

**TWENTIETH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES**
First Regular Session

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25 JUL 15 P1:52

SENATE

RECEIVED BY: 

S.B. No. 636

Introduced by SEN. WIN GATCHALIAN

**AN ACT
PROVIDING A NEW SEPARATION, RETIREMENT, AND PENSION SYSTEM
FOR THE MILITARY AND THE UNIFORMED PERSONNEL, AND
APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

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

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

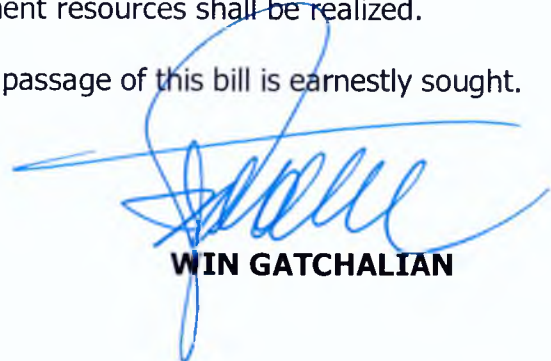
¹ Department of Finance. Available at <https://www.dof.gov.ph/btr-pension-reform-to-ensure-fiscal-stability-sustained-support-to-military-other-uniformed-personnel/>.

retirement scheme still remains at over Php. 5.7 trillion or roughly Php 500 billion in annual payments if amortized over the course of 20 years.

Accordingly, this bill seeks to avert this impending fiscal disaster by establishing a separate separation, retirement, and pension system for the military and uniformed personnel. This fund shall be managed by the GSIS, requiring mandatory contributions of 7% from military personnel and 9% from other uniformed personnel. Meanwhile, the National Government shall contribute 14% and 12% as counterpart share for the AFP Trust Fund and the Uniformed Personnel Trust Fund respectively.

This bill will be applied prospectively in order to ensure that existing pensioners and MUPs in active service prior to its approval shall enjoy the prevailing retirement benefits at the time of their initial appointment, recruitment, or admission to the uniformed services. Through the creation of these separate funds, it is hoped that a viable and sustainable funding source for pension requirements shall be secured, and the responsible management of scant government resources shall be realized.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



WIN GATCHALIAN

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1 **AN ACT**
2 **PROVIDING A NEW SEPARATION, RETIREMENT, AND PENSION SYSTEM**
3 **FOR THE MILITARY AND THE UNIFORMED PERSONNEL, AND**
4 **APPROPRIATING FUNDS THEREFOR**

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

5 **TITLE I**
6 **GENERAL PROVISIONS**

7
8 **SECTION 1. *Declaration of Policy.*** – The State duly recognizes the vital role of
9 the Military and Uniformed Personnel in providing internal and external security,
10 promoting peace and order, and ensuring public safety.

11 The State also recognizes its obligation to ensure a secure, reliable, and
12 sustainable pension system for the Military and Uniformed Personnel given the
13 distinctive personal risks in their role in nation-building, national defense, and security.

14 The State shall provide immediate and adequate care, benefits, and other forms
15 of assistance to war veterans and veterans of military campaigns, their surviving
16 spouses and orphans.

17 Towards these ends, the State shall establish a fiscal framework that fully
18 supports their funding requirements.

19

1 SEC. 2. *Coverage.* – Unless otherwise specified, this Act shall apply only to new
2 entrants of the Military and Uniformed Services.

3
4 SEC. 3. *Definition of Terms.* –

5 a) *New Entrants* are Military or Uniformed Personnel, as referred under this
6 Act, who entered or re-entered the Military or Uniformed Services after the
7 effectivity of this Act;

8 b) *Military Personnel* refers to employees of the government who wear
9 uniforms, with ranks, may be armed or unarmed, primarily involved in
10 national defense, enforcement of laws, and in the maintenance of peace,
11 order, and security and who belong to the Armed Forces of the Philippines
12 (AFP).

13 c) *Uniformed Personnel* refers to employees of the government who wear
14 uniforms, with ranks, may be armed or unarmed, primarily involved in the
15 enforcement of laws, and in the maintenance of peace, order, and security
16 and who belong to any of the following services: Philippine National Police
17 (PNP), Philippine Coast Guard (PCG), Bureau of Fire Protection (BFP),
18 Bureau of Jail Management and Penology (BJMP), Bureau of Corrections
19 (BuCor), and the Hydrography Branch of the National Mapping and
20 Resource Information Authority (NAMRIA);

21 d) *Pension* refers to the sum of money representing the monthly retirement
22 pay or the monthly life annuity of a Military or Uniformed Personnel;

23 e) *Survivors* refer to the following:

24 1) Surviving spouse of the deceased Military or Uniformed Personnel who
25 married the deceased prior to the latter's retirement or separation and
26 not legally separated by judicial decree from the deceased issued on
27 grounds not attributable to the surviving spouse: *Provided,* That
28 entitlement to benefits shall terminate when the surviving spouse
29 remarries, cohabits, engages in a common law relationship, commits any
30 crime of violence or abuse against the children of the Military or
31 Uniformed Personnel, is convicted of any crime which carries the penalty
32 of imprisonment of more than six (6) years and one (1) day, loss of
33 Philippine citizenship, or dies;

2) Surviving children refer to:

- i. Children born within a marriage contracted prior to the retirement or separation from the active duty;
- ii. Adopted and illegitimate children by the deceased while in active duty; and
- iii. Children who are eighteen (18) years old and above but suffering from mental or physical incapacity, or any disability that renders them total dependent on the deceased.

Provided, That entitlement to benefits shall terminate when the surviving children attain eighteen (18) years of age or get married, except for surviving children who were duly medically certified by government medical practitioners, to be incapable of employment by reason of their mental or physical incapacity;

3) In the absence of surviving spouse and surviving children as mentioned in paragraphs (1) and (2) above, survivors shall refer to the surviving parent or parents, the surviving unmarried brothers and sisters who are below eighteen (18) years of age and without parental obligation, surviving brothers and sisters eighteen (18) years old and above who are incapable of employment by reason of their mental or physical incapacity: *Provided*, That their entitlement to benefits shall terminate upon their death; and

f) *Survivorship Pension* refers to the monthly benefit or the monthly life annuity of the beneficiaries of a deceased Military or Uniformed Personnel who is retired under the provisions of existing laws.

TITLE II

MILITARY PERSONNEL SEPARATION, RETIREMENT, AND PENSION SYSTEM

CHAPTER I

RETIREMENT

SEC. 4. *Active Duty.* – It shall refer to the service as defined under Republic Act No. 11709, as amended by Republic Act No. 11939, and its implementing rules and regulations.

1 SEC. 5. *Compulsory Retirement.* Military Personnel shall be compulsorily retired
2 from service in accordance with Republic Act No. 11709, as amended by Republic Act
3 No. 11939, and its implementing rules and regulations.

4 Military Personnel killed-in-action or wounded-in-action resulting in total
5 permanent disability as duly certified by the appropriate medical certification process,
6 shall be deemed compulsorily retired for purposes of computing retirement benefits.
7

8 SEC. 6. *Optional Retirement.* – Military Personnel may voluntarily retire upon
9 accumulation of at least twenty (20) years of satisfactory active duty, subject to the
10 approval of the appropriate authority.
11

12 CHAPTER II 13 BENEFITS 14

15 SEC. 7. *Retirement Grade and Pay.* – The monthly retirement pay shall be fifty
16 percent (50%) of the monthly base pay and longevity pay of the permanent grade
17 last held by the Military Personnel in case of twenty (20) years in active duty,
18 increasing by two-point five percent (2.5%) for every year of active duty rendered
19 beyond twenty (20) years to a maximum of ninety percent (90%) for thirty-six (36)
20 years of active duty.

21 Upon retirement, Military Personnel shall choose between the following modes
22 of payment of retirement benefits:

23 a) Lump Sum – To receive in advance and in one lump sum, retirement
24 benefits equivalent to thirty-six (36) months; and three (3) years thereafter,
25 to receive monthly retirement benefits as they accrue; or

26 b) Direct Pension – To receive monthly retirement benefits as they accrue.

27 The retirement pay of Military Personnel who is killed-in-action or wounded-in-
28 action resulting in total permanent disability, as duly certified by the appropriate
29 medical certification process, shall be computed at the rate of ninety percent (90%)
30 of the monthly base and longevity pay of the retirement grade last held by the
31 personnel regardless of years in active duty.
32

SEC. 8. *Separation Pay.* – Military Personnel who separate or resign from the service without reaching twenty (20) years of satisfactory active duty shall receive a separation pay equivalent to one-month base pay plus longevity pay of the permanent grade held at the time of separation for every year of active duty: *Provided*, That such Military Personnel shall have rendered at least nine (9) years of satisfactory active duty prior to resignation or separation.

SEC. 9. *Survivorship Pension Rates.* – The survivorship pension rates of Military Personnel shall be governed by existing laws and regulations created therefor.

SEC. 10. *Adjustments in Pension.* – There shall be no automatic adjustment of the pension to the prevailing scale of salary of the active Military Personnel of the same rank: *Provided*, That the President of the Philippines is hereby authorized, subject to the recommendation of the Armed Forces of the Philippines Trust Fund Committee (AFP Trust Fund Committee) created under this Act, to adjust the retirement and survivorship pension by not less than one-point five percent (1.5%) thereof, in consideration of fiscal or economic conditions, as certified by the Development Budget Coordination Committee.

SEC. 11. *Harmonization of Total Permanent Disability Benefits.* – Military Personnel with total permanent disability as a result of injuries sustained or sickness contracted in the performance of duty, duly certified by the appropriate medical certification process, shall be compulsorily retired.

Sec. 12. *Termination of Benefits.* – Retired Military Personnel who lose their Filipino citizenship shall be removed from the retired list and forfeit all rights to receive the benefits herein provided upon such loss.

CHAPTER III
ARMED FORCES OF THE PHILIPPINES TRUST FUND

SEC. 13. *Armed Forces of the Philippines Trust Fund (AFP Trust Fund).* – The AFP Trust Fund is hereby created for the budgetary support and payment of

1 separation, retirement, pension, survivorship, and other benefits granted under this
2 Act.

3 The AFP Trust Fund is separate and distinct and should not be commingled with
4 the Government Service Insurance System (GSIS) funds. The GSIS shall not advance
5 funds and grant any form of loans to the AFP Trust Fund Committee from the GSIS
6 administered funds.

7
8 SEC 14. *Funding Sources.* – The AFP Trust Fund shall be funded through the
9 following:

10 a) *Mandatory Contributions.* – Military Personnel shall contribute seven percent
11 (7%) of their base pay and longevity pay as personal share and the National
12 Government shall contribute fourteen percent (14%) as its counterpart
13 share: *Provided*, That the aforementioned rates may be adjusted by the
14 Development Budget Coordination Committee, in consultation with the AFP
15 Trust Fund Committee, on account of adverse fiscal or economic conditions
16 or the fiscal constraints of the National Government;

17 b) *Additional Sources of Funding.* – The AFP Trust Fund may be funded from
18 the proceeds of the following:

- 19 1. All residual assets and funds of the AFP Retirement and Separation
20 Benefits System (RSBS);
- 21 2. Sale of military reservations, as may be authorized by Congress,
22 pursuant to the provisions of existing laws and regulations governing
23 sales of government properties, including such immovable and other
24 facilities as may be found therein, not otherwise covered by the Bases
25 Conversion and Development Authority (BCDA), as provided for in
26 Republic Act No. 7227, otherwise known as the "Bases Conversion and
27 Development Act of 1992", as amended;
- 28 3. Lease or joint development of military reservations, as may be
29 authorized by the President, pursuant to the provisions of existing laws
30 and regulations governing lease or joint development of government
31 properties, including such immovable and other facilities as may be
32 found therein, not specifically enumerated under Republic Act No. 7227,
33 as amended;

4. Income derived from public-private partnerships entered into by the Department of National Defense (DND) or the AFP, as may be authorized by the President, pursuant to the provisions of existing laws and regulations;
5. Non-strategic real estate assets of the DND or the AFP as determined by the Secretary of National Defense; and
6. Earnings and dividends from investment made by the GSIS as the fund manager.

SEC. 15. *AFP Trust Fund Committee.* – To carry out the declared policy of this Act, the AFP Trust Fund Committee, hereinafter referred to as the Trust Fund Committee, is hereby created. The AFP Trust Fund Committee shall be organized within ninety (90) days from the effectivity of this Act. It shall be composed of the following members:

- a) Secretary of Finance as Chairperson;
- b) Secretary of National Defense as Co-Chairperson;
- c) Chief of Staff of the AFP;
- d) Secretary of Budget and Management; and
- e) President and General Manager of the GSIS.

The Bureau of the Treasury shall serve as the Secretariat of the Trust Fund Committee and maintain the records and accounts of all investments, receipts, disbursements, and other transactions relating to the management, administration, and utilization of the AFP Trust Fund: *Provided*, That these records and accounts are maintained in accordance with the existing accounting and auditing laws, rules and regulations, and audited by the Commission on Audit.

SEC. 16. *Powers and Functions of the Trust Fund Committee.* – The Trust Fund Committee shall exercise the following powers and functions:

- a) Formulate policies, guidelines and programs to ensure that the AFP Trust Fund is actuarially and financially optimal and sustainable;
- b) Act as Trustee of the AFP Trust Fund and direct how the assets of the AFP Trust Fund are managed;
- c) Perform oversight functions over the AFP Trust Fund manager;

- 1 d) Provide the proper mechanisms for consultation and information
2 dissemination among members regarding the management, utilization,
3 investment, and administration of AFP Trust Fund;
4 e) Implement and execute functions related to the disposition of assets
5 identified under this Act;
6 f) Commission an actuarial evaluation of the fiscal sustainability of the
7 separation, retirement and pension scheme, including specific
8 recommendations on the rates for contributions and investment options for
9 the AFP Trust Fund, as applicable;
10 g) Obtain information from any officer or office of local governments and
11 agencies and instrumentalities of the National Government, as may be
12 necessary;
13 h) Assess possible risks to the fiscal sustainability of the pension of Military
14 Personnel and propose appropriate policy interventions;
15 i) Identify, manage, and control risks that the pension of the Military Personnel
16 may pose to the National Government's fiscal position;
17 j) Inform both Houses of Congress of such risks through the annual Fiscal Risk
18 Statement and propose legislative reforms to address such risks; and
19 k) Perform other necessary functions for the effective management of the AFP
20 Trust Fund.

21
22 CHAPTER IV
23 INVENTORY, ACCOUNTING, AND DISPOSITION OF ASSETS
24

25 SEC. 17. *Inventory of Assets.* – Within thirty (30) days from the creation of the
26 AFP Trust Fund Committee, the Military Service, through the DND, shall submit a
27 complete list of assets to the AFP Trust Fund Committee to identify additional sources
28 of funding as provided in Section 14(b) of this Act.

29 Thereafter, the AFP Trust Fund Committee shall conduct a complete accounting
30 and inventory of the assets of the Military Service that may be used to support the
31 AFP Trust Fund, including the amount, value, description and nature of such funds,
32 properties, assets, records, choses in action, and other rights, claims, or causes of

1 action pertaining thereto, and submit a report to the Office of the President, both
2 Houses of Congress, and the Commission on Audit (COA).

3
4 SSEC. 18. *Accounting of Assets.* – Within thirty (30) days from the receipt of
5 the inventory by the AFP Trust Fund Committee, the COA shall audit the accounting
6 and inventory of the assets of the Military Service to determine the completeness of
7 the inventory and establish the reasonableness of the asset valuation.

8 Within one (1) year from the submission of the accounting and inventory of the
9 assets of the Military Service, the COA shall submit to the AFP Trust Fund Committee,
10 both Houses of Congress and the Office of the President the audit report, including
11 the complete list of the assets of the Military Service and their valuation, and the
12 empirical basis and the methodologies employed for the valuation.

13
14 SEC. 19. *Disposition of Assets.* – The AFP Trust Fund Committee shall prioritize
15 the disposition modes that may generate income from these assets without
16 undertaking the sale thereof. The AFP Trust Fund Committee may recommend to the
17 President the sale of an asset when there is a notice from the GSIS of an unfunded
18 liability and the AFP Trust Fund is no longer sustainable.

19 The AFP Trust Fund Committee shall publish any disposition of assets in a
20 newspaper of general circulation.

21
22 TITLE III
23 UNIFORMED PERSONNEL SEPARATION, RETIREMENT, AND PENSION SYSTEM
24 CHAPTER I
25 RETIREMENT
26

27 SEC. 20. *Active Duty.* – Service rendered as an officer and non-officer, cadet,
28 trainee, draftee, probationary ensign or those rendered as a civilian official or
29 employee in the Philippine Government.

30
31 SEC. 21. *Compulsory Retirement.* – All Uniformed Personnel shall be
32 compulsorily retired from service upon reaching the age of fifty-seven (57) including
33 those in the active duty before the enactment of this Act.

1 Uniformed Personnel killed-in-action or wounded-in-action resulting in total
2 permanent disability, as duly certified by the appropriate medical certification process,
3 shall be deemed compulsorily retired for purposes of computing retirement benefits.
4

5 SEC. 22. *Optional Retirement.* – Uniformed Personnel may voluntarily retire
6 upon accumulation of at least twenty (20) years of satisfactory active duty, subject to
7 the approval of the appropriate authority.
8

9 CHAPTER II 10 BENEFITS 11

12 SEC. 23. *Retirement Grade and Pay.* – The monthly retirement pay shall be fifty
13 percent (50%) of the monthly base pay and longevity pay of the permanent grade
14 last held by the Uniformed Personnel in case of twenty (20) years in active duty,
15 increasing by two-point five percent (2.5%) for every year of active duty rendered
16 beyond twenty (20) years to a maximum of ninety percent (90%) for thirty-six (36)
17 years of active duty and over.

18 Upon retirement, Uniformed Personnel shall choose between the following
19 modes of payment of retirement benefits:

- 20 a) Lump Sum – To receive in advance and in one lump sum, retirement
21 benefits equivalent to thirty-six (36) months; and three (3) years thereafter,
22 to receive monthly retirement benefits as they accrue; or
23 b) Direct Pension – To receive monthly retirement benefits as they accrue.

24 The retirement pay of Uniformed Personnel who is killed-in-action or wounded-
25 in-action resulting in total permanent disability, as duly certified by the appropriate
26 medical certification process, shall be computed at the rate of ninety percent (90%)
27 of the monthly base and longevity pay of the retirement grade of the personnel
28 regardless of years in active duty.
29

30 SEC. 24. *Separation Pay.* – Uniformed Personnel who separate or resign from
31 the service without reaching twenty (20) years of satisfactory active duty shall receive
32 a separation pay equivalent to one-month base pay plus longevity pay of the
33 permanent grade held at the time of separation for every year of active duty: *Provided,*

1 That such Uniformed Personnel shall have rendered at least nine (9) years of
2 satisfactory active duty prior to resignation or separation.

3
4 SEC. 25. *Survivorship Pension Rates.* – The survivorship pension rates of
5 Uniformed Personnel shall be governed by existing laws and regulations created
6 therefor.

7
8 SEC. 26. *Adjustments in Pension.* – There shall be no automatic adjustment of
9 pension to the prevailing scale of salary of the active Uniformed Personnel of the same
10 rank: *Provided,* That the President of the Philippines is hereby authorized, subject to
11 the recommendation of the Uniformed Personnel Trust Fund Committee created under
12 this Act, to adjust the retirement and survivorship pension by not less than one-point
13 five percent (1.5%) thereof, in consideration of fiscal or economic conditions, as
14 certified by the Development Budget Coordination Committee.

15
16 SEC. 27. *Harmonization of Total Permanent Disability Benefits.* – Uniformed
17 Personnel with total permanent disability as a result of injuries sustained or sickness
18 contracted in the performance of duty, duly certified by the appropriate medical
19 certification process, shall be compulsorily retired.

20
21 SEC. 28. *Termination of Benefits.* – Retired Uniformed Personnel who lose their
22 Filipino citizenship shall be removed from the retired list and forfeit all rights to receive
23 the benefits herein provided upon such loss.

24
25 CHAPTER III
26 UNIFORMED PERSONNEL TRUST FUND
27

28 SEC. 29. *Uniformed Personnel Trust Fund.* – The Uniformed Personnel Trust
29 Fund is hereby created for the budgetary support and payment of separation,
30 retirement, pension, survivorship, and other benefits granted under this Act.

31 The Uniformed Personnel Trust Fund is separate and distinct and should not be
32 commingled with the GSIS funds. The GSIS shall not advance funds and grant any

1 form of loans to the Uniformed Personnel Trust Fund Committee from the GSIS
2 administered funds.

3
4 SEC. 30. *Funding Source.* – The Uniformed Personnel Trust Fund shall be
5 funded through the following:

- 6 a) Mandatory Contributions. – Uniformed Personnel shall contribute nine
7 percent (9%) of their monthly base pay and longevity pay as personal share
8 and the National Government shall contribute twelve percent (12%) as its
9 counterpart share: *Provided,* That both the aforementioned rates may be
10 adjusted by the Development Budget Coordination Committee, in
11 consultation with the Uniformed Personnel Trust Fund Committee, on
12 account of adverse fiscal or economic conditions or the fiscal constraints of
13 the National Government; and
14 b) Earnings and dividends from investment made by the GSIS as the fund
15 manager.

16
17 SEC. 31. *Uniformed Personnel Trust Fund Committee.* – To carry out the
18 declared policy of this Act, the Uniformed Personnel Trust Fund Committee is hereby
19 created. The Trust Fund Committee shall be organized within ninety (90) days from
20 the effectivity of this Act. It shall be composed of the following members:

- 21 a) Secretary of Finance as Chairperson;
22 b) Chief of the PNP;
23 c) Chief of the BFP;
24 d) Chief of the BJMP;
25 e) Director General of BuCor;
26 f) Commandant of PCG;
27 g) Director of the Hydrography Branch of NAMRIA;
28 h) Secretary of Budget and Management; and
29 i) President and General Manager of the Government Service Insurance
30 System (GSIS).

31 *Provided,* That the participation of representatives of the Uniformed Personnel
32 in deliberations and decision-making processes of the Trust Fund Committee shall be
33 limited to the matters concerning their respective service.

1 The Bureau of the Treasury shall serve as the Secretariat of the Trust Fund
2 Committee and maintain the records and accounts of all investments, receipts,
3 disbursements, and other transactions relating to the management, administration,
4 and utilization of the Uniformed Personnel Trust Fund: *Provided*, That these records
5 and accounts are maintained in accordance with the existing accounting and auditing
6 laws, rules and regulations, and audited by the COA.

7
8 SEC. 32. *Powers and Functions of the Trust Fund Committee.* – The Uniformed
9 Personnel Trust Fund Committee shall exercise the following powers and functions:

- 10 a) Formulate policies, guidelines and programs to ensure that the fund is
11 actuarially and financially optimal and sustainable;
- 12 b) Act as Trustee of the Uniformed Personnel Trust Fund;
- 13 c) Perform oversight functions over the fund manager;
- 14 d) Provide the proper mechanisms for consultation and information
15 dissemination among members regarding the management, utilization,
16 investment, and administration of funds;
- 17 e) Commission an actuarial evaluation of the fiscal sustainability of the
18 separation, retirement and pension scheme, including specific
19 recommendations on the rates for contributions and investment options for
20 the Uniformed Personnel Trust Fund, as applicable;
- 21 f) Obtain information from any officer or office of local governments and
22 agencies and instrumentalities of the National Government, as may be
23 necessary;
- 24 g) Assess possible risks to the fiscal sustainability of the pension of Uniformed
25 Personnel and propose appropriate policy interventions;
- 26 h) Identify, manage, and control risks that the pension of the Uniformed
27 Personnel may pose to the National Government's fiscal position;
- 28 i) Inform both Houses of Congress of such risks through the annual Fiscal Risk
29 Statement and propose legislative reforms to address such risks; and
- 30 j) Perform other necessary functions for the effective management of the
31 Uniformed Personnel Trust Fund.

TITLE IV
MANAGEMENT OF TRUST FUNDS

SEC. 33. *Manager of Trust Funds.* – The GSIS is hereby designated as the fund manager of AFP and Uniformed Personnel Trust Funds, and shall:

- a) Implement an investment management strategy as directed by the Committees;
- b) Monitor market and economic trends and track securities to make informed investment decisions that would be beneficial to the continued growth and sustainability of the trust funds;
- c) Present and report its portfolio strategy to the Committees;
- d) Design and implement programs that will promote and mobilize earnings, savings and additional resources for social security expansion and afford individual members appropriate returns on their savings/investments;
- e) Conduct continuing actuarial and statistical studies and valuations to determine the financial condition of the trust funds and taking into consideration such studies and valuations, recommend to the Committees the adjustment of benefits, contributions, interest rates or the allocation of the funds to the contingencies covered;
- f) Track financial results of companies in the portfolio and its various metrics, including price-to-earnings ratios, inflation-adjusted return, sales, earnings, and dividends; and
- g) Perform other acts necessary to fulfill its mandate under this Act, or such acts that may be delegated by the Committees.

SEC. 34. *Structure, Staffing Pattern, and Operating Budget.* – The organizational structure and staffing pattern for the management of the trust funds within the GSIS and for the creation of the Trust Fund Secretariat within the Bureau of the Treasury shall be approved by the Trust Fund Committees within one hundred twenty (120) days from the effectivity of this Act, subject to further extensions as may be approved by the Trust Fund Committees: *Provided,* That appointees to various positions shall comply with the qualification standards approved by the Civil Service Commission: *Provided, further,* That the GSIS shall be entitled to reasonable annual

1 management fees but shall not exceed one percent (1%) of the total assets managed
2 in each trust fund charged against the respective Trust Funds.

3
4 SEC. 35. *Tax Treatment of the AFP and Uniformed Personnel Trust Funds.* –
5 Notwithstanding any law to the contrary, the trust funds, its assets, revenues,
6 including all accruals thereto, and benefits paid, are exempt from all taxes,
7 assessments, fees, charges, or duties of all kinds. These exemptions shall continue
8 unless expressly and specifically revoked.

9 Subject to Section 41 of this Act, the trust funds, the properties of the Military
10 identified by the AFP Trust Fund Committee to be disposed and sums or monies for
11 the payment of the benefits provided under this Act are exempt from attachment,
12 garnishment, execution, levy or other processes issued by the courts, quasi-judicial
13 agencies or administrative bodies and from all financial obligations of the members,
14 including pecuniary accountability arising from or caused or occasioned by the
15 members' exercise or performance of official functions or duties, or incurred relative
16 to or in connection with the members' position or work except when the monetary
17 liability, contractual or otherwise, is in favor of the trust funds.

18 All other applicable tax exemptions granted to the GSIS shall also apply to the
19 trust funds.

20
21 SEC. 36. *Government Guarantee.* – The government of the Republic of the
22 Philippines hereby guarantees the fulfillment of the obligations of the trust funds to
23 its members when they fall due.

24
25 TITLE V
26 MISCELLANEOUS, PENAL, AND FINAL PROVISIONS
27

28 SEC. 37. *Administration of Benefits.* - The powers and functions of units or
29 instrumentalities of agencies that employ Military or Uniformed Personnel and
30 administer their separation, retirement and pension system or parts thereof shall
31 remain with the existing offices of their respective agencies.

32 The respective services or mother units shall monitor proof of life or life events
33 that will affect the qualification of pensioners and beneficiaries to receive the pension

1 or benefit. The computation of pension and benefits accruing to each retiree or
2 beneficiary shall be undertaken by the concerned mother unit.

3
4 SEC. 38. *Adjustments in Salary and Pension Benefits.* – Upon the effectivity of
5 this Act, there shall be a guaranteed annual adjustment in the base pay of three
6 percent (3%) for the next ten (10) years for those in the active duty and pension
7 benefits of the retirees.

8 On the fifth (5th) year, and when the need arises thereafter, there shall be a
9 review on the base pay and the rule on automatic indexation by the Development
10 Budget Coordination Committee.

11
12 SEC. 39. *Separation, Retirement and Pension Benefits of the Active Military and*
13 *Uniformed Personnel.* – The separation, retirement and pension benefits of Military or
14 Uniformed Personnel in active duty prior to the effectivity of this Act shall be governed
15 by existing laws and regulations created therefor and shall be funded annually under
16 the General Appropriations Act: *Provided,* That the maximum retirement pay for active
17 Military or Uniformed Personnel who will compulsorily retire after the effectivity of this
18 Act shall be increased to ninety percent (90%): *Provided, further,* That the rate of
19 ninety percent (90%) shall also apply to those deemed compulsorily retired by reason
20 of having been killed-in-action or wounded-in-action after the effectivity of this Act
21 resulting in total permanent disability: *Provided, finally,* That the separation,
22 retirement and pension benefits payable to the Uniformed Personnel from the Bureau
23 of Corrections who were affected by the implementation of Republic Act No. 10575 or
24 the "Bureau of Corrections Act of 2013" and who may or may not have contributed to
25 the GSIS, shall also be covered in full by the General Appropriations Act.

26
27 SEC. 40. *Medical Insurance.* – Military or Uniformed Personnel, who enter the
28 service after the effectivity of this Act, shall be provided medical insurance upon their
29 compulsory retirement.

30
31 SEC. 41. *Non-encumbrance of Benefits.* – The benefits authorized under this
32 Act, except as provided herein, shall not be subject to attachment, garnishment, levy,
33 execution or any tax whatsoever, and may not be assigned, ceded, or conveyed to

1 any third person: *Provided*, That if a retired or separated Military or Uniformed
2 Personnel who is entitled to any benefit under this Act has unsettled money or property
3 accountabilities incurred while in the active duty, an amount not exceeding fifty
4 percent (50%) of the pension gratuity or other payment due to the Military or
5 Uniformed Personnel or their survivors under this Act may be withheld and be applied
6 to settle such accountabilities.

7
8 SEC. 42. *Rule on Interpretation.* – Nothing in this Act shall be construed as
9 authorizing any downward adjustment of pay, or payment of any differential in
10 retirement pay, to Military or Uniformed Personnel who are already retired prior to the
11 effectivity of this Act.

12
13 SEC. 43. *Submission of Report to Congress.* – In accordance with the pertinent
14 provisions of this Act and its Implementing Rules and Regulations, and International
15 Financial Reporting Standards and Principles, the Committees shall submit to both
16 Houses of Congress every three (3) years after the effectivity of this Act, the financial
17 statements and reports, and all information as may be required, to monitor and assess
18 the distribution of retirement benefits and pension, as well as the overall performance
19 of Military or Uniformed Trust Funds, which are funded in whole or in part by the
20 National Government.

21
22 SEC. 44. *Penal Clause.* – Any person who participates directly or indirectly in
23 the commission of fraud, falsification, misrepresentation of facts, collusion or any
24 similar anomaly in the issuance of any certificate or document for any purpose
25 connected with this Act shall, upon conviction, be punished by a fine of not less than
26 the amount defrauded but not more than threefold of such amount or imprisonment
27 of not less than six (6) months and one (1) day to six (6) years and perpetual
28 disqualification from holding public office and from practicing any profession licensed
29 by the government: *Provided*, That a conviction or acquittal obtained under this
30 section shall not be a bar to the filing of an administrative, civil, or criminal case under
31 existing laws.

1 SEC. 45. *Implementing Rules and Regulations.* – Within sixty (60) days from
2 the effectivity of this Act, the Secretaries of Finance, National Defense, Interior and
3 Local Government, Justice, Transportation, Environment and Natural Resources,
4 Budget and Management, and the President and General Manager of the GSIS, in
5 consultation with the concerned Military or Uniformed Services, shall promulgate the
6 necessary rules and regulations for the effective implementation of this Act: *Provided,*
7 That the non-promulgation of the implementing rules and regulations shall not prevent
8 the implementation of this Act upon effectivity.

9 Supplemental rules and regulations governing the management and
10 administration of the pension system of the Military or Uniformed Personnel may be
11 issued within one (1) year from the effectivity of this Act.

12
13 SEC. 46. *Separability Clause.* – If any provision or part of this Act is declared
14 invalid or unconstitutional, the remaining parts or provisions not affected shall remain
15 in full force and effect.

16
17 SEC. 47. *Repealing Clause.* – The pertinent provisions of these laws are hereby
18 repealed, amended, or modified accordingly.

- 19 a) Section 11 of Republic Act No. 340, as amended, entitled "An Act to
20 Establish a Uniform Retirement System for the Armed Forces of the
21 Philippines, to Provide for Separation Therefrom, and for Other Purposes";
22 b) Sections 2(b), 3, 5, 11, 12, 14, 16, 17, 18, 19, 20, and 22 of Republic Act
23 No. 5976, otherwise known as the "Coast Survey Officers Retirement and
24 Separation Act of 1969";
25 c) Sections 5, 17, and 26 of Presidential Decree No. 1638, entitled
26 "Establishing a New System of Retirement and Separation for Military
27 Personnel of the Armed Forces of the Philippines and for Other Purposes,"
28 as amended by Presidential Decree No. 1650;
29 d) Presidential Decree No. 361, entitled "Providing for an Armed Forces
30 Retirement and Separation Benefits System," as amended by Presidential
31 Decree No. 1656 and Presidential Decree No. 1909;
32 e) Section 39 of Republic Act No. 6975, otherwise known as the "Department
33 of the Interior and Local Government Act of 1990";

- 1 f) Section 3 of Republic Act No. 8291, as amended, otherwise known as "The
2 Government Service Insurance System Act of 1997";
3 g) Sections 4 and 5 of Republic Act No. 9040, otherwise known as "The AFP
4 Tax Exemption for Pay and Allowances Act of 2001";
5 h) Sections 17 and 18 of Republic Act No. 9993, otherwise known as the
6 "Philippine Coast Guard Law of 2009";
7 i) Sections 2 and 24 of Republic Act No. 10575, otherwise known as the
8 "Bureau of Corrections Act of 2013"; and
9 j) Section 8 of Republic Act No. 11709, as amended, entitled "An Act
10 Strengthening Professionalism and Promoting the Continuity of Policies and
11 Modernization Initiatives of the Armed Forces of the Philippines, by
12 Prescribing Fixed Terms for Key Officers Thereof, Increasing the Mandatory
13 Retirement Age of Generals/Flag Officers, Providing for a More Effective
14 Attrition System, and Providing Funds Therefor."

15 All other laws, rules, and regulations, and other issuances or parts thereof,
16 which are inconsistent with the provisions of this Act, are hereby repealed, amended,
17 or modified accordingly.
18

19 SEC. 48. *Effectivity.* – This Act shall take effect after fifteen (15) days following
20 the completion of its publication in the Official Gazette or in a newspaper of general
21 circulation.
22

Approved,