beneficiary* regardless of age: *Provided, finally*, That such a mental or physical impairment was acquired or is present before the person with disability reached the age of majority.
  - (2) For unmarried members:
    - (i) All legitimate, legitimated, legally adopted and illegitimate unmarried child: *Provided*, That the child shall not be over the age of majority: *Provided, further*, That a child who is a person with disability and who is incapable of self-support due to a mental or physical impairment can still be a *beneficiary* regardless of age: *Provided, finally*, That such a mental or physical impairment was acquired or is present before the person with disability reached the age of majority;
    - (ii) In the absence of children, the parents; or

(iii) In the absence of either (i) and (ii), a designated beneficiary who shall have the same qualifications and be entitled to the same benefits as a legitimate, legitimated, legally adopted or illegitimate child under paragraph (f)(1)(ii) of this Section: *Provided*, That the designation must be made before the member turns fifty (50) years old: *Provided, further*, That such a designation can only be made once.

(3) A decree of legal separation shall operate to disqualify the legitimate spouse as beneficiary under this Act, consistent with the provisions of Article 63(4) in relation to Section 43(1) of Executive Order No. 209 otherwise known as *The Family Code of the Philippines*.

A person who is deemed a beneficiary under the definitions in this Section shall likewise be disqualified after the member disinherits such a person or after such person is deemed to be unworthy to succeed.

Such a disinheritance and unworthiness may be (a) effected in a probated will, which shall specify the ground for disinheritance in compliance with Article 916, such grounds thereof are understood to be provided for in Articles 919 (disinheritance of legitimate and illegitimate children and descendants), 920 (disinheritance of legitimate and illegitimate parents or ascendants) or 921 (disinheritance of a spouse), of Republic Act No. 386 otherwise known as the *Civil Code of the Philippines*; or (b) proved and effected by a court decree of incapacity to succeed the member by reason of unworthiness under the grounds in Article 1032 of Republic Act No. 386 otherwise known as the *Civil Code of the Philippines*.

(g) ‘*Benefits*’ refers to those administered by GSIS on behalf of its members, as found under Sections 14 to 38 of this Act, specifically: retirement, separation, unemployment, disability, death/funeral, survivorship and life insurance.

(h) ‘*Compensation*’ refers to the basic pay or salary received by an employee, pursuant to election or appointment: *Provided*, That the term does not include *per diems*, bonuses, overtime pay, honoraria, allowances and any other emoluments received in addition to the basic pay and which are not integrated into the basic pay under existing laws.

(i) ‘*Contribution*’ refers to the amount payable to the GSIS by the member and the employer in accordance with Section 10 of this Act.

(j) ‘*Current Daily Compensation*’ refers to the actual daily compensation or the actual monthly compensation divided by the number of working days in the month of contingency but not to exceed twenty-two (22) working days.

(k) ‘*Average Monthly Compensation*’ or refers to the amount arrived at after dividing the aggregate compensation received by the member during the

last thirty-six (36) months of service preceding separation, retirement, disability or death by thirty-six (36): *Provided*, That for *employees* or *members* receiving compensation for less than thirty-six month (36), the amount shall be equal to the total compensation received: *Provided, further*, That the average monthly compensation shall in no case exceed the amount and rate as may be respectively set by the Board under the rules and regulations implementing this Act, and as determined by the actuary of the GSIS.

- (l) '*Revalued Average Monthly Compensation*' refers to an amount equal to one hundred seventy percent (170%) of the first One Thousand Pesos (PhP 1,000.00) of the average monthly compensation plus one hundred percent (100%) of the average monthly compensation in excess of One Thousand Pesos (PhP 1,000.00).
- (m) '*Pensioner*' refers to any person receiving old-age or permanent total disability pension or any person who has received the retirement benefits: *Provided, however*, That one who is receiving survivorship pension benefits as defined in Sections 33 to 36 of this Act is not considered a pensioner.
- (n) '*Disability*' refers to any loss or impairment of the normal functions of the physical or mental faculty of a member which reduces or eliminates the capacity to continue with current gainful occupation.
- (o) '*Permanent Partial Disability*' refers to a condition accruing or arising from the complete and permanent loss of certain portions of the physical faculties, resulting in the disability to work for a limited period of time.
- (p) '*Permanent Total Disability*' refers to a condition accruing or arising from injury or disease which causes complete, irreversible, and permanent incapacity permanently disabling a member to work or engage in the same occupation resulting in loss of income.
- (q) '*Temporary Total Disability*' refers to a condition accruing or arising from the impaired physical or mental faculties can be rehabilitated or restored to their normal functions whenever such disability results in temporary incapacity to work or engage in any occupation.
- (r) '*Total Admitted Assets*' refers to the value, as appearing in the GSIS' financial statements, of its revenues, income, and other property, less the amount of its liabilities.
- (s) '*Total Length of Service*' refers to the number of years in government service, regardless of status of employment, with or without premium contributions, to be used in determining the eligibility of a member for retirement under this Act. *Total length of service* includes fulltime service with compensation: *Provided*, That part time and other services with compensation may be included under such rules and regulations as may be prescribed by the GSIS.

- (t) '*Revaluation Factor*' refers to the supplemental amount to the *average monthly compensation* that is calculated relative to the annual average inflation rate. The revaluation factor shall be periodically adjusted as may be recommended by the GSIS actuary and approved by the Board of Trustees;
- (u) '*Total Income*' refers to the amount of profit derived from the GSIS' operations and investments: *Provided*, That compulsory and optional premium contributions to the Social Insurance Fund from both employers and employees shall not form part of GSIS' total income.

## B. MEMBERSHIP IN THE GSIS

### SECTION 4. Compulsory Membership. —

- (a) All government personnel, whether elective or appointive, irrespective of status of appointment, provided they are receiving fixed monthly compensation and have not reached the mandatory retirement age of sixty-five (65) years, are compulsorily covered as members of the GSIS and shall be required to pay contributions.
- (b) Contractual and casual employees who have an employee-employer relationship with a government agency are also compulsorily covered.
- (c) An employee who is already beyond the mandatory retirement age of sixty-five (65) but whose appointment in government service has been approved by the Office of the President of the Philippines or has been extended by the Civil Service Commission for the purpose of completing the fifteen (15) years of service required under Republic Act No. 8291 (otherwise known as the *Revised GSIS Act of 1977*) to qualify for retirement benefits.
- (d) The following government employees are not members of the GSIS:
  - (1) Uniformed personnel of the Armed Forces of the Philippines, Philippine National Police, Bureau of Fire Protection and Bureau of Jail Management and Penology;
  - (2) *Barangay, sanggunian* and other government officials who are not receiving fixed monthly compensation;
  - (3) Government employees covered by separate retirement schemes, as enumerated under Section 4(e) of this Act; and
  - (4) Personnel who are not receiving fixed monthly compensation or do not have monthly regular hours of work.
- (e) The following, who are covered by separate retirement schemes, are also required to remit regular monthly contributions to the GSIS for their life insurance policies in order to answer for their life insurance benefits defined under this Act:

- (1) Members of the Constitutional bodies;
- (2) Members of the Judiciary, including those with equivalent ranks;
- (3) Members of the National Prosecution Service; and
- (4) All other who are or may be subsequently covered by a separate retirement law.

**SECTION 5. Optional Membership.** —The following shall be given the option to continue their membership in GSIS, even beyond the mandatory retirement age of sixty-five (65):

- (a) An official elected to public office before age sixty-five (65) but who will reach the mandatory retirement age of sixty-five (65) during the term. The elective official shall be allowed to continue paying life and retirement premiums until the end of the term, including any periods of re-election or election to another public office: *Provided*, That such periods of re-election or election are continuous.
- (b) An official appointed by the President of the Philippines to public office before age sixty-five (65) for a fixed term and with a fixed monthly compensation, but who will reach the mandatory retirement age of sixty-five (65) during tenure. The appointive official shall be allowed to continue paying life and retirement premiums until the end of the tenure, including any periods of term extension or re-appointment to another office: *Provided*, That the periods of extension or re-appointment are continuous.
- (c) An official or employee who holds a co-terminus or highly confidential position who reaches the age of sixty-five (65) years, and whose services are considered automatically extended until the expiration of the employee's or official's appointment or until the employee's or official's services are earlier terminated.

**SECTION 6. Effect of Separation From the Service.** —A member separated from the service either by resignation, retirement, disability, dismissal from the service or retrenchment shall be deemed an inactive member of the system. An inactive member shall be entitled to whatever benefits qualified for in the event of any contingency compensable under this Act.

**SECTION 7. Members' Rights.** —In addition to their rights under existing laws, the members shall have the following rights:

- (a) *Right to professional, courteous and responsive service.*
  - (1) To be considered a GSIS Member from the first day of government service;
  - (2) To be provided prompt and accurate service;
  - (3) To be accorded respect by the executives and all employees and personnel of the GSIS; and
  - (4) To be afforded comfortable and customer-friendly facilities when transacting with the GSIS.

(b) *Right to accurate and timely information.*

- (1) To be informed of the laws, regulations, policies or programs affecting the members' rights, benefits, obligations, and privileges, including amendments or changes thereto;
- (2) To be informed of GSIS policies and regulations pertaining to benefits and claims administration;
- (3) To be informed of the various modes and options in availing themselves of benefits;
- (4) To receive accurate and updated membership data, records and information, including records of premium remittances and loan payments;
- (5) To have GSIS data and records protected from unauthorized, unlawful, or improper disclosure; and
- (6) To be informed in advance of documents required to facilitate transaction, processing period, and updated status of claims or loan applications.
- (7) To receive a clear and prompt reply to queries forwarded to GSIS offices.

(c) *Right to GSIS benefits.*

- (1) To receive on time the benefits the member has qualified to even after separation from the service;
- (2) To avail of a mode of retirement from among the different applicable retirement laws and to be allowed to change the chosen mode: *Provided*, That the member has met the qualifications required under the chosen mode: *Provided, further*, That the pension has not yet been received or paid;
- (3) To be protected against discrimination and thus receive the same benefits and privileges granted other members similarly situated; and
- (4) To receive benefits exempt from all taxes, fees, charges and duties of all kinds except for monetary liabilities due to the Social Insurance Fund: *Provided*, That members are given sufficient options on how to settle their monetary liability with the GSIS upon their separation or retirement from government service.
- (5) To be protected from the failure of the employer to deduct or remit, or from deficiency or delay in remittance, of premium payments to the GSIS.

(d) *Right to expeditious processing of claims and loans.*

- (1) To claim and receive on time benefits provided under applicable laws;
- (2) To have accessible systems for the processing of applications for claims and loans;
- (3) To transact business with the GSIS in person or through electronic access points;
- (4) To exhaust all legal remedies under existing laws;

- (5) To be protected from diminution of benefits that may arise with the passage of a subsequent law or regulation; and
  - (6) To transact business with the GSIS in person.
- (e) *Right to be heard.*

- (1) To be represented in the GSIS governing Board of Trustees;
- (2) To have meaningful exchange of views, dialogues and forums with the GSIS through the institutionalization of regular interactions with public sector unions, employees' and retirees organizations, and other stakeholders; and
- (3) To have access to a grievance mechanism where members can convey their complaints and issues, and be accorded immediate response.

**SECTION 8. Special Rights for the Elderly, Persons with Disabilities, and Seriously-ill Members, Pensioners and Beneficiaries.** —The following special rights are to be afforded to the elderly, persons with disabilities and seriously-ill members, pensioners and beneficiaries:

- (a) To be provided special access lanes;
- (b) To be prioritized in the processing and releasing of claims and benefits;
- (c) To be given preference in the dissemination of information pertaining to policies; and
- (d) To be accorded leniency in the submission of documents.

**SECTION 9. Agencies/Employers' Responsibilities.** —The government agencies covered by this Act, as employers, shall have the following responsibilities:

- (a) To prioritize deduction and remittance of employees' and employer's contributions to the GSIS, loan amortizations and other members' accounts within the prescribed time mandated by law, and rules and regulations;
- (b) To promptly provide documents required to facilitate the processing of claims and loans;
- (c) To maintain accurate service records of their employees;
- (d) To provide additional documents as necessary to reconcile the records of accounts; and
- (e) To promptly inform GSIS of any update pertaining to personal or service records that may affect the processing of their employees' claims and benefits.

### C. SOURCES OF FUNDS

**SECTION 10. Contributions.—**

- (a) It shall be mandatory for the member and the employer to pay the monthly contributions specified in the following schedule:

Monthly compensation	Percentage of monthly compensation payable by	
	Member: 9%	Employer: 12%

Members who are excluded from compulsory retirement coverage as enumerated under Section 4(e) of this Act shall pay three percent (3%) of their monthly compensation as personal share, and their employers a corresponding three percent (3%), for their life insurance coverage.

- (b) The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above, plus any additional premiums that may be required on account of the hazards or risks of its employees' occupation.
- (c) It shall be mandatory and compulsory for all employers to include the payment of contributions in their annual appropriations. The appropriate penal, civil and administrative sanctions under Section 65 of this Act shall be imposed upon employers who fail to include the payment of contributions in their annual appropriations or otherwise fail to remit the accurate or exact amount of contributions on time, or delay the remittance of premium contributions to the GSIS.

#### **SECTION 11. Collection and remittance of contributions.—**

- (a) The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries and such other pertinent information, including subsequent changes therein, if any, as may be required by the GSIS. The employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable by the employee in accordance with the schedule prescribed in the rules and regulations implementing this Act.
- (b) Each employer shall remit directly to the GSIS the employees' and employers' contributions and loan amortizations within the first ten (10) days of the calendar month following the month to which the contributions apply. The collection and remittance by the employer of the contributions and loan amortizations to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.
- (c) All outstanding government share premium contributions which are not paid by any government office or agency shall be included in the annual budget and shall be remitted automatically by the Department of Budget and Management to the GSIS.

#### **SECTION 12. Interests on delayed remittances.—**Agencies which delay the remittance of any and all monies due the GSIS shall be charged interest as may be prescribed by the Board but not more than two percent (2%) simple

interest per month: *Provided*, That such interest shall be paid by the employers concerned.

**SECTION 13. Government Guarantee.**—The government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the GSIS to its members as and when they fall due.

#### **D. BENEFITS**

**SECTION 14. Determination of amount of benefits.—**

- (a) The computation of total length of service for the purpose of determining a member's eligibility to the benefits payable under this Act shall be based on the service rendered starting from the date of original appointment/election, including periods of service at different times under one or more employers, those performed overseas under the authority of the Republic of the Philippines, and those that may be prescribed by the GSIS in coordination with the Civil Service Commission.
- (b) The computation of actual benefits payable under this Act shall be based on the total length of service. In cases where contributions have not been paid or remitted, computation of benefits shall be based on period/s of service when required premium contributions were paid.

#### **RETIREMENT BENEFITS**

**SECTION 15. General conditions for entitlement.**—A member who retires from service shall be entitled to the retirement benefits enumerated in Section 16(a) hereof: *Provided*, That the member:

- (a) Has rendered at least fifteen (15) years of service;
- (b) Is at least sixty (60) years of age at the time of retirement; and
- (c) Is not receiving a monthly pension benefit from permanent total disability.

**SECTION 16. Retirement benefits.—**

- (a) Retirement benefit shall either be:
  - (1) Cash payment equivalent to sixty (60) months of the member's basic monthly pension payable at the time of retirement plus an old-age pension benefit equal to the basic monthly pension payable monthly for life, starting upon expiration of the five-year (5) guaranteed period covered by the cash payment; or
  - (2) Cash payment equivalent to eighteen (18) months of the member's basic monthly pension plus monthly pension for life payable immediately with no five-year (5) guarantee.
- (b) Unless the service is allowed under Section 5 of this Act or extended by appropriate authorities, retirement shall be compulsory for an employee at

sixty-five (65) years of age with at least fifteen (15) years of service: *Provided*, That if the employee has less than fifteen (15) years of service, he/she may be allowed to continue in the service in accordance with existing civil service rules and regulations.

### **SECTION 17. Computation of the Basic Monthly Pension.—**

- (a) The basic monthly pension is equal to two and one half percent (2.5%) of the sum of the Average Monthly Compensation and Revaluation Factor, multiplied by the total length of service and taking into consideration Section 14 of this Act: *Provided*, That the basic monthly pensions shall not exceed ninety percent (90%) of the average monthly compensation.
- (b) The basic monthly pension may be adjusted upon the recommendation of the GSIS actuary, and approved by the Board of Trustees.

**SECTION 18. Periodic pension adjustment.**—The monthly pension of all pensioners including all those receiving survivorship pension benefits shall be periodically adjusted as may be recommended by the GSIS actuary and approved by the Board in accordance with the rules and regulations prescribed by the GSIS.

### **SEPARATION BENEFITS**

**SECTION 19. General conditions for entitlement.**—A member who separates from the service before he/she is eligible for retirement under Section 15 of this Act shall be entitled to the separation benefits enumerated in Section 20 hereof: *Provided*, That the member:

- (a) Has rendered at least three (3) years of service; and
- (b) Is not receiving a monthly pension benefit from permanent total disability.

**SECTION 20. Separation benefits.**—The separation benefit shall be paid as follows:

- (a) If the member has rendered at least three (3) years but less than fifteen (15) years of service and is at least sixty (60) years of age at the time of resignation or separation, such member shall be entitled to a one-time cash payment equivalent to one hundred percent (100%) of the average monthly compensation for each year of service with paid premium contributions, but not less than twelve thousand Philippine pesos (PhP 12,000.00). The one-time cash payment shall be payable immediately or upon reaching sixty (60) years of age, at the option of the member: *Provided*, That the average monthly compensation is equivalent to the average salary received by the member during the last three (3) years of service.
- (b) If the member has rendered at least fifteen (15) years of service but is below sixty (60) years of age at the time of resignation or separation, he/she shall

be entitled to a one-time cash payment equivalent to eighteen (18) times his/her basic monthly pension at the time of resignation or separation, plus an old-age pension benefit equal to the basic monthly pension payable monthly for life upon reaching the age of sixty (60).

**SECTION 21. *Effect of re-employment in government service after separation.***—All service credited for retirement, resignation or separation for which corresponding benefits have been paid under this Act or other laws shall be excluded in the computation of service in case of reinstatement in government service and subsequent retirement or separation which is compensable under this Act.

#### **UNEMPLOYMENT BENEFITS**

**SECTION 22. *General conditions for entitlement.***—A member who is separated from the service due to the abolition of office or position resulting from reorganization shall be entitled to the unemployment benefits enumerated in Section 23 hereof: *Provided*, That the member:

- (a) Has been paying the required contributions for at least one (1) year prior to separation;
- (b) Has not been paid the voluntary separation benefit equivalent to one-time cash payment or eighteen (18) times the Basic Monthly Pension, should the option of the member is to avail of the same before reaching the age of sixty (60) years; and
- (c) Has not availed of any early retirement program as a result of the reorganization.

**SECTION 23. *Unemployment or involuntary separation benefits.***—Unemployment benefits shall be computed as fifty percent (50%) of the average monthly compensation of the member, payable in accordance with the following schedule:

Contributions made	Benefit duration
One (1) year but less than three (3) years	Two (2) months
Three (3) or more years but less than six (6) years	Three (3) months
Six (6) or more years but less than nine (9) years	Four (4) months
Nine (9) or more years but less than eleven (11) years	Five (5) months
Eleven (11) or more years but less than fifteen (15) years	Six (6) months

The first payment shall be equivalent to two (2) monthly benefits. A seven (7) day waiting period shall be imposed on succeeding monthly payments.

All accumulated unemployment benefits paid to the employee during the entire membership with the GSIS shall be deducted from voluntary separation benefits.

The GSIS shall prescribe the detailed guidelines in the operationalization of this Section in the rules and regulations implementing this Act.

## **PERMANENT DISABILITY BENEFITS**

**SECTION 24. General conditions for entitlement.**—A member who suffers permanent disability for reasons not due to his grave misconduct, notorious negligence, habitual intoxication, or willful intention to kill one's self or another, shall be entitled to the disability benefits provided for in this Act: *Provided*, That the member is in the service at the time of disability or has paid a total of at least one hundred eighty (180) monthly contributions prior to his/her disability, if already separated from the service.

**SECTION 25. Types of disability benefits.**—There are two (2) types of permanent disability, which shall be determined by the GSIS based on established medical standards:

- (a) Permanent total disability, and
- (b) Permanent partial disability.

### **SECTION 26. Permanent total disability benefits.—**

- (a) The following shall be deemed permanent and total disabilities:
  - (1) Complete loss of sight of both eyes;
  - (2) Loss of two (2) limbs at or above the ankle and wrist;
  - (3) Permanent complete paralysis of two (2) limbs;
  - (4) Brain injury resulting in incurable imbecility or insanity; and
  - (5) Such other case as may be determined by the GSIS Board of Trustees.
- (b) The member shall receive a month income benefit for life equal to the basic monthly pension effective from the date of disability.
- (c) A cash payment equivalent to eighteen (18) times the basic monthly pension shall also be given if the member is in the service at the time of disability and has paid a total of at least one hundred eighty (180) monthly contributions.
- (d) A member cannot enjoy the monthly income benefit for permanent disability and old-age retirement simultaneously.
- (e) If a member does not satisfy the conditions stated under Section 24 hereof but has rendered at least three (3) years of service at the time of the disability, the cash payment equivalent to one hundred percent (100%) of

the average monthly compensation for each year of service he/she paid contributions, but not less than twelve thousand Philippine pesos (PhP 12,000.00), which should have been the separation benefit, shall be advanced to the member.

- (f) Unless the member has reached the minimum retirement age at the time of disability, entitlement to permanent total disability benefit shall be suspended when:
- (1) The member recovers from disability as determined by the GSIS, whose decision shall be final and binding; or
  - (2) The member fails to undergo medical examination when required by the GSIS.

**SECTION 27. *Effect of re-employment on the disability benefits being received.—***

- (a) Entitlement to permanent total disability benefit shall continue in the event of reemployment and the member's new salary grade, rank or position is lower than that of the previous employment prior to disability: *Provided*, That the member has properly informed the GSIS of the fact of re-employment;
- (b) The disability benefits to be received after re-employment shall be adjusted by the GSIS and is to be computed as the difference between the amount of the existing disability benefit and the member's salary from his/her new employment;
- (c) Deliberate failure by the member to inform the GSIS of the re-employment shall result in the suspension of disability benefits being received.

**PERMANENT PARTIAL DISABILITY BENEFITS**

**SECTION 28. *Permanent partial disability benefits.—***

- (a) The following shall be deemed permanent partial disabilities:

- (1) Complete and permanent loss of the use of:

- (i) Any finger,
    - (ii) Any toe,
    - (iii) One arm,
    - (iv) One hand,
    - (v) One foot,
    - (vi) One leg,
    - (vii) One or both ears, and
    - (viii) Sight of one eye.

- (2) Such other cases as may be determined by the GSIS Board of Trustees.

- (b) The member shall receive a cash payment in accordance with a schedule of disabilities to be prescribed by the GSIS.

## **TEMPORARY TOTAL DISABILITY BENEFITS**

**SECTION 29. General conditions for entitlement.**—An active member whose injuries result in temporary incapacity to work or to engage in any occupation, shall be entitled to the temporary total disability benefits provided for in this Act.

**SECTION 29. Temporary total disability benefit.—**

- (a) A member shall be entitled to seventy-five percent (75%) of the current daily compensation for each day or fraction thereof of temporary disability benefit not exceeding one hundred twenty (120) days in one (1) calendar year after exhausting all sick leave credits and collective negotiation agreement sick leave benefits, if any, but not earlier than the fourth day of the temporary total disability: *Provided, however,* That a member cannot enjoy the temporary total disability benefit and sick leave pay simultaneously: *Provided, further,* That if the disability requires more extensive treatment that lasts beyond one hundred twenty (120) days, the payment of the temporary total disability benefit may be extended by the GSIS but not to exceed a total of two hundred forty (240) days.
- (b) The temporary total disability benefit shall in no case be less than one hundred sixty-five Philippine pesos (PhP 165.00) a day: *Provided,* That this amount is subject to periodic review every three (3) years;
- (c) The notices required of the member and the employer, the mode of payment, and the other requirements for entitlement to temporary total disability benefits shall be provided in the rules and regulations to be prescribed by the GSIS.

**SECTION 31. Non-scheduled disability.**—For injuries or illnesses resulting in a disability not listed in the schedule of partial or total disabilities provided herein, the GSIS shall determine the nature of the disability and the corresponding benefits therefor.

## **DEATH BENEFITS**

**SECTION 32. Funeral benefit.**—The amount of funeral benefit shall be determined and specified by the GSIS in the rules and regulations but shall not be less than thirty thousand Philippine pesos (PhP 30,000.00): *Provided,* That it shall be adjusted after five (5) years upon proper recommendation by the GSIS President and General Manager and approved by the GSIS Board of Trustees and shall be paid upon the death of any of the following:

- (a) An active member as defined under Section 3(e) of this Act; or

- (b) A member who has been separated from the service, but who may be entitled to future benefit pursuant to Section 6 of this Act; or
- (c) A pensioner, as defined in Section 3(m) of this Act; or
- (d) A retiree who at the time of retirement was of pensionable age under this Act but who opted to retire under Republic Act No. 1616 ("Take All Option").

## SURVIVORSHIP BENEFITS

**SECTION 33. General entitlement to survivorship benefits.**—When a member or pensioner dies, the qualified beneficiaries shall be entitled to the survivorship benefits provided under Sections 34 to 36, subject to the conditions therein.

**SECTION 34. Survivorship Pension.**—The survivorship pension shall consist of:

- (a) The basic survivorship pension which is fifty percent (50%) of the basic monthly pension but shall not be more than fifty percent (50%) of the maximum step salary of an Undersecretary. The cap on the survivorship pension may be reviewed every five (5) years by the Board, based on the recommendations of the GSIS actuary, by considering the issuances on the salary standardization law; and
- (b) The children's pension not exceeding fifty percent (50%) of the basic monthly pension.

The maximum amount of basic survivorship pension prevailing at the time of death of the member or pensioner shall apply. Any subsequent increases in the maximum step salary of an Undersecretary will not result in any adjustment to the survivorship pension already being paid.

**SECTION 35. Death of a member.**—Upon the death of a member, the qualified beneficiaries shall be entitled to survivorship benefits, which shall be paid as follows:

- (a) If at the time of death, a married member was in active service and has rendered at least fifteen (15) years of service:
  - (1) The legitimate spouse, if the sole beneficiary, shall receive the cash payment equivalent to eighteen (18) multiplied by the basic monthly pension and the basic survivorship pension for life;
  - (2) The qualified children, as defined under Section 3(f)(1)(ii) of this Act, if the only beneficiaries, shall be entitled to pension equivalent to ten percent (10%) of the basic monthly pension for each child but not to exceed fifty percent (50%) of the basic monthly income;

- (3) When the survivors are the legitimate spouse and the qualified children, the legitimate spouse shall receive the cash payment equivalent to eighteen (18) multiplied by the basic monthly pension and the basic survivorship pension, and the qualified children shall receive the children's pension mentioned in subparagraph (a)(2) of this Section.
- (b) If at the time of death, the unmarried member was in the active service and has rendered at least fifteen (15) years of service:
- (1) When the qualified children, as defined under Section 3(f)(2)(ii) of this Act are the only beneficiaries, they shall be entitled to pension equivalent to ten percent (10%) of the BMP for each child but not to exceed fifty percent (50%) of the basic monthly pension;
  - (2) When the parents are the only qualified beneficiaries, they shall receive the cash payment equivalent to eighteen (18) multiplied by the basic monthly pension;
  - (3) In the absence of a child and of the parents, the designated beneficiary, as defined under Section 3(f)(2)(iii) of this Act, if qualified, shall receive the cash payment equivalent to eighteen (18) multiplied by the basic monthly pension: *Provided, however,* That if the designated beneficiary is a child, such child shall be entitled to a pension equivalent to ten percent of the basic monthly pension: *Provided, further,* that this entitlement should last only until such child reaches the age of majority.
- (c) If at the time of death, the member was in active service with less than fifteen (15) years of service, the qualified beneficiaries shall receive the cash payment equivalent to one hundred percent (100%) of the average monthly compensation for every year of service but not less than twelve thousand Philippine pesos (PhP 12,000.00), to be computed in accordance with Section 14 of this Act.
- (d) If at the time of death, the member was separated from the service, the qualified survivors shall be entitled to:
- (1) The survivorship pension if the inactive member has at least fifteen (15) years of service; or
  - (2) The cash payment equivalent to one hundred percent (100%) of the average monthly compensation for every year with paid contributions, but not less than twelve thousand Philippine pesos (PhP 12,000.00): *Provided,* That the inactive member has at least three (3) years but less than fifteen (15) years of service, was less than sixty (60) years old at the time of death, and has not yet received separation benefits from the GSIS.

**SECTION 36. Death of a pensioner.**—Upon the death of an old-age pensioner or a member receiving the monthly income benefit for permanent disability, the qualified beneficiaries shall be entitled to the survivorship

pension defined in Section 34 of this Act, subject to the provisions of Section 35 hereof. When the pensioner dies within the five-year guaranteed period covered by the cash payment, the survivorship pension shall be paid only after the expiration of the said period.

### **LIFE INSURANCE BENEFITS**

**SECTION 37. *Compulsory life insurance.***—All employees, except for those enumerated under Section 4(e) of this Act, shall, under such terms and conditions as may be promulgated by the GSIS, be compulsorily covered with life insurance, which shall automatically take effect on the date of their employment.

**SECTION 38. *Dividends.***—An annual dividend may be granted to all members of the GSIS whose life insurance is in force for at least one (1) year in accordance with a dividend allocation formula to be determined by the GSIS.

**SECTION 39. *Optional insurance.***—Subject to the rules and regulations prescribed by the GSIS, a member may apply for insurance and/or pre-need coverage embracing life, health, hospitalization, education, memorial plans, and such other plans as may be designed by the GSIS, for the member and/or dependents. Any employer may likewise apply for group insurance coverage for its employees. The insured, the employer, and/or any person, acceptable to the GSIS, may make the payment of the premiums or installments for optional insurance and pre-need products.

**SECTION 40. *Reinsurance.***—The GSIS may reinsure any of its interest or part thereof with any private company or reinsurer whether domestic or foreign: *Provided*, That the GSIS shall submit an annual report on its reinsurance operations to the Insurance Commission.

### **E. ADJUDICATION OF CLAIMS AND DISPUTES**

**SECTION 41. *Prescription.***—Claims for benefits administered by the GSIS as defined under Section 3(g) of this Act shall not prescribe: *Provided, however*, That a claim based on a contingency which occurred prior to the effectiveness of this Act shall be subject to the four-year prescriptive period.

**SECTION 42. *Facility of payment.***—The GSIS shall prescribe rules and regulations to facilitate payment of benefits, proceeds, and claims for benefits under this Act and any other laws administered by the GSIS. Payments made by the GSIS prior to its receipt of an adverse claim, to a beneficiary or claimant subsequently found not entitled thereto, shall not bar the legal and eligible recipient to demand the payment of benefits, proceeds, and claims from the GSIS.

**SECTION 43. Settlement of disputes.**—The GSIS shall have original and exclusive jurisdiction to settle any dispute regarding claims and benefits arising under this Act and any other laws administered by the GSIS.

The Board may designate any of its member or an official of the GSIS, who is a lawyer, to act as hearing officer to receive evidence, make findings of fact and recommendations. Such findings of fact and all documentary and testimonial evidence, shall be submitted to the Board within thirty (30) working days from the time the parties have closed their respective evidence and filed their last pleading. The Board shall decide the case within thirty (30) days from the receipt of the hearing officer's findings and recommendations. The cases heard directly by the Board shall be decided within thirty (30) working days from the time they are submitted by the parties for decision.

**SECTION 44. Appeals.**—Decisions of the Board of Trustees shall be appealable to the Court of Appeals. The pendency of an appeal shall not stay the execution of the award or decision, unless such is ordered by the Court of Appeals or by the Supreme Court.

**SECTION 45. Execution of decision.**—When no appeal is perfected and there is no order to stay execution is issued by the Board, the Court of Appeals, or the Supreme Court, any decision or award of the Board shall be enforced and executed in the same manner as decisions and final orders of regional trial courts.

For this purpose, the Board shall have the power to issue such writs of execution, addressed to the city or provincial sheriff or its appointed sheriff, as may be necessary for the enforcement of such decision or award, and any person who shall fail or refuse to comply with such decision, award, writ or process after being required to do so shall, upon application by the GSIS, be punished for contempt.

**SECTION 46. Oaths, witnesses, and production of records.**—When authorized by the Board, an official or employee of the GSIS shall have the power to administer oath and affirmation, take depositions, certify to official acts, and issue *subpoena ad testificandum* and *subpoena duces tecum* to compel the attendance of witnesses and the production of books, papers, correspondences and other records deemed necessary as evidence in connection with any question arising under this Act.

Any case of contumacy shall be dealt with in accordance with the provisions of Section 580 (Powers incidental to the taking of testimony) of Executive Order No. 292 series of 1987 (otherwise known as the *Revised Administrative Code of the Philippines*).

## F. FUNDS OF THE GSIS

**SECTION 47. Funds.**—The GSIS shall administer the Social Insurance Fund, which consists of all contributions payable under Section 10 of this Act

together with the earnings and accruals thereon. The Social Insurance Fund shall be used to finance the benefits administered by the GSIS under this Act.

In addition to the Social Insurance Fund, the GSIS shall administer the following funds, collectively as the "GSIS-Administered Funds," to wit:

- (a) The Optional Insurance Fund for the insurance coverage described in Section 39 hereof;
- (b) The Employees' Compensation Insurance Fund created under Presidential Decree No. 626, as amended;
- (c) The General Insurance Fund created under Act No. 656, as amended; and
- (d) Such other special funds existing or that may be created for special groups or persons who render services to the government.

The GSIS shall appropriate part of the surplus of the Optional Insurance Fund, General Insurance Fund and other special funds under this Section to the Social Insurance Fund to guarantee the fulfillment of its obligations. The appropriated surplus shall be maintained to ensure the payment of benefits under this Act and the other GSIS Administered Funds governed under the above-mentioned laws. The appropriated surplus cannot be used for any purposes other than those for which they were set aside and appropriated.

The funds administered by the GSIS shall not be used for purposes other than those provided for under this Act.

The Board of Trustees may allocate an amount not exceeding fifty percent (50%) of the unappropriated surplus from any of the GSIS-Administered Funds to the Social Insurance Fund: *Provided*, That these do not come from the Employees' Compensation Insurance Fund: *Provided, further*, That the amount shall be used solely to meet the required reserves to fulfill the obligations of the GSIS to its members: *Provided, finally*, That such an allocation over the unappropriated surplus is approved by the President of the Philippines.

No portion of the funds of the GSIS or income thereof shall accrue to the general fund of the national government and its political subdivisions, instrumentalities and other agencies including government-owned and controlled corporations except as may be allowed under this Act.

**SECTION 48. Deposits and disbursements.**—All revenues collected and all accruals thereto shall be deposited, administered and disbursed in accordance with law. A maximum expense loading of twelve percent (12%) of the yearly total income and zero point seven percent (0.7%) of the total admitted assets may be disbursed for administrative and operational expenses except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.

**SECTION 49. *Investment of funds.***—The funds of the GSIS which are not needed to meet the current obligations may be invested under such terms and conditions and rules and regulations as may be prescribed by the Board: *Provided*, That investment shall optimize the requirements of liquidity, safety or security and yield as embodied in formal investment policy guidelines approved by the Board in order to ensure the actuarial solvency of the funds: *Provided, further*, That the GSIS shall develop policies and strategies for socially responsible investments: *Provided, finally*, That the GSIS shall submit an annual report on all investments made to both Houses of Congress of the Philippines, to wit:

- (a) Interest-bearing or zero-coupon bonds or securities or other evidence of indebtedness of the Government of the Philippines;
- (b) Interest-bearing or zero-coupon deposits or securities in any domestic bank doing business in the Philippines: *Provided*, That in the case of such deposits, these shall not exceed at any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller: *Provided, further*, That said bank has prior designation as a depository for the purpose by the Monetary Board of the Central Monetary Authority;
- (c) Direct loans to members, with priority to low income groups and to short- and medium-term loans to members such as salary, policy, educational, emergency, and other similar loans: *Provided*, That, for purposes of the said loans, GSIS shall endeavor to lend no less than forty percent (40%) of the investable fund of the GSIS Social Insurance Fund.

The deduction and remittance by the employer of loan amortization due to the GSIS shall, at all time, take priority over and above the deductions and payment of any and all obligations and payment of any and all obligations of the member due to private creditors.

- (d) Bonds, securities, promissory notes or other evidence of indebtedness of educational or medical institutions to finance the construction, improvement and maintenance of schools and hospitals;
- (e) Real estate property including shares of stocks involving real estate property and investments secured by first mortgages on real estate or other collaterals acceptable to the GSIS: *Provided*, That such investments shall, in the determination of the Board, redound to the benefit of the GSIS, its members, as well as the general public;
- (f) Debt instruments and other securities traded in the secondary markets;
- (g) Loans to or in bonds, debentures, promissory notes or other evidence of indebtedness of any solvent corporation created or existing under the laws of the Philippines.

- (h) Common and preferred stocks of any solvent corporation or financial institution created or existing under the laws of the Philippines listed in the stock exchange subject to the requirements of liquidity, safety, security, and expected returns as embodied in formal investment policy guidelines approved by the GSIS Board of Trustees;
- (i) Domestic mutual funds including investments related to the operations of mutual funds; and
- (j) Foreign mutual funds and in foreign currency deposits or foreign currency-denominated debts, non-speculative equities and other financial instruments or other assets issued in accordance with existing laws of the countries where such financial instruments are issued: *Provided*, That these instruments or assets are tradable and/or listed in a duly recognized exchange: *Provided further*, That not more than ten percent (10%) of the investible funds shall be invested abroad.

**SECTION 50. Records and reports.**—The GSIS shall keep and cause to keep such records as may be necessary for the purpose of making actuarial studies, calculations and valuations of the funds of the GSIS including such data needed in the computation of rates of disability, mortality, morbidity, separation and retirement among the members and any other information useful for the adjustment of the benefits of the members. The GSIS shall maintain appropriate books of accounts to record its assets, liabilities, income, expenses, receipts and disbursements of funds and other financial transactions and operations.

**SECTION 51. Examination and valuation of the funds.**—The GSIS shall make a periodic actuarial examination and valuation of its funds in accordance with accepted actuarial principles.

**SECTION 52. Exemption from tax, legal processes and lien.**—It is hereby reaffirmed as a State policy that the actuarial solvency of the funds of the GSIS shall be preserved and maintained at all times, and that contribution rates necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members of the GSIS and their employers.

Taxes imposed on the GSIS tend to impair the actuarial solvency of its funds and increase the contribution rate necessary to sustain the benefits of this Act. Accordingly, and notwithstanding any laws to the contrary, the GSIS, its assets, revenues (including all accruals thereto), transactions and benefits paid shall remain exempt from all forms and kinds of direct or indirect taxes, assessments, fees, charges or duties imposed by the national or local government. These exemptions shall continue unless expressly, specifically, and categorically revoked or repealed by law, and any assessment against the GSIS as of the approval of this Act is hereby considered paid and cancelled. Consequently, all laws, ordinances, regulations, issuances, opinions or jurisprudence contrary to or in derogation of this provision are hereby deemed

repealed, superseded and rendered ineffective and without legal force and effect.

The exemptions provided herein shall neither be affected nor derogated by subsequent laws to the contrary unless this Section is expressly, specifically, and categorically revoked or repealed by law and a provision is enacted to substitute or replace the exemption referred to herein as an essential factor to maintain or protect the solvency of the fund, notwithstanding and independently of the guarantee of the national government to secure such solvency or liability.

The funds and/or the properties of the GSIS referred to herein shall be exempt from attachment, garnishment, execution, levy or other processes issued by the courts, quasi-judicial agencies or administrative bodies including Commission on Audit disallowances. The benefits, sums or monies corresponding to the benefits under this Act shall likewise be exempt from attachment, garnishment, execution, levy or other processes issued based on financial obligations or liability of any member, including any pecuniary accountability arising from or caused or occasioned by his/her exercise or performance of his/her official functions or duties, or incurred relative to or in connection with his/her position or work except when his/her monetary liability, contractual or otherwise, is in favor of the GSIS.

## G. ADMINISTRATION

**SECTION 53. *Implementing body.***—The Government Service Insurance Systems as created under Commonwealth Act No. 186 shall implement the provisions of this Act.

**SECTION 54. *Powers and functions of the GSIS.***—The GSIS shall exercise the following powers and functions:

- (a) Formulate, adopt, amend and/or rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, as well as the effective exercise of the powers and functions, and the discharge of duties and responsibilities of the GSIS, its officers and employees: *Provided*, That these implementing rules and regulations shall not contravene the provisions of this Act, nor shall it result in the diminution of any benefit provided by law.
- (b) Adopt or approve the annual and supplemental budget of receipts and expenditures including salaries and allowances of the GSIS personnel and to authorize such capital and operating expenditures and disbursements of the GSIS as may be necessary and proper for the effective management and operation of the GSIS.
- (c) Invest the funds of the GSIS, directly or indirectly, in accordance with the provisions of this Act.

- (d) Acquire, utilize or dispose of, in any manner recognized by law, real or personal property in the Philippines or elsewhere necessary to carry out the purposes of this Act.
- (e) Conduct continuing actuarial and statistical studies and valuations to determine the financial condition of the GSIS and, taking into consideration such studies and valuations and the limitations herein provided, re-adjust the benefits, contributions, premium rates, interest rates or the allocation or re-allocation of the funds to the contingencies covered.
- (f) Have the power of succession.
- (g) Sue and be sued.
- (h) Enter into, make, perform and carry out contracts of every kind and description with any person, firm or association or corporation, domestic or foreign.
- (i) Carry on any other lawful business whatsoever in pursuance of, or in connection with the provisions of this Act.
- (j) Have one or more offices in and outside of the Philippines, and to conduct its business and exercise its powers throughout and in any part of the Republic of the Philippines and/or in any or all foreign countries, states and territories: *Provided*, That the GSIS shall maintain a branch office in every province only where there exists a minimum of fifteen thousand (15,000) membership.
- (k) Borrow funds from any source, private or government, foreign or domestic, only as an incident to the securitization of housing mortgages of the GSIS and on account of its receivables from any government or private entity.
- (l) Invest, own or otherwise participate in equity in any establishment, firm or entity.
- (m) Approve appointments in the GSIS, except appointments to positions which are policy determining, primarily confidential or highly technical in nature, according to the Civil Service rules and regulations: *Provided*, That all positions in the GSIS shall be governed by a compensation and position classification system and qualifications standards approved by the GSIS Board of Trustees based on a comprehensive job analysis and audit of actual duties and responsibilities: *Provided, further*, That the compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to the periodic review by the Board no more than once every four (4) years without prejudice to yearly merit reviews or increases based on productivity and profitability.

- (n) Design and adopt an Early Retirement Incentive Plan and/or financial assistance for the purpose of retirement for its own personnel.
- (o) Fix and periodically review and adjust the rates of interest and other terms and conditions for loans and credits extended to members or other persons, whether natural or juridical.
- (p) Enter into agreement with the Social Security System or any other entity, enterprise, corporation or partnership for the benefit of members transferring from one system to another subject to the provision of Republic Act No. 7699, otherwise known as the *Portability Law*.
- (q) Float proper instrument to liquefy long term maturity by pooling funds for short-term secondary market.
- (r) Submit annually, not later than June 30, a public report to the President of the Philippines and the Congress of the Philippines regarding its activities in the administration and enforcement of this Act during the preceding year including information and recommendations on Board policies for the development and perfection of the programs of the GSIS.
- (s) Maintain a provident fund, which consists of contributions made by both the GSIS and its officials and employees and their earnings, for the payment of benefits to such officials and employees or their heirs under such terms and conditions as it may prescribe.
- (t) Approve and adopt guidelines affecting investments, insurance coverage of government properties, settlement of claims, disposition of acquired assets, privatization or expansion of subsidiaries, development of housing projects, increased benefit and loan packages to members and the enforcement of the provisions of this Act.
- (u) Any provision of law to the contrary notwithstanding, to authorize the payment of extra remuneration to the officials and employees directly involved in the collection and/or remittance of contributions, loan repayments and other monies due to the GSIS at such rates and under such conditions as it may adopt: *Provided*, That the best interest of the GSIS shall be observed thereby.
- (v) Determine, fix and impose interest upon unpaid premiums due from employers and employees.
- (w) Ensure the collection or recovery of all indebtedness, liabilities and/or accountabilities, including unpaid premiums or contributions in favor of the GSIS arising from any cause or source whatsoever, due from all obligors, whether public or private. The GSIS shall demand payment or settlement of the obligations referred to herein within thirty (30) days from the date the obligation becomes due, and in the event of failure or refusal of the obligor or debtor to comply with the demand, to initiate or institute

the necessary or proper actions or suits, criminal, civil or administrative or otherwise, before the courts, tribunals, commissions, boards, or bodies of proper jurisdiction within thirty (30) days reckoned from the expiry date of the period fixed in the demand within which to pay or settle the account.

- (x) Design and implement programs that will promote and mobilize savings and provide additional resources for social security expansion and at the same time afford individual members appropriate returns on their savings/investments. The programs shall be so designed as to spur socio-economic take-off and maintain continued growth.
- (y) Exercise such powers and perform such other acts as may be necessary, useful, incidental or auxiliary to carry out the provisions of this Act, or to attain the purposes and objectives of this Act.

**SECTION 55. *The Board of Trustees.***—The corporate powers and functions of the GSIS shall be vested in and exercised by the Board of Trustees composed of the President and General Manager of the GSIS and eight (8) other members to be appointed by the President of the Philippines.

The members of the Board of Trustees shall be come from the following sectors:

- (a) A member who shall either be the President of the Philippine Public School Teachers Association (PPSTA) or the President of the Philippine Association of School Superintendents (PASS), to represent the employees in the public education sector;
- (b) Two (2) members from the leading organizations or associations of government employees or retirees;
- (c) Four (4) members from the banking, finance, investment, and insurance sectors, who are presumed to have expertise and technical knowledge in their specialized fields; and
- (d) One (1) member from the legal profession, who is a member of the Integrated Bar of the Philippines in good standing and who, at the time of appointment, is also a member of the GSIS.

The Trustees shall elect from among themselves a Chairman. The President and General Manager of the GSIS shall automatically be the vice-chairman.

The Trustees, except the President and General Manager who shall cease as trustee upon his separation, shall hold office for two (2) years subject to reappointment following the *Fit and Proper Rule* and other criteria as provided for by law: *Provided*, That a Trustee may only hold office for a maximum of six (6) years: *Provided further*, That vacancy, other than through the expiration of the term, shall be filled for the unexpired term only.

The compensation, *per diems*, allowances and incentives of the members of the Board shall be determined in accordance law.

**SECTION 56. Powers and functions of the Board of Trustees.**—The Board of Trustees shall have the following powers and functions:

- (a) Formulate the policies, guidelines and programs to effectively carry out the purposes of this Act.
- (b) Promulgate such rules and regulations as may be necessary or proper for the effective exercise of the powers and functions as well as the discharge of the duties and responsibilities of the GSIS, its officers and employees.
- (c) Upon the recommendation of the President and General Manager, to approve the annual and supplemental budget of receipts and expenditures of the GSIS, and to authorize such operating and capital expenditures and disbursements of the GSIS as may be necessary or proper for the effective management, operation and administration of the GSIS.
- (d) Upon the recommendation of the President and General Manager, to approve the GSIS' organizational and administrative structures and staffing pattern subject to existing civil service laws, rules and regulations, and to establish, fix, review, revise and adjust the appropriate compensation package for the officers and employees of the GSIS with reasonable allowances, incentives, bonuses, privileges and other benefits as may be necessary or proper for the effective management, operation and administration of the GSIS, which shall be exempt from Republic Act No. 6758, otherwise known as the *Salary Standardization Law* and Republic Act No. 7430, otherwise known as the *Attrition Law*.
- (e) Fix and periodically review and adjust the rates of interest and other terms and conditions for loans and credits extended to its members or other persons, whether natural or juridical.
- (f) Any provision of any law to the contrary notwithstanding, to compromise or release, in whole or in part, any claim or settle liability to the GSIS, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the GSIS.
- (g) Approve and adopt guidelines affecting investments, insurance coverage of government properties, settlement of claims, disposition of acquired assets, development of housing projects, increased benefit and loan packages to members, and the enforcement of the provisions of this Act.
- (h) Determine, fix and impose interest upon unpaid or unremitted premiums and/or contributions.
- (i) Do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of this Act.

**SECTION 57. Positions in the GSIS.**—The President and General Manager of the GSIS shall be its Chief Executive Officer and shall be appointed by the President of the Philippines and shall be a person with management and investments expertise necessary for the effective performance of his duties and functions under this Act.

The GSIS President and General Manager shall be assisted by one or more executive vice-presidents, senior vice-presidents, vice-presidents and managers in addition to the usual supervisory and rank and file positions who shall be appointed and removed by the President and General Manager with the approval of the Board, in accordance with the existing Civil Service rules and regulations.

**SECTION 58. Powers and duties of the President and General Manager.**—The President and General Manager of the GSIS shall, among others, execute and administer the policies and resolutions approved by the Board and direct and supervise the administration and operations of the GSIS. The President and General Manager, subject to the approval of the Board, shall appoint the personnel of the GSIS, remove, suspend or otherwise discipline them for cause, in accordance with existing Civil Service rules and regulations, and prescribe their duties and qualifications to the end that only competent persons may be employed.

**SECTION 59. Auditor.**—The Chairperson of the Commission on Audit:

- (a) Shall be the *ex officio* auditor of the GSIS and may assign the necessary personnel to assist the chairman of the commission on audit in the performance of his/her duties.
- (b) Or the authorized representative shall submit to the Board soon after the close of each calendar year, an audited statement showing the financial condition and progress of the GSIS for the calendar year just ended.

**SECTION 60. Legal counsel.**—The Government Corporate Counsel shall be the legal adviser and consultant of the GSIS, but the GSIS may assign to the Office of the Government Corporate Counsel cases for legal action or trial, issues for legal opinions, preparation and review of contracts/agreements and others, as the GSIS may decide or determine from time to time: *Provided, however,* That the present legal services group in the GSIS shall serve as its in-house legal counsel.

**SECTION 61. Powers of the Insurance Commission.**—The Insurance Commissioner or an authorized representatives shall make an examination of the financial condition of the GSIS at least once every three (3) years: *Provided, however,* That the GSIS shall pay the Office of the Insurance Commissioner an amount equal to the actual expenses incurred by the said office in the conduct of the examination, including the salaries of the examiners and of the actuary of such examination for actual time spent.

The report of said examination shall be submitted to the Board of Trustees and considered by the GSIS in the formulation of guidelines affecting insurance coverage of government properties. Copies thereof shall likewise be furnished to the Office of the President and the two Houses of Congress of the Philippines within five (5) days after the close of examination.

## H. GENERAL PROVISIONS

### **SECTION 63. Dispensation of social insurance benefits.—**

- (a) The GSIS shall release the retirement benefits to the employee within thirty (30) days from the actual date of retirement: *Provided*, That all requirements are submitted to the GSIS at least ninety (90) days prior to the effective date of the retirement.
- (b) The GSIS shall not process nor adjudicate retirement claims under Republic Act No. 1616 which function shall be vested in the agencies concerned, who shall process and pay the gratuities of their employees. The GSIS shall process and adjudicate only the refund of retirement premium under Republic Act. No. 910. The Board shall adopt the proper rules and procedures for the implementation of this provision.

**SECTION 63. Development and disposition of acquired assets.—**The GSIS shall have the right to develop and dispose of its acquired assets obtained in the ordinary course of its business. To add value to, improve profitability on, and/or enhance the marketability of an acquired asset, the GSIS may further develop/renovate its assets, either with its own capital or through a joint venture arrangement with private companies or individuals.

The GSIS may sell its acquired assets in accordance with existing Commission on Audit rules and regulations for an amount not lower than the current market value of the property. For this purpose, the GSIS shall conduct an annual appraisal of its property or acquired assets to determine its current market value. All notices of sale shall be published in newspapers of general circulation.

No injunction or restraining order issued by any court, commission, tribunal or office shall bar, impede or delay the sale and disposition by the GSIS of its acquired assets except on questions of ownership and national or public interest.

**SECTION 64. Government assistance to the GSIS.—**The GSIS may call upon any employer for such assistance as may be necessary in the discharge of its duties and functions.

## I. SANCTIONS

### **SECTION 65. Penalties.—**

(a) Imprisonment from not less than twenty (20) years but not more than thirty (30) years, a fine of not less than five hundred thousand Philippine pesos (PhP 500,000.00) but not more than five million Philippine pesos (PhP 5,000,000.00), upon the discretion of the court, absolute perpetual disqualification from holding public office, and other accessory penalties as may be provided by law, shall be imposed upon the following:

- (1) The head of an office of the national government, any of its political subdivisions, branches, agencies and instrumentalities, including government-owned or -controlled corporations and government financial institutions, who fails, refuses or delays the payment, turnover, remittance or delivery of such accounts to the GSIS within thirty (30) days from the time that the same shall have been due and demandable.
  - (2) A member of the personnel of such offices mentioned in subparagraph (a)(1) of this Section who is involved in the collection of premium contributions, loan amortization and other accounts due the GSIS who fails, refuses or delays the payment, turnover, remittance or delivery of such accounts to the GSIS within thirty (30) days from the time that the same shall have been due and demandable.
- (b) Imprisonment from not less than twelve (12) years and one (1) day to twenty (20) years, a fine of not less than five hundred thousand Philippine pesos (PhP 500,000.00) but not more than two million Philippine pesos (PhP 2,000,000.00), upon the discretion of the court, and absolute perpetual disqualification from holding public office, shall be imposed upon the following:

- (1) Agency personnel involved in the deduction of loan amortizations from employees' salaries, emoluments or other benefits, who fails to observe the order of preference provided in Section 49(c).
- (2) A head of an office of the national government, any of its political subdivisions, branches, agencies and instrumentalities, including government-owned or -controlled corporations and government financial institutions, who fails to include in the annual budget the amount corresponding to the employer or deduct the monthly contributions of the employee.
- (3) The treasurer, finance officer, budget officer or other official or employee in the office mentioned in subparagraph (b)(2) of this Section directly responsible in the preparation of the budget or involved in the deductions of premiums who fails to include in the annual budget the amount corresponding to the employer or deduct the monthly contributions of the employee.
- (4) The treasurer, financial officer, budget officer or any other official or employee responsible for deducting the monthly contribution, loan amortization or other accounts of the member and remitting the same to the GSIS, who, after deducting the aforementioned obligations from the members' compensation, fails to remit the same to the GSIS within

thirty (30) days from the date they should have been remitted under Section 11(b): *Provided*, That failure to remit within the period specified shall give rise to the presumption that such person misappropriated such contribution, loan amortization or other accounts.

- (5) The head of the office of the officer mentioned in subparagraph (b)(4) and found liable under this Section.
  - (6) An employee or member who receives or keeps fund or property belonging, payable or deliverable to the GSIS and appropriates the same, or take or misappropriates or uses the same for any purpose other than that authorized by this Act, permits another person to take, misappropriate or use said fund or property by expressly consenting thereto, or through abandonment or negligence, or is otherwise guilty of the misappropriation of said fund or property, in whole or in part.
- (c) Imprisonment from six (6) years and one (1) day to twelve (12) years, a fine of not less than five hundred thousand Philippine pesos (PhP 500,000.00) but not more than two million Philippine pesos (PhP 2,000,000.00), upon the discretion of the court, and absolute perpetual disqualification from holding public office, shall be imposed upon any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the GSIS, whether for himself or for some other persons.
- (d) Imprisonment from not less than six (6) years and one (1) day to twelve (12) years, a fine of not less than five hundred thousand Philippine pesos (PhP 500,000.00) but not more than one million Philippine pesos (PhP 1,000,000.00), upon the discretion of the court, and such other accessory penalties as may be provided by law, shall be imposed upon the following:
- (1) Any person who shall obtain or receive any money or check invoking any provision of this Act or any agreement hereunder, without being entitled thereto, with the intent to defraud any member, employer, the GSIS, or any third party.
  - (2) A GSIS official responsible for the collection of premium contributions, loan amortizations and other members' accounts who fail to demand remittance of premium contributions, loan amortizations and other members' accounts due the GSIS, and to institute the necessary administrative, civil and criminal case against the concerned officials within a reasonable time after demand has been given: *Provided*, That prosecution under this subparagraph shall be without prejudice to any civil or administrative liability which may also arise from the acts committed.
  - (3) Any person who fails or refuses to comply with any of the provisions of this Act or with the rules and regulations adopted by the GSIS, where such failure or refusal is not otherwise specifically penalized in this Act.
- (e) Suspension from six (6) months to one (1) year or a fine of not less than five hundred thousand Philippine pesos (PhP 500,000.00) but not more than two million Philippine pesos (PhP 2,000,000.00), without prejudice to

any civil or administrative liability which may also arise therefrom shall be imposed upon the President and General Manager and/or Members of the Board, in the event of their failure, without justifiable cause, to comply with their duties and obligations under this Act.

In addition to the penalties provided in this Section, the persons found liable under this Act shall be solidarily liable in their personal capacity to the GSIS for the amount of the contribution, loan amortization and other accounts which was not remitted to GSIS, and for the interests, penalties and surcharges due the GSIS in case of delayed remittances. Officers and/or members of personnel are also solidarily liable in their personal capacity to the employee or member concerned in the form of damages, including surcharges and interests.

All the liabilities from charges and complaints under this Section shall be construed as a waiver of State immunity from suit. Officers and/or members of personnel may not invoke the defense of non-suability of the State.

Criminal actions arising from violations of the provisions of this Act may be commenced by the GSIS or by the aggrieved member, either under this Act or, in appropriate cases, under Act No. 3815 otherwise known as the *Revised Penal Code*, and other special laws.

**SECTION 66. *Implementing rules and regulations.***—The implementing rules and regulations to carry out the provisions of this Act shall be adopted and promulgated by the GSIS, in consultation with the Governance Commission on Government-Owned and Controlled Corporations not later than ninety (90) days after the approval of this Act.

**SECTION 67. *Non-impairment of benefits, powers, jurisdiction, rights, privileges, functions and activities.***—Nothing in this Act shall be construed to repeal, amend or limit any provision of existing laws, Presidential Decrees, Letters of Instructions, not otherwise specifically inconsistent with the provisions of this Act.

**SECTION 68. *Exclusiveness of benefits.***—Whenever other laws provide similar benefits for the same contingencies covered by this Act, the member who qualifies for these benefits shall have the option to choose which benefits will be paid to such a member: *Provided, however,* That if the benefits provided by the law chosen are less than the benefits provided under this Act, the GSIS shall pay only the difference.

**SECTION 69. *Appropriations.***—The amount necessary to carry out the provisions of this Act shall be included in the respective budgets of the agencies in the national government obligation program of the year following its enactment into law and thereafter.

**SECTION 70. *Separability clause.***—Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the invalid ones, shall remain in force and effect.

**SECTION 71. *Repealing clause.***—Presidential Decree No. 1146, Republic Act No. 8291, Presidential Decree No. 712, and Section 9 of Republic Act No. 656, as amended by Presidential Decree No. 245, are hereby expressly repealed.

All other laws and any other law or parts of law specifically inconsistent herewith are hereby repealed or modified accordingly: *Provided*, That the rights under the existing laws, rules and regulations vested upon or acquired by an employee who is already in the service as of the effectiveness of this Act shall remain in force and effect: *Provided, further*, That subsequent to the effectiveness of this Act, a new employee or an employee who has previously retired or separated and is reemployed in the service shall be covered by the provisions of this Act.

**SECTION 72. *Effectivity.***—This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

*Approved,*