

**RA NO. 8282**  
**SOCIAL SECURITY SYSTEM ACT OF 1997**  
**(SBN 1663/HBN 7758)**  
**10<sup>TH</sup> CP**

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**REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
SENATE**

# **Record of the Senate**

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under the supervision of  
**SECRETARY LORENZO E. LEYNES JR.**

BILLS ON FIRST READING

**The Secretary.** Senate Bill No. 1783, entitled

AN ACT PROVIDING FOR THE ESTABLISHMENT OF THE SCHOOL OF ARCHAEOLOGY AT THE UNIVERSITY OF THE PHILIPPINES DILIMAN, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Introduced by Senators Angara, Drilon, Fernan, Herrera, Ople, and Tatad

**The President.** Referred to the Committees on Education, Arts and Culture; and Finance

**The Secretary.** Senate Bill No. 1784, entitled

AN ACT TO REGULATE THE PRACTICE OF PHYSICAL THERAPY IN THE PHILIPPINES AND FOR OTHER PURPOSES

Introduced by Senator Roco

**The President.** Referred to the Committee on Civil Service and Government Reorganization

RESOLUTION

**The Secretary.** Proposed Senate Resolution No. 675, entitled

RESOLUTION URGING THE DEPARTMENT OF JUSTICE, THE COMMISSION ON HUMAN RIGHTS, AND THE DEPARTMENT OF FOREIGN AFFAIRS TO EXTEND EVERY GOVERNMENTAL SUPPORT TO SOME TEN THOUSAND (10,000) FILIPINO CITIZENS, WHO WERE VICTIMS OF HUMAN RIGHTS VIOLATIONS DURING THE MARTIAL LAW ERA, PRESSING THEIR CLAIMS THROUGH AMERICAN COURTS

Introduced by Senator Roco

**The President.** Referred to the Committees on Justice and Human Rights; and Foreign Relations

MOTION OF SENATOR TATAD

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** With the creation of the Committee on Illegal Drugs, there is a need to refer to that committee, either primarily or secondarily, certain bills and resolutions which were earlier referred to other committees.

I, therefore, move that the following bills and resolutions be referred to the Committee on Illegal Drugs as the primary committee, with the committee to which the bills and resolutions had been originally referred as the secondary committee: Senate Bill Nos. 589, 714, 739, 752, 1219, 1244, 1252, 1426, 1660, 1698, 1740, and 1768; and Proposed Senate Resolution No. 25.

I likewise move that the following bills and resolutions be referred to the Committee on Illegal Drugs as the secondary committee: Senate Bill Nos. 424, 429, 432, 439, 470, 472, 755, 798, and 1705; and Proposed Senate Resolution No. 627.

I so move, Mr. President.

**The President.** Is there any objection?

**Senator Mercado.** Mr. President.

**The President.** The gentleman from Quezon City and Leyte is recognized.

**Senator Mercado.** In view of the fact that the listing is only the number of the Senate bills and resolutions, and it is possible that some of these have been referred to the Committee on National Defense and Security and we may have done work already and had hearings on them, may I request that we defer action on the matter until we have gone over the measures one by one, Mr. President.

**The President.** Is there any objection from the Majority Leader?

**Senator Tatad.** I temporarily withdraw my motion, Mr. President, on the understanding that we will look at this as soon as possible so that the matter could be disposed of immediately.

**The President.** Yes. The Secretariat will immediately provide Senator Mercado with copies of all the bills referred to.

BILL ON SECOND READING  
S. No. 1663—An Act Strengthening the Social Security System

**Senator Tatad.** Mr. President, I move that we consider Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

Consideration of Senate Bill No. 1663 is now in order. With the permission of the Body, the Secretary will read only the title of the bill without prejudice to inserting in the *Record* the whole text thereof.

**The Secretary.** Senate Bill No. 1663, entitled

AN ACT FURTHER STRENGTHENING THE SOCIAL SECURITY SYSTEM THEREBY AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS "THE SOCIAL SECURITY LAW"

*The following is the whole text of the bill:*

Senate Bill No. 1663

AN ACT FURTHER STRENGTHENING THE SOCIAL SECURITY SYSTEM THEREBY AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS "THE SOCIAL SECURITY LAW"

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

SECTION 1. Section 2 of R.A. 1161, as amended, is hereby amended to read as follows:

"SEC. 2. *Declaration of Policy.* - It is the policy of the State to establish, develop, promote and perfect a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines which shall (a) promote social justice and towards this end, the State shall endeavor to extend social security protection to all workers and their families; (b) provide meaningful protection to covered workers and their families against the hazards of disability, sickness, maternity, old age, death, and other contingencies resulting in loss of income of financial burden; and (c) contribute to the socio-economic development of the country."

SEC. 2. Section 3 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 3. *Social Security System.* - (a) To carry out the purposes of this Act, the Social Security System, hereinafter referred to as SSS, a corporate body, with juridical personality and principal place of business in Metro Manila, Philippines is hereby created. The SSS shall be directed and controlled by a Social Security Commission composed of the Secretary of Labor and Employment or his duly designated undersecretary, the SSS President and seven (7) appointive members, three (3) of whom shall represent the workers group, one (1) of whom shall be a woman; three (3), the employers group, one (1) of whom shall be a woman; and one (1), the general public, to be appointed by the President of the Philippines. The six (6) members representing workers and employers shall be chosen from among the nominees of workers' and employers' organizations, respectively. The Chairman of the Commission shall be designated by the President of the Philippines from among its members. The term of the appointive members shall be three (3) years: *Provided*, That the terms of the first six (6) appointive members shall be one, two (2) and three (3) years for every two (2) members, respectively: *Provided, further*, That they shall continue to hold office until their successors shall have been appointed and duly qualified. All vacancies, except through the expiration of the term, shall be filled for the unexpired term only. The appointive members of the Commission shall receive at least Two thousand five hundred pesos (P2,500.00) *per diem* for each meeting actually attended by them: *Provided*, That no compensation shall be paid for more than eight meetings a month. Members of the Commission who hear cases pending before the Commission shall also receive a *per diem* of at least Two thousand five hundred pesos (P2,500.00): *Provided, further*, That said members of the Commission shall also receive reasonable transportation and representation allowances as may be fixed by the Commission."

"(b) The general conduct of the operations and management functions of the SSS shall be vested in the President who shall serve as the chief executive officer immediately responsible for carrying out the program of

the SSS and the policies of the Commission. The President shall be a person who has had previous experience in technical and administrative fields related to the purposes of this Act. He shall be appointed by the President of the Philippines and shall receive a salary to be fixed by the Commission with the approval of the President of the Philippines, payable from the funds of the SSS."

"(c) The Commission, upon the recommendation of the President, shall appoint an actuary, and such other personnel as may be deemed necessary; by itself, fix their reasonable compensation, allowances and other benefits; prescribe their duties and establish such methods and procedures as may be necessary to insure the efficient, honest and economical administration of the provisions and purposes of this Act: *Provided, however*, That the personnel of the SSS below the rank of assistant vice president shall be appointed by the President: *Provided, further*, That the personnel of the SSS shall be selected only from civil service eligibles and be subject to civil service rules and regulations: *Provided, finally*, That the SSS shall be exempt from the provisions of Republic Act No. 6758 and Republic Act No. 7430."

SEC. 3. Section 4 of R.A. 1161, as amended, is hereby further amended to read as follows:

"SEC. 4. *Powers and Duties of the Commission and SSS.* - (a) the Commission. - for the attainment of its main objectives as set forth in Section 2 hereof, the Commission shall have the following powers and duties:

"(1) to adopt, amend and rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, except those specifically provided herein as subject to the approval of the President of the Philippines."

"(2) to maintain a Provident Fund which consists of contributions made by both the SSS and its officials and employees to a common fund for the payment of benefits to such officials and employees or their heirs

under such terms and conditions as it may prescribe."

"(3) to compromise or release, in whole or in part, any interest, penalty or any liability to SSS in connection with the investments authorized under Section 26 hereof, under such terms and conditions as it may prescribe."

"(4) to approve restructuring proposals for the payment of due but unremitted contributions and loan amortizations under such terms and conditions as it may prescribe."

"(5) to approve, confirm, pass upon or review any and all actions of the SSS in the exercise of its powers and duties hereinafter enumerated."

(b) the Social Security System. - subject to the provision of Section 4, paragraph 5 hereof, the SSS shall have the following powers and duties:

"(1) To submit annually not later than March 31, a public report to the President of the Philippines covering its activities in the administration and enforcement of this Act during the preceding year including information and recommendation on broad policies for the development and perfection of the program of the SSS."

"(2) To require the actuary to submit a valuation report on the SSS benefit program every five (5) years, or more frequently as may be necessary, and to undertake the necessary actuarial studies and calculations concerning increases in benefits and the financial stability of the SSS and to provide for the feasible increases in benefits and the addition of new ones under such rules and regulations as the Commission may adopt subject to the approval of the President of the Philippines: *Provided*, That the actuarial soundness of the reserve fund shall be guaranteed."

"(3) To establish branches of the SSS in provinces and highly urbanized cities and representative offices in every congressional

district, based on the criteria to be set by the Commission, or whenever and wherever it may be expedient or necessary, including offshore offices in selected countries, and to inspect or cause to be inspected periodically such branches and offices."

"(4) To enter into agreements or contracts for such service and aid, as may be needed for the proper, efficient and stable administration of the SSS."

"(5) To adopt from time to time, a budget of expenditures including salaries of personnel, against all funds available to the SSS under this Act."

"(6) To set up its accounting system and provide the necessary personnel therefor."

"(7) To require reports, compilations and analyses of statistical and economic data and to make investigation as may be needed for the proper administration and development of the SSS."

"(8) To acquire and dispose of property, real or personal, and to borrow funds, which may be necessary or expedient for the attainment of the purposes of this Act."

"(9) To acquire, receive, or hold, by way of purchase, expropriation or otherwise, public or private property for the purpose of undertaking housing projects preferably for the benefits of low-salaried employees and for the maintenance of schools, as well as hospitals and institutions for the members and their families who are sick, aged and disabled."

"(10) To establish and operate a mutual fund to benefit SSS members."

"(11) To sue and be sued in court."

"(12) To perform corporate and such other acts as it may deem appropriate for the proper enforcement of this Act."

SEC. 4. Paragraph (d) of Sec. 5 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 5. *Settlement of Disputes.* -

(d) Execution of decisions - the Commission may, *motu proprio* or on motion of any interested party, issue a writ of execution to enforce any of its decisions or awards, after it has become final and executory, in the same manner as the decision of the regional trial court by directing the city or provincial sheriff or the sheriff whom it may appoint to enforce such final decision or execute such writ and any person who shall fail or refuse to comply with such decision, award, or writ, after being required to do so shall, upon application by the Commission, pursuant to Rule 71 of the Rules of Court, be punished for contempt."

SEC. 5. Section 7 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 7. *Oaths, Witnesses, and Production of Records.* - When authorized by the Commission, an official or employee thereof shall have the power to administer oath and affirmation, take depositions, certify to official acts, and issue subpoena and *subpoena duces tecum* to compel the attendance of witnesses and the production of books, papers, correspondence, and other records deemed necessary as evidence in connection with any question arising under this Act. Any case of contumacy shall be dealt with by the Commission in accordance with law."

SEC. 6. Section 8 of R.A. No. 1161, as amended, is hereby further amended by amending paragraphs (e), (j), (k) and (m), deleting paragraph (q) redesignating paragraph (r) as the new paragraph (q), and adding a new paragraph designated as paragraph (r), to read as follows:

"SEC. 8. *Terms Defined.* - For the purposes of this Act, the following terms shall, unless the context indicates otherwise, have the following meanings:

"(e) Dependents - the dependents shall be the following:

(1) the legitimate spouse dependent for support upon the member;

(2) the legitimate, legitimated or legally adopted child who is unmarried, not gainfully

employed, and has not reached twenty-one years of age, or if over twenty-one years of age, he is congenitally or while still a minor has been, permanently incapacitated and incapable of self-support physically or mentally;

(3) the parent who is wholly dependent upon the member for regular support; and

(4) subject to the restrictions imposed on the legitimate child provided under subparagraph (2) hereof, the illegitimate child who is wholly dependent upon the members for regular support."

"(i) Contribution - The amount paid to the SSS by and on behalf of the member in accordance with Sec. 18 of this Act."

(j) Employment - Any service performed by an employee for his employer, except -

"(1) Employment purely casual and not for the purpose of occupation or business of the employer;

"(2) Service performed on or in connection with an alien vessel by an employee if he is employed when such vessel is outside the Philippines;

"(3) Service performed in the employ of the Philippine government or instrumentality or agency thereof;

"(4) Service performed in the employ of a foreign government or international organization, or their wholly-owned instrumentality: *Provided, however,* That this exemption notwithstanding, any foreign government international organization, or their wholly-owned instrumentality employing workers in the Philippines or employing Filipinos outside of the Philippines, may enter into an agreement with the Philippine government for the inclusion of such employees in the SSS except those already covered by their respective civil service retirement systems: *Provided, further,* That the terms of such agreement shall conform with the provisions of this Act on coverage

and amount of payment of contributions and benefits: *Provided, finally,* That the provisions of this Act shall be supplementary to any such agreement.

"(5) Such other services performed by temporary and other employees which may be excluded by regulation of the Commission. Employees of bona fide independent contractors shall not be deemed employees of the employer engaging the services of said contractors."

"(k) Beneficiaries - The dependent spouse until he or she remarries, the dependent legitimate, legitimated or legally adopted children, and the dependent illegitimate children, who shall be the primary beneficiaries of the member: *Provided,* That the dependent illegitimate children shall be entitled to fifty percent (50%) of the share of the legitimate, legitimated or legally adopted children: *Provided, further,* That in the absence of the dependent legitimate, legitimated or legally adopted children of the member, his dependent illegitimate children shall be entitled to one hundred percent (100%) of the benefits. In the absence, the dependent parents who shall be the secondary beneficiaries of the member; in the absence of all of the foregoing, any other person designated by the member as his secondary beneficiary."

"(l) Contingency - The retirement, death, permanent disability, injury or sickness, and maternity of the member."

"(m) Average monthly salary credit - the result obtained by dividing the sum of the last sixty monthly salary credits immediately preceding the semester of contingency by sixty, or the result obtained by dividing the sum of all the monthly salary credits paid prior to the semester of contingency by the number of monthly contributions paid in the same period, whichever is greater: *Provided,* That the injury or sickness which caused the disability shall be deemed as the permanent disability for the purpose of computing the average monthly salary credit."

(q) Credited years of service - For a

member covered prior to January 1985, nineteen hundred eighty five minus the calendar year of coverage plus the number of calendar years in which six or more contributions have been paid from January 1985 up to the calendar year containing the semester prior to the contingency. For a member covered in or after January 1985, the number of calendar years in which six or more contributions have been paid from the year of coverage up to the calendar year containing the semester prior to the contingency: *Provided*, That the Commission may provide for a different number of contributions in a calendar year for it to be considered as a credited year of service."

"(r) Member - the worker who is compulsorily covered under Section 9 and Section 9-A of this Act."

SEC. 7. Section 9 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 9. *Compulsory Coverage*. - (a) Coverage in the SSS shall be compulsory upon all employees not over 60 years of age and their employers: *Provided*, That in the case of domestic helpers, their monthly income shall not be less than one thousand pesos a month: *Provided, further*, That any benefit already earned by the employees under private benefits plans existing at the time of the approval of this Act shall not be discontinued, reduced or otherwise impaired: *Provided, further*, That private plans which are existing and in force at the time of compulsory coverage shall be integrated with the plan of the SSS in such a way where the employer's contribution to his private plan is more than that required of him in this Act, he shall pay to the SSS only the contribution required of him and he shall continue to such private plan less his contribution to the SSS so that the employer's total contribution to his benefit plan and to the SSS shall be the same as his contribution to his private benefit plan before the compulsory coverage: *Provided, further*, That any changes, adjustments, modifications, eliminations or improvements in the benefits to be available under the remaining private plan, which may be necessary to adopt by reason of the reduced

contributions thereto as a result of the integration, shall be subject to agreements between the employers and employees concerned: *Provided, further*, That the private benefit plan which the employer shall continue for his employees shall remain under the employer's management and control unless there is an existing agreement to the contrary: *Provided, finally*, That nothing in this Act shall be construed as a limitation on the right of employers and employees to agree on and adopt benefits which are over and above those provided under this Act.

(b) Filipinos recruited by foreign-based employers for employment abroad may be covered by the SSS on a voluntary basis."

SEC. 8. Section 9-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 9-A. *Compulsory Coverage of the Self-employed*. - Coverage in the SSS shall be compulsory upon such self-employed persons as may be determined by the commission under such rules and regulations as it may prescribe, including but not limited to the following groups:

1. All self-employed professionals;
2. Partners and single proprietors of businesses;
3. Actors and actresses, directors, scriptwriters and news correspondents who do not fall within the definition of the term "employee" in Sec. 8 (d) of this Act;
4. Athletes, coaches, trainers, and jockeys; and
5. Individual farmers and fishermen.

Unless otherwise specified herein, all provisions of the SSS Law applicable to covered employees shall also be applicable to the covered self-employed persons."

SEC. 9. Section 10 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 10. *Effective date of coverage*. -



Compulsory coverage of the employer shall take effect on the first day of his operation and that of the employee on the day of his employment: *Provided*, That the compulsory coverage of the self-employed person shall take effect upon his registration with the SSS."

SEC. 10. Section 11-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 11-A. *Effect of Interruption of Business or Professional Income.* - If the self-employed person realized no income in any given month [calendar year], he shall not be required to pay contributions for that month. He may, however, be allowed to continue paying contributions under the same rules and regulations applicable to separated member employees: *Provided*, That no retroactive payment of contributions shall be allowed other than as prescribed under Section 22-A hereof."

SEC. 11. Sec. 12 of R.A. No. 1161, as amended, is hereby amended to read as follows:

"SEC. 12. *Monthly Pension.* - (a) The monthly pension shall be the highest of the following amounts:

- (1) the sum of the following:
  - (i) Three hundred pesos; plus
  - (ii) Twenty percent (20%) of the average monthly salary credit; plus
  - (iii) Two percent (2%) of the average monthly salary credit for each credited year of service in excess of ten (10) years; or
- (2) Forty percent (40%) of the average monthly salary credit; or
- (3) One thousand pesos (P1,000.00): *Provided*, That the monthly pension shall in no case be paid for an aggregate amount of less than sixty (60) months."

"(b) notwithstanding the preceding paragraph, the minimum pension shall be One

thousand two hundred pesos for members with at least ten (10) credited years of service and Two thousand pesos for those with twenty (20) credited years of service."

SEC. 12. Section 12-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 12-A. *Dependents' Pension.* - Where monthly pension is payable on account of death, total and permanent disability or retirement, dependents' pension equivalent to ten percent (10%) of the monthly pension or One hundred fifty pesos (P150.00), whichever is higher, shall also be paid for each dependent child conceived on or before the date of the contingency but not exceeding five, beginning with the youngest and without substitution: *Provided*, That where there are legitimate and illegitimate children, the former shall be preferred."

SEC. 13. Section 12-B of R.A. No. 1161, as amended, is hereby further amended by amending paragraphs (a), (c) and (d), and adding new paragraph (e) to read as follows:

"Sec. 12-b. *Retirement Benefits.* - (a) a member who has paid at least one hundred twenty (120) monthly contributions prior to the semester of retirement and who (1) has reached the age of sixty (60) years and is already separated from employment or has ceased to be self-employed; or (2) has reached the age sixty-five (65) years, shall be entitled for as long as he lives to the monthly pension: *Provided*, That he shall have the option to receive his first six (6) monthly pension in lump sum."

"(c) the monthly pension shall be suspended upon the reemployment or resumption of self-employment of a retired member who is less than sixty-five (65) years old. He shall again be subject to Section Eighteen and his employer to Section Nineteen of this Act."

"(d) upon the death of the retired member, his primary beneficiaries as of the date of his retirement shall be entitled to receive the monthly pension: *Provided*, That if he has no

primary beneficiaries and he dies within sixty (60) months from the start of his monthly pension, his secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the total monthly pensions corresponding to the balance of the five-year guaranteed period, excluding the dependents' pension."

"(e) the monthly pension of a member who retires after reaching age sixty (60) shall be the higher of either: (1) the monthly pension computed at the earliest time he could have retired had he been separated from employment or ceased to be self-employed plus all adjustments thereto, or (2) the monthly pension computed at the time when he actually retires."

SEC. 14. Section 13 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 13. *Death Benefits.* - Upon the death of a member who has paid at least thirty-six (36) monthly contributions prior to the semester of death, his primary beneficiaries shall be entitled to the monthly pension: *Provided*, That if he has no primary beneficiaries, his secondary beneficiaries shall be entitled to a lump sum benefit equivalent to thirty-six times the monthly pension. If he has not paid the required thirty six (36) times the monthly contributions, his primary or secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the monthly pension times the number of monthly contributions paid to the SSS or twelve (12) times the monthly pension, whichever is higher."

SEC. 15. Section 13-A of R.A. No. 1161, as amended, is hereby further amended by amending paragraphs (a), (b), and (c); and adding new paragraphs (h), (i) and (j) to read as follows:

"SEC. 13-A. *Permanent Disability Benefits.* - (a) Upon the permanent total disability of a member who has paid at least thirty-six (36) monthly contributions prior to the semester of disability, he shall be entitled to the monthly pension: *Provided*, That if, he has not paid the required thirty-six (36) monthly contributions, he shall be entitled to a lump sum benefit equivalent to the monthly pension times the number of monthly contributions

paid to the SSS or twelve times the monthly pension, whichever is higher. A member who (1) has received a lump sum benefit and (2) is reemployed or has resumed self-employment not earlier than one year from the date of his disability shall again be subject to compulsory coverage and shall be considered a new member."

"(b) the monthly pension and dependents' pension shall be suspended upon the reemployment or resumption of self-employment or the recovery of the disabled member from his permanent total disability or his failure to present himself for examination at least once a year upon notice by the SSS."

"(c) Upon the death of the permanent total disability pensioner, his primary beneficiaries as of the date of disability shall be entitled to receive the monthly pension: *Provided*, That if he has no primary beneficiaries and he dies within sixty (60) months from the start of his monthly pension, his secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the total monthly pensions corresponding to the balance of the five (5) year guaranteed period excluding the dependents' pension."

"(h) in case of permanent partial disability, the monthly pension benefit shall be given in lump sum if it is payable for less than twelve (12) months."

"(i) for the purpose of adjudicating retirement, death and permanent total disability pension benefits, contributions shall be deemed paid for the months during which the member received partial disability pension: *Provided*, That such contributions shall be based on his last contribution prior to his disability."

"(j) should a member who is on partial disability pension retire or die, his disability pension shall cease upon his retirement or death."

SEC. 16. Section 13-B of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 13-B. *Funeral Benefit.* - A funer-

al grant equivalent to Twelve thousand pesos (P12,000.00) shall be paid, in cash or in kind, to help defray the cost of funeral expenses upon the death of a member, including permanently totally disabled member or retiree."

SEC. 17. Section 14 of R.A. No. 1161, as amended, is hereby further amended by amending paragraph (a) to read as follows:

"SEC. 14. *Sickness Benefit.* - (a) A member who has paid at least three (3) monthly contributions in the twelve-month period immediately preceding the semester of sickness or injury and is confined therefor for more than three (3) days in a hospital or elsewhere with the approval of the SSS, shall, for each day of compensable confinement or fraction thereof, be paid by his employer, or the SSS, if such person is unemployed or self-employed, a daily sickness benefit equivalent to ninety percent (90%) of his average daily salary credit, subject to the following conditions:

"(1) in no case shall the daily sickness allowance be paid longer than one hundred twenty (120) days in one calendar year; nor shall any unused portion of the one hundred twenty (120) days of sickness benefit granted under this Section be carried forward and added to the total number of compensable days allowable in the subsequent year;

"(2) the daily sickness benefit shall not be paid for more than two hundred forty (240) days on account of the same confinement; and

"(3) The employee member shall notify his employer of the fact of his sickness or injury within five (5) calendar days after the start of his confinement unless such confinement is in a hospital or the employee became sick or was injured while working or within the premises of the employer in which case notification to the employer is not necessary: *Provided*, That if the member is unemployed or self-employed, he shall directly notify the SSS of his confinement within five (5) calendar days after the start thereof unless

such confinement is in a hospital in which case notification is also not necessary: *Provided, further*, That in cases where notification is necessary, the confinement shall be deemed to have started not earlier than the fifth day immediately preceding the date of notification."

SEC. 18. Section 14-A of R.A. No. 1161, as amended, is hereby further amended by amending the opening paragraph and sub-paragraphs (c) and (f) to read as follows:

"SEC. 14-A. *Maternity Leave Benefit.* - A female member who has paid at least three (3) monthly contributions in the twelve-month period immediately preceding the semester of her childbirth, abortion, or miscarriage shall be paid a daily maternity benefit equivalent to one hundred percent (100%) of her average daily salary credit for sixty (60) days or seventy-eight (78) days in case of caesarean delivery, subject to the following conditions:

"(c) that payment of daily maternity benefits shall be a bar to the recovery of sickness benefits provided by this act for the same compensable period for which daily maternity benefits have been received;

X X X

"(f) That if an employee member should give birth or suffer abortion or miscarriage without the required contributions having been remitted for her by her employer to the SSS, or without the latter having been previously notified by the employer of the time of the pregnancy, the employer shall pay to the SSS damages equivalent to the benefits which said employee member would otherwise have been entitled to."

SEC. 19. Section 16 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 16. *Exemption From Tax, Legal Process and lien.* - All laws to the contrary notwithstanding, the SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom as well as all supplies,

equipment, papers or documents shall be exempt from any tax, assessment, fee, charge, or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt by the person or persons entitled thereto, except to pay any debt of the member to the SSS. No law, rules, regulations, opinions or any tax measure heretofore or hereafter enacted or promulgated shall apply to the SSS, unless the declared policy of the state in Section 2 hereof granting tax-exemption to the SSS is expressly revoked. Any tax assessment against the SSS shall be null and void."

SEC. 20. Section 18 of R.A. No. 1161, as amended, is hereby further amended by amending paragraph (a) to read as follows:

"SEC. 18. *Employee's Contribution.* - (a) Beginning as of the last day of the calendar month when an employee's compulsory coverage takes effect and every month thereafter during his employment, the employer shall deduct and withhold from such employee's monthly salary, wage compensation or earnings, the employee's contribution in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the following schedule:

SALARY BRACKET	RANGE OF COMPENSATION	MONTHLY CREDIT	MONTHLY CONTRIBUTION		
			EMPLOYER	EMPLOYEE	TOTAL
I	P 1-1099.99	1000	50.70	33.30	84.00
II	1400-1749.99	1500	76.00	50.00	126.00
III	1750-2249.99	2000	101.30	66.70	168.00
IV	2250-2749.99	2500	126.70	83.30	210.00
V	2750-3249.99	3000	152.00	100.00	252.00
VI	3250-3749.99	3500	177.30	116.70	294.00
VII	3750-4249.99	4000	202.70	133.30	336.00
VIII	4250-4749.99	4500	228.00	150.00	378.00
IX	4750-5249.99	5000	253.30	166.70	420.00
X	5250-5749.99	5500	278.70	183.70	462.40
XI	5750-6249.99	6000	304.00	200.00	504.00
XII	6250-6749.99	6500	329.30	216.70	546.00
XIII	6750-7249.99	7000	354.70	233.30	588.00
XIV	7250-7749.99	7500	380.00	250.00	630.00

XV	7750-8249.99	8000	405.30	266.70	672.00
XVI	8250-8749.99	8500	430.70	283.30	714.00
XVII	8750-9249.99	9000	456.00	300.00	756.00

The foregoing schedule of contribution shall also apply to self-employed persons and voluntary members.

The maximum monthly salary credit shall be Nine thousand pesos effective January Nineteen hundred and ninety six: *Provided*, That it shall be increased by One thousand pesos every year thereafter until it shall have reached Twelve thousand pesos by Nineteen hundred and ninety nine: *Provided, further*, That the minimum and maximum monthly salary credits as well as the rate of contributions may be fixed from time to time by the Social Security Commission through rules and regulations taking into consideration actuarial calculations and rate of benefits, subject to the approval of the President of the Philippines."

SEC. 21. Section 19-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 19-A. *Contribution of the Self-employed.* - The contributions to the SSS of the self-employed member shall be determined in accordance with Section 18 of this Act: *Provided*, That the monthly earnings declared by the self-employed member at the time of his registration with the SSS shall be considered as his monthly compensation and he shall pay both the employer and employee contributions."

"The monthly earnings declared by the self-employed member at the time of his registration shall remain the basis of his monthly salary credit, unless he makes another declaration of his monthly earnings, in which case such latest declaration becomes the new basis of his monthly salary credit."

SEC. 22. Section 22-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 22-A. *Remittance of Contributions of Self-employed.* - Self-employed members shall remit their monthly contributions quarterly on such dates and schedules, as the Commission may specify through rules and regulations: *Provided*, That no retroactive payment of contributions shall be allowed,

except as provided in this section.”

SEC. 23. Paragraphs (a), (b), (c), and (f) of Section 24 of R.A. No. 1161, as amended are hereby further amended to read as follows:

“SEC. 24. *Employment Records and Reports.* - (a) Each employer shall immediately report to the SSS the names, ages, civil status, occupations, salaries and dependents of all his employees who are subject to compulsory coverage: *Provided,* That if an employee subject to compulsory coverage should die or become sick or disabled or reach the age of sixty without the SSS having previously received any report or written communication about him from his employer, the said employer shall pay to the SSS damages equivalent to the benefits to which said employee member would have been entitled had his name been reported on time by the employer to the SSS, except that in case of pension benefits, the employer shall be liable to pay the SSS damages equivalent to the accumulated pension due as of the date of settlement of the claim or to the five years’ pension, whichever is higher, including dependents’ pension: *Provided, further,* That if the contingency occurs within thirty (30) days from the date of employment, the employer shall be relieved of his liability for damages: *Provided, finally,* That any person or entity engaging the services of an independent contractor shall be subsidiarily liable with such contractor for any civil liability incurred by the latter under this Act.”

“(b) Should the employer misrepresent the true date of employment of the employee member or remit to the SSS contributions which are less than those required in this Act or fail to remit any contribution due prior to the date of contingency, resulting in a reduction of benefits, such employer shall pay to the SSS damages equivalent to the difference between the amount of benefit to which the employee member or his beneficiary is entitled had the proper contributions been remitted to the SSS and the amount payable on the basis of the contributions actually remitted: *Provided,* That if, in such a case, the employee member or his beneficiary is entitled to pension benefits, the

damages shall be equivalent to the accumulated pension due as of the date of settlement of the claim or to the five years’ pension, whichever is higher including dependents’ pension.”

“In addition to the liability mentioned in the preceding paragraphs (a) and (b) hereof, the employer shall also be liable for the payment of the corresponding unremitted contributions and penalties thereof.”

“(c) The records and reports duly accomplished and submitted to the SSS by the employee or the employer, as the case may be shall be kept confidential by the SSS except in compliance with a *subpoena duces tecum* issued by the Courts, shall not be divulged without the consent of the President or any official of the SSS duly authorized by him. shall be presumed correct as to the data and other matters stated therein, unless the necessary corrections to such records and reports have been properly made by the parties concerned before the right to the benefit being claimed accrues, and shall be made the basis for the adjudication of the claim. If as a result of such adjudication the SSS in good faith pays a monthly pension to a beneficiary who is inferior in right to another beneficiary or with whom another beneficiary is entitled to share, such payments shall discharge the SSS from liability unless and until such other beneficiary notifies the SSS of his claim prior to the payments.”

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“(f) Notwithstanding any law to the contrary, microfilm, or non-erasable optical disk and other similar archival media copies of original SSS records and reports, or copies of such records and reports, duly certified by the official custodian thereof, shall have the same evidentiary value as the originals and be admissible as evidence in all legal proceedings.”

SEC. 24. Section 24-A of R.A. No. 1161, as amended, is hereby further amended to read as follows:

“SEC. 24-A. *Report and Registration of the Self-employed.* - Each covered self-

employed person shall, within thirty days from the effective date of coverage, report his name, age, civil status, and occupation, average monthly net income and his dependents.

SEC. 25. Section 25 of R.A. No. 1161, as amended, is hereby amended to read as follows:

"SEC. 25. *Deposit and Disbursement.* - All money paid to or collected by the SSS every year under this Act, and all accruals thereto, shall be deposited, administered and disbursed in the same manner and under the same conditions and requirements as provided by law for other public special funds: *Provided*, That not more than 12 percent of the total yearly contributions plus three percent of other revenues shall be disbursed for administrative and operational expenses such as salaries and wages, supplies and materials, depreciation, and the maintenance of branch and representative office of the SSS: *Provided, further*, That if the expenses in any year are less than the maximum amount permissible, the difference shall not be availed of as additional expenses in the following years."

SEC. 26. Section 26 of R.A. No. 1161, as amended, is hereby further amended by amending the opening paragraph and paragraphs (a), (b), (d), (e), (f), (i), and (k), deleting paragraphs (c) and (j), and adding new paragraphs designated as the new paragraphs (b), (c), (j), (k), (l), and (m), adding a new paragraph designated as Section 26-A and redesignating paragraphs (g) and (h) as paragraphs (a) and (b), respectively, of another new section designated as Section 26-B to read as follows:

"SEC. 26. *Investment of Reserve Funds.* - All revenues of the SSS that are not needed to meet the current administrative and operational expenses incidental to the carrying out of this Act shall be accumulated in a fund to be known as the "Reserve Fund." Such portions of the Reserve Fund as are not needed to meet the current benefit obligations thereof shall be known as the 'Investment Reserve Fund' which shall, with the approval of the Commission, be invested with due diligence and prudence in line with the basic principles of safety, yield, social and economic utility,

and liquidity to earn an average annual income close to the average rate of treasury bills or any other acceptable market yield indicator, in any or all of the following:

"(a) In bonds, securities, promissory notes or other evidence of indebtedness of the Government of the Philippines, or in bonds, securities, promissory notes of other evidence of indebtedness to which the full faith and credit and unconditional guarantee of the Government of the Philippines is pledged."

"(b) In bonds, securities, promissory notes or other evidence of indebtedness of the Government of the Philippines or any of its agencies or instrumentalities to finance domestic infrastructure projects such as roads, bridges, ports, telecommunications, and similar projects: *Provided*, That the instruments issued by an agency or instrumentality of the government shall be guaranteed by the Government of the Philippines or any government financial institution or acceptable multilateral agency: *Provided, further*, That the SSS shall have priority over the revenues of the projects: *Provided, finally*, That such investments shall not exceed thirty percent (30%) of the Investment Reserve Fund."

"(c) In bonds, securities, promissory notes or other evidence of indebtedness of government financial institutions or government corporations with acceptable credit or guarantee: *Provided*, That such investments shall not exceed thirty percent (30%) of the Investment Reserve Fund."

"(d) In bonds, securities, deposits, promissory notes or other evidence of indebtedness of any bank doing business in the Philippines and in good standing with the *Bangko Sentral ng Pilipinas* to finance loans to private corporations doing business in the Philippines, including schools, hospitals, small-and-medium scale industries, cooperatives and non-governmental organizations, in which case the collaterals or securities shall be assigned to the SSS, under such terms and conditions as the Commission may prescribe: *Provided*, That in the case of bank deposits, they 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 shall first have been designated as a depository for this purpose by the monetary board of the *Bangko Sentral ng Pilipinas*."

"(e) In bonds, securities, promissory notes or other evidence of indebtedness of shelter agencies of the national government or financial intermediaries to finance housing loans of SSS members;"

"And in short and medium term loans to members such as salary, educational, livelihood, calamity and emergency loans and in long-term individual or group housing loans giving priority to the low-income groups, up to a maximum of ninety percent (90%) if the appraised value of the properties to be mortgaged by the borrowers: *Provided*, That not more than forty percent (40%) of the Investment Reserve Fund at any time shall be invested for these purposes."

"(f) In 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: *Provided*, That such investments shall not exceed ten percent (10%) of the Investment Reserve Fund."

"(g) In real estate property and in other income-earning projects including investments secured by first mortgages on real estate or other collaterals acceptable to the SSS: *Provided*, That such projects and investments shall, in the determination of the commission, redound to the benefit of the SSS, its members, as well as the general public: *Provided, further*, That investment in real estate property shall not exceed ten percent (10%) of the Investment Reserve Fund: *Provided, finally*, That investments in other income-earning projects and investments secured by first mortgages or other collaterals shall not exceed thirty percent (30%) of the Investment Reserve Fund."

"(h) In bonds, debentures, securities, promissory notes or other evidence of indebt-

edness of any prime corporation or multi-lateral institution to finance domestic projects: *Provided*, That the issuing or assuming entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three including the last two of the five fiscal years next preceding the date of acquisition by the SSS of such bonds, debentures, or other evidence of indebtedness, the net earnings of the issuing or assuming institution available for its fixed charges, as hereinafter defined, shall have been not less than one and one-quarter times the total of its fixed charges for such year: *Provided, further*, That such investments shall not exceed thirty percent (30%) of the Investment Reserve Fund."

As used in this section, the term 'net earnings available for fixed charges' shall mean net income before income taxes plus non-cash charges such as depreciation and depletion appearing in the regular financial statement of the issuing or assuming institution. The term 'fixed charges' shall include interest on funded and unfunded debt, amortization of debt discount, and rentals for leased properties.

"(i) In preferred or common shares of stocks listed or about to be listed in the stock exchange or options or warrants to such stocks or such other risk management instruments of any prime or solvent corporation or financial institution created or existing under the laws of the Philippines with proven track records of profitability over the last three years and payment of dividends at least once over the same period, and in preferred or common shares of stocks of any or options or warrants to such stocks or other risk management instruments of a newly organized corporation: *Provided*, That investments in preferred or common shares of stocks of any corporation shall not exceed ten percent (10%) of total outstanding preferred or common shares of stocks of such corporation: *Provided, further*, That in the case of a newly organized corporation, its principal stockholder has proven track record or profitability over the last three (3) years and payment of dividends at least once over the same period, and at least twenty

percent (20%) of its preferred or common shares of stocks shall be immediately offered to the public: *Provided, further*, That investments in preferred or common shares of stocks which are not listed shall not exceed ten percent (10%) of the Investment Reserve Fund: *Provided, finally*, That such investments shall not exceed thirty percent (30%) of the Investment Reserve Fund."

"(j) In domestic or foreign mutual funds including investments related to the operations of mutual funds: *Provided*, That such investments shall not exceed twenty percent (20%) of the Investment Reserve Fund: *Provided, further*, That investments in foreign mutual funds shall not exceed ten percent (10%) of the investment reserve fund."

"(k) In foreign currency deposits or foreign currency-denominated debts, 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 listed in bourses of the respective countries where these instruments or assets are issued: *Provided, further*, That the issuing company has proven track record of profitability: *Provided, finally*, That such investments shall not exceed ten percent (10%) of the Investment Reserve Fund."

"(l) In loans secured by such collaterals like cash, government securities or guarantees of multilateral institutions: *Provided*, That such investments shall not exceed thirty percent (30%) of the Investment Reserve Fund."

"(m) In other investment instruments with the same intrinsic quality as those enumerated in (a) to (l), subject to the policies and guidelines which the Commission may formulate: *Provided*, That no portion of the Investment Reserve Fund or income thereof shall accrue to the general fund of the national government or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under this Act: *Provided, further*, That no portion of the Investment Reserve Fund shall be invested for any purpose or in any instrument,

institution or industry over and above the prescribed ceilings as follows: 40% in private securities, 40% in housing and other short-term member loans, 30% in government financial institutions and corporations, 30% in infrastructure projects, and 15% in any particular industry."

"Section 26-A. *Fund Managers*. - As part of its investment operations, the SSS may appoint local or, in the absence thereof, foreign fund managers to manage the Investment Reserve Fund, as it may deem appropriate."

"Section 26-B. *Mortgagor Insurance Account*. - (a) As part of its investments operations, the SSS shall act as insurer of all or part of its interest on SSS properties mortgaged to the SSS, or lives of mortgagors whose properties are mortgaged to the SSS. For this purpose, the SSS shall establish a separate account to be known as the "mortgagors' insurance account". All amounts received by the SSS in connection with the aforesaid insurance operations shall be placed in the mortgagors' insurance account. The assets and liabilities of the mortgagors' insurance account shall at all times be clearly identifiable and distinguishable from the assets and liabilities in all other accounts of the SSS. Notwithstanding any provision of law to the contrary, the assets held in the mortgagors' insurance account shall not be chargeable with the liabilities arising out of any other business the SSS may conduct but shall be held and applied exclusively for the benefit of the owners or beneficiaries of the insurance contracts issued by the SSS under this paragraph."

"(b) The SSS may insure any of its interests or part thereof with any private company or reinsurer. The insurance commission or its authorized representatives shall make an examination into the financial condition and methods of transacting business of the SSS at least once in two (2) years, but such examination shall be limited to the insurance operation of the SSS as authorized under this paragraph and shall not embrace the other operations of the SSS; and the report of said examination shall be submitted to the



Commission and a copy thereof shall be furnished the office of the President of the Philippines within a reasonable time after the close of the examination: *Provided*, That for each examination, the SSS shall pay to the insurance commission an amount equal to the actual expenses of the insurance commission in the conduct of the examination, including the salaries of the examiners and of the actuary of the insurance commission who have been assigned to make such examination for the actual time spent in said examination: *Provided, further*, That the general law on insurance and the rules and regulations promulgated thereunder shall have suppletory application insofar as it is not in conflict with the SSS Law and its rules and regulations."

SEC. 27. Section 27 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 27. *Records and Reports.* - The President shall keep and cause to keep records of operations, of the funds of the SSS and of disbursements thereof and all accounts of payments made out of said funds. During the month of January of each year, the President shall prepare for submission to the President of the Philippines and to the Congress of the Philippines a report of operations of the SSS during the preceding year including statistical data on the number of persons covered and benefited, their occupations and employment status, the duration and amount of benefits paid, the finances of the SSS of the said year, and recommendations. He shall also cause to be published in two newspapers of general circulations in the Philippines a synopsis of the annual report, showing in particular the status of the finances of the SSS and the benefits administered."

SEC. 28. Section 28 of R.A. No. 1161, as amended, is hereby further amended by amending paragraphs (b), (c), (d) and (e) thereof, to read as follows:

"SEC. 28. *Penal Clause.* -

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"(b) Whoever shall obtain or receive any money or check under this Act or any agreement

thereunder, without being entitled thereto with intent to defraud any covered employee, employer or the SSS, shall be fined not less than five thousand pesos nor more than twenty thousand pesos and imprisoned for not less than six years and one day nor more than twelve years."

"(c) Whoever buys, sells, offers for sale, uses, transfers or takes or gives in exchange, or pledges or gives in pledge, except as authorized in this Act or in regulations made pursuant thereto, any stamp, coupon, ticket, book or other device, prescribed pursuant to Section 23 hereof by the Commission for the collection or payment of contributions required herein, shall be fined not less than five thousand pesos nor more than twenty thousand pesos or imprisoned for not less than six years and one day nor more than twelve years, or both, at the discretion of the court."

"(d) Whoever, with intent to defraud, alters, forges, makes or counterfeits any stamp, coupon, ticket, book or other device prescribed by the Commission for the collection or payment of any contribution required herein, or uses, sells, lends, or has in his possession any such altered, forged or counterfeited materials or makes, uses, sells or has in his possession any such altered, forged material in imitation of the material used in the manufacture of such stamp, coupon, ticket, book or other device, shall be fined not less than five thousand pesos nor more than twenty thousand pesos, or imprisoned for not less than six years and one day nor more than twelve years, or both, at the discretion of the court."

"(e) Whoever fails or refuses to comply with the provisions of this Act or with the rules and regulations promulgated by the Commission, shall be punished by a fine of not less than five thousand pesos nor more than twenty thousand pesos, or imprisonment for not less than six years and one day nor more than twelve years of both, at the discretion of the court: *Provided*, That where the violation consists in failure or refusal to register employees or himself, in case of the covered self-employed, or to deduct contributions from

the employees' compensation and remit the same to the SSS, the penalty shall be a fine of not less than five thousand pesos nor more than twenty thousand pesos and imprisonment for not less than six years and one day nor more than twelve (12) years."

SEC. 29. A new section designated as Section 30 is hereby added, to read as follows:

"SEC. 30. *Transitory Clause.* - Any employer who is delinquent or has not remitted all contributions due and payable to the SSS may, within six months from the effectivity of this Act, remit said contributions or submit a proposal to pay the same in installments within a period of not more than twelve months from the effectivity of the act without incurring the prescribed penalty, subject to the implementing rules and regulations which the Commission may prescribe: *Provided*, That the employer submits the corresponding collection lists together with the remittance or proposal to pay in installments: *Provided, further*, That in case the employer fails to remit contributions within the six-month grace period or default in the payment of any amortization provided in the approved proposal, the prescribed penalty shall be imposed from the time the contributions first became due as provided in Section 22 (a) hereof."

SEC. 30. Section 30 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 31. *Separability Clause.* - If any provision of this Act is declared invalid, the other provisions not affected thereby shall remain valid."

SEC. 31. Section 32 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 32. *Repealing Clause.* - All laws, proclamations, executive orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed, modified or amended accordingly: *Provided*, That no person shall be deemed to be vested with any property or other right by virtue of the enactment or operation of this Act."

SEC. 32. Section 33 of R.A. No. 1161, as amended, is hereby further amended to read as follows:

"SEC. 33. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation whichever comes earlier."

Approved,

**Senator Tatad.** Mr. President, for the sponsorship speech, I ask that the distinguished gentleman from Cebu, the chairman of the Committee on Labor, the Hon. Marcelo Fernan, be recognized.

#### SUSPENSION OF SESSION

**The President.** The session is suspended for one minute, if there is no objection. [*There was none.*]

*It was 3:24 p.m.*

#### RESUMPTION OF SESSION

*At 3:25 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Cebu, Senator Fernan, is recognized to sponsor Senate Bill No. 1663.

**Senator Enrile.** Mr. President.

**The President.** The gentleman from Cagayan is recognized.

**Senator Enrile.** Before the sponsorship speech, may I just inquire whether this bill—having been referred to another committee rather than the Committee on Government Corporations and Public Enterprises, or jointly with that other committee—was properly referred?

If we will recall, Mr. President, early on when this Congress was opened, and there were assignments of committees, I precisely asked for a definition of the jurisdiction of the Committee on Government Corporations and Public Enterprises at that time. The Chair—and this is a matter of record—ruled that all matters relating to existing government corporations must be referred to the Committee on Government Corporations and Public Enterprises. The only things that will not be referred to

that committee would be bills creating new government-owned or controlled corporations.

This being the case—and since the Social Security System is no doubt a government corporation or public enterprise—I would like to find out whether this is an exception to the ruling of the Chair.

I am not trying to lay claim to this bill. Far from it, Mr. President. In fact, as I have said, many times over and as a matter of record in this Chamber, I am not seeking for work. I just want to determine what is the jurisdiction of the Committee on Government Corporations and Public Enterprises. There are many similar entities of the government that, perhaps, will have their charters amended or revised in due time.

I would like to state, Mr. President, that I am not trying to impede the sponsorship of this bill, but I would like a final clarification of this point.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** We thank the distinguished chairman of the Committee on Government Corporations and Public Enterprises for his remarks. His point is well-taken.

This bill, however, was heard and the committee report perfected before we assumed chairmanship of the Committee on Rules. And it is our understanding that the leadership at that time was looking at the labor aspect of the proposed legislation when it referred the bill to the Committee on Labor.

We wish to assure the distinguished chairman of the Committee on Government Corporations and Public Enterprises that this is not going to be the rule—that in the future, all bills of this nature would be referred to the Committee on Government Corporations and Public Enterprises.

At the moment, we should simply want to solicit the full support of our distinguished colleague for this particular measure.

**The President.** The gentleman from Cagayan is recognized.

**Senator Enrile.** With that clarification, and for as long as this will not be a precedent, and under the clear understanding that henceforth, matters of this nature will not be repeated, then I have no objection to any further proceeding on this particular measure.

#### SUSPENSION OF SESSION

**Senator Tatad.** May I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended, if there is no objection. [*There was none.*]

*It was 3:29 p.m.*

#### RESUMPTION OF SESSION

*At 3:30 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Cebu is recognized.

#### SPONSORSHIP SPEECH OF SENATOR FERNAN

**Senator Fernan.** Thank you, Mr. President.

Mr. President, distinguished colleagues, ladies and gentlemen.

With the former chairman of the Committee on Labor, Employment and Human Resources Development, it is my pleasure to cosponsor and present for floor deliberation Senate Bill No. 1663, prepared by the committee, entitled "An Act Further Strengthening the Social Security System Thereby Amending for this Purpose Republic Act No. 1161, as Amended, Otherwise Known as the 'Social Security Law'."

Mr. President, I wish to report at the outset that prior to my stewardship as chairman, the Committee on Labor, Employment and Human Resources Development, under the leadership of its former chair, Sen. Anna Dominique Coseteng, considered and examined the 10 bills seeking to amend the Social Security Law. A public hearing was conducted on February 19, 1996, and thereafter, a technical working group was formed to thoroughly study, deliberate, and discuss the merits of the proposed measures in the same manner as the committee reviewed the performance of the SSS.

As a result of the study, the committee submitted Committee Report No. 186, recommending that this august Body approve Senate Bill No. 1663 which consolidates the many measures presented by my distinguished colleagues, including the honorable Senate President, to amend the Social Security Law.

The bill shall address present concerns and conditions most of which were not attendant at the time the SSS started its

operation in 1957. The committee believes that given sufficient powers and authorities, the SSS can and will be more responsive to the needs of its members.

The bill seeks to improve benefits, adopt a new benefit formula, protect delayed retirement, increase the penalty for violations of the Social Security Law to ensure compliance and broaden investment alternatives to ensure higher returns on investment and maximize social security contributions to socio-economic development.

While I am ready to come up with a comprehensive and detailed sponsorship speech consisting of 14 pages, I have given my word to the former chair, Senator Coseteng, that I will merely deliver brief remarks regarding my sponsorship, and that the main sponsor of this bill would still be the former chairperson.

I, therefore, call on this Body to seriously consider Senate Bill No. 1663. May I now move that the former chair of the Committee on Labor, Employment and Human Resources Development, Senator Coseteng, be recognized.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

I move that we temporarily suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

#### MOTION OF SENATOR TATAD

(Referral of the List of Bills and Resolutions Submitted by Senator Tatad to the Illegal Drugs Committee)

**Senator Tatad.** The chairman of the Committee on National Defense and Security has gone through the list of bills and resolutions I had earlier submitted pursuant to the motion that these be referred either primarily or secondarily to the Committee on Illegal Drugs. There is none there that has been worked upon by the Committee on National Defense and Security.

In the light of that, I restate my motion that the bills and resolutions I have earlier read into the *Record* be referred to the Committee on Illegal Drugs either primarily or secondarily, as the case may be.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

**Senator Webb.** Mr. President.

**The President.** The gentleman from Parañaque is recognized.

**Senator Webb.** I just want to ask for a reconsideration because I was on the way up when the gavel was banged. I just want to find out if prior to that, these bills were ever referred to the Committee on Health, Mr. President.

**The President.** The Majority Leader is recognized.

#### SUSPENSION OF SESSION

**Senator Tatad.** May I ask for a suspension of the session, Mr. President?

**The President.** The session is suspended, if there is no objection. [*There was none.*]

*It was 3:36 p.m.*

#### RESUMPTION OF SESSION

*At 3:44 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

**Senator Tatad.** Mr. President, in reply to the inquiry of the distinguished chairman of the Committee on Health, I wish to state that Senate Bill Nos. 714, 739, 1219, 1426 and 1660 were originally referred to the Committee on Health as the primary committee; under my motion, the Committee on Health becomes the secondary committee.

Just to clarify the situation. I will read into the *Record* the bills that will now be referred to the Committee on Illegal Drugs as the primary committee, with the original primary committee as the secondary committee. These are Senate Bill Nos. 18, 589, 714, 739, 752, 1219, 1244, 1252, 1426, 1660, 1740, 1768 and Proposed Senate Resolution No. 25.

The following bills and resolutions are now being referred to the Committee on Illegal Drugs as the secondary committee: Senate Bill Nos. 424, 429, 432, 439, 470, 472, 755, 798, 1698, 1705 and Proposed Senate Resolution No. 627.

That is the complete listing, Mr. President. I reiterate my motion.

**The President.** The motion has been approved. Let the

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achievements and his concern for the interest and well being, not only of his barangay but of the people of Tuba and surrounding areas.

Thank you, Mr. President.

**The President.** Thank you.

**Senator Tatad.** Mr. President, I wonder if the distinguished sponsor would allow the names of the other senators to be included as coauthors of this resolution.

**Senator Roco.** Yes, Mr. President, for all those who are present.

#### ADOPTION OF P. S. RES. NO. 681

**Senator Tatad.** That done, Mr. President, I move that we now adopt Proposed Senate Resolution No. 681.

**The President.** Is there any objection? *[Silence]* There being none, Proposed Senate Resolution No. 681 is adopted.

**Senator Roco.** Thank you, Mr. President.

#### SUSPENSION OF SESSION

**Senator Tatad.** I move for a brief suspension of the session, Mr. President.

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 11:19 a.m.*

#### RESUMPTION OF SESSION

*At 11:25 a.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

#### BILL ON SECOND READING S. No. 1663—An Act Strengthening the Social Security System *(Continuation)*

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663, as reported out under Committee Report No. 186.

**The President.** Is there any objection? *[Silence]* There

being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** The first sponsorship speech was delivered by the present chairman of the Committee on Labor, Employment and Human Resource Development. The next sponsorship speech will be delivered by the previous chairman of the committee who worked very hard on the committee report.

I ask that the distinguished senator from Quezon City and Negros, Senator Coseteng, be recognized.

**The President.** Senator Coseteng is recognized.

#### SPONSORSHIP SPEECH OF SENATOR COSETENG

**Senator Coseteng.** Thank you, Mr. President.

Mr. President, distinguished colleagues, ladies and gentlemen:

Thirty nine years ago, the Social Security System was established to provide social security protection to workers in the private sector, their families and other beneficiaries. After all these years, the question still constantly asked is: Has the Social Security System or the SSS lived up to its members' expectations?

The Committee on Labor, Employment and Human Resource Development has reviewed the performance of the SSS, conducted hearings on several bills, proposing amendments to the SSS charter, and as its former chairperson, I am pleased to report to this august Chamber these findings.

The concerns identified and the recommendations which were adopted and made concrete in this proposed measure have been consolidated into Senate Bill No. 1663 with Senators Romulo, Maceda, Herrera, Roco, Macapagal, Angara, Drilon, Fernan, Tatad, myself and the Committee on Labor, Employment and Human Resource Development as coauthors.

Mr. President, the SSS commenced operations on Monday, September 2, 1957. By the end of that same year, the SSS had registered over 224,000 employees and 1,000 employers and had accumulated a total of over P6,000,000 in assets. Today, the SSS counts among its members 16,000,000 employees, 480,000 employers, and more than 700,000 self-employed persons. Its assets as of the end of December 1995, Mr. President, amounted to P128.4 billion.

Since its establishment in 1957, the SSS has become a potent instrument of social and distributive justice. It not only

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provided benefits to its members and their dependents with a strong bias in favor of the poor, it has also these resources to provide them low-cost financial assistance to build or improve their homes, to acquire higher education or training, or cope with emergencies, and meet the other basic needs of the family in times of joy as well as grief.

In terms of benefits, Mr. President, the SSS has effected numerous and significant improvements for its members especially during the last six years. From P25.00 a month in 1957, the minimum pension was increased to P120.00 in 1985, and ultimately to its present level of P1,000 per month with a number of pensioners receiving the maximum pension of P6,081.00 a month.

It is significant to note, Mr. President, that the SSS has been able to increase the level of pensions without increasing the rate of contributions collected from its members.

In the case of subsidized housing and other membership loans, the SSS has lent some P90 billion since 1957 of which P70 billion were disbursed between the years 1990 and 1995. Serving an average of 600,000 borrowers yearly, the SSS has become the largest retail-lending institution in the country.

In recent years, the SSS has also served as a catalyst for growth through investment programs that support industries and enterprises, generate employment and stimulate business activities.

But despite all these accomplishments, Mr. President, the SSS itself will be the first to admit that there will always be room for improvement. This fact is something which the management of the SSS accepts as true, and it has therefore provided this committee with its own suggestions on how the SSS can be more responsive to the needs of its members, if only it was vested with sufficient powers and the authority to do so.

This is the intention of the proposed bill which the committee now presents before the esteemed members of this Chamber for approval. Being a consolidation of several bills filed with the honorable members of the Senate, this bill contains several enhancements, improvements and changes to the present SSS charter.

Among these are:

- 1) An expansion in its scope of coverage to include agricultural workers who are not paid any regular wage or base pay, and who do not work for an uninterrupted period of at least six (6) months; domestic helpers, minors employed by parents and parents employed by the children, and self-employed persons such as

carpenters, plumbers, electricians, market and sidewalk vendors earning at least P1,000 per month;

- 2) It also provides for an increase in pensions for death and disability benefits to a minimum of P1,000; P1,200 for pensioners with ten (10) credited years of service, and P2,000 for those with 20 credited years of service;
- 3) Funeral benefits have also been hiked from P10,000 to P12,000 which may be paid in cash or in kind;
- 4) Dependents' pension have also been increased to P200 or 10% of the principal's monthly pension, whichever is higher;
- 5) Illegitimate children are now considered as primary beneficiaries who are entitled to 50% of the share of legitimate, legitimated or legally adopted children or 100% of the benefits in the absence of such legitimate, legitimated or legally adopted children;
- 6) The proposed measure also grants retirees lump sum pension benefits equivalent to six (6) months to enable them to start a small business;
- 7) Senate Bill No. 1663 further requires the SSS to establish branches in the provinces and highly-urbanized cities and representative officers in every congressional district to bring services to the grass-roots, and to establish offshore offices in selected countries to give protection to our offshore workers;
- 8) This bill also increases the penalty for violation of the SSS law to ensure compliance with it, and to ensure that contributions are invested in ventures which will yield returns sufficient to improve benefits;
- 9) Investment alternatives for the SSS are also broadened to ensure a high return on investments and to maximize the SSS contribution to the socio-economic development of the country; and
10. It also empowers SSS officers to rationalize its organization to make it more efficient, effective and responsive to the needs of its contributors.

Clearly, Mr. President, a review of the operations of the SSS and inspection of its records show that SSS has done a commendable job, considering the constraints it has had to work with. It has been making sure and steady strides towards improving benefits for its members, all the while ensuring its financial strength and soundness. However, the SSS definitely can still do

much more, provided that it is given the flexibility and the resources to do its work more effectively and efficiently.

It is, therefore, my privilege, Mr. President, to submit for this Chamber's approval and serious consideration Senate Bill No. 1663, in the hope that its significance and importance will not be lost amongst the Senate's membership, and that it will meet with favor at the soonest possible time.

Thank you, Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, we thank the distinguished sponsor for her speech. I ask that the distinguished gentleman from Quezon City, Tarlac and Bulacan be recognized.

**The President.** The Assistant Minority Leader is recognized.

**Senator Romulo.** Mr. President, at the beck and call of the Majority Leader, how can I refuse? At any rate, Mr. President, will our distinguished colleague and sponsor of this major bill yield for a few questions?

**Senator Coseteng.** Mr. President, for the record, I would like to state that the new chairman of the Committee on Labor, Employment and Human Resources Development would be answering the questions as he is actually the sponsor of the bill. He delivered a sponsorship speech last Monday, I believe.

**Senator Romulo.** Thank you, Mr. President.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, in view of that manifestation, I move to suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

#### SUSPENSION OF SESSION

**Senator Tatad.** May I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended, if there is no objection. [*There was none.*]

*It was 11:38 a.m.*

#### RESUMPTION OF SESSION

*At 11:39 a.m., the session was resumed.*

**The President.** The session is resumed.

#### BILL ON SECOND READING

#### S. No. 1721—Defining the Composition/Powers of the Boards and Appointment/Terms of the President of Chartered State Universities/Colleges (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1721 as reported out under Committee Report No. 234.

**The President.** Resumption of consideration of Senate Bill No. 1721 is now in order.

**Senator Tatad.** We are in the period of sponsorship. The first sponsorship speech was delivered by the chairman of the Committee on Education, Arts and Culture.

I ask that the former chairman, the gentleman from Camarines Sur and Bohol, be recognized to deliver the second sponsorship speech.

**The President.** The gentleman from Camarines Sur is recognized.

#### SPONSORSHIP SPEECH OF SENATOR ROCO

**Senator Roco.** Thank you, Mr. President.

We are pleased and honored, Mr. President, to support and also give a cosponsorship speech on Committee Report No. 234. Because I was the former chairman, there should be some provisions that may be put in perspective.

First, as a historical matter, there were divergence of opinion on the composition of the board that is sought to be established so that there will be common governance for the state universities and colleges. This composition, Mr. President, was the result of the work of the UP president, one representative from CHED and, I think, one from the Association of State Universities and Colleges. The records would show, that there were efforts at consensus in building a common governance for the state universities and colleges.

There are three provisions, I wanted to touch on to add philosophical underpinnings for the report.

The first, Mr. President, is as regards student representation. Student representation in the Board of Regents or the Board of Trustees of the universities or colleges, as the case may be, has been one of the requests of the student organizations. Congress



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**REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
SENATE**

# **Record of the Senate**

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DECEMBER 9, 1996 TO MARCH 5, 1997**

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under the supervision of  
**SECRETARY LORENZO E. LEYNES JR.**



**The President.** Referred to the Committees on Agrarian Reform; and Agriculture and Food

**The Secretary.** Senate Bill No. 1850, entitled

AN ACT AMENDING REPUBLIC ACT NO. 7880 ENTITLED "AN ACT PROVIDING FOR THE FAIR AND EQUITABLE ALLOCATION OF THE DEPARTMENT OF EDUCATION, CULTURE AND SPORTS BUDGET FOR CAPITAL OUTLAY"

Introduced by Senator Romulo

**The President.** Referred to the Committees on Education, Arts and Culture; and Finance

The Majority Leader is recognized.

#### SPECIAL ORDERS

**Senator Tatad.** Mr. President, I move that we transfer from the Calendar for Ordinary Business to the Calendar for Special Orders House Bill No. 1473, entitled

AN ACT UPGRADING THE SUBDISTRICT ENGINEERING OFFICE IN THE CITY OF PUERTO PRINCESA, PROVINCE OF PALAWAN, INTO REGULAR ENGINEERING DISTRICT OFFICE, TO BE KNOWN AS THE THIRD ENGINEERING DISTRICT OF PALAWAN

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

#### BILL ON SECOND READING S. No. 1663—The Social Security Law (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [*Silence*] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** We are now in the period of interpellations. I ask that the distinguished sponsor, the chairman of the Committee on Labor, Employment and Human Resources Development, the gentleman from Cebu, be recognized.

And to interpellate, I ask that the distinguished Assistant Minority Leader... In lieu of the distinguished gentleman from Tarlac, may I ask that the senator from Pangasinan, be recognized.

**The President.** What is the pleasure of the senator from Pangasinan?

#### PARLIAMENTARY INQUIRY OF SENATOR SHAHANI (On the Contents of the Agenda for the Week)

**Senator Shahani.** Mr. President, I just would like to ask something about the agenda for the week. It is a parliamentary inquiry because the agenda which was distributed yesterday did contain the Fisheries Code as Senate Bill No. 1708: "An Act Providing for the Management and Conservation of the Fisheries and Aquatic Resources, Creating for the Purpose the Department of Fisheries."

I did not expect that we would adjourn so soon yesterday, Mr. President, otherwise, I would have raised the issue. I am wondering why, in the revised agenda for the week, the Fisheries Code does not appear. I was really very happy when this figured in the fixed agenda because I feel that this is an important piece of legislation, not because I used to chair the Agricultural Committee, but this has been so long in the works.

So, I just would like to inquire what the intention of the leadership is on this Fisheries Code which has been the topic of communication, discussion and dialogue with the Senate leadership and other members of the Chamber.

**The President.** The Majority Leader will respond.

**Senator Tatad.** Well, Mr. President, the Fisheries Code remains a priority item on our agenda. But in view of the fact that the chairman of the committee is not in town yet, we thought we should schedule this as soon as he comes in, by next week. If he comes in this week, we could adjust the schedule to give it the priority that it deserves.

**Senator Shahani.** Thank you, Mr. President.

**The President.** Senator Fernan is recognized and Senator Romulo to interpellate on the Social Security System Bill.

**Senator Fernan.** Thank you, Mr. President.

**Senator Romulo.** Thank you, Mr. President.

Mr. President, first of all, I would like to say that as a good

soldier, when the Majority Leader asks me to do a task, I respond. However, my interpellation is by way of clarification because as indicated here, I really want this bill to be considered and, after the proper amendments are made, passed. So, will the distinguished chairman of the committee, our distinguished colleague, Senator Fernan, yield for some questions for clarification?

**Senator Fernan.** Gladly, to the distinguished Assistant Minority Leader.

**Senator Romulo.** Mr. President, may I just ask, to begin with, for the information and enlightenment of this Chamber, what the difference is between the existing Social Security System Law and that which is proposed in Senate Bill No. 1663?

**Senator Fernan.** The bill, as it is proposed, compared to the original, provides for certain amendments starting with the broadening of state policy to strive for universal coverage and to contribute to the country's socio-economic development. The second change is to expand the scope of coverage to include agricultural workers, parents employed by children, minors employed by parents, and all the self-employed earning at least P1,000 per month.

The third change is to give more teeth to the law by (a) increasing the penalty or fine under Section 28 from P500 to P5,000 to P20,000 and imprisonment from the present six months to one year to six years to 12 years; (b) making persons who engage the services of independent contractors subsidiarily liable for the latter's civil liability; and (c) making optical disks and similar archival media admissible as evidence.

Another change is in rationalizing the retirement benefit structure from the minimum P1,000 to P1,200 with 10 credited years of service, and then the P2,000 with 20 credited years of service. The member has the option to receive a lump sum equivalent to six months pension if the member retires after 60, a pension at earliest retirement plus adjustments or a pension at actual retirement; and suspension of pension upon reemployment.

With respect to benefits, the death disability from the minimum of P800 is increased to P1,000. The minimum now is P1,200 with 10 credited years of service; P2,000 with 20 credited years of service and a lump sum for permanent partial disability, if the monthly pension benefit is payable for less than 12 months. Contributions are credited for partial disability period and suspension of pension upon reemployment of disabled member.

With respect to funeral benefit, from P10,000 to P12,000 in cash or in kind.

As to beneficiaries, illegitimate children are entitled to one-

half share of legitimate children.

Illegitimate children are included in the dependents' pension with preference for legitimate children.

There is now a rationalized contribution structure: (a) Minimum and maximum salary brackets and rate of contribution shall be fixed by the Social Security Commission subject to the President's approval; (b) uniform schedule of contribution for all members; and (c) condonation of penalty within six months from approval of the Act.

There is also a broadened investment alternative under Section 26. (a) The guiding principle shall be safety, yield, social utility and liquidity to earn an average annual income close to the average rate of treasury bills or any other acceptable market yield indicator; (b) SSS funds or earnings cannot accrue to the national government; (c) expanded investment areas for flexibility and higher return of investment but limited to 40% in private securities; 40% in housing and other short-term loans, that is, salaries of members; 30% in government financial institutions and corporations; 30% in infrastructure projects; and 15% in any industry.

With respect to investments under Section 26, subparagraphs b) to m), the SSS would give priority to:

b) debt instruments for infrastructure projects, which shall not exceed 30% of the Investment Reserve Fund;

c) Debt instruments of government financial institutions or government corporations, provided that such investments shall not exceed 30% of the Investment Reserve Fund;

d) Debt instruments of acceptable banks;

e) Debt instruments for housing and other short-term member loans, provided such investments shall not exceed 40% of the Investment Reserve Fund;

f) Debt instruments for schools and hospitals, provided that such investments shall not exceed 10% of the Investment Reserve Fund;

g) Direct real estate investments, provided it shall not exceed 10% of the Investment Reserve Fund; debts secured by first mortgages or other collaterals provided it shall not exceed 30% of the Investment Reserve Fund;

h) Debt instruments of prime corporations or multilateral institutions to finance domestic projects, provided such investment shall not exceed 30% of the Investment Reserve Fund;

i) Listed or about to be listed preferred common stocks or options or warrants to such stocks of prime newly organized corporations, provided that such investment shall not exceed 30% of the IRF and the investments in unlisted shares of stock shall not exceed 10% of the Investment Reserve Fund;

j) Domestic foreign mutual fund including investment related to funds operations, provided that such investment shall not exceed 20% of the Investment Reserve Fund and the investments in foreign mutual fund shall not exceed 10% of the Investment Reserve Fund;

k) Foreign currency-denominated debt, provided that the investment shall not exceed 10% of the Investment Reserve Fund;

l) Loans secured by cash, government securities, guarantees of multilateral institutions, provided that such investment shall not exceed 30% of the Investment Reserve Fund;

m) Other investment instruments with same intrinsic quality as investments enumerated above subject to SSC policies.

Another change effected by reason of the amendment is the appointment of a fund manager. The SSS may appoint local or foreign fund managers to invest the reserve fund.

There is also a rationalization of SSS organization under Section 3. The worker and the employer's representative to the SSC will be chosen by the President of the Republic from the organization's nominees; there will be delineation of powers between the Social Security Commission and the Social Security System; and the Social Security System will be exempt from the salary standardization and attrition laws.

It also provides for additional powers of the SSS in Section 4: to compromise, release liability with respect to investments; to maintain employee provident fund; to ratify provident fund existing since 1984; and, to approve, confirm, review actions of SSS.

These, in effect, are the changes or amendments provided in Committee Report No. 186 now known as Senate Bill No. 1663.

**Senator Romulo.** Mr. President, on the basis of the latter statements made by the distinguished sponsor, particularly on the investments that he had enumerated, as a preliminary question, may we know the total resources or assets of the Social Security System as of December 31, 1996?

**Senator Fernan.** The total resources of the Social Security

System as of December 31, 1996 is P142 billion.

**Senator Romulo.** Mr. President, since the gentleman has the balance sheet or statement of condition, may we ask if he can read into the *Record* the breakdown of the total resources which total P142 billion, as he stated?

**Senator Fernan.** All right. This is the breakdown of the P142,579,000,000:

Social Security (SS)	P 112,816,000,000
Medicare (MCR)	15,091,400,000
Employees Compensation (EC)	15,363,800,000
Others	58,600,000

**Senator Romulo.** On the other side of the ledger, what would be the liabilities to match the assets or resources that the distinguished gentleman has just enumerated?

**Senator Fernan.** In the form of benefits payable—for 1996 paid benefits—it would amount to P20,140,300,000.

**Senator Romulo.** And is that all?

**Senator Fernan.** Yes, that is all the benefits paid.

**Senator Romulo.** How about the other payables of the System? There must be some payables.

**Senator Fernan.** There is an entry here of Operating Expenses, which is P2,148,400,000.

**Senator Romulo.** So other than that, the balance would constitute the net worth, is that correct?

**Senator Fernan.** Yes, Mr. President, that is correct.

**Senator Romulo.** So out of the P142 billion, with the benefits payable of P20 billion plus other payables of P2 billion, therefore, the net worth or the balance would be P120 billion.

**Senator Fernan.** Yes, roughly.

**Senator Romulo.** Is that correct?

**Senator Fernan.** The P142,579,900,000 is after payment of the liabilities.

**Senator Romulo.** So the P142 billion is what we might call the balance, net of liabilities.

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** So that it is net of the benefits payable and other payables.

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** Therefore, what percentage of the P142 billion as of December 31, 1996 may now be invested in accordance with Sections 25, 26 and, I think, 27 that the distinguished sponsor has just enumerated in his opening statement?

Is that entire amount qualified for investment, Mr. President? That is the question.

**Senator Fernan.** Not the whole amount is available but almost all or about 98% is available for investment. And in the investments to be made, since there are now provisions regarding broadened investment alternatives—40% in private securities is the limit, 40% in housing and other short-term member loans, 30% in government financial institutions and corporations.

**Senator Romulo.** Mr. President, can the gentleman repeat what he just started to say?

**Senator Fernan.** By expanding the investment areas for flexibility and for a higher return on investments, the SSS can now invest in different investment areas. But there is a limitation on how far they can invest. The limitation in private securities is 40% of the available funds for investment.

**Senator Romulo.** Which means that in private securities, 40% of the P142 billion, which is the amount available, may be invested. Is that correct?

**Senator Fernan.** Or less than P142 billion because only 98% is available.

**Senator Romulo.** That is correct. So that 40% of the 98% of P142 billion may be invested in private securities.

**Senator Fernan.** If it is so decided by the commission that everything should go to private securities.

**Senator Romulo.** That is correct. How about the rest of the 60%? The gentleman enumerated the other uses or purposes where this P142 billion or 98% can be used. Can the gentleman also repeat that for us, Mr. President?

**Senator Fernan.** Yes, Mr. President. The other investment areas include: housing and other short-term member loans—which is salary loan—is limited to 40% and should not exceed

40%; government financial institutions and corporations which should not exceed 30% of the funds; infrastructure projects which should not exceed 30%; and any industry which should not exceed 15%.

**Senator Romulo.** Mr. President, with the permission of the sponsor, do I understand it then that private securities, 40%, housing loans, salary loans, 40%, are exclusive of each other?

**Senator Fernan.** Yes, Mr. President. They are exclusive of each other because we may not use up the 40% only in one area. We may give only 5% or 10% in one area, and 5% or 10% or more in another area, but it should not exceed the limit for each and every area in order to invest the full 98%.

**Senator Romulo.** What I am trying to drive at, Mr. President, is how do we divide the 100%, let us say, if P142 billion minus the deduction of 98% is 100%? Do I understand it that 40% may be invested in private securities, the other 40% in housing loans, personal loans to the members of the SSS, and therefore, there is a 20% balance? Am I correct in my understanding of how the 98% of P142 billion may be used or spent?

**Senator Fernan.** Ideally, one-third of the funds available for investment will go to the public sector; one-third to the private sector; and one-third to the members. That would be the ideal setup.

**Senator Romulo.** I see. In other words, one-third will go to the public, one-third to the private, and one-third to the members. One-third to the members would mean those who would seek housing loans or salary loans. Is that correct?

**Senator Fernan.** Yes, Mr. President. When we say salary loans, part of the one-third would be pertaining to the members, that would be the housing, salary loans. Private individuals would be another one-third, entities like San Miguel Corporation, Atlas Mining. Of course, that was before, not now.

**Senator Romulo.** Just to really make it clear to the Chamber. Of the 98% of the P142 billion, one-third will be strictly for the use or benefit of members of the SSS, in other words, the employees of the private sector.

Now, another one-third may be lent to the private sector, securities or whatever. That is what I am trying to get, Mr. President.

**Senator Fernan.** My understanding, Mr. President, is that this would be the ideal setup. But oftentimes, the one-third is not strictly adhered to.

In fact, there is now 40% for the workers because we have to help those who are less favored in life. Ideally, this would be the formula and they will try to stick to this as closely as they can.

**Senator Romulo.** Mr. President, as of December 31, 1996, the accounting period involved here, how is the P142 billion or 98% of that distributed? What is the percentage for the housing and personal loans to members of the SSS? What is the percentage for investment in private securities and stocks and whatever?

**Senator Fernan.** With respect to the 98% of the P142 billion, about 42% went to the public sector, 40% went to the members, and 38% went to the private sector.

**Senator Romulo.** Mr. President, that seems to exceed 100%.

**Senator Fernan.** Excuse me, it is 18%.

**Senator Romulo.** Yes, 18%.

**Senator Fernan.** The last one, the figure is 18%, not 38%.

**Senator Romulo.** The 18% would be what?

**Senator Fernan.** So 42% for the public sector, 40% for the members, that is 82%, leaving 18% which went to the private sector.

**Senator Romulo.** The 42% which went to the public sector, in what concept, or in what investment, or in what securities is this, Mr. President?

**Senator Fernan.** The members' loans went into real estate, financing loans such as what they obtained from the National Home Mortgage Finance Corporation, housing loans, community hospital, hospital financing program, SSS, National Housing apartment-dormitory loan program, developmental loan, corporate housing, salary, education, calamity loans, separated members' emergency loans, student assistance loans and loans for vocational-technical students. That is with respect to the member loans.

**Senator Romulo.** That is right, which is 40% of the 98%?

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** How about the 42% that went to the private sector as distinguished from the members? What areas are covered by this?

**Senator Fernan.** This 42% went to the public sector because the private sector is only about 18%.

**Senator Romulo.** That is right.

**Senator Fernan.** The 42% that went to the public sector was in the form of government securities—T-notes, T-bills, PNB, LBP, government bonds, securities, PGH, National Orthopedic Hospital common and preferred stocks.

**Senator Romulo.** In fact, these T-bills, T-notes, et cetera, are precisely mandated under Section 26.

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** And so, this provides for sound and safe investment of the money that the members invest in the Social Security, is that not correct?

**Senator Fernan.** That is the guideline prescribed in the proposed legislation.

**Senator Romulo.** Would the SSS tell us what the rate of return is on this 42% public sector investment in terms of T-notes and T-bills under the December 31, 1996 Statement of Condition?

**Senator Fernan.** In the government securities, the aggregate return on investment is 17.16%. With respect to the memberships, in other words, the investment with the members, it is a return of 9.58%. With respect to the private securities and loans, in other words, to the private sector, it is 15.32%.

**Senator Romulo.** As the distinguished sponsor and chairman stated, in the private sector, it would be such investment as San Miguel and other blue chip stocks. Is that correct?

**Senator Fernan.** That is precisely what is being proposed now in the new law. It was also in the old law when we refer to marketable sector and other common stocks.

**Senator Romulo.** In fact, that is the question that I wanted to ask. What is the difference in the investment thrust or investment portfolio between the old SSS law and under this proposed Senate Bill No. 1663?

**Senator Fernan.** There are more investments in the private sector. The policy of the old SSS law pursuant to the provisions of the existing law was more conservative in investing in the private sector. Now, it is more liberal in terms of investment, at the same time, observing utmost safety to safeguard the money of the members.

**Senator Romulo.** The conservatism in the old law was in terms of investment in T-bills and T-notes and those that are guaranteed by the government, is that not correct?

**Senator Fernan.** It was playing safe too much but it did not yield sufficient income.

**Senator Romulo.** That is why, under this new bill, we are now considering the private investment in order precisely to generate more income and increase the portfolio of the Social Security System.

**Senator Fernan.** That is the general idea, Mr. President.

**Senator Romulo.** Is there a group that oversees the fund management, et cetera? What is the present law? What does it provide in order to ensure that these funds are always in good and safe hands?

**Senator Fernan.** The track record of the present administration can be looked into, and on the basis of its yield, it has done well. But in the proposed amendments, we will now have a fund manager, maybe, someone from the local front and/or from the foreign front.

**Senator Romulo.** It is the SSS Commission that will have to approve those who will be in charge of this fund management?

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** Now, let me move on to the portion which pertains to members. As the sponsor has stated, 40 percent of the 98 percent—that is roughly P50 billion—went to the members of the SSS. Is the P50 billion correct?

**Senator Fernan.** Is the gentleman referring to the amount?

**Senator Romulo.** Yes, to the amount.

**Senator Fernan.** Almost P50 billion—P49,786,567,000.

**Senator Romulo.** That is correct. How many members constitute this almost P50-billion availment in terms of loans—home, business, salaries, et cetera? How many members constitute this almost P50-billion worth of loans?

**Senator Fernan.** The members that have availed of these member loans have reached 4.5 million. The 4.5 million members have availed of these loans.

**Senator Romulo.** And what is the total membership in

terms of individuals in the Social Security System? How many millions are enrolled in the Social Security System?

**Senator Fernan.** Sixteen million as of this date.

**Senator Romulo.** In other words, roughly one-fourth of the 16-million enrolled members have been beneficiaries of these loans.

**Senator Fernan.** Yes, about 25 percent.

**Senator Romulo.** As stated by our chairman and distinguished sponsor, these are housing loans and salary loans. I suppose there are also business loans.

**Senator Fernan.** Yes, business loans and for a good purpose, as a community hospital, hospital financing, housing programs, apartments, dormitories and development loan; loan for vocational, technical students.

**Senator Romulo.** Would the SSS inform us of the housing loans to individual members? What are those that are considered low-cost housing? As the sponsor would recall, we took that up in the proposed budget for 1997 wherein we were told that out of about 3.7 million housing deficiency or needs, only about one-third would be through government-assisted loans through the various agencies.

Now, how much or what percentage of these housing loans to individuals would constitute loans for low-cost housing?

**Senator Fernan.** Under real estate, the percentage would be 30 percent. Thirty percent would be real estate and that would be under... well, particularly housing loans would be about P40 billion in all. Well, that is the members loan which is P40 billion out of the almost P50 billion.

*At this juncture, the Senate President relinquished the Chair to Senator Flavio.*

**Senator Romulo.** So out of the almost P50 billion, P40 billion would be for housing loans of members?

**Senator Fernan.** That is correct.

**Senator Romulo.** Could the SSS officials inform us, of this P40-billion housing loans to members, how much is specifically for low-cost housing under the various programs of the government, Abot-Kaya Fund, so forth and so on?

**Senator Fernan.** I understand that the whole amount is for the low-cost housing.

**Senator Romulo.** I see. If that is P40 billion, how about the individual loans? Because I understand, the practice before was that individual SSS members may apply for individual loans to buy their lot and construct their house. Is that no longer in effect? In other words, all the P40 billion are now for low-cost housing?

**Senator Fernan.** Yes, the whole P40 billion is for low-cost housing, and according to the Social Security Commission, even before, this has already been the practice.

**Senator Romulo.** I see. As stated here by our distinguished colleague, there are also loans—going back to the entire pie—to GFI. Is that an infrastructure?

**Senator Fernan.** The distinguished senator is referring to what particular loan, Mr. President?

**Senator Romulo.** In the previous clarification by the distinguished senator, I have notes here that there are loans to GFIs. Is this, in fact, part of the P40 billion loans for housing which are coursed through other various government agencies particularly those providing credit and assistance to housing?

**Senator Fernan.** The P30 billion was coursed through the National Home Mortgage Financing Corporation.

**Senator Romulo.** I see. So, the P30 billion is out of the P40 billion.

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** I see. Also, there is a P15 million or 15 percent for infrastructure projects. Is that correct?

**Senator Fernan.** There is a proposal, but it has not been implemented.

**Senator Romulo.** I see. Let me now move to a different topic.

Under this bill, because of the extended and universal coverage, as of December 31, 1996, the covered private employees total about 16 million. Under this proposed bill, where the coverage is extended to include even self-employed and other employees not covered so far, what would be the additional number of persons that would be covered in addition to the 16 million? What is the projection?

**Senator Fernan.** The 27 million would eventually be enrolled in the System, plus 11 million.

**Senator Romulo.** I see. So that would mean about 11 million more or roughly about 70 to 75 percent more.

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** What is the projected timetable under this bill to extend this coverage from 16 to 27 million?

**Senator Fernan.** Year 2000.

**Senator Romulo.** In other words, within three years. The SSS feels that it can extend the coverage and therefore provide the benefits to 27 million total members of the SSS.

**Senator Fernan.** Yes, Mr. President, if this bill is approved at the earliest by Congress.

**Senator Romulo.** Now, 27 million is quite a big number. By the way, all these 27 million would have SSS ID cards.

**Senator Fernan.** I suppose that is one of the requirements, Mr. President.

**Senator Romulo.** At present, all SSS members have ID cards. Is that not correct?

**Senator Fernan.** Ordinary ID card.

**Senator Romulo.** May we know what are the contents of this ordinary SSS card?

**Senator Fernan.** Name, number, and date of coverage. Very simple.

**Senator Romulo.** In fact, this SSS card facilitates the ability of an SSS member when he transacts business with the SSS.

**Senator Fernan.** To me, the important thing is the number referred to that will facilitate the digging up of the records.

**Senator Romulo.** In other words, as far as the SSS is concerned, it would be difficult to really transact business for the individual member without this SSS card.

**Senator Fernan.** It is a way of identifying himself that he is really a lawful member of that System.

**Senator Romulo.** That is correct, Mr. President. Anyway, I just wanted to know about the SSS card. The other cards, of course, would be subject to some other inquiry.

May I know if the GSIS also has this GSIS card? Would the SSS people also tell us about the GSIS?

**Senator Fernan.** What the SSS officials know is that the

GSIS only requires a policy card because a GSIS member is covered by an insurance policy.

**Senator Romulo.** Since we mentioned GSIS, there has been suggestions that perhaps there should be a merger of the SSS and the GSIS. In fact, I have checked this with some officials of the SSS, and they do not seem to be against that idea. What would be the view of the chairman on the merger of the SSS and the GSIS?

**Senator Fernan.** As far as the chairman is concerned—and I do not speak for the whole committee—I would like to maintain the separate identity of the SSS from the GSIS. There are several reasons for maintaining the separate identity. There should be no undue mixing of government and private elements in one office if it is feasible to run the two systems separately. So far, it has been running well. It is just a matter of amending the present provisions of the SSS.

**Senator Romulo.** Perhaps, let us have the SSS function more smoothly under this bill, and then we can discuss any merger later on.

**Senator Fernan.** Yes, Mr. President. After the year 2000 when we will see the effects of the amended law.

**Senator Romulo.** Yes, after the year 2000 when there should be additional 11 million members. In fact, if the idea is to merge the SSS with the GSIS, perhaps it would not be difficult anymore to add the other government employees, particularly if there is a reorganization plan to trim down the number of employees in the government. With the information technology and infohighway, perhaps, that would be the time when this reorganization plan can be considered.

Let me move to the benefits which our chairman has already extended. May I ask our distinguished colleague to repeat for the record what the benefits are that would be increased under this new system or this new law. What are the benefits that will be added in the old SSS law and what are the benefits that perhaps are removed under the new law? Can we get this from our distinguished Chairman?

**Senator Fernan.** To start with, if a person enrolled in the System has, at least, 10 credited years of service, then, there is an increase from the minimum of P1,000 to P1,200 per month as retirement benefits. That is an increase.

If that person has 20 credited years of service, instead of just getting P1,000 or receiving just P1,200 a month, he is entitled to receive P2,000.00 per month.

**Senator Romulo.** And these are now the increased benefits

under the proposed amendments to the SSS law?

**Senator Fernan.** Yes, under the proposed amendment. In the event of permanent partial disability, if the monthly pension benefit is payable for less than 12 months, there is a lump sum payable.

**Senator Romulo.** Which was not existing in the old system?

**Senator Fernan.** Yes, it was not existing in the old system. Then, if there is no contribution during that period, just the same, one is given credit for contributions during the partial disability period.

And the moment one is reemployed, in other words, when one has recovered from his disability, then the pension will be suspended.

With respect to funeral benefits, there is an increase from the P10,000 under the present law, to P12,000 under the proposed amendment, in cash or in kind.

Then, we include the illegitimate children as beneficiaries, but they are entitled only to one-half of the share of legitimate children.

**Senator Romulo.** Which is not in the old SSS law?

**Senator Fernan.** Yes, which is not in the old law.

With respect to dependents' pension, illegitimate children are included with preference for legitimate children. So, these are, in essence, all the benefits under the proposed amendments.

In the past, the agricultural workers were not covered. Now, we include the agricultural workers, we also include those who are children; parents employed by their children; minors employed by parents; and services performed by individuals.

With respect to parents and children, their inclusion is also proposed under this amendment. These are some of the benefits.

**Senator Romulo.** Mr. President, in the 11-million increase of membership, how many millions would constitute the agricultural sector which would be included in the SSS Law for the first time?

**Senator Fernan.** About 9 million.

**Senator Romulo.** In other words, the great bulk would come from the agricultural sector?



**Senator Fernan.** Yes, in the 11 million to be added to the 16 million, 9 million will come from the agricultural sector.

**Senator Romulo.** And of course, this goes true with all types of agriculture--rice, corn, coconut, vegetable, poultry, et cetera. Is that correct?

**Senator Fernan.** Yes, that is within the coverage. That is within the contemplation of the proposed amendment.

**Senator Romulo.** Just briefly, what is the plan of the SSS in terms of getting the enrollment of these 9 million agricultural workers in the agricultural sector? Do they have a listing already of these from the Department of Agriculture, so that, perhaps, within this year, if this bill is approved, it would be able to enroll a great bulk of the agricultural workers?

**Senator Fernan.** We expect the SSS to conduct a series of workshops in order to familiarize the public with these new provisions, assuming this amendment will be approved and will come into force and effect as a law. The Land Bank will also assist and give every form of help, support and assistance so that it can enrol as many agricultural workers as possible. It will also decentralize more offices of the Social Security System.

**Senator Romulo.** Mr. President, we already have the increased benefits under this law compared to the existing law. But how about the contribution of the individual member as well as the employers of the individual member. Of course, if they are self-employed, there is no employer. Would the contribution of individual member increase, be the same, or what, Mr. President?

**Senator Fernan.** I guess, it will be the same.

**Senator Romulo.** It will be the same since there will be more members—eventually, 27 million—would that, in fact, allow for a reduced contribution? The fact that there are more contributions to the System and, possibly, the return would be bigger, would that be taken as additional benefits? May I get the sense of the SSS on this, Mr. President?

**Senator Fernan.** The minimum salary is P1,000 only. So I believe that in the matter of the structure, it would be studied by the System from time to time, and if there is any need to change the present structure, then it will need the System's approval and ultimately the approval of the President of the Philippines.

**Senator Romulo.** One final question, Mr. President. In the event that a GSIS member leaves the government and then is employed in the private sector, can his being in the government

service for, say, 10 years or eight years, be added to the number of years that he is with the SSS? I think that is what we call portability.

**Senator Fernan.** That is the Portability Law.

**Senator Romulo.** Yes, Mr. President.

**Senator Fernan.** I understand the Portability Law is already in place.

**Senator Romulo.** That is right. So that, in fact, this will apply.

**Senator Fernan.** Yes, this will apply.

**Senator Romulo.** May we just be enlightened again, for the record. Would it mean, therefore, that those who will be enrolled in the SSS who have formerly been with the GSIS would get, in fact, the rates of the SSS when they leave or retire?

**Senator Fernan.** That is correct, Mr. President.

**Senator Romulo.** Would that, in fact, be higher than the GSIS rates, or is it the same?

**Senator Fernan.** It will be proportionate because we add all the contributions and then, we will get the proportionate benefits.

**Senator Romulo.** I see. Thank you, Mr. President, and I thank the distinguished gentleman for the many clarificatory statements that he has given to enlighten us on the same.

**Senator Fernan.** We thank the distinguished Assistant Minority Leader for the thought-provoking questions.

**Senator Tatad.** Mr. President.

**The Presiding Officer** [Sen. Flavie]. The Majority Leader is recognized.

**Senator Tatad.** Mr. President, for the next interpellation, I ask that the distinguished senator from Pangasinan, Senator Shahani, be recognized.

**The Presiding Officer** [Sen. Flavie]. Senator Shahani is recognized.

**Senator Shahani.** Thank you, Mr. President

First of all, I would like to wholeheartedly congratulate our

colleague from Cebu for sponsoring this very important bill, because it is one of those bills which will lay the foundation for the economic progress of our country by making sure that the benefits redound to the humblest of the members of our population.

I am also happy to see that Senate Bill No. 1663 seeks to provide coverage to all workers and their families. Presumably, this would include domestic helpers, drivers, mechanics, carpenters, tricycle drivers, sidewalk vendors. Would they not, Mr. President?

**Senator Fernan.** I thank the distinguished Assistant Minority Leader for her remarks. May I please have that question again?

**Senator Shahani.** I am referring to the Declaration of Policies, Section 2, paragraph (a), which seeks to provide coverage to all workers and their families. I suppose this means everyone who is employed within the purview of the law—tricycle drivers, market vendors, even domestic helpers. Is this correct?

**Senator Fernan.** The requirement is that if he or she receives at least a minimum of P1,000 per month, then he or she must of necessity enroll as a member of the System.

**Senator Shahani.** Yet, Mr. President, there are some gray areas in employment, and here, I would refer to a profession called the "Guest Relations Officers," or GROs.

Of course, if I were so blunt, I would also call them the *Japayukis* or the entertainers or the prostitutes. I mean, let us not be blunt about it.

**Senator Fernan.** That is right.

**Senator Shahani.** And being the defender of women's rights or trying to see really where we should classify women, let us use the words "Guest Relations Officers," Mr. President. They usually advertise this in the classified ads—"Wanted females to entertain guests." Of course, they drink with them, et cetera, but later on they do other things.

Would they also be included, Mr. President? Would they also be entitled to SSS benefits and would there be any guarantee that their employers or the firms which they are working for would declare their contributions to the SSS?

**Senator Fernan.** I think they would be required to enroll in the System either as self-employed individuals or employed by the club where they are GROs.

**Senator Shahani.** And would the SSS welcome this kind of activity even if it is inimical to the dignity of women?

**Senator Fernan.** I think the System does not look into the morality of one's occupation or undertaking as long as he or she reports an income of at least P1,000. And the System does not ask questions where it came from, as long as they report an income.

**Senator Shahani.** Mr. President, does the good senator not think that this is something which we should look into? I think it is terrible that it is admitted in this Chamber that we do not look into the morality of the employment of the person, as long as they produce the P1,000.

Mr. President, for us in the Senate to admit this, I think, is something which I would not want to admit myself.

**Senator Fernan.** Well, what I meant, Mr. President, is that, for every person who remits the contribution, the SSS does not say: "When you derived this income, how did you make money? Did you get it from a legitimate source, illegitimate or immoral source? These questions are not asked.

It is enough for one to report to the SSS that he earns P1,000 or more. That is accepted by the SSS. It is different if the law requires that the P1,000 or more should be earned in a legitimate activity, undertaking or occupation. In which case, we will have to look into the kind of activity that a person is engaged in.

**Senator Shahani.** Then, Mr. President, this Chamber should take that extra effort of looking into the morality of some of these employments, if these employments have to become a part of the System.

These are, as I said, gray areas. But, I believe, it is something which the SSS, as a system, should take seriously—its credibility or its acceptability.

Otherwise, later on, we will have all kinds of mafia characters, Mr. President. Smugglers who will be presenting themselves as public relations officers; or bootleggers who will be thinking of new entrepreneurs. Filipinos are certainly geniuses in creating fancy names for themselves.

Does the gentleman not think that this is something when we say, "all workers and their families." That is a very big undertaking, Mr. President. I think we better have some kind of definition of what "all workers and their families" mean.

**Senator Fernan.** I do appreciate the point raised by the distinguished Assistant Minority Leader.

In due time, we should make discreet inquiries, whether a particular income emanated from a polluted source, because in the ordinary course of business, I doubt very much if it is done. I guess that will be the function of other people to give the necessary advice not to engage in that kind of occupation or undertaking. I see the point raised and I fully agree that they should not engage in that kind of activity.

**Senator Shahani.** Maybe, I am speaking as someone who is interested in protecting women's rights, Mr. President. Because I am sure that in gray areas like these, they may be receiving P1,000 as earnings, but, in many ways, the work conditions are substandard. This is something which should be part of the debate today, even if it is not the mandate of SSS to look into that. Does the gentleman not think that that is acceptable, Mr. President?

**Senator Fernan.** I guess that if the SSS later on will have enough personnel for that matter, then it can start inspecting establishments, just like the Department of Labor and Employment, and probably look into those matters.

But I think SSS is in the process of growing. As pointed out earlier, it is still in the process of decentralizing. So as it expands, probably, all these matters will be taken into account, Mr. President.

**Senator Shahani.** I think that is the reason why it says, "at least, there should be one woman commissioner." Where it says, "one of whom should be a woman." So that, we should say "one, who, at least, should be a woman."

**Senator Fernan.** I fully agree.

**Senator Shahani.** Then that does not limit it to one woman, because I think, there are more women workers than men workers in this country, Mr. President.

And this leads to my next question. When the gentleman says "all workers and their families," how about the housewife who labors from morning till night to be the laundrywoman, the cook, the domestic helper, the counsellor?

This is one of the greatest debates now in this country—the quantification of household work. The moment we say, "all workers and their families," I really take this to mean including housewives who are not classified as formal workers but certainly make a major contribution to the economy. Without these housewives, their husbands will not be able to work outside. They are really the ones enabling these men to work outside the home and it is the men who get the benefits. So, may I know, Mr. President, what is the position of the housewife in this SSS Law?

**Senator Fernan.** If I am not mistaken, there is now the so-called Roco law—I am sure Senator Roco can enlighten us—wherein the housewives can now be covered by the husbands as members of the SSS. Is that correct, Senator Roco?

**Senator Roco.** May I just give a premise; I am not sure.

**Senator Shahani.** Yes, this is a very important matter, Mr. President. How we interpret the phrase "all workers and their families." I hope it will include the housewives.

**Senator Roco.** Yes. As far as the question is concerned, Mr. President, with the permission of our two colleagues, I assume that the distinguished senator is referring to the Women in Nation-Building Law enacted in 1992. Under that law, when we recognized statutorily contract equality between the husband and the wife, and we removed the statutory barriers to equality between the husband and the wife, that became the basis for the concern on ensuring that equal opportunity is extended to the husband and the wife. But I am not sure of the question. If I would be given a specific question, then maybe I can situate it within the statute of the women in development and in nation-building.

**Senator Shahani.** This is not so much of equality between men and women in the workplace, that is, in the workplace outside the home. Since this SSS Bill before us says that it means to protect all workers and their families, I am trying to zero in on the definition of "workers."

Now, I submit that housework should be classified as work and that the housewife should be classified as a worker. After all, she gets up, she cooks for the family, she cleans the house, and she brings the children to school. And this is why they keep labeling the woman as the weaker sex because she does not go out to work outside. *Pambahay lang yan. Trabaho ng babae yan. Umalis ka diyang sa kusina, Toto, dahil trabaho ng babae yan.* You see?

In other words, she has been the victim of, I would say, discrimination. This is my point, Mr. President. It is not really asking for equality in the workplace like equal pay for equal work, equal training opportunities, equal opportunities for promotion, that is not the point. I hope Senator Roco will enlighten us.

**Senator Roco.** Yes, Mr. President. In fact, the Women in Development and Nation-Building Law precisely also had a separate section seeking recognition for the economic contribution of the woman, the wife, precisely because of the objection of the distinguished lady from Pangasinan. Although the sociologist and anthropologist recognize that the housewife contributed to the efficiency of the man who was working, there

was no recognition in the GNP; there was no recognition that the wife was legally entitled to half the income not only because the Civil Code says so, but because half of the efficiency of the husband/man who was working or the woman, if it is the woman who was working, was contributed by the person, the spouse who was manning the homefront.

And so, the philosophy, the policy statement of the lady is correct and it is supported. I am not sure now what the problem is with the bill. I do not think there should be a conflict in philosophy because in the SSS, as I understood it, the housewife now, under the law, will be entitled to coverage up to one-half of the salary of the husband or the wife or the working spouse, even if the nonworking or the nonemployed spouse was not getting a salary. Obviously, however, the contribution must come from the working spouse because the nonworking spouse does not have an income stream.

I do not know if that helps in the discussion, but that is already covered by law. In fact, it was only the SSS which, after some cajoling, did implement it. PAGASA and the SSS were the only two government agencies which implemented that in the soonest possible time. I understand, even GSIS up to now has not recognized that in its rules, and other agencies have also not recognized it.

I have not been able to study the bill, but I would imagine the rules and regulations issued by the SSS are now being carried forward in this bill precisely to stabilize and further institutionalize and recognize the economic right and contribution of the full-time spouse or the unemployed who is taking care of the household, male or female.

**Senator Shahani.** I am indeed grateful for this clarification from my ally in the women's movement, Senator Roco. But I do not underestimate the difficulty of this issue because it will cover so many housewives and the educational effort which will go into it will be enormous.

Just to play safe, Mr. President, during the period of amendments, maybe the distinguished sponsor will accept an amendment to make sure that housewives will be included under the category of all workers and maybe some kind of actuarial—I do not know, technicality should come in—although it will be under the rules and regulations. I know that this is a difficult issue. This has been under debate for the past 20 years in the halls of labor and women's rights.

During the period of amendments, maybe the SSS staff can help us put in the right kind of amendment to make this very clear. I was also interested, Mr. President, in what the distinguished sponsor said during the interpellation of Senator Romulo

that this would include agricultural workers which made me very happy. This would include the farmers and the fisherfolk. But their wives are sometimes even more industrious than their husbands in terms of agricultural practices.

Just to make sure that the wives will know their rights under the law, there could be a more explicit mention of that fact in this law. This is something new and controversial, if I may say so. I hope the right formula will be found, Mr. President, in terms of wording to put these concerns of this humble representation.

**Senator Fernan.** We thank Senator Roco for enlightening us on this matter. With respect to the matter of possible inclusion as an amendment, we are receptive to the idea, Mr. President. At the proper time, I guess the appropriate amendment can be presented to us for consideration by the entire Senate.

For the information of everyone concerned, there is now an implementation of the membership of the wife in the SSS even if the husband is not engaged in business. Pursuant to the Roco law in 1992, the wife of an SSS member may now be enrolled or registered at the SSS.

The actual practice now at the SSS is that the wife pays one-half of the premium required to be paid and, of course, she will be entitled to one-half of the benefits in her capacity as co-manager of the household. That is what is happening now in actual practice as a result of the legislation introduced by Senator Roco.

**Senator Shahani.** Mr. President, I thank the sponsor for that clarification. I believe that, but I still would be interested to know how many beneficiaries actually are being enrolled in this system. I believe it is not known. I may be mistaken, but I do not think that is a well-known benefit. I have not seen any publication or discussion on this. I have not heard of any seminars, for instance, telling our women about this. I think that is wonderful news.

In fact, we should even tell that to the United Nations and to international conferences because it is indeed—if it is implementable—a major stride in social justice. Maybe tomorrow we could ask how many housewives have really benefited from this system if we could have the facts.

**Senator Fernan.** I guess the SSS is now engaged in an information campaign so that more people will know about this arrangement now which will benefit the housewives, and I am all for it, Mr. President.

**Senator Shahani.** I still hope, Mr. President, that we can have some facts and figures so that we will know just how we can

help the SSS spread the gospel, so to speak.

**Senator Fernan.** We will try to come out with figures before the end of this period of interpellations.

**Senator Shahani.** Mr. President, I think one of the most important legislations we adopted here was really the decision to give domestic helpers and maids SSS benefits.

May we know the progress of this program; how it is being implemented; how many actually have been enrolled in the program? Is there compliance with this on the part of employers, Mr. President?

**Senator Fernan.** As of this date, Mr. President, about 100,000 household helpers have been registered as members of the System.

**Senator Shahani.** But surely, that is not indicative really of the number of domestic helpers receiving more than P1,000 per month. Does the gentleman not think so, Mr. President?

**Senator Fernan.** I suppose there are more, but it is a matter, I think, of giving more information to the people, to the employers of these household helpers because to tell the lady senator frankly, many of them are not aware, and we should tell more housewives about this. Not too much the husbands but the housewives, because they are the ones attending to the needs of the household helpers.

**Senator Shahani.** I am sure the husbands would also be interested, Mr. President. After all, that domestic helper enables her *amo* to work outside, look presentable, and eat the right kind of food. It is about time we stopped looking down on household work.

**Senator Fernan.** As co-manager, it should be both of them.

**Senator Shahani.** What would be the penalties? Maybe these are not also known. Is there any penalty if an employer fails to register?

**Senator Fernan.** Yes, Mr. President. The present penalty is very light because it is merely a fine from P500 to P5,000 and there is imprisonment from six months to one year. But the proposed amendments now seek to increase the penalty between P5,000 to P20,000 fine and imprisonment between six years to 12 years.

So, this makes the penalty heavier now which we hope will deter the employer from evading the requirements of the SSS Law.

**Senator Shahani.** I think these are welcome provisions of the law, and I hope more attempts will be made to publicize the benefits as well as the penalties involved in violating the law.

Mr. President, this proposed law will also cover all workers and their families. Is this then a kind of family allowance also? Is this a substitute for a family allowance?

**Senator Fernan.** There is no family allowance provided in the proposed amendments. It is only a family pension, a family dependents' pension which is provided, but there is no allowance.

**Senator Shahani.** When is this pension available to the dependent children?

**Senator Fernan.** Upon retirement or death of the member. This is in addition to the pensions in case of permanent disability. This will be available to the members or dependents.

**Senator Shahani.** In other words, it is the wife and the children who would benefit. Am I correct, Mr. President?

**Senator Fernan.** That is correct, Mr. President, and it even includes illegitimate children.

**Senator Shahani.** Would the amount be affected by the number of legitimate and illegitimate children, Mr. President?

**Senator Fernan.** It should be a maximum of five. I think it also recognizes the need for family planning. It is a maximum of five. Beyond five, the dependents are no longer entitled to any benefits.

**Senator Shahani.** So even if the five children are illegitimate, that would still entitle them, Mr. President.

**Senator Fernan.** If there are no legitimate children, then the illegitimate children come in. But if the legitimate children inherit together with the illegitimate, the number of legitimate children must always exceed the number of illegitimate children. So that if there is a limit of five, only two illegitimate children are entitled to the benefits while the three should be legitimate children.

**Senator Shahani.** Mr. President, I thank the gentleman for that explanation. Is that already in the rules and regulations?

**Senator Fernan.** This is now part of the proposal in the amendments for consideration by the Senate, and that is part of what we are discussing at this time, Mr. President, which is part of Senate Bill No. 1663.

**Senator Shahani.** Mr. President, I would like to look into this phrase "meaningful protection to covered workers." I wish we can go into some facts and figures. Let us say, how much, in terms of figures, would a self-employed person who would average, shall we say, P6,000 a month, could expect to receive upon his retirement, let us say, some increment during his being part of the SSS? What can she or he look forward to?

**Senator Fernan.** If he is earning P6,000 per month, and he has been a member for 40 years, he looks forward to P4,800 per month as his monthly pension.

**Senator Shahani.** Until death.

**Senator Fernan.** Until he dies.

**Senator Shahani.** Because here, the benefits are quite wide. It means protection against hazards of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden.

Suppose that person is disabled and ceases to work—let us say, he loses a leg—are those benefits increased or do they remain the same except for the time that he can begin to enjoy or will be able to have access to those benefits?

**Senator Fernan.** The Social Security System is supposed to provide safety nets. When one suffers from a certain ailment, he has these sickness benefits. On the other hand, if it is a temporary disability, will this temporary partial disability last for 12 months? If it lasts for less than 12 months, then he gets a lump sum; if more than 12 months, it will be a monthly allowance. The moment the disability lasts for less than 12 months and he returns to work, then the allowance stops.

If it is a permanent partial disability, then he gets a lump sum. For permanent partial disability which lasts for less than 12 months, he gets a monthly pension.

If we talk about other benefits, we also have the funeral benefits if one passes away, which has been increased from P10,000 to P12,000. These are among the benefits that the amendment provides.

**Senator Shahani.** Mr. President, maybe, I would just like to issue a word of caution. I do not know if they are really comprehensive enough but we do get quite a number of complaints from SSS members saying that the benefits are too small or they are so late in coming.

One of the ways by which a social security system gains support from its members is the transparency, the kind of clarity

with which the system is indeed administered, and maybe not to raise such high hopes, especially for medical insurance, et cetera. The people should be told from the beginning, "This is what is available to you." It looks good on paper, and I can understand why. The capability of the economic system is limited.

**Senator Fernan.** If there are complaints now, the bill will address the complaints by improving the benefits. The idea is really to augment the income of the system by way of investments, safe investments that will enable them to derive higher return on investments.

**Senator Shahani.** Mr. President, maternity benefit is one of the protections given to cover the workers. May I know how these maternity benefits are administered? Does she get her benefits for every delivery or is there a limit to the benefits she gets in accordance with the number of children she delivers?

**Senator Fernan.** Sixty days maternity leave is allowed for normal delivery and 78 days leave with pay, both are with pay, for a caesarean delivery which is two months salary. That would be between the range of P10,000 and P18,000.

**Senator Shahani.** What about payment for the hospital bills and expenses, Mr. President?

**Senator Fernan.** That is covered by Medicare, Mr. President.

**Senator Shahani.** What would be the minimum for payment of the hospital expenses?

**Senator Fernan.** I understand that the Medicare applies only to the first born and not to the subsequent children, unless it is a caesarean delivery.

**Senator Shahani.** May we know this bias for a caesarean birth, Mr. President?

**Senator Fernan.** It being an abnormal delivery, they provide for such an allowance, not when the delivery is normal after the first delivery.

**Senator Shahani.** Mr. President, I would look at this with alarm. I know the doctor of the Chamber is sitting up there and maybe we could ask his opinion. I feel that the more normal the delivery is, the better. But there is a tendency in this country to encourage a caesarean delivery because it gives more fees to the doctor.

I think a system like this is anti-poor because, naturally, who

can conduct caesarean operations in the barangays? And it is also unhealthy. I think it is succumbing or a bowing down to commercial pressures because for a woman to have three caesarean operations is a little abnormal. I mean, she can have one. But I believe it is important to encourage normal deliveries.

Would the distinguished gentleman agree with me?

**Senator Fernan.** We are now delving into the matter of Medicare. To get an authoritative statement on the matter, although this is unorthodox, may we request the Presiding Officer to comment on the matter?

**The Presiding Officer [Sen. Flavio].** The good lady senator from Pangasinan has a very important point because by paying for the caesarean, we are actually encouraging a caesarean operation. And that is part of the anomaly of medical practice where it is really normal and the doctor makes a decision that it should be a caesarean because of the fees that are forthcoming. The bottom line is, I think, we should review this so that such anomalous practice can be avoided or prevented.

**Senator Shahani.** Thank you, Mr. President, for that technical and objective opinion which I hope the SSS will take to heart. Maybe it should really have a woman adviser from time to time because the male point of view is different. The men cannot get pregnant. They do not know what it is to deliver a baby.

I am alarmed that we pay for caesarean operations and that we think that having a normal delivery is something which should not be given the kind of support because, after all, motherhood is a social function. It is not a medical function. I think that function has to be protected even by the SSS.

**Senator Fernan.** Thank you very much, Mr. President, for enlightening us on the matter. We were delving into Medicare which is really covered by another law and we are concerned primarily with the Social Security Law.

With respect to the participation of women in social security, for the information of everyone concerned, the Social Security Commission now has two women commissioners. So everyone should feel safe that women's rights are safeguarded.

**Senator Shahani.** Mr. President, there have been reports that there are many unscrupulous individuals who avail of loans in the name of another to the prejudice of the covered worker who has no knowledge that somebody else has obtained a loan in his name. The sponsor will agree that this is a common complaint. Is there any provision in this bill before us which would prevent this scheme from occurring?

**Senator Fernan.** What will help minimize the practice that has just been mentioned by the distinguished Assistant Minority Leader is the crosschecking. There is no need for the members to be afraid that their rights will not be protected. Besides, as the System grows, the objective is to decentralize. There will be more offices in the different municipalities. With this, it will be easy to ascertain whether a claimant is bona fide; whether a claimant is really the genuine one.

It is easier to identify when we have several personnel, several offices in the different parts of the country. So, we look forward to the time when that fear expressed by the distinguished Assistant Minority Leader will no longer exist or, at the very least, minimized.

**Senator Shahani.** Thank you, Mr. President.

My last question is this. I see that the distinguished administrator of the SSS is here in our midst. I give him credit for joining us in this debate. It is not often that we see Cabinet members or heads of agencies coming to us in this humble activity of clarifying and crafting legislation. Maybe that explains why SSS is a success that it is.

First, may we know from him, through the distinguished sponsor, what are his investment policies. How does he invest these billions of pesos? What guides him? May we also know his opinion towards the current trend in investment? Has there been any policy taken by the SSS on the matter?

We in LEDAC have been briefed on some of the thoughts of the Department of Finance that major finance agencies like SSS and GSIS should be used now for investment in public sector projects and infrastructure projects, or in any development projects which would help the economy and not just in purely commercial or private sector enterprise. May we have an idea on the thoughts of the SSS leadership on these two issues?

**Senator Fernan.** The rationale for all these amendments would be to broaden the investment alternatives so that it is not only a matter of servicing the members but to contribute to the socio-economic growth of the country.

It will be noted from this proposed amendment that infrastructures are among the investment areas covered by the proposed bill. In other words, we contribute to the growth of the country by investing some of the SSS funds in infrastructure projects.

In the matter of investments, however, we have to consider and to safeguard the rights of the members by providing limitations. While the proposed amendments spell out the limitations,

like 40% in private securities, 40% in housing and short-term salary loans; 30% in government financial institutions and corporations, 30% in infrastructure projects, 15% in any industry, what is being adopted now as a policy is that 40% of whatever funds available for investment go to government securities, 40% goes to member loans, and 20% for the purchase, if possible, of securities.

Now, there is also a desire to invest in livelihood projects—projects that can provide jobs to our people. That, in a way, contributes to the socio-economic growth of our country, Mr. President.

**Senator Shahani.** Mr. President, I am glad that there is a diversification of investment patterns and we hope that the SSS will continue to grow because of prudent and, at the same time, imaginative investments.

Mr. President, I would like to thank the distinguished sponsor for the time he has given me this afternoon and I hope that in the period of amendments, we shall be able to suggest some amendments to this bill.

Thank you.

**Senator Fernan.** The amendments will be most welcome. Thank you very much, distinguished Assistant Minority Leader.

SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, may I move that we suspend consideration of Senate Bill No. 1663.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the motion is approved.

SUSPENSION OF SESSION

**Senator Tatad.** May I move for a suspension of the session for 10 minutes.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the session is suspended for 10 minutes.

*It was 5:12 p.m.*

RESUMPTION OF SESSION

*At 5:51 p.m., the session was resumed with Senate President Maceda presiding.*

**The President.** The session is resumed. The Majority Leader is recognized.

ADJOURNMENT OF SESSION

**Senator Tatad.** Mr. President, I move that we adjourn the session until three o'clock tomorrow afternoon.

**The President.** Is there any objection? *[Silence]* There being none, the session is adjourned until three o'clock tomorrow afternoon.

*It was 5:52 p.m.*



possible that Mr. Robin Padilla might be released from jail once the bill is signed into law, for the penalty has been amended to range from six year to 12 years of imprisonment. Under existing law, if the convict has served at least one-third of the minimum period of his criminal sentence, he would be eligible for parole.

I understand that this has been complied with in the particular case of this particular convict and therefore, without adding anymore element to the factual discussion, he would be qualified for freedom from jail under the terms of his parole.

**Senator Mercado.** Iba po iyon doon sa sinabi ni Senador Revilla. Sa ilalim ng panukalang-batas na ito, kung ito ay magiging batas at mapirmahan ng ating Pangulo, si Robin Padilla ay kuwalipikadong mabigyan ng parole sa kaniyang pagkakapiit.

Maraming salamat po.

**Senator Revilla.** Mr. President, may I also manifest that the honorable Senate President is a coauthor of this bill.

**The President.** It is so noted.

**Senator Revilla.** Thank you.

**Senator Flavier.** Mr. President.

**The President.** The gentleman from Benguet is recognized.

**Senator Flavier.** Just one more minor amendment, Mr. President, before we close.

On page 3, line 18, among the explosives are pillbox, molotov cocktail, firebombs. May I suggest that we also include letter bombs which is now the craze as the newspaper recounts. I suggest we insert the words LETTER BOMBS between the comma (,) and the word "or" in line 18. So that it will read: "pillbox bombs, molotov cocktail bomb, firebombs, LETTER BOMBS or other incendiary devices" et cetera.

**Senator Revilla.** The amendment is accepted.

**The President.** Is there any objection? [Silence] There being none, amendment is approved.

The Majority Leader is recognized.

**Senator Tatad.** Mr. President, since there are no further amendments, I move that we close the period of individual amendments.

**The President.** Is there any objection? [Silence] The motion is approved.

APPROVAL OF S. NO. 1148 ON SECOND READING,  
AS AMENDED

**Senator Tatad.** Mr. President, I move that we vote on Second Reading on Senate Bill No. 1148, as amended.

**The President.** Is there any objection? [Silence] There being none, we shall now vote on Second Reading on Senate Bill No. 1148, as amended.

As many as are in favor of the bill, say *aye*.

Several Members. *Aye*.

**The President.** As many as are against the bill, say *nay*. [Silence]

Senate Bill No. 1148, as amended, is approved on Second Reading.

BILL ON SECOND READING  
S. No. 1663—An Act Strengthening the  
Social Security System  
(Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are in the period of interpellations. I ask that the distinguished sponsor, the chairman of the Committee on Labor, Employment and Human Resource Development, be recognized. The distinguished gentleman from Quezon City and Leyte has reserved his right to interpellate.

SUSPENSION OF SESSION

May I ask for a one-minute suspension of the session, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the session is suspended for a few minutes.

It was 4:05 p.m.

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## RESUMPTION OF SESSION

At 4:09 p.m., the session was resumed.

**The President.** The session is resumed.

**Senator Tatad.** Mr. President, I ask that the distinguished gentleman from Quezon City and Leyte be recognized for his interpellation.

**The President.** The gentleman from Quezon City and Leyte, Senator Mercado, is recognized.

**Senator Mercado.** Mr. President, first of all, I would like to congratulate the sponsor and the committee for reporting out this particular measure on the Social Security System. Having gone over the measure, we are aware of its intent. There are a few questions, however, that we would like to propound for us to be enlightened as regards matters concerning policy and more specifically, on the matters of the provisions that will affect the SSS and its members.

Mr. President, pursuant to the privatization objectives of this government, President Ramos, in his state of the nation address, has proposed the consolidation of the SSS and the GSIS. It was proposed that it become one juridical entity and have a unified national provident fund system.

Will the good sponsor, Mr. President, explain to us the status of such a proposal and the effect of this bill on that policy declaration? If we approve this measure, how will the bill presently under consideration be reconciled with that proposal considering that the bill's thrust, to my mind, to strengthen the SSS which may be contradictory to the objective of joining it with the GSIS?

**Senator Fernan.** I am glad that the points have been raised by the distinguished gentleman from Quezon City and Leyte, Mr. President, because this is a question of policy that one of these days has to be looked into by the policy-making body of the government, which is Congress.

Now, the privatization is under consideration by the members of the Social Protection Coordinating Committee for legislation later.

The most immediate need now is to strengthen the System so it can contribute to the socio-economic development of the country.

The matter of merging, privatization, other approaches would involve very long debates. In fact, having just returned

from the United States, I came across several materials on social security in that country which is now the subject of a hot debate among the various exponents on social security, because there are three possible options open—to privatize, to leave it as it is, and to further strengthen it by changing the benefits available and increasing the contributions.

These are matters that cannot just be decided overnight. And so, this body of experts is studying it now so that it can submit a recommendation to the policy-making body which is the Congress of the United States.

This is a point which I feel our Congress is not ready to resolve now. Perhaps, in due time, our Congress will be in a position to resolve these issues on the merger and on privatization. But I am glad that this point has been raised by the distinguished gentleman.

**Senator Mercado.** Would it be safe to assume that as a consequence of the passage of this measure to strengthen the SSS, the dream or the objective of merging the GSIS with the SSS will actually become a pipe dream and it will become a farther target, considering that there is already to date a disparity in terms of the financial standing of the GSIS and the SSS? Would this objective of merging them not become something that is more difficult to reach?

**Senator Fernan.** What I foresee from my humble viewpoint is that if we strengthen the SSS and the GSIS now, if merger is ever decided in the future, we will have a merger of two strong institutions which will produce a very strong institution that will really help both government and private employees.

**Senator Mercado.** Thank you very much, Mr. President.

I would like to go to another point. Under the bill, the System is given an authority to maintain a special provident fund reserved for SSS employees alone. Is that not the case, Mr. President?

**Senator Fernan.** That is correct, Mr. President.

**Senator Mercado.** Could the sponsor explain to us the nature of such a special provident fund? This question is asked because there will be questions as regards propriety for the simple reason that it might be considered as a form of class legislation which favors only a particular sector of the SSS membership in violation of the equal protection clause. In effect, some people might feel that this provision will apply only to cover some 3,071 employees of the SSS to the exclusion of 17 million non-SSS employees. *Paano po namin ipaliliwanag sa ating mga SSS members ang probisyong ito?*

**Senator Fernan.** To my knowledge, Mr. President, a special provident fund is only for SSS employees. This kind of provident fund is similar to the government financing institutions, and this has existed since 1984. It has been maintained as an employee's provident fund since 1984.

When we give additional powers to the SSS under Section 4, the idea is to include, among others, the ratification of the provident fund which has been existing since 1984, because it has been found through the years to be very beneficial to the employees who are members of the System.

**Senator Mercado.** Mr. President, my understanding is that under the equal protection clause of the law, it requires that all persons and things that are similarly situated should be treated alike, both as regards rights conferred or responsibilities being imposed. In other words, similar subjects should not be treated differently—the members of the SSS who are nonemployees different from the members of the SSS who are employees.

Under the substantial distinction theory, for a valid classification, it is necessary now to establish that the SSS employees are substantially different from the other members, and so it is warranted that they be provided with a special provident fund.

I am not really raising a constitutional issue. Because even if it passes the constitutional muster, Mr. President, the question that I have in my mind is: *Kung mayroon pong special provision dito para sa special provident fund, makakaya ba ito ng mga empleyado?* There will be other deductions over and above what they have to pay for this existing compulsory salary deduction. I presume that that would be the case. We have to be informed as regards the mechanics of this special provident fund.

**Senator Fernan.** The provident fund operates this way. It is a security net for the SSS and government employees; in other words, these people who are serving the Social Security System. On the other hand, the members of the System are protected by the entire reserve of the Social Security System.

**Senator Mercado.** How about the second point that I have raised, Mr. President? Are we not overburdening the employees of the SSS?

**Senator Fernan.** We have not heard a single complaint from the employees. According to the administrator of the SSS, the members like it very much.

**Senator Mercado.** We will take his word for that, Mr. President. I do not have any evidence to prove otherwise. Anyway, I see the good administrator smiling because I told him that the information system of the Social Security System has

been praised even in foreign magazines that I have read.

Anyway, I would like to go to another point, Mr. President.

The committee report, the bill as it is, includes a provision empowering the Social Security System to compromise or release a person from any liability to SSS. This may be considered as a special provision for SSS policy holders who are experiencing financial difficulty in settling their premium payments.

There is, however, a need to clarify whether this provision applies to the fund managers as well, considering that under the proposed measure, they are given wide discretionary authority to invest the investible funds of the SSS, which is the main source of income of the SSS.

Based on the 1995 figures that I have here, Mr. President, the SSS investment fund amounted to P123 million sourced entirely from SSS contributions. From this amount, it has earned P15 million with an average of return on investment of 14.1 percent.

The remarkable earnings of the SSS, Mr. President, through the efforts of its fund managers, should not divert us from the precarious nature of this particular provision which may, in effect, free investment managers from any liability in case they make unsound investment decisions.

Mr. President, we are aware of one of the biggest incidents of bungling in investments—the Barings incident, wherein a great amount of money was lost. And it almost cost the collapse of an institution more than a hundred years old—the British Barings International.

Mr. President, can the sponsor explain to us if we are giving any escape route for those who may make serious mistakes and compromise the investments of the SSS?

**Senator Fernan.** In the matter of compromise, the understanding is that it is limited to investments only. It does not include social protection because the idea behind this is to allow for payments of distressed companies which could happen, although unlikely, because of prudence. And it should be recalled that one of the guidelines that one should consider in extending loans is whether it is safe or not to invest in that particular borrower.

Now, the moment an SSS employee is involved in this, he is subject to administrative and/or criminal sanctions, and that serves as a deterrent. Otherwise, authority to compromise will just be freely exercised to the detriment of the System, the members and the public.

**Senator Mercado.** Mr. President, we are aware of the phrase "managing without culpability." I think it was in David Corten's book, *When Corporations Ruled the World* that this particular phrase came to the fore. He says that it is best facilitated, the creation of corporation—like what we are discussing, the SSS—unlike sole proprietorships or partnerships where there are people who can take risks and compromise millions of pesos without necessarily paying for it.

Nicholas Leeson, the guy who figured in the Barings incident, if I am not mistaken, got away with six years. It is relatively lenient compared to the impact of his actions, not only on Barings bank but on the entire financial community and banking community, not only in Singapore and London but in the entire world.

Of course, Daiwa, Sumitomo are other incidents, Mr. President, that do not actually engender more confidence in investments. *Sa laki ng pondong iyan, dapat sigurong ipaliwanag natin sa taumbayan, kung iyan ay nai-invest doon sa futures trading, ang mga safeguards.*

What are the penalties that will be imposed, for example, against mismanagement and if there is deceit? Or in the case of grave abuse in the case of the managers or even laxity, lack of supervision, what will be done and what safeguards do we have here to protect the people's money?

**Senator Fernan.** These funds are held in trust by the people who administer the SSS funds. To start with, without going into the additional safeguards that probably this distinguished gentleman has in mind, the SSS management believes in managing with accountability and responsibility.

The SSS management is proud of its 40 years of prudent management of its reserves. On top of the administrative and civil sanctions would be the possible criminal liability. Since these are government funds, any person misappropriating these funds would be liable for malversation of public funds.

If the penalty is light at this time, assuming that is the complaint of the distinguished gentleman, then the remedy is to increase the penalty and this can be done by filing the necessary legislation.

**Senator Mercado.** Mr. President, my interest is largely also in the area of safeguards within the System.

Normally, in such corporations or even banks for that matter, management will not want a long protracted hearing because it will destroy the institution. And so they move as fast as possible to solve the problem by negotiations, hush it up,

absorb the losses and move forward.

But what we want to ask—I am asking as a layman—is this: Is there anything in this measure, some mechanism to make sure this will not happen? It is fine that the SSS is telling us that they have a good record for the past 40 years, but that happened also in the Barings incident, in its 100 years of existence. Even Queen Elizabeth was investing in that bank, and look what happened?

The gentleman's word is good. But we must have mechanisms within the System that will reassure our people that the funds contributed by workers, deducted from their salaries every month are being managed well at using their mechanism. It must not merely be an increase in penalty, because sometimes the increase in penalty, as we know, does not necessarily deter the commission of the crime.

**Senator Fernan.** The additional safeguard, Mr. President, is that all these investments are not made because of the decision of just one person or individual. All investments are subject to the collegial approval of a nine-man commission.

A nine-man commission is carefully chosen; The administrator, who is deemed to be highly qualified is appointed by the President, and the remaining eight members are composed of the Secretary of Labor and Employment, three members representing the employer sector, three members representing the labor sector, and one member representing the public sector. And so we have a well-balanced representation in the commission to assure everybody that all interests will be fully protected.

**Senator Mercado.** Mr. President, I would like to inquire from the sponsor as regards the matter of hiring foreign fund managers. Could this representation be informed as to the rationale for hiring foreign fund managers directly to manage the investment reserve fund? Why do we not simply designate these foreigners as consultants or foreign fund consultants, instead of fund managers?

**Senator Fernan.** It is the feeling of the committee, Mr. President, that the moment the SSS invests in foreign enterprises or ventures into foreign investments, the fund needs the best managers available for local or foreign needs. And if we merely get a consultant, we may not get the best kind of service that is available. Whereas, if we have a foreign fund manager, he can make himself available on a day-to-day basis to the SSS.

Of course, this is left to the discretion of the members of the commission as to whether or not they will engage the services of a foreign fund manager. Much will depend on whether there will be investments abroad. If there are no investments abroad, then there will be no reason to appoint a foreign fund manager,

but the moment there are investments abroad, then it will be safer to allow the commission to appoint a foreign fund manager. And the fund manager is more knowledgeable and accountable. Well, I would not say more knowledgeable but more accountable than the consultant.

**Senator Mercado.** I presume that this would cost a lot of money, considering that these are foreign consultants and we are aware that the pay scale of these foreign managers and consultants or both are not the same as the local. Is that a fair statement to say, Mr. President?

**Senator Fernan.** Yes. The SSS should be willing to pay provided its funds are well safeguarded.

**Senator Mercado.** Mr. President, I would like to go to the matter of establishing offshore offices in selected countries. Could the sponsor explain to us the nature of these offices and the necessity for establishing offshore offices, considering the fact that, as proposed in the law, the SSS coverage in places outside the country is on a voluntary basis? Now, do we have the data that would justify that notwithstanding the voluntary nature of SSS coverage of Filipino employees abroad, there is a necessity to establish offices? The problem of our bureaucracy is that we keep on growing and we like to establish new offices.

In fact, in the Committee on National Defense and Security, there is a proposal to create an office in Washington for veterans precisely to lobby for a bill, and it is going to create what appears to be an ad hoc body. But in our country, there is no such thing as ad hoc. Once it is established, it grows barnacles and somehow institutionalizes itself. *Baka ang mangyari ay dumami pa ang SSS kaysa mga embahada natin.* It may be staffed by a lot of people, and they might compromise the resources of the SSS.

Mr. President, I am not saying that there is anything wrong with it essentially, but these are fears that have to be put on the record and the answers have to be placed on the record as well.

**Senator Fernan.** I am glad that the point has been raised, Mr. President. To start with, I would like to state that an offshore office is subject to the approval of the President of the Philippines. It cannot be just decided on the SSS level but needs presidential approval. When I say "presidential," it refers to the President of the Philippines.

An offshore office, at the very start of a modest operation, would be a one-man office to cover overseas Filipino workers who want the presence of service in that particular country. Right now, we can think of two places that readily need the presence of that offshore office. These are Hong Kong, where we

have over a hundred thousand—I do not know the exact figure—Filipino overseas contract workers; and the Middle East, in Saudi Arabia, where we have about 300,000 overseas workers. These are the people who need the presence of an offshore office that can attend to their needs personally.

**Senator Mercado.** We will take that explanation of the SSS, Mr. President. I would like to go to the matter of the proposed power of the commission to issue writs of execution and to punish a person for contempt.

What is the necessity, Mr. President, to grant such powers which are essentially judicial in nature wherein the remedy for the SSS is to apply in courts for the issuance of the said writs of execution or for a motion to discipline a person pursuant to certain provisions of the Revised Administrative Code? Why is there a need for the statutory conferments of judicial power? Would the good former chief justice of the Supreme Court educate this legal ignoramus?

**Senator Fernan.** To start with, the present law is only reworded for clarity, to clarify matters. But in actual practice, it is so easy to say, "I have an order, I want to enforce my order, but I cannot enforce it because I still have to go to court in order to get a writ of execution."

Considering how slow the judicial process is in so many instances, it will take some time before that order is actually implemented and enforced. So we can get faster and more prompt reaction if that agency is given the quasi-judicial power to issue a writ of execution and to punish for contempt.

The Social Security Commission is envisioned to exercise quasi-judicial powers, and this has been the practice in many administrative bodies, that it has been their sad experience that if they depend on the courts to enforce their order, then their efficiency as an administrative body suffers.

So, perhaps, until the courts can improve their efficiency, these provisions become relevant at this time.

**Senator Mercado.** I am sufficiently educated by the good senator.

I read with some amount of concern the matter of funeral benefits, that these can be paid in cash or in kind. *Sa palagay ko ay kabaong iyong ibabayad na funeral benefits ng SSS sa tao.*

I would like to know the rationale for including a provision that funeral expenses may be paid in cash or in kind at the discretion of the SSS. Is there also a possibility of increasing the funeral expenses, considering the present prevailing cost of

dying? The cost of dying has really increased, and while the amendment to increase the funeral expenses from P10,000 to P12,000 is laudable, there is a need to inquire into the provision of this payment in kind, Mr. President.

*Kung ang namatayan ay mayroon nang kabaong o dili kaya ang gusto ng namatayan ay cremation, if somebody in the SSS suddenly puts up a casket-producing corporation o gawaan ng ataol, baka ang lahat ng pupunta sa SSS para humingi ng funeral benefits ay lumabas na may dala-dalang ataol.*

*Maaari po bang ipaliwanag ninyo rito ang tungkol sa funeral benefits na "in cash or in kind"?*

**Senator Fernan.** First, with respect to the comment on the amount of the funeral expenses increase from P10,000 to P12,000, it is our hope—and I join that hope—that when it becomes viable to do so, the necessary adjustment should also be made. But at the moment, the System can only absorb this increase from P10,000 to P12,000 funeral expenses.

Second, with respect to the funeral expenses, the right to choose the kind of funeral benefit, whether it is in cash or in kind, in cash or in service, belongs to the heirs of the deceased. It is not exercised by the System or by the commission. So that if they prefer that they would rather have the coffin or they would rather have a lot for the burial of the deceased, then, of course, the SSS will try to satisfy that request.

On the other hand, if the heirs of the deceased would request that they be paid in cash, then that has to be complied with under the law, because the option pertains to the heirs of the deceased.

**Senator Mercado.** Some people want to go out in style, some people may be more simple in their exit.

I would like to focus on Section 26(e) of the original SSS law. Section 26(e) of RA 1161 provides that "investment of reserve funds shall be invested in any of the following: (e) in short and medium-term loans to covered employees such as salary, educational, calamity and emergency loans: *Provided*, That not more than ten percent (10%) of the investment reserve fund at any time shall be invested for this purpose."

The present committee report did not retain the above provision that I have read when it amended Section 26. Although return on investment on this investment venture may be low, this, in a way, is designed to alleviate the difficulty of the majority of SSS members/beneficiaries because, as I mentioned earlier, it is about salary, educational, calamity or emergency loans.

Mr. President, with the deletion of this particular provision,

does this mean that short- and medium-term loans to the SSS members will not be provided anymore? Is it possible that this provision will be restored considering that there are thousands of SSS members who enjoy such benefits?

**Senator Fernan.** What is actually happening in the amendments is that there is still mention of the short- and medium-term loans to members such as salary, educational, livelihood, calamity and emergency loans, and long-term individual or group housing loans giving priority to the low-income groups, up to a maximum of 90% of the appraised value of the properties.

The limitation there is, not more than 40% of the Investment Reserve Fund at any time shall be invested for these purposes.

**Senator Mercado.** Is it 40%? It used to be 10% before.

**Senator Fernan.** Yes. The old was 10% salary loan and 30% for housing. Now we combine salary and housing. And so we have the 40% which gives us more flexibility. We might use 20% for salary and only 20% for housing or whatever.

**Senator Mercado.** All right. The members have no cause for worry because salary, educational, calamity and emergency loans are still there and that is the bottom line.

**Senator Fernan.** Yes, Mr. President.

**Senator Mercado.** Thank you very much, Mr. President.

I think this issue has been raised before in other bills and maybe we will just put on record the discussion on exemptions from the Salary Standardization Law. I think in the final analysis, this is the core of the matter.

Now, Republic Act No. 6758, the Salary Standardization Law, was enacted with the end in view of providing the personnel of the government, including government-owned and -controlled corporations like the SSS, equal pay for substantially equal work that is being performed by government offices.

We have made it clearer—and I think this is known—that our objective was not to provide a salary cut but to standardize pay scales in the government and make them at par with the private sector for those who are doing comparable work, Mr. President.

Although we are not precluded from granting exemptions to this law, we have already, in the case of the Napocor, allowed exemptions to encourage technical engineers to join the company. We were enacting that measure under pressure of a severe shortage of power. We really wanted to help in a way to get us out of a rut.

In the case of the SSS, maybe we should put on record the expediency that we face and the compelling necessity for us to exempt the SSS from the Salary Standardization Law.

Will the good sponsor—and I am willing to give him all the time for peroration on this issue—explain the justification for the exemption of the SSS?

**Senator Fernan.** There is no need to perorate, Mr. President.

To start with, the SSS does not depend on the budget of the Republic of the Philippines. It has to survive on its own, and it will depend on the income that it derives from the members of the System.

Why should the SSS be granted exemption from the Salary Standardization Law? The SSS needs high-caliber, competent personnel in order to do a good job. The exemption being sought by SSS is not without precedent. Entities which have been granted exemptions include the Philippine Deposit Insurance Corporation, the Land Bank of the Philippines, which also performs fiduciary functions, and the Bangko Sentral ng Pilipinas.

The difficulty of complying with the Salary Standardization Law is that if we want to attract highly qualified personnel, we have to be competitive with the rates offered by the private sector. If we cannot offer rates competitive with that of the private sector, these would-be talents would shy away from our government institutions. Recruitment and retention of good personnel is difficult because of low compensation.

Relative to the size of its operations and the fund it manages, SSS operating expenses, showing its frugality, have consistently been way below the statutory limit of 12% of contributions and 3% of earnings. The SSS is moving towards the full computerization of its branches and will need highly computer-literate and competent personnel.

The Social Security System has only 5,000 employees who, as I pointed out earlier, exercise fiduciary functions. So, considering all these circumstances, plus the fact that if we have to decentralize the SSS—because the SSS is expected to grow in the years to come with the amendments being presented, if approved by the present Congress—then we expect the SSS to hire more employees, more personnel. Then it should also be exempt from the Attrition Law. That is the reason why there is a provision asking for the exemption of the SSS from the Salary Standardization Law and the Attrition Law.

**Senator Mercado.** Yes, Mr. President, we do realize that. But the problem here is that the same arguments can be used by

almost all of the government-owned and -controlled corporations and other offices that can come to us and say, "Look, we also need people who are competent; we have to upgrade their salaries; we want to retain our good people."

I do not think we would see the end of these moves to exempt GOCCs from the Salary Standardization Law and also the Attrition Law. As long as we do it to one, we have to do it to all. This, in effect, negates the efforts that we have made in the Salary Standardization Law.

Here we are, we made an effort to standardize the salaries. We believe, as a policy direction, that it was the best thing to do under the circumstances. Now we might find ourselves in a situation where the exemption becomes the rule, but I fear there will be no end to it. In effect, we will really be in estoppel to deny other GOCCs that would come to us and say, "We also want to be exempted from the Salary Standardization Law."

**Senator Fernan.** Mr. President, I feel there is a distinction that would justify the exclusion of SSS from the other government offices that are subject to the Salary Standardization Law.

First, almost all government offices depend on the budget of the Republic of the Philippines but not in the case of the Social Security System.

Second, most government offices are not highly computerized. But here it is a must on the part of the Social Security System to be highly computerized to provide efficient and effective service to the members. And this would amount to a justification.

Third, to me, the most important is that it is now time to reexamine the validity of the Salary Standardization Law as far as categorization is concerned. I know when it was passed; I know when it was approved. I realize the sufferings that some government institutions went through because of this law.

Like, for instance, how many stenographers did we lose in the Supreme Court that we needed? We lost them to other institutions because we had to classify them as stenographers, receiving only the salary of court stenographers but who were even better qualified than other stenographers. Yet, because that is their classification, they were paid only that particular item, that particular salary. So I believe there is need to reexamine the policy that gave rise to the Salary Standardization Law.

**Senator Mercado.** That being the case, Mr. President, maybe the better approach is for us to really amend the Salary Standardization Law. If, as a consequence of the measure that we passed, we have pay scales that are skewed against the managerial

and supervisory sectors and also the technical people, the people who will be left in government are those who have nowhere else to go and I am informed that this is really a problem.

However, if we do it by piecemeal, it is going to be a tedious task. We will be faced with a lot of appeals or lobbying and we might be accused of favoritism. They might say, "Why do you favor SSS against the others?"

Should that not be tackled in an amendatory measure focusing on the issue of salary standardization? Let us amend the Salary Standardization Law.

**Senator Fernan.** The reexamination would be a long-term effort, Mr. President. But in the meantime that this effort cannot come to a successful conclusion, the SSS should be exempt from the Salary Standardization Law in order to correct an injustice.

**Senator Mercado.** We will leave it at that, Mr. President. The Attrition Law was mentioned. I presume that the premise for the proposal to exempt the SSS from the Attrition Law is the fact that there will be additional offices to be created. Is that not correct?

The other reason for the exemption from the Attrition Law is that there will be structural changes in the present organizational setup. Is it not the case, Mr. President?

Now, the question, Mr. President, is: What are these offices to be created in addition to the existing line structures in the SSS; what are their functions; and what are their pay scales?

If the proposed exemption is premised on the fact that there will be an organizational overhaul in the SSS, can we get a picture of how much changes are going to happen?

**Senator Fernan.** Before I answer that question, may I just comment that the matter of the Attrition Law negates the need to reach the members. Is the gentleman asking about the structure?

**Senator Mercado.** Yes, the structure changes in view of the offices that are going to be created. Maybe the SSS can submit to us an executive brief on what structural changes are going to be effected under the law.

**Senator Fernan.** In brief, it is to provide full service to its members, to fully computerize and to provide full service among its branches. The idea is to expand as it goes on.

There should be a proposed law creating offices in the different congressional districts—the salaries, the positions and

employees' structure under the present framework. We have to take into account their salaries, their positions and their employees because there will be other groups that will be included within the coverage of the System.

In broad terms, there is no major change in the structure because the idea is just to broaden the state policy, expand the scope of the coverage, give more teeth to the law, rationalize the benefit structure, rationalize the contribution structure, broaden the investment alternative, rationalize the SSS organization, and provide additional powers to the SSS. These, in a nutshell, are the changes that will follow. But the structure remains as it is basically.

**Senator Mercado.** The sponsor mentioned that there will be offices that will be created following the congressional district. Did I get that correctly?

**Senator Fernan.** Yes.

**Senator Mercado.** Is this congressional district a suggestion from the House? Are we following our political divisions or are we asking the SSS to organize itself in relation to political structures but according to the demographic profile of its membership?

**Senator Fernan.** The phraseology here is to establish SSS branches in provinces and highly urbanized cities and representative offices in every congressional district based on the criteria to be set by the Commission. In other words, there is still a criteria in addition to the congressional district, or whenever and wherever it may be expedient or necessary. That is where we include the offshore offices in selected countries to ensure the proper representation of political structures based also on demography.

*At this juncture, the Senate President relinquished the Chair to Senator Sotto III.*

**Senator Mercado.** As long as we are not mandating the SSS to put up offices following the political stratification, that is fine with us. Unless there is an intent to provide them with countrywide development funds.

**Senator Fernan.** Not because congressman or senator so and so says so.

**Senator Mercado.** Okay. We are not about to micromanage the SSS, but at the same time we also want the criteria for the establishment of offices to be clear.

Now, the penultimate issue, Mr. President, that I would like



to bring up is the matter of the health insurance funds and the Medicare functions of the SSS.

Under Republic Act No. 7875 or the Health Insurance Act of 1995 which we debated here on the floor, Section 52 and Section 53 provide, and I would like to read it for the record:

**Section 52. Transfer of Health Insurance Funds of the SSS and GSIS.** - The Health Insurance Funds being administered by the SSS and GSIS shall be transferred to the Corporation within sixty (60) days from the promulgation of the implementing rules and regulations. The SSS shall, however, continue to perform Medicare functions under the contract with the Corporation until such time that such functions are assumed by the Corporation, in accordance with the following section.

**Section 53. Transfer of Medicare Functions of the SSS and GSIS.** - Within five (5) years from the promulgation of the implementing rules and regulations, the functions, assets, equipment, records, operating systems, and liabilities, if any, of the Medicare operations of the SSS and GSIS shall be transferred to the Corporation: *Provided, however,* That the GSIS and SSS shall continue performing its Medicare functions beyond the stipulated five-year period if such extension will benefit Program members, as determined by the Corporation.

Now, may I just inquire as to the compliance status of the SSS as regards the requirements that I have read. What are the efforts being undertaken to prepare the SSS pursuant to this law? Not that I am favoring the health insurance. We have put the health insurance manager through a lot of questioning in the Committee on Finance, the subcommittee which I head, but I would like to get the feedback as regards the compliance of how the law which seeks to provide universal coverage to solve many of the health problems of our people is being implemented. Just some general statements will suffice, Mr. President.

**Senator Fernan.** Mr. President, the Medicare functions as well as Medicare funds will be transferred in due time to the Philippine National Health Corporation, probably next month or so. That is the timetable. There will be a training of the Philippine Health Insurance Corporation and a phase-in transfer of responsibilities over a period of one and a half years. That is the program.

**Senator Mercado.** And now, Mr. President, in closing, I would like to give the sponsor an opportunity to do a commercial for the SSS. No, actually, I am interested in finding out how much.... [Applause]

The good administrator should not be too happy yet because we have the period of amendments and there might be some amendments that may not be so well received.

Has the transaction time of SSS changed? The time to release the funds for the benefits of SSS members, has that changed? Do we have an improvement? There is much bruiated about—as I mentioned earlier—the information system.

What is the picture now in SSS? Has there been some improvement? Have we removed the fixers there at the SSS building? I used to pass by there and used to hear that blaring sound of the loudspeaker telling people not to talk to fixers. Maybe, we should have a picture of the transaction time and also the efficiency, if it has improved in the SSS before we act on the other provisions of this measure.

**Senator Fernan.** There is a person in our residence in Cebu who receives an SSS monthly retirement benefit. It makes him so happy that every month his check reaches him about three weeks or almost a month ahead of schedule.

In other words, if a check is dated December 24 or 25, it reaches him even during the first week of December or even before that. That makes him very happy because it reflects on the efficiency of the SSS. This information does not come from the SSS, but it comes from me personally, Mr. President.

In other words, the SSS operates efficiently from the standpoint of retirement benefits.

**Senator Mercado.** Maybe, they should conduct a seminar with the Philippine Veterans Administration Office because I still receive complaints—as chairman of the Committee on Defense and Security—about delayed benefits of the veterans. And it has been a continuing irritant between our committee and the PVAO people.

In any event, I close by asking, Mr. President: With this efficiency and the information system, is this the reason why the SSS is now figuring in the proposal to institute a National ID system?

**Senator Fernan.** Before I answer that question, let me say first, "No more fixers, shorter processing time, and action is taken months ahead." That is the commercial the gentleman wanted to hear.

**Senator Mercado.** How about the controversial point?

**Senator Fernan.** Yes, the controversial ID. The ID system hearing took place this afternoon in the Senate, and it was

handled by the Committee on Constitutional Amendments, Revision of Codes and Laws. I have no idea what transpired; I failed to attend the meeting.

**Senator Mercado.** We will not ask. These are available in our records already. The statements and the explanations on the ID system are now part of the record of the Senate; we can just easily refer to the said committee.

**Senator Fernan.** All I can say is that, in the past, they already have an ID. But it only mentions the name, the Social Security number, the signature, and the photo. Those are the four things appearing in the ID.

**Senator Mercado.** Thank you very much, Mr. President. We appreciate the answers of the sponsor of the measure and his patience, and we thank him for the forbearance.

**Senator Fernan.** I thank the distinguished gentleman from Quezon City and Leyte for the enlightening and thought-provoking questions.

**The Presiding Officer [Sen. Sotto].** The Majority Leader is recognized.

SUSPENSION OF SESSION

**Senator Tatad.** Mr. President, the distinguished sponsor has been on his feet the past two hours or so. To allow him a brief respite, I ask for a suspension of the session for a few minutes.

**The Presiding Officer [Sen. Sotto].** Is there any objection? *[Silence]* There being none, the session is suspended.

*It was 5:14 p.m.*

RESUMPTION OF SESSION

*At 5:48 p.m., the session was resumed.*

**The Presiding Officer [Sen. Sotto].** The session is resumed. The Majority Leader is recognized.

**Senator Tatad.** Mr. President, for the next interpellation, I ask that the distinguished gentleman from Camarines Sur and Bicol be recognized.

**The Presiding Officer [Sen. Sotto].** To continue the interpellation, the gentleman from Camarines Sur and Bicol, Senator Roco, is recognized.

**Senator Roco.** Mr. President, I was concerned with the

matter of the presence of quorum, but upon the persuasive arguments of my colleague from Bicol, we will proceed with some questions if the distinguished sponsor will yield.

**Senator Fernan.** Gladly, to the distinguished gentleman from Camarines Sur and Bohol.

**Senator Roco.** Mr. President, I notice the transposition and I am sure the distinguished member of my family will agree with the transposition.

**Senator Fernan.** Well, of course, it should have been Camarines Sur and Bohol.

**Senator Roco.** No, we do not object, Mr. President. We know our place in the family.

Mr. President, would the distinguished sponsor have some familiarity with the privatization program of the social security system in Chile, or in one of the countries, or some that he may want to share with us?

**Senator Fernan.** In the matter of privatization, I am familiar but very briefly and cursorily. It has the so-called Chilean Pension Scheme which is similar to the program being administered by the Pag-IBIG, where one contributes to his own fund and converts the lump sum to pension at age 65. The Chilean Pension Scheme is different from Pag-IBIG in the sense that employers do not contribute, only the workers contribute. Also, the funds are invested to maximize the fund yield and not responsible for the housing, finance, or economic development of the country.

The Chilean Pension Scheme supports the overall privatized government system and open-market economy. If adopted in the Philippines, the Chilean Pension Scheme may simply expand and privatize Pag-IBIG, with a higher contribution rate up to 10 percent. The workers are given the option to choose their fund managers. The SSS and GSIS may continue to operate and focus their coverage on the lower-income group of workers.

**Senator Roco.** Has there been an observed advantage in terms of the developmental efforts of Chile? Because from the little exposure that I have had, Mr. President, it seems that there were distinct advantages in terms of development efforts of Chile. So that now, the developmental managers even tend to refer to the Chilean model as something that may be considered as a viable alternative for countries like the Philippines.

But would the gentleman share the impression I have that this can be a development model that can be considered?

**Senator Fernan.** This is something that is worth considering on a long-term basis, Mr. President, because even the United States is considering this option. In fact, I just got hold of certain materials where one of the three options being considered in the United States is the option to privatize social security.

**Senator Roco.** Would there be something in the bill that may prevent that option on a long-term basis that can still be an alternative?

**Senator Fernan.** I beg the gentleman's pardon, Mr. President.

**Senator Roco.** I was asking, Mr. President, whether there is something in the bill that may prevent that option from being viable in the future.

**Senator Fernan.** I do not think, Mr. President, that there is anything in the bill that would prevent that option from being viable in the future. In other words, that option remains as an option even after the adoption of this bill, should it get the approval of the Senate and the House of Representatives.

**Senator Roco.** The only reason I sought answers to these questions is not that I am convinced about such a privatization effort but I do believe that we must, at this point of the economic development of the country, be open to all and any model that may accelerate the development without destabilizing the country.

From what I understand from readings and from counsel that I pick up every now and then, Mr. President, this is a distinct model not only for SSS, for GSIS or for Pag-IBIG, but it is something we may want to further study and prepare groundwork for takeoff should we decide to go there. But that is really more for the management of the SSS.

**Senator Fernan.** It is worthwhile considering, Mr. President. In fact, I was just informed that privatization in Chile means that the provident fund is managed by the private entities. About 15 pension funds called the "AFP concept" right now are being examined by the Social Protection Coordinating Committee. The Chilean model is still young, only about 15 years and will need more in-depth study.

**Senator Roco.** Yes. But on a theoretical basis, Mr. President, there is some good in having private funds managed by private groups considering that the comfort and security of government position, especially the way we are protecting it in this bill, tends to make us less vigilant about a private interest since we are doing it as a government program and as a public interest matter. But when we want to maximize the yield of

private funds, there is some benefit and advantage to looking at the potential infusion of technology and management directions from private. And that is the only point I was making.

We are happy with the new engrossed copy because it limits the debate and we know what we are talking about. We will not debate on the old portions of the law, Mr. President. In brief, what can be done under this bill that cannot be done today?

**Senator Fernan.** That would be going into the changes which we mentioned yesterday during the interpellation of Senator Romulo.

**Senator Roco.** I do not want the gentleman to repeat the answers, Mr. President. I was listening yesterday and I will not burden both the *Record* and the Secretariat with new transcriptions. But in all the amendments so far, it seems to me that there is really only one thing that can be done under this bill that cannot be done yet under the present law.

**Senator Fernan.** On the matter of coverage, for instance, the increased penalties, we have existing penalties under the present law. But the penalties have been increased, generally speaking. Then more investments, better pension formula and, of course, the coverage has been broadened because now it includes the self-employed; it includes the parents with respect to their children; and it includes also the minor children working for their parents. That really applies the Family Code.

**Senator Roco.** The question of penalties, really has very little developmental impact. Maybe it just increases the potential for disciplinary action on the part of the bureaucracy or on the part of those who are less conscious of their duties under the SSS. But I did not hear in the sponsorship speech a description on the basis of facts and statistics that there were so many who have been violating the law, that we must now increase the penalty. That was not stressed. So I would imagine that is really a collatilla. But the distinguished gentleman from Quezon City pointed out that there is only one thing that we can do now that cannot be done under the present law.

**Senator Fernan.** If the distinguished gentleman failed to hear in the sponsorship speech the matter of penalties—unfortunately, I delivered a very brief sponsorship remarks. But the main sponsorship speech was delivered by the former chairperson of the Committee on Labor, Employment and Human Resources Development. I am referring to Senator Coseteng. I was not present when the main sponsorship speech was delivered. I have taken over the sponsorship of this bill starting from the period of interpellations.

**Senator Roco.** Nonetheless, Mr. President, there was not

an alarming picture that is described. I do not hear also from the present sponsor about great violations, because if there is, it should now be brought to our attention. We should then be duly alarmed and, maybe, we should reexamine the basis for the recommended penalties.

On the other hand, if there is really not much to the violations, are we not just improving the capacity of the SSS or the prosecutorial arm to punish? I tend to react against punishment as a way of disciplining people.

**Senator Fernan.** More than the punishment aspect, Mr. President, the more important focus of this bill is the major new investment opportunities not present in the existing law. As I mentioned also earlier, we expand the coverage and the beneficiaries which now include illegitimate children and the distinction also. We draw a dividing line between the corporate powers of the Commission and the authority of the Social Security System; and the expansion of services to the provinces, cities, and districts have become mandatory.

**Senator Roco.** Again, Mr. President, while I agree, share, and encourage the expansion of services, as one who was involved with management, on the side of management in the corporate world a long time ago, I tend to look at these instances as better left to the discretion and business judgment of the board and the managers. So that when we put it in the law, while it looks as though we are expanding the services, we are at the same time restricting because we lose flexibility. Now it is statutory, whereas we can make it part of the incidental or general powers of the board of directors and the incidental or general functions of the management.

In other words, what I have learned of administrative law is that it cuts both ways. We say expand and do it this way, and in so doing we fossilize. But in finance and management of funds, the utmost flexibility yields the utmost potential for gain.

Therefore, while the gentleman does not object to all these specific expansions, I just wonder if the sponsor may find it more prudent and advisable to put flexibility provisions in a general way. Let the board—after all, we pay them well, and if this bill gets approved, everybody will get paid better—and the members of the organization come up with their best creative and flexible movements instead of tying them up.

Will this be an acceptable possibility to the distinguished sponsor?

**Senator Fernan.** Yes, Mr. President. The bill, as drafted, broadens investment alternatives. But in the process of broadening, which now covers an expanded investment area, there is

also flexibility, looking forward to a higher return of investment.

While there is a certain percentage in the amount invested in the various areas of investment, it does not really tell the System or the Commission how much of the money should be invested in this. It merely says it should not go beyond a certain limit.

For instance, in private securities, it should not exceed 40% in housing, but it includes also salary loans of members; 30% in government financial institutions; 30% in infrastructure projects; and 15% in any industry.

In other words, there is a broadening; but at the same time, we also provide for flexibility.

**Senator Roco.** But that is what I could not understand in the bill, Mr. President—these apportionments and what are the statistical or the philosophical bases for determining it that way.

No. 2, considering the changes with the Internet and the rapid changes in the capital markets, these ratios are magic ratios, Mr. President. I do not know whether this combination is the best combination for optimum yield. Why not just give a general power to the SSS board and give a general standard of optimum yield under the circumstances?

Because in the proportions, for instance, there is none on cybernetics. Maybe the highest yield should be cybernetics or genetic engineering. But since it is not mentioned there—I do not know if it is mentioned implicitly—we lose the opportunity of putting it under the mutual funds on cybernetics simply because it is not there and it will be there for *ultra vires*. If they should decide to go—I do not know, some unthinkable new creation—because of the rapid changes in the electronics, computer world and genetics, the investment possibilities cannot be restricted by specific descriptions.

It seems to me that a more generic standard and flexible provision will, in fact, be more advantageous to the SSS. Then we will really see the chairman or president exercising his best imaginative programs.

Will this not be a more acceptable alternative for describing corporate powers?

**Senator Fernan.** The problem is, if there are no flexible guidelines, the general powers could lead to possible abuses and may ultimately lead to bankruptcy. The idea is to prescribe certain guidelines to make sure that the investments made will redound to the benefit of the members. Because if a choice has to be made between members and SSS employees, the SSS

employees are willing to sacrifice in favor of the members.

**Senator Roco.** Those are specific situations, Mr. President. But to me, the question of policy really again redounds to the question that I asked when we came to the modernization of the Armed Forces.

Shall we trust or distrust the members of this board so that we must give them guidelines? Because if we cannot trust the members of this board, then let us stop kidding around—guidelines of 40% for this and 10% for that. But if we trust them and we select the best who can, in the collegial operation of the board of directors, come up with the best combination for investments, then we must give them more flexible provisions and general legislative standards in the sense that we understand it in constitutional law so that we will really test the mettle of the board of the SSS.

I think Senator Mercado said that we must not try to micromanage. I am stepping or calibrating upwards. I am going the other way. We must, in fact, give them optimum flexibility and just give them standards that are acceptable to normal businessmen and prudent fiscal managers.

To me, that is better because we may have a genius who can come up... I mean, the corporate world is replete with finance men, marketing men. Sometimes there are even lawyers who come up with the best combinations and really bring them literally into victorious, new glorious heights for the corporation that cannot be foreseen.

What I am saying, Mr. President, is that in today's world, when it is so difficult to foresee because of the rapid changes in communications, in computer and in genetics, we must give them maximum flexibility.

**Senator Fernan.** While, as a general rule, certain degree of trust and confidence is reposed on the nine members of the commission, the law should not allow them to exercise absolute and unraveled powers. It has been the experience of other similar institutions, if I may mention GSIS.

The GSIS had investment problems due to absolute powers. It was carried away by its enthusiasm in investing too much at that time with the Philippine Airlines, with various hotel and real estate projects. The experience of the GSIS saw the need for certain investment guidelines or ceilings to diversify the rift and protect the fund from abuses or mismanagement on the part of those running the System.

**Senator Roco.** Mr. President, would that be a defect of the people or of the charter? When we give flexibility and we

assume they are responsible and they misuse the powers, is that the fault of the law or of the people? Should the solution not be to choose good people to run the GSIS?

**Senator Fernan.** The people are at fault because the charter gave them the opportunity to do so.

**Senator Roco.** So, we blame the law for the abuse of the people.

**Senator Fernan.** The law says we should not do it. But because certain guidelines were not prescribed, it enabled them to do it although they were not supposed to do it.

**Senator Roco.** That is correct. That is why it is the fault of the people, not of the law.

**Senator Fernan.** Yes. Initially, it is the fault of the people. But if the guidelines have been stricter, this could have been nipped in the bud to prevent this from becoming a problem. In other words, there was no ceiling, no diversification. But with a ceiling and diversification, then that becomes a restraint. It becomes a stop sign or a caution sign not to go any further.

**Senator Roco.** So it is the abuse or the misuse or nonuse or the improper use of the law that is really at fault. Would the gentleman be able to tell this representation a law that cannot be abused or a power that cannot be abused?

**Senator Fernan.** Any law, any power or any authority granted may be the subject of abuse.

**Senator Roco.** That is correct.

**Senator Fernan.** But it should be drafted in such a way to help curtail those abuses.

**Senator Roco.** The sponsor is saying that the way it is drafted is the way it cannot be abused.

**Senator Fernan.** That is what a particular group of lawmakers feel will help curtail the abuses.

**Senator Roco.** We will ask for time to investigate that further, Mr. President, because we can show very well that not only can it also be subjected to abuse but it may even restrict the creative capacity of the management. I am pushing for management initiative because it is only when we, as the Filipino people, create by ourselves energy. It is only when we, the Filipino people, can run our institutions well that there will be growth.

The solution seldom lies in the law. In fact, Tacitu said that

the more the laws, the more corrupt the society. Every effort to prevent this abuse by having more laws just ends up in greater possibility for abuse. We must cross the bridge with a trust.

I am pushing it as a policy option to the sponsor and to the management if they can trust themselves with responsibility in the exercise of power. If they cannot, then they should tell us because then, maybe, we should restrict it further. But I want a clear answer. To what extent then shall we trust the management that will be put in by this new bill?

**Senator Fernan.** Let us start with the premise that absolute power without check and balance could lead to abuses or mismanagement with impunity. As I pointed out earlier, certain guidelines have to be prescribed. That they can only go so far. Beyond that, then they go beyond the area of permissiveness and they enter a prohibitive area. And that is precisely why we mentioned, "Do not go beyond 40% in private securities. Do not go beyond 15% in any industry. Do not go beyond 30% in infrastructure projects."

Now, there is a ceiling. The ceiling, of course, does not tell us, "We should only give 5% or we should give only 10%," but "Do not go beyond a certain maximum." It is still flexible because we trust them; we trust them to exercise their discretion or to exercise their sound judgment. But at the same time, do not go beyond that limit because we will be exposing to a certain degree of risk the money invested with SSS.

**Senator Roco.** Could the gentleman tell us the scientific basis for the 40%? Why not 50% or why not 30%? Will an abuse of 40% be more tolerable? Why? If they abuse 40% or they misuse 40% of their funds, that is within the range that is responsible?

**Senator Fernan.** Well, this is based on the studies made by the management of SSS, based on their experience after so many years, and this is based on actual experience.

**Senator Roco.** Actual empirical data, yes.

**Senator Fernan.** Not empirical data, but actual experience.

**Senator Roco.** Actual experience of the SSS. So that the faults of the SSS over the years have been averaged out and we are being told that considering the abuse, misuse, and a little corruption there and inefficiency of the SSS, it has arrived at the conclusion of 40%. Are we not therefore fossilizing all the faults of the past with this 40%?

**Senator Fernan.** No. Precisely, the management feels that

for as long as we do not go beyond that limit of 40%, we do not expose the SSS to unnecessary risk. But the moment we go beyond that limit, then it would be just unfortunate for the funds of the SSS.

**Senator Roco.** May I have the copy of that experience, the data, the justification and financial analysis?

**Senator Fernan.** Yes, that is available.

**Senator Roco.** Yes, we will get a copy because I am really curious at these numbers, these magical numbers. Always, I wonder whether we are just preserving the bad habits of the past, and whether we excuse them from their faults because now it is 40%. Imagine, if all of 40% is put in some bad egg investment, even if it is only 30% it will be very bad.

So, there is nothing sacred, there is nothing mystical about the 40%, and I am sure it is just like many business judgments, they put saliva on their finger and test the wind.

**Senator Fernan.** But at the same time, Mr. President, we still have 60% left. On the other hand, if there is no limitation, it is possible that the management will place the entire amount or 98% on just one area of investment and the whole thing collapses.

**Senator Roco.** What is the other division, Mr. President? Forty percent for private?

**Senator Fernan.** Forty percent in private securities, a limit of 40% in housing and other short-terms such as salary loans of members, 30% in government financial institutions and corporations, 30% in infrastructure projects, 15% in any industry.

**Senator Roco.** Yes. We will ask for a copy of the justifications and what led to this informed decision that we now are being persuaded to make it a law; the numbers become part of the law. We will not ask for it now, Mr. President. I mean, tomorrow is fine, Monday is fine. Just give us a little time to understand it.

**Senator Fernan.** And all these are also based on ceilings set by existing laws.

**Senator Roco.** That is exactly why, Mr. President, I am questioning it. Because now they are giving me two justifications. Before, they justified on the basis of experience. Now, they are telling this representation that they are handicapped already by existing law. So, where lies the responsibility? Was it a judgment? Was it the informed judgment after they reviewed their experience? Or are they now hiding behind some statute?

**Senator Fernan.** No one is hiding anything. It is a blend—a combination between experience and the requirements of law.

**Senator Roco.** So long as the answers are consistent, Mr. President, I am willing to take it. But I will still wait for the report, and I genuinely want to understand how people reach number judgments. So, I will wait for that.

Could I shift my attention, if I may, Mr. President, to the additional benefits that the SSS employees will now get. I concede—and we will support the exemption from the Salary Standardization Law—and we think that will make them more competitive, and that should potentially improve the recruitment and the services of the SSS because it should better motivate our colleagues in the civil service.

But in exchange for this new potential growth in their emoluments, in their privileges, what additional duties does the bill suggest? One should never have new privileges without new sense of duty or a higher standard of diligence. What in the bill suggests this higher standard of diligence or this new concept of duty for our colleagues in the civil service?

**Senator Fernan.** Is the gentleman referring to...

**Senator Roco.** Just in the SSS. Let me put a question maybe less obtusely.

The bill suggests an exemption, I think, from the Salary Standardization Law. We are not objecting; we will support it. Having been given such a privilege, what new standard of diligence or what new duty shall we now expect from the SSS employees? One should not get the privileges without additional responsibilities. What I am saying is, what is the balance?

I can see this is good for the employees. How is it also good for the people who are paying their dues to the SSS? What is the additional duty that we will look for from the SSS employees as we give them this new privilege?

**Senator Fernan.** From the standpoint of the members, the higher return for investments...

**Senator Roco.** If they invested the 40% correctly.

**Senator Fernan.** Yes, we proceed on that assumption, because if there is no return of that investment, it would be just unfortunate. There are again guidelines as to how they should invest the money. Then the matter of the retirement benefits. There is an increase from P1,000 to P1,200 per month retirement benefits if one has 10 credited years of service. And if one has 20 credited years of service, his benefit is P2,000 a month. He

is given also an option to receive a lump sum equivalent to six months pension.

**Senator Roco.** May I just interrupt on the lump sum, Mr. President, because that is my bill. It has been benevolently ignored because the bill sought a lump sum of five years, I think. But I am being told that the lump sum can only go as far as six months. We would want to have some justification for that.

Considering the additional privileges and benefits that the SSS employees are getting, we must be able to point to the members that "You see, we have generated a new SSS with new powers and privileges, and this is what you get." But when we turn around, after telling them we have exempted them from standardization, "You members, who support me in my salary, will get also additional six months when the request was five years." It looks anemic. We want to understand the actuarial basis for that six months.

**Senator Fernan.** It was based on the studies that they have made and the lump-sum traditional for provident funds, not pension funds. That was in the past. This is the first time that they will extend lump sum to the members, not just to the employees of the SSS.

**Senator Roco.** The reason we are asking for the basis of the study on this is that we will seek to persuade the sponsor and the management of the SSS to push it a little farther. I know finance people, and finance people are very thrifty when it comes to release of money. That is why the six months is too conservative for me, considering the benefits that the SSS employees will get here.

To me, we must strike a balance so that not only shall the institution benefit, not only will its employees benefit, but we say to all and sundry, the members who support it and give the money, "You also will enjoy."

I accept the retirement, but the lump sum is critical to jumpstart the retiree in whatever private effort he may want to get into. That is why I thought it was crucial if we want more and more small entrepreneurs to enter active economic life. And I suggest that six months is not enough.

We will ask for the justification. Maybe, they will persuade me that it is enough. Maybe, after we study the justification, we can persuade the enlightened sponsor—and now who will be president of the SSS—to see it slightly in a different fashion, if we may.

Can we expect that as a second document, Mr. President?

**Senator Fernan.** Yes. The justification for the lump sum.

**Senator Roco.** Why only six months?

**Senator Fernan.** Does the gentleman expect five years, Mr. President?

**Senator Roco.** Of course, I am also realistic that five years may be a difficult matter to justify actuarially. But to me, six months is also very conservative and beneficial to the institution.

When we approve this bill, I want allelujahs coming from the members; I want the gratitude and allelujahs from the SSS members. But we are supported by our members, and we say that on radio. Every time we try to touch the fund, it is a fiduciary. And being fiduciary, it is subject to utmost diligence and utmost duty on our part to give it the highest yield possible to those who feed us.

If the gentleman can look at that, Mr. President.

**Senator Fernan.** The document will be forthcoming, Mr. President.

**Senator Roco.** Yes, Mr. President. We will also ask them, instead of going to arguments, to modify and try to increase. I mean, later on we can try to find sources, if necessary.

**Senator Fernan.** In addition, the funeral benefit, which was the subject of an interpellation earlier, was from P10,000 to P12,000 in cash or in kind at the option of the heirs of the deceased.

**Senator Roco.** Which is also very welcome. Mr. President, I am told that the tax exemption provision under the present law has been ignored actually by virtue of regulations or circulars from the Central Bank. I saw in some of the provisions that we tried to cure this tax exemption, in disregard of the tax exemption of the SSS. Am I reading the bill correctly?

In the bill, I saw that there was a clarification on the tax-exemption provision, and there is an addition that despite circulars, rules, et cetera, this will not affect the tax exemption. Is that confirmed by the staff or the sponsor?

**Senator Fernan.** The provision states that, "No law, rules, regulations, opinions, or any tax measure heretofore or herein-after enacted or promulgated shall apply to the SSS." Unless this is Section 16. Is the gentleman referring to this provision?

**Senator Roco.** That is correct, Mr. President.

**Senator Fernan.** I am asking the distinguished gentleman the provision being referred to: "unless the declared policy of the state in Section 2 hereof granting tax exemption to

the SSS is expressly revoked."

On the government securities investments of SSS subject to 10-percent discount, right now, it is the Department of Finance that requires this, not a provision of law.

**Senator Roco.** Therefore, the tax exemption will now be enjoyed. I mean, if the bill is approved as is, to allow the SSS to enjoy the tax exemption that they had in the first place but which was unceremoniously disregarded by virtue of a 10-percent discount on government securities pursuant to BSP Memorandum Circulars of 1994.

**Senator Fernan.** That is correct, Mr. President.

**Senator Roco.** If that is correct, how much fresh money, will we get from that tax exemption? How much money will we be giving or will we be losing to SSS on the basis of that 10-percent discount on government securities?

**Senator Fernan.** Can the gentleman give us one minute to compute?

**Senator Roco.** Of course. Mr. President, our agreement with the Majority Leader was 6:30 p.m., but maybe it is enough, so that we can look at it more objectively. We can continue, Mr. President, with reservations, with the permission of the Majority Leader.

**The Presiding Officer** [Sen. Sotto]. The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** I thank our distinguished colleague from Camarines Sur and Bohol for his incisive questions.

Mr. President, I move that we suspend consideration of Senate Bill No. 1663.

**The Presiding Officer** [Sen. Sotto]. Is there any objection? [Silence] There being none, the motion is approved.

#### SUSPENSION OF SESSION

**Senator Tatad.** I move that we suspend the session until 10 o'clock tomorrow morning.

**The Presiding Officer** [Sen. Sotto]. Is there any objection? [Silence] There being none, the session is suspended until 10 o'clock tomorrow morning.

*It was 6:32 p.m.*



Senator Herrera, as chairman of the Finance Committee, will attest to this—that we have not interceded with the Finance Committee in the present deliberations for any increase in the appropriation of the DECS for books, school desks, instructional materials, and the like. As a matter of fact, my representation to him, considering the widespread corruption in the procurement of the same, is probably that the same should be restudied and reduced.

I hope that that satisfies the matter at hand, Mr. President, and I wish to thank the Chair for giving me a chance to explain.

**The Presiding Officer** [Sen. Mercado]. Senator Alvarez is recognized.

**Senator Alvarez.** Mr. President, in the statement which we presented before the Chamber, we had no imputation of any irregularity or wrongdoing on the part of the Senate President. We took cognizance of a published article. And from the published article, it is made clear that those who filed the complaint are individuals who can also be accessed. It was our intention to clear the air.

I am hopeful that when the thing is explained—and it has been recommended by one of our colleagues that it should be referred to the Committee on Rules in order to look into this—that the Senate President will be able to explain his way. But when we have named people published in the newspapers accusing the Chamber and its leadership, we cannot help but take note of it because that will be the only way that the credibility of this Chamber can be protected. If we totally ignore what comes out in two or three newspapers, we are hurting ourselves and the effectivity of this policy-making body.

Of late, there have been occurrences in our coequal Chamber. I will not specifically refer to it, but the failure of some of their own members to look into certain alleged shortcomings of a congressman has considerably hurt the reputation of that Chamber. Because it has happened, now that it has happened to us, or this thing has come out in the papers, I think that the Chamber should at least take note of this, and the least it can do is to refer it to the Committee on Rules so that we will be able to deliberate on it and make judgment.

I am not impugning anything on the Senate President, but I do not want the seven people who signed their names make very serious accusations and there is no reaction from this Chamber at all.

**Senator Maceda.** Mr. President, I have no objection to refer the matter to the Committee on Rules. Maybe it is up to the Committee on Rules really to determine. Because if we were to

spend our time taking note of matters that are being said about every member of the Chamber in the 23 or so newspapers and the 20 or so tabloids especially, I just want the Committee on Rules to set the guidelines on when it would be valid for us to take note.

Will one mention in any column be sufficient for this Chamber to take note? Is it because three newspapers have mentioned it that we should take note? Will anonymous letters or the so-called concerned employee-type of letters be sufficient?

**MOTION OF SENATOR MACEDA  
(Referral of Newspaper Item Concerning Him to  
the Committee on Rules)**

For these reasons, I move, Mr. President, that the matter be referred to the Committee on Rules.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [Silence] There being none, the motion is approved.

The Majority Leader is recognized.

**SUSPENSION OF SESSION**

**Senator Tatad.** Mr. President, I move for a one-minute suspension of the session.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [Silence] There being none, the session is suspended.

*It was 3:51 p.m.*

**RESUMPTION OF SESSION**

*At 3:55 p.m., the session was resumed with Senate President Maceda presiding.*

**The President.** The session is resumed.

**BILL ON SECOND READING  
S. No. 1663 - An Act Strengthening the  
Social Security System  
(Continuation)**

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

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**Senator Tatad.** We are now in the period of interpellations. I ask that the distinguished sponsor, the gentleman from Cebu, be recognized. To interpellate, I ask that the distinguished gentleman from Cagayan be likewise recognized.

When we last suspended consideration of this bill, the gentleman from Camarines Sur was interpellating, and he made some reservations to further interpellate awaiting the production of certain documents. He wishes to maintain that reservation.

**The President.** The gentleman from Cebu and the gentleman from Cagayan are recognized.

**Senator Enrile.** Thank you, Mr. President. May I know whether the distinguished sponsor and worthy colleague from the Visayas care to answer some questions?

**Senator Fernan.** It would be a pleasure to entertain some questions from the distinguished gentleman from Cagayan.

**Senator Enrile.** Mr. President, I will go over this material page by page. As a starting point, I would like to point out why the title of the head of this organization is called president rather than "Administrator." What is the difference between the function of a president of the SSS and the function of an administrator?

We have too many presidents. We are, in effect, vulgarizing the word "president." I believe we should preserve the honorific connotation of this term because it is the title of the highest political leader of the land and also the highest leadership in the Senate. But evidently, everybody wants to be called "Mr. President," and I am just a little bit curious why the administrator ought to be called president rather than as an administrator of this organization when, in fact, he had been called administrator since the inception of this organization.

**Senator Fernan.** While I was not privy to the earlier discussions of the Committee on Labor, Employment and Human Resources Development that finally led to the adoption of this proposal to change the title from "administrator" to "president," on the basis of the information passed on to me, it is to conform with the nomenclature of corporations, the SSS being classified as a government financial institution. That is the general idea.

In the past, there was no clear delineation between the "system" and the "commission." Now, they are delineating the functions. One represents the board of directors and the other the general membership; then, necessarily, it should be headed by a president rather than by an administrator.

**Senator Enrile.** Mr. President, are we saying that there are

two entities within the same organization—a commission and a corporate body known as the SSS? Or this is only one organization?

**Senator Fernan.** There is only one organization or one entity and the entire membership is known as the "System." Within that system is a governing body known as the Social Security Commission and at the head of this entity is the person known as the president as far as the execution of policies is concerned. But the head of the board of directors which is known as the Social Security Commission, is equivalent to a chairman, whoever is appointed by the president as chairman.

**Senator Enrile.** Well, tied to this question, Mr. President, is an amendatory provision sought to be introduced for the first time defining this body as a corporate body with juridical personality.

Is it the position of the proponent of this measure that all along the SSS is not a corporate body with a separate juridical personality?

Is the separateness of the juridical personality of this entity and its being a corporate body dependent upon the name or is it dependent upon the powers granted to it?

**Senator Fernan.** Well, from the very start, it was a juridical person and entity deriving its powers from a legislation enacted by Congress of the Philippines. Now, it being referred to as a commission, it gave rise to some misunderstanding on the part of the public whether it is really an entity exercising certain functions, powers and prerogatives.

So, in order to do away with all these doubts on the part of the public and in order to clearly define all these functions and duties on the part of the people involved in this institution, there is now a delineation of powers and a designation of the head as president of the commission.

**Senator Enrile.** I am talking of the SSS as a juridical person, Mr. President. My understanding of a public corporation as well as private corporation is, we decide the character of an entity, whether it exists as an artificial corporal being, not on the basis of what we call it but on the basis of its powers.

I know the SSS has the power to own property, to contract, to sue and be sued, to hire employees. It is governed by a board. Whether we call it a commission or a directorate, it is still the same rose even if we call it gumamela.

I am just wondering why we have to change this at this time,

because in this proposal now, the provision creates a vagueness that ought not to be created which is, that if we are going to introduce the term "corporate body" with juridical personality at this time—in the middle of the river, so to speak—considering the length of time that this entity has been in operation, it would create the impression that before the adoption of this amendment, this body has never been a corporate body or a body with a juridical personality.

**Senator Fernan.** Well, the need for the amendment, Mr. President, is that in the past, the SSS, unlike other corporations exercising corporate powers granted to it by the Corporation Law, enjoyed only such powers given to it pursuant to the legislation creating the SSS. That is the proposal under Section 3—that the SSS be referred to as a corporate body with juridical personality. It is necessary that the SSS be referred to as a corporate body with corporate powers, so that aside from the powers mentioned in the law, it can enjoy and exercise powers usually and normally enjoyed by a corporation.

**Senator Enrile.** Mr. President, this is a public corporation. Under the Constitution, we cannot invest any authority except through legislation in a public corporation. Therefore, the definition and limitation of the powers of this corporation is on the basis of what Congress invests in its charter. It cannot go beyond what the charter authorizes it to exercise because this is a public corporation. It cannot exercise the powers under the Corporation Law unless we write in this law that the Corporation Code is supplementary to this charter.

**Senator Fernan.** That is precisely the reason why in Section 3, it mentions that it be referred to as a corporate body with juridical personality. The idea is that certain powers be conferred and such corporate powers be enjoyed by the SSS. That is the general idea.

**Senator Enrile.** With due respect, Mr. President, I disagree with that interpretation because an artificial being like the SSS created by a separate, distinct congressional charter must live up to the powers granted to it under that charter and nothing else. Even if we give it all the name as a juridical person, a corporate body, or whatever, it has to exercise only such powers as are granted to it under its charter.

**Senator Fernan.** Yes, Mr. President. In the past, there is clearly an enumeration of powers and only those powers could be discharged by the SSS. The idea is, if it is made a corporate body with juridical personality, it can exercise certain powers. Whether that will make it retain its status as a public corporation or as a quasi-public corporation remains to be determined later on.

**Senator Enrile.** In that case, Mr. President, I daresay that

we are creating a very dangerous precedent here by using a semantical symbol. With very expanded meaning which could be misinterpreted by the bureaucrats administering this authority, they could expand their powers beyond what was intended by Congress. Therefore, I request that the real powers of this entity, including the limitations of those powers, must be clearly spelled out in this charter. Otherwise, I would object to this charter.

**Senator Fernan.** There will be an enumeration of powers, Mr. President. In fact, there are certain powers which can be enjoyed by the System without intervention of any other official. There are also other powers that need the approval of the President of the Republic of the Philippines.

There are provisions for the exercise and enjoyment of powers which are added now in the amendment which, in effect, would enable it to exercise corporate powers. The general idea is to spell out these powers which are being spelled out here. But if any power is not spelled out here, and if these powers are considered necessary and incidental to the powers being enumerated here, then they must, of necessity, be exercised by the SSS.

**Senator Enrile.** Mr. President, is it the understanding of the distinguished sponsor that this entity must enjoy both the prerogatives of a public corporation as well as those of a private corporation? If we are going to invest it with the powers of a private corporation, this will be the first private corporation that can issue subpoena, that can execute its own decision, that can make its own laws in the form of rules and regulations which other corporations do not enjoy.

**Senator Fernan.** Mr. President, to make myself clear, may I cite that particular provision with the proposed amendment in order to remove all doubts. It states under Section 4 the following:

- 1) To adopt, amend and rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, except those specifically provided therein as subject to the approval of the President of the Philippines;
- 2) To maintain a provident fund which consists of contributions...;
- 3) To compromise or release in whole or in part any interest penalty or liability...;
- 4) To approve restructuring proposals for the payment of debt...;
- 5) To approve, confirm, pass upon or review any and all actions of the SSS...;

All these are enumerated. In addition, subject to the provisions of Section 4, the SSS shall have the following powers and duties. Again, there is an enumeration.

So, actually, the powers here are spelled out clearly in addition to the original provisions. There are amendments in order to complete the powers of the SSS as a juridical personality with corporate powers, Mr. President.

**Senator Enrile.** Actually, Mr. President, we have a distinction very clearly spelled out in the Constitution between public corporations, which is the SSS, and private corporations. Private corporations can be organized under the provision of the Corporation Code.

But public corporations or government corporations like the SSS are mandated under the Constitution to be given special charters. Public corporations or government corporations cannot be organized under a general corporation law. Yet, here we are introducing a new concept probably in violation of the Constitution, where we are creating an entity enjoying both the powers of a private corporation as well as a public corporation.

Again, as I said, if that is so, then we will be doing for the first time in this particular amendment something that has not been done by Congress and that is, to invest the private corporation with rule-making power, with power of adjudication, which is purely a government quasi-judicial function not open to corporations that are organized under the Corporation Code. This will become a superpower corporation.

The intent is very clear, Mr. President, because even the President is denied the power to countercheck and pass over the rules and regulations that this body would issue, because it deletes the phrase "subject to the approval of the President" in Section 4, paragraph 8.

This charter is intended to broaden the powers of the SSS quietly without anybody later on counterchecking it. The SSS board or commission can issue rules and regulations determining how the money of the corporation could be invested in whatever way they want, without even so much as a countercheck by the President of the Philippines through their own rules and regulations. In effect, this body is now being converted into a totally autonomous corporate entity.

**Senator Fernan.** As I pointed out, Mr. President, there is an enumeration of powers. So let us start with that premise. There are powers enumerated and, therefore, the exercise of powers would be limited to the powers enumerated.

But let me qualify now by saying that if there are any powers

which are incident or necessary to carry out the powers enumerated, these are powers which are incidental to the powers enumerated, then they must be enjoyed and exercised by the SSS. That is my point, Mr. President, and I hope I have delivered my message to the distinguished gentleman from Cagayan.

**Senator Enrile.** For instance, Mr. President, I will take these powers enumerated under Section 4 point by point: "To issue rules, to adopt, amend and rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, except those specifically provided herein as subject to the approval of the President of the Philippines."

They can change the context of this. They can issue any kind of rules and regulations. If we do not say that these rules and regulations must be subject to the approval of the President of the Philippines, they can do anything. They can even broaden the powers that we grant them under these rules with the way this first paragraph has been worded.

No. 2, "To maintain a provident fund which consists of contributions made both by the SSS and its officials and employees to a common fund for the payment of benefits to such officials and employees or their heirs under such terms and conditions as it may prescribe with the rule-making power."

With this provision, they can create for themselves such a provident fund or mutual fund that will benefit them. After all, they are the rulers, they are the employees, they are the parties in interest inside the organization. They can use so much of the profits of the corporation to enhance the liquidity and the financial strength of that provident fund—I am not saying that they are going to be provident about it—but to the detriment probably of the entire system.

I am not willing to go along with the idea of giving the internal bureaucracy of this system a *carte blanche* to do anything that will favor themselves. There must be certain limitations to be imposed here.

If we go along the way, No. 3, "To compromise or release in whole or in part any interest, penalty or any liability to SSS in connection with the investments authorized under Section 26 hereof, under such terms and conditions as it may prescribe." There is no break. It will all depend upon the will and caprice of the SSS Commission. They cannot be challenged.

These are no limitations to these powers. It is a total grant of authority to them to either impose the penalty or waive it or even in investment, or even if they incur a loss because of their proof legacy, they will be excused. They will excuse themselves. I do not think that I can go along with this kind of a charter.

**Senator Fernan.** To start with, Mr. President, this provision, subsection 4, that was just mentioned by the distinguished gentleman should be read in relation to subsection 1 of Section 40, because Section 4 would be based on rules and regulations adopted by the SSS. These rules and regulations adopted by the SSS are subject to the approval of the President of the Philippines.

**Senator Enrile.** No, Mr. President. It says here: "...except those specifically provided herein as subject to the approval of the President of the Philippines."

The general rule is, rules and regulations of the SSS are not subject to the approval of the President of the Philippines except only those that will say so, where before the rule was that SSS cannot issue rules and regulations without the approval of the President of the Philippines.

**Senator Fernan.** Yes. In other words, there is a deviation from these enumeration of powers. That is where the approval of the President comes into play.

**Senator Enrile.** Yes. But these enumeration of powers themselves are so broad.

**Senator Fernan.** If the law ends here, Mr. President, perhaps there would be reason to fear. But if we read further and go into specifics, the limitations are provided in the other sections.

For instance, in the matter of investments of loanable funds, there is a limit. In the matter of operating costs, there is a limit specifically provided by legislation. In the operating budget of the SSS, it has a limit provided in its charter: 12% of contributions, plus 3% of investment earnings. In other words, there are safeguards, there are provisions.

**Senator Enrile.** What are the limitations on investments, Mr. President?

**Senator Fernan.** There are limitations enumerated for investments.

**Senator Enrile.** What are they?

**Senator Fernan.** May I enumerate all these.

**Senator Enrile.** Would the distinguished sponsor be willing to place this entity under the jurisdiction of the Insurance Commission and that all its investments must be subject to the approval of the Insurance Commission?

**Senator Fernan.** Mr. President, that would be a most

feasible idea if the main function of the SSS involves insurance. But insurance is a mere incidental function and the principal function is really social security, protection against old age, protection against sickness. If the idea is with respect to those minor functions involving insurance, then it can be subject to the visitation and inspection functions of the Insurance Commissioner, but not the rest of the function of the SSS which has nothing to do with insurance.

**Senator Enrile.** Mr. President, with due respect to the opinion of the distinguished sponsor, the SSS, just like the GSIS, is performing a trust function. It is a trustee of the funds not belonging to it but belonging to a vast number of people who are employees of the private sector. In the same manner, the GSIS is a trustee of the funds belonging to the employees of the government.

Now, if we are going to place the GSIS under the jurisdiction of the Insurance Commission in terms of seeing to it that the investments of the entity are sound not only financially, economically but actuarially, by the same token, the placing of SSS, especially its investments and its actuarial projection, ought to be the subject of scrutiny and supervision, if not control, by the Insurance Commission.

Today, there is no one that determines whether the SSS could have done better than what it has done so far, whether its investments are justifiable investments, whether the ratios are sound, conservative and safe for the beneficiaries other than its own self-proclaimed integrity and desire to do justice and fairness to its members.

*Tao lamang tayo.* I cannot accept the words of people in terms of cupidity and integrity. I would rather that there is a check and balance, especially an entity like this which is handling trust funds.

**Senator Fernan.** Mr. President, the way it appears to this representation, if the Insurance Commission has qualified actuarians to look into this matter, the SSS has equally qualified actuarians.

**Senator Enrile.** Yes, Mr. President. But those actuarians are employees of the commission. They are subject to the authority of the commission. They are subject to the authority of the President. In fact, the salary is determined by the commission and through the recommendation of the President. So, unlike in the case of the actuarians of a government entity entrusted to supervise trust funds like the Insurance Commission, these actuarians are not paid for by the income of the entity under supervision.

**Senator Fernan.** Mr. President, there is actually no need

for the proposal to place the SSS under the Insurance Commission because there is already an existing provision which reads: "The SSS may insure any of its interest or part thereof with any private company for reinsurance. The Insurance Commission or its authorized representatives shall make an examination of the financial condition and methods of transacting business of the SSS at least once in two years, but such examination shall be limited to the insurance operation of the SSS as authorized under this section, and shall not embrace the other operations of the SSS."

**Senator Enrile.** Mr. President, may I know what were the accumulated losses of the SSS from the time of its organization up to now, and how much of those were covered by revaluation of assets?

**Senator Fernan.** We will need figures. For how many years is the gentleman referring to, Mr. President?

**Senator Enrile.** I am sure that this entity must have written off some bad debts over time. We want to know whether indeed the commission running the affairs of the SSS was faithful to its trust, and we want to know what were the accumulated losses over the year since the beginning of its operation up to now, and how were these written off over the years.

**Senator Fernan.** No losses have been written off, Mr. President, because the SSS is not authorized to write off any loss.

**Senator Enrile.** Is the gentleman telling us, Mr. President, that many of the bad debts were fully paid for by the debtors? I think this is impossible.

**Senator Fernan.** Well, in the event foreclosure is resorted to when the value of the security is realized, then there is no loss incurred because usually the loan value is less than the actual value of the property.

**Senator Enrile.** Why are they then proposing a provision in this charter, Mr. President, where they could compromise or forego losses if they have not lost anything over the years? What is the utility of this proposed amendment?

**Senator Fernan.** Well, to guard against that contingency in the event it arises, although they have been very careful and prudent in running the affairs of the SSS.

**Senator Enrile.** Mr. President, I still will not take the word of the SSS. I would like actual figures. I would like to see whether this is so. What are its loans to private corporations in the past, whether all of these loans were recovered, and how did it recover these loans?

**Senator Fernan.** The figures requested, Mr. President, are not ready at the moment. The SSS officials who are present this afternoon would like to request that they be given time.

**Senator Enrile.** In that case, I would like to defer my interpellation until I get these figures because I would like to see a listing of all the SSS loans to outsiders. When I say outsiders, outside of its membership, whether the SSS recovered all these loans as it pretends to represent, and if it invested in shares of stocks of corporations; whether it did not incur any losses; and if it played the stock market, whether it did not lose anything in the stock market. This is a very unusual organization if these officials will tell me that they have not incurred any loss.

**Senator Fernan.** Mr. President, the SSS officials have just informed me that sometime during the committee deliberations of this particular bill, they submitted to the distinguished gentleman from Cagayan the list of loans. If the list is not available now, they are ready and willing to furnish him a copy of that list.

**Senator Enrile.** Mr. President, I have not attended any hearing of this charter. Somebody must be dreaming that these materials have been submitted to me. If they submitted these materials to my staff, I am entitled to ask for any document that I want to ask from the gentleman in this Chamber.

**Senator Fernan.** It was given to the office of the distinguished gentleman, Mr. President.

**Senator Enrile.** We have not received that, Mr. President. Who received it in my office?

**Senator Fernan.** We will produce the copy, Mr. President.

**Senator Enrile.** Until that is produced, Mr. President, I have lots of questions to ask. I would like that this matter be submitted to me beforehand to test whether the claim that this entity has not incurred any loss at all is correct.

I cannot understand why the SSS does not want to be placed under the jurisdiction of the Insurance Commission, when the GSIS itself is willing to be placed under its jurisdiction, with respect to its portfolio mix and the character of its allowable investments. What for? Why?

**Senator Fernan.** Placing the SSS under the Office of the Insurance Commission may be considered, Mr. President, but this should be done under the Insurance Code. It should be an amendment of the Insurance Code to prepare the Commission for that responsibility.

**Senator Enrile.** No, Mr. President. The proper place to do this is in this charter, as it is also proper to do that in the proposed amendment of the GSIS Charter. I am not willing to go along with the idea that I will have to reopen the Insurance Code to bring the SSS under the jurisdiction of the Insurance Commission.

This is the time to consider this point when we are amending the SSS Charter.

**Senator Fernan.** Mr. President, that is something that the members of the committee considered when they made the recommendation, and they felt that it should be done through the Insurance Code.

In fact, this representation was not a member of that committee when this matter was discussed. This representation merely took over the recommendation of the chairman in sponsoring this particular measure, Mr. President.

**Senator Enrile.** Mr. President, I would like to state for the record that I expected that this charter be referred to the Committee on Government Corporations and Public Enterprises as it should have been because this is a corporate entity. In fact, the very proposed amendment suggests that this is a government corporation. When this bill was called for discussion in this Chamber, I agreed that we could proceed without having to refer it to my committee because I did not want to delay the consideration of this measure.

Now that we are discussing the sensitive matters, I realize that these issues would have been discussed in the committee level. I think this is a major element in the discussion of this proposed revision of the SSS Charter whether we will allow it to decide its own fate without the intervention of the President, except as we provide it in this charter and without the intervention of the very entity authorized under our legal system to supervise the investment portfolio, especially of trust funds like the Social Security System of the country, as we are now also trying to put this kind of a concept in the revision of the GSIS Charter.

**Senator Fernan.** Mr. President, the points raised by the distinguished gentleman could be the subject of possible amendments during the period of amendments and the committee will consider these recommendations.

As far as the sponsorship is concerned, it has always been the impression of this committee that the matter has already been resolved. In fact, when this representation took over the chairmanship and when the group from the SSS approached this representation, he immediately manifested to them that if the

Committee on Government Corporations and Public Enterprises would like to take over the jurisdiction of this particular legislation, by all means, we will give it to the committee. But eventually, it was agreed upon that it will ultimately be handled by the Committee on Labor, Employment and Human Resources Development.

Earlier, when we began the discussion here, there was a manifestation by the distinguished gentleman that he would not mind at all, provided that it will not be established as a precedent. So, we are now at the stage of sponsorship, and I hope that if there are any amendments that he feels would cure whatever matters are sought to be cured in this proposed bill, then we can come up with the necessary amendments.

**Senator Enrile.** Precisely, Mr. President, I agree with the statement of the distinguished gentleman. I could very well claim jurisdiction over this because that is the ruling of the Senate at the very onset of our existence as a Congress. But I did not, because I did not want, first of all, to delay the consideration of this measure. As I said, that does not foreclose me from raising these issues that I would have raised if this matter was brought to my committee.

As I said, Mr. President, I still cannot see the utility of having to amend this charter and spell out the fact that this is a corporate body and juridical personality. When I say "this," I mean the SSS because it is already a corporate body and a juridical personality. I see no reason why we should change the title of the administrator except, maybe, to satisfy an ego trip from that of an administrator to an SSS president.

I suspect that all of these are part of a general strategy to really broaden the concept of the SSS as a corporate body enjoying both the powers under its special charter and, at the same time, bringing it within the ambit of the Corporation Code and without any effective supervision so that it can do whatever it wants.

As I said, as I will go along later on with my interpellation, I will show that the SSS even wants to invest the trust money of the Filipino labor sector in the economy of other countries. I think we are a capital-importing country and in this charter, we are saying that the SSS which gets free money from the private sector would want to invest this money outside of the country to help in the economy of other countries. That concept contradicts the very policy of the Ramos administration of attracting foreign capital to help us develop our own country.

**Senator Fernan.** At the outset, with respect to the designation of the SSS administrator as president, I cannot speak for the personal feelings or motivation of the administrator. I think

there was a reason for changing from administrator to president.

With respect to the reason, the rationale for these amendments is to make it more viable because the actuarial studies show that if there are no amendments made at this time, at the rate the SSS is proceeding, with the expected increase in the number of pensioners in a matter of so many years—probably by the year 2055—it might cease to be viable because there will be more and more pensioners if we do not increase the income of the SSS. We can only increase this if the resources of the SSS are increased because there are various ways of increasing the resources of the SSS to enable it to increase the benefits to its members.

**Senator Enrile.** Mr. President, I will come to that at the proper time. But as an off-the-cuff remark apropos that statement, the proposed revision of the charter calls for the expansion of the membership.

Is it the position of the distinguished sponsor that this is one way to expand the income of the SSS to meet that pension obligation when, in fact, that ought to have been considered from the very inception of the System by investing the contribution of the members then and computing the pension obligation over time in the future of this System actuarially?

**Senator Fernan.** Mr. President, to me, the expansion of the income is a secondary objective; to me, the primary objective is to broaden the umbrella of protection, to provide more security and protection to more people. That is the general idea.

That is the reason why we are bringing in the self-employed, we are bringing in agricultural workers, we are bringing in parents who are employed by the children and minor children employed by their parents because these are the people who are not mandatorily covered by the System at this time. The increase in income helps but it is merely secondary.

**Senator Enrile.** But, Mr. President, if the claim is correct that the System will not become viable unless its income is increased, that means that even with its present unexpanded membership, the System is already running into some financial problem. How much more if we are going to expand the membership? These people are going to contribute pesos now, with this purchasing power now and will get that money in the future.

Unless that is well-invested, as the previous contributions, what guarantee do we have that the System will work, which, in the words of the distinguished sponsor, seem to suggest that in the past several years that this organization has been in existence, it has not warranted the viability of the System as far as its

present memberships are concerned?

**Senator Fernan.** The income is expected to increase or will increase not only because of an increase in membership, but if we also widen and broaden the investment areas. That is the reason why we have to remove certain restrictions, like for instance, in the past, we limited the investments to just government securities. So the income from investment is quite limited. We have to allow the SSS to invest in shares and stocks of corporations which are very financially sound and give more than fair return on investment. At the same time, whatever funds we can generate, it will contribute to nation-building and to the socio-economic development of our country because we will also make these funds available by way of loans, infrastructures, hospitals, schools, and other improvements which will redound to the benefit of the country.

The investment climate has been changing. Many pension funds are now invested abroad to maximize whatever appropriate investment yield with wider choice of investment areas, and the increasing ability to upgrade future benefits.

The idea is not to enable them to make money abroad. The idea is to maximize the income of our funds invested abroad. That is precisely the reason why we intend to have some investment managers who are highly qualified.

**Senator Enrile.** Mr. President, the distinguished sponsor has just fortified my position with respect to the necessity of putting the System under the jurisdiction of the Insurance Commission. Because today the SSS invests in government securities which carries the full faith and credit of the Republic of the Philippines, with this expanded power, it can now invest in private corporations. We know that it is not always safe to invest in some private corporations unless we really do a very detailed and diligent effort to determine their financial capability.

Apart from that, in some cases, some of these corporate enterprises, even if these are listed in the stock exchange, are speculative and high-risk investments. Unless we have an outside organization that will monitor and put a brake on the investment portfolio on this entity, the intent to make a nest egg for the employees of the private sector might turn out to be an *embudo* for nothing. I just want to put that on record, Mr. President.

Apart from this, I see no reason why this entity ought to invest its money outside of the country. My understanding of that policy proposal is that it plucks the confidence on the viability and the future of the economy of the Republic of the Philippines. True, there are countries in the world where their funds may be invested in other countries, but I would like to find



out what are these countries. These are the modern industrialized countries where the rate of return on investments has become minimal in their respective areas and they have to look for new markets to invest their excess funds. They have already developed their economies. In our case, we have not developed our economy. We are, in fact, just starting to develop the economy.

My question is: Why should we use the capital fruits of the labors of our own people to develop the economies of other countries instead of using these funds to develop the economy of the Republic of the Philippines. Does the gentleman mean to tell me that he has no confidence in the soundness and strength of the economy of the Republic of the Philippines?

**Senator Fernan.** Mr. President, with respect to placing the SSS under the Insurance Commission, as far as the SSS is concerned, it has no strong objections against SSS being placed under the Insurance Commission, but in placing the commission under the Insurance Commission by amending the Insurance Code.

With respect to the other matter mentioned, when the word "confidence" was mentioned, it struck me immediately when we speak of confidence in the matter of investment. It should be remembered that the funds of the SSS invested are not invested by reason of the decision of just one person.

In fact, before the funds are going to be invested, it is going to be studied by a committee of qualified people with the investment manager. After that study is made, it moves up to a committee of the commission members, then it is studied by that committee of commission members.

The third study is made by the commission itself presided over by the SSS administrator, hopefully, to become president. With these three groups studying carefully the investments, we should give them a certain degree of confidence that they will examine carefully and make certain that the investments will be placed in safe enterprises.

**Senator Enrile.** Mr. President, if we go along with the thinking of the sponsor that we will allow investments of funds of this System abroad, and hand in hand with that policy the System will appoint investment managers, may I know how much will be the commission of the investment manager? What will be the charge, and how is this going to be computed?

**Senator Fernan.** The commission as computed here, Mr. President, is...

**Senator Enrile.** Half a percent?

**Senator Fernan.** It is one-tenth of 1 percent or less. That is the investment manager abroad.

**Senator Enrile.** What is the base of that one-tenth of 1 percent of the current fair market value of the portfolio or a fixed base?

**Senator Fernan.** It is the value of portfolio, Mr. President.

**Senator Enrile.** Yes, it fluctuates. And the one who will do the valuation is the portfolio manager, not the SSS?

**Senator Fernan.** It is the same kind of treatment for everybody.

**Senator Enrile.** Mr. President, in case of loss, can we run after the portfolio manager? I know that in all of these portfolio management contracts, there is a prior waiver of responsibility for the portfolio manager in case of loss. Is this going to be different?

**Senator Fernan.** They deal only with the big companies, Mr. President. The company should be with the thick income.

**Senator Enrile.** It does not matter whether we will deal with Merrill Lynch or ING bank or whatever. It is the same banana. Nobody is going to render charity service to us. These are businessmen, they want to make money. So it is up to us to take care of ourselves. No one will take care of us.

**Senator Fernan.** It is like *caveat emptor*; let the buyer beware.

**Senator Enrile.** Precisely, Mr. President. That is why I am suggesting that we should not authorize the SSS to invest its funds abroad. It should be invested in the country under our control.

**Senator Fernan.** If I were the administrator, although this is a hypothetical approach, if it is an investment between investing money in the Philippines and abroad, if the return in investment abroad is not as attractive as the return on investment in the Philippines, the first choice would be to invest the money in the Philippines.

**Senator Enrile.** In fact, Mr. President, interest-wise, the interest rate in the country is higher than the interest rate outside.

**Senator Fernan.** I agree.

**Senator Enrile.** As regards the return on investment in investments abroad, compared to the Philippines, we have a

higher yield here than anywhere else. That is why they are coming here. Why should SSS now tell us it wants to invest its funds abroad? What for?

**Senator Fernan.** I agree, Mr. President, but this is a provision that provides for the future. In the future, if conditions change, if the conditions abroad would warrant an investment abroad, then there is no obstacle, there is no impediment.

**Senator Enrile.** In that case, Mr. President, let them come back to Congress at that time to seek permission to invest its funds abroad. Or we will authorize an agency of the government to authorize SSS to do so, if there is a need for it, if that is the policy, rather than telling it now that "Okay, you can invest your funds." Because if we authorize it, as soon as this becomes a law, it will be investing abroad.

**Senator Fernan.** We hope we will still be around to look at it with understanding.

**Senator Enrile.** For instance, why do we have to put this provision on page 2, line 21? I am just picking this out. "The appointive members of the Commission shall receive at least P2,500 per diem for each meeting actually attended: *Provided*, That no compensation shall be paid for more than eight (8) meetings a month."

Suppose they will provide that instead of P2,500, they will put P25,000 per meeting, is that possible under this provision?

**Senator Fernan.** The commission would be exceeding its authority. In the past, it was just P1,500 times 8. It was about P12,000 a month, at most.

**Senator Enrile.** But is there in this provision any limitation as to ceiling of the aggregate per diem? All it says is they cannot hold more than eight meetings.

**Senator Fernan.** More than eight meetings. That is the observation of this representation. There is no mention regarding hearing of cases. Hearing of cases shall receive a per diem of at least P2,500.

**Senator Enrile.** It says: "The appointive members of the Commission shall receive at least P2,500 per diem for each meeting actually attended: *Provided*, That no compensation shall be paid for more than eight meetings a month." But they can increase their per diem. Instead of P2,500, which is the floor, they can increase it to P25,000. There is no ceiling.

**Senator Fernan.** Yes, because the words "at least" have been inserted.

**Senator Enrile.** Precisely, Mr. President. Why do we have to give them an open sesame to increase the per diem?

**Senator Fernan.** The idea is to give the commission leeway in the matter of fixing the per diem. Of course, it is still subject to public scrutiny because the commissioners will be subject to criticism if they just vote themselves any amount of per diem per meeting.

**Senator Enrile.** Apart from becoming members of the SSS, are these commissioners not also designated directors of corporations where they invest the funds of the System and they also get extra compensation from these private corporations?

**Senator Fernan.** I understand, Mr. President, that it is no longer practiced.

**Senator Enrile.** No, but have they not done that before?

**Senator Fernan.** They have, in the past. That is for old loans. That was the practice—to authorize some members of the commission to sit in the board.

**Senator Enrile.** What guarantee do we have that they will not practice that again?

**Senator Fernan.** The policy was recently adopted that henceforth, they should discontinue the practice.

**Senator Enrile.** Whose policy?

**Senator Fernan.** The policy of the commission.

**Senator Enrile.** Why should Congress be dependent upon the discretion and wishes of the commission rather than imposing the mandate of the Congress as the charter giver?

**Senator Fernan.** Mr. President, if the distinguished gentleman thinks that an amendment to that effect is necessary, then he should be free to do so.

**Senator Enrile.** Mr. President, it is also provided here in line 26 of page 2: "*Provided, further*, That said members of the Commission shall also receive reasonable transportation and representation allowances as may be fixed by the Commission."

What is the meaning of the word "reasonable"? How reasonable is reasonable transportation and representation allowances? Will a BMW car be a reasonable transportation? Will a P1-million representation allowance for a commissioner be a reasonable representation allowance?

**Senator Fernan.** The information I received is that the reasonable transportation and representation allowances will be based on actual expenses. In other words, if the transportation is to be incurred, like Commissioner Cecilio Seno who flies all the way from Cebu—Cebu-Manila, Manila-Cebu—then he has to charge the fare. Of course, he cannot charge a Manila-San Francisco ticket. And then for representation allowance, whatever is actually needed for entertainment purposes.

**Senator Enrile.** But this provision does not prohibit the commission from changing its policy and increasing the nature of the transportation allowance as well as the representation allowance. Does it, Mr. President?

**Senator Fernan.** It does not mention a limit, Mr. President.

**Senator Enrile.** Precisely, Mr. President, that is why I am raising this issue.

**Senator Fernan.** So, the point the gentleman has raised again may be the subject of a possible amendment.

**Senator Enrile.** At any rate, Mr. President, as I said, I have plenty of questions to ask. I am not prepared to continue with my interpellation this afternoon until I get the data that I have requested with respect to the investments of the SSS as well as its losses, especially its loans to private corporations and its investments in shares of stocks of corporations from its inception up to the present. We also want to know the history of those investments—whether they have profited out of it or they have incurred losses. And if there were losses, how much were these losses and how did they treat these losses? Have they written off these losses? If so, over what time?

Thank you.

**Senator Fernan.** It will be submitted to the distinguished gentleman.

**Senator Enrile.** I will reserve the right to continue my interpellation at some future date.

**Senator Fernan.** Yes, before the session begins tomorrow.

**The President.** The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, I move that we suspend consideration of Senate Bill No. 1663, noting the reservation

made by the distinguished gentleman from Cagayan.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

#### MOTION OF SENATOR TATAD (Designation of Sen. Roco as Chairman and Sen. Fernan as Member of the Senate Panel on S. No. 844)

**Senator Tatad.** Mr. President, I move to amend the composition of the Senate panel to the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 844 and House Bill No. 5323. This is the Sandiganbayan Bill.

According to an understanding reached between the present chairman of the Committee on Justice and Human Rights and his immediate predecessor, I move that Senator Roco be named the chairman of this panel and Senator Fernan slide down as member.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

#### SUSPENSION OF SESSION

**Senator Tatad.** Mr. President, I ask for a one-minute suspension of the session.

**The President.** The session is suspended, if there is no objection. [*There was none.*]

*It was 5:05 p.m.*

#### RESUMPTION OF SESSION

*At 5:11 p.m., the session was resumed.*

**The President.** The session is resumed.

#### ADJOURNMENT OF SESSION

**Senator Tatad.** Mr. President, to enable some of our colleagues to attend a number of bicameral conference committee meetings this afternoon, I move to adjourn the session until three o'clock tomorrow afternoon.

**The President.** Is there no objection? [*Silence*] There being none, the session is adjourned until three o'clock tomorrow afternoon.

*It was 5:11 p.m.*

wisely and judiciously for the benefit of the Filipino people, now and the future generations.

Mr. President, we have distributed to the members of this Chamber a document prepared by the Department of Agriculture and also by the Bureau of Fisheries and Aquatic Resources, entitled *General Information on the Philippine Fisheries Sector*.

While I have the floor, I just would like to announce that since three o'clock, there has been a rally outside our Chamber. This rally has been organized by our seamen; they are also people who gain their livelihood through the oceans.

They have been outside since three o'clock or, I think even earlier. These are the League of Filipino Seamen and the United Filipino Seafarers. The president of the United Filipino Seafarers is Mr. Nelson Ramirez. He is right here in this Chamber, Mr. President.

Their people have been outside, and I just would like to acknowledge the fact that we are cognizant of their presence. Although in my privilege speech I spoke about the fisherfolk, I would also like to take this opportunity to pay tribute to our seamen. I know the Chair is also aware of the valuable contribution they give to our economy.

I would like to thank the Chair and my colleagues in this Chamber for their patience.

**Senator Tatad.** Mr. President.

**The President Pro Tempore.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, we thank the distinguished lady senator from Pangasinan for her excellent presentation.

**SUSPENSION OF CONSIDERATION OF S. NO. 1708**

To allow the Chamber to respond in-depth to the sponsorship speech and to prepare for the interpellations that will follow, I move that we temporarily suspend consideration of Senate Bill No. 1708.

**The President Pro Tempore.** Is there any objection?  
[Silence] There being no objection, the motion is approved.

**CONFERENCE COMMITTEE ON  
H. NOS. 1822, 6478, 6502, 6517, 6980 AND 7091**

**Senator Tatad.** Mr. President, I move that we constitute the Senate panel to the Bicameral Conference Committee on six franchise bills emanating from the House and amended by the Senate. These are House Bill Nos. 1822, 6478, 6502, 6517, 6980 and 7091.

To constitute the Senate panel, I propose the following: Senators Herrera, Webb and Osmeña.

**The President Pro Tempore.** Is there any objection?  
[Silence] There being no objection, the motion is approved.

**MOTION OF SENATOR TATAD  
(To Reconsider Referral of H. No. 7758 and  
Refer It to the Committee on Labor, Employment and  
Human Resources Development)**

**Senator Tatad.** Mr. President, I move to reconsider the referral of House Bill No. 7758, previously referred to the Committee on Government Corporations and Public Services last November 1996, entitled "AN ACT EXPANDING THE COVERAGE AND BENEFITS OF THE SOCIAL SECURITY SYSTEM AND INSTITUTING REFORMS THEREIN, FURTHER AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW."

To make it consistent with the action of the Senate, I move that House Bill No. 7758 be referred to the Committee on Labor, Employment and Human Resources Development which is sponsoring the Senate counterpart measure.

**The President Pro Tempore.** Is there any objection?  
[Silence] There being none, the motion is approved.

**BILL ON SECOND READING  
S. No. 1663—An Act Strengthening the  
Social Security System  
(Continuation)**

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President Pro Tempore.** Is there any objection?  
[Silence] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** I ask that the distinguished sponsor, and chairman of the Committee on Labor, Employment and Human Resources Development, the gentleman from Cebu, be recognized.

We are still in the period of interpellations. When we last suspended, the gentleman from Cagayan was interpellating. I ask that he likewise be recognized to continue his interpellation.

**The President Pro Tempore.** Senators Fernan and Enrile are recognized.

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**Senator Enrile.** Thank you, Mr. President. Yesterday, I requested for certain materials so that I will have a fairly good grasp of the operations of the SSS. Today, I received those materials, but I have not gone through them, although I have briefly and cursorily read through the pages and noted that in the case of loans, there are overdue and delinquent accounts of the SSS.

I would like some more time to go over the materials to be able to ask intelligent questions about them. But I would like to propound some more questions to the distinguished gentleman with respect to the proposed revision of the charter of the Social Security System.

Mr. President, yesterday, on page 2 of the proposed measure, I raised a question with respect to the per diems of the appointive members of the commission. May I know if the nonappointive members of the commission are receiving any kind of emoluments once they serve as members of the commission of the SSS?

**Senator Fernan.** According to the SSS officials present this afternoon, Mr. President, they are not receiving any. If the Secretary of Labor is receiving any additional compensation, I will be the first to object because that would be in violation of the particular provisions of the Constitution.

**Senator Enrile.** Who are the members of the commission, Mr. President? How many are appointive and how many are nonappointive?

**Senator Fernan.** In the proposed amendment, Mr. President, there is a chairman—who is specifically mentioned as chairman in the appointment made by the President of the Philippines—and then the Secretary of Labor as *ex officio* member. There is an administrator who will now be known as president. So that there will be nine in all. Out of nine, as I said, it has the Secretary of Labor, the SSS president, and seven appointed members. There are three from the workers' group.

**Senator Enrile.** So, there are seven appointive members, out of nine members?

**Senator Fernan.** Yes, out of nine, seven are appointed, and the eighth is the SSS president, who is an appointee of the President of the Philippines, as well as the Secretary of Labor, who is also an appointee of the President, but not to that position.

**Senator Enrile.** So there are seven appointive members. And how many *ex officio* members?

**Senator Fernan.** The Secretary of Labor is an *ex officio*

member. It is specified here that the SSS president is a member of the commission. And the rest are the seven.

**Senator Enrile.** So, in effect, there are nine members of the commission.

**Senator Fernan.** Yes. Among the seven members of the commission appointed by the President of the Philippines, one of them is appointed as chairman.

**Senator Enrile.** So, the Secretary of Labor does not necessarily become the chairman of the commission?

**Senator Fernan.** Yes, Mr. President, under the present law, as well as in the proposed amendment. In fact, the incumbent chairman is Juan C. Tan, who, I think, is the president of the FFW.

**Senator Enrile.** Mr. President, what is the rationale in making the Secretary of Labor an *ex-officio* member of the commission? What is the utility, when according to the proposal, it has three members of the commission to represent labor; it has three to represent the employers, their counterpart?

The seventh member among the seven appointive members, whom does he represent?

**Senator Fernan.** Mr. President, this is as it exists under the present law. There is no change except that the Secretary of Labor may be represented by his duly designated undersecretary.

**Senator Enrile.** I know that, Mr. President, but precisely I am testing now the rationale and the merit of making the Secretary of Labor a member of this commission. My understanding of this whole proposal is that there is a wish to make the SSS an autonomous and independent body, so independent that we even want to remove the power of the President to scrutinize the rules and regulations to be adopted by the SSS. That is why I am now raising the question. Why should the Secretary of Labor be a member of this commission?

**Senator Fernan.** While this representation is not privy to the discussion on this particular provision at that time it was drafted and included in this law, as far as it appears to me, Mr. President, the idea is to maintain as much as possible the tripartite balance among the commissioners, the balance among the elements of private sector labor, private sector management and the public sector government. And that is the reason why we have this composition: employers group, labor group and then the government group with one of them appointed, representing the public together with the Secretary of Labor and the President. In fact, there is a provision that states that among the labor

representatives, there should be one lady representative, at least one, and in the management representative, there should be at least one lady also.

**Senator Enrile.** I will go along with that, Mr. President, where we will include a female member representing labor and also a female member representing the employer, but I am tempted to question why the gentleman favors men rather than women. Why not two women and one man for labor, as well as for the employer? But I will not go that far.

My question, Mr. President, is, of course the Secretary of Labor being a Secretary of Labor, and that the labor sector is the constituency of the labor secretary, he will favor the interests of labor. Why not balance him by making the Secretary of Trade and Industry also a member, *ex officio* member of this commission instead of appointing somebody totally an outsider as a member of the commission? That is my first question on this point, Mr. President.

**Senator Fernan.** This representation feels that the underlined philosophy here is to help those who have less in life. And between someone who would tend to protect the interests of employers, and that we would be referring to the Secretary of Trade and Industry, as against someone who is representing to a certain extent the interests of labor, they would be inclined to give it to someone who would tend to protect the interests of labor. That is the reason why it is given to the Secretary of Labor, Mr. President.

**Senator Enrile.** Mr. President, as a general proposition, I accept the principle that those who have less in life should have more in law, but I disagree on its application with respect to this particular matter because we are dealing here with the trust fund which is a product of the combined contribution of the workers and management. And there is no pro-poor or pro-rich principle in the administration of this trust fund. In fact, both management and labor are interested in the preservation of this fund for the benefit of the intended beneficiaries which are the members of the laboring class.

Therefore, I am questioning why the Department of Labor and Employment, through its Secretary, is made an *ex officio* member of this commission and not the half of the contributing public to the fund, and that is, the Department of Trade and Industry.

With due respect to the Secretary of Labor and Employment, in terms of investment—the soundness and yield of investments—the Secretary of Trade and Industry will be in a better position to influence and advise the SSS in seeing to it that these funds would produce the best yield for the intended beneficiaries.

**Senator Fernan.** Mr. President, the members of the commission are there to protect the interest of the members of the system. Who needs more protection: the interest of the employer-members or the interest of the employee-members?

I believe that there is need for more protection on the part of the employee-members. That is the reason why there is a Secretary of Labor who is familiar with the rights of labor and who can immediately enlighten the commission on problems pertaining to labor. By and large, the membership in the system would consist of the employee-members and a negligible number of employer-members.

**Senator Enrile.** I beg to disagree, Mr. President. Just by cursory reading of the documents submitted to me, the interests of the laboring class are not that well-protected. In fact, a large part of the money of the laboring class is invested not in houses and hospitals for their benefit but for the good fortune of people who are close to the powers-that-be.

Take the case of a large loan given to the Concepcion Industries during the time of Mrs. Aquino; that is not intended to benefit the workers. It was to benefit a political colleague of the ruling political elite at a given time.

I cannot accept that proposition or the implication of the statement that the Secretary of Labor was intended to become an *ex officio* member of the Social Security Commission because he is partisan or partial to labor. I think the purpose of his being there is because he is a member of the Cabinet, knowing the problems of labor and conscious of the need to preserve this fund for the benefit of labor. He is there because he is assumed to be a prudent representative of the Cabinet in seeing to it that this fund representing the contribution of the workers will not be imprudently invested.

I am suggesting that, to fortify the efforts of the Secretary of Labor to perform that task for the laboring group, the Secretary of Trade and Industry ought to be made an *ex officio* member as well, in order to give an input regarding the nature of the economy, of industries and the thrust of the industrial program of the government. So that this fund can benefit out of the knowledge of this member of the Cabinet of any administration dealing with commerce and trade in the country and also in the international arena.

**Senator Fernan.** The underlying philosophy between two groups is who needs more protection, and we spelled that out earlier, Mr. President. If we have to appoint the Secretary of Trade and Industry, well, there will be quite a number of government officials involved in the commission because the president alone of the SSS is already expected to have the expertise in the matter of return on investments. Otherwise,

he would not be qualified to be appointed president of the Social Security System.

**Senator Enrile.** Mr. President, may I point out to the distinguished sponsor that among the declaration of policies and definition of policies of this law is for this fund to contribute to the socio-economic development of the country. And who is in a better position to define the socio-economic development thrust of the country other than the economic ministers, the Secretary of Finance and the Secretary of Trade of the Republic?

In fact, as we attend the meetings of the LEDAC, which is a mechanism to bring about coordination and cooperation between the executive and the legislative departments of the government with respect to economic and legislative policies, the ones carrying the brunt of defining the economic thrusts of the country are the Secretary of Trade and Industry, the Secretary of Finance, and the economic secretary of the government, the head of the National Economic and Development Authority. That is why I am making this suggestion.

*At this juncture, Senator Ople relinquished the Chair to Sen. Juan M. Flavio.*

Now, in the case of the administrator, mention has been made that he has the expertise. Now, I question why he should be a member of the board, Mr. President. He represents management. He is supposed to be checked by the board. He is the recommending authority of the System, and his acts and decisions must be approved, ratified and/or scrutinized by the board.

Now, being the administrator of the System and appointing all the employees of the System below a certain rank as proposed here, it stands to reason that he is a powerful member of the System. Therefore, he ought not to be an *ex officio* member of the System so that there is a clear division between management, the implementing authority and the approving authority in the System.

**Senator Fernan.** Mr. President, it is sound policy to have a link between management and the policy-making body of the System, which is the Social Security Commission. That link is necessary to enable the members of the commission to have direct access to information that will enable them to arrive at fair, just, and accurate decisions. That is the reason why the president is made a member of the commission. The system has worked well through all the years, so why should we change at this time?

**Senator Enrile.** Mr. President, I have been a member of several government boards and have been advisor of several private corporations—name them and I have them—in the

country. In fact, the better policy is to distinguish management from the governing board of any organization.

I believe, that as far as link is concerned, information is concerned, any member of the board of any corporation, be it public or private, if he is worth his salt, can demand the submission to him of information that he wants to educate himself in the affairs of the organization to which he serves as a member of the board. Therefore, there is no need for the president of a corporation to become a member of the board of the corporation.

**Senator Fernan.** Mr. President, it is not only in the Philippines that it has been the practice that presidents are members of the board, but it is a worldwide phenomenon. I am ready to refer to the records of the Securities and Exchange Commission to prove my point that most, if not almost all, presidents of corporations are members of the board of directors.

**Senator Enrile.** That is a matter of policy, a matter of choice, Mr. President, but we are crafting here a reform measure and we always talk of checks and balance. I believe that we should maintain a system of checks and balance. Imagine, a president becoming a member of Congress! How can we do that; how can we have a check and balance? It is better for us to maintain the dichotomy rather than establish a gay system.

**Senator Fernan.** The fear expressed by my distinguished colleague from Cagayan would be well-grounded if there were only two or three members of the commission, but there are nine members, Mr. President. So the fear of any undue influence on the part of the president is a very farfetched one.

**Senator Enrile.** *Alam po ninyo, Ginoong Pangulo, tayo ay tao lamang. Ang administrador ng SSS ang pumipirma ng vouchers. Siya ang pumipirma ng lahat ng cash disbursements. Siyempre iyong mga miyembro ng Komisyon ng SSS ay makikisama din sa presidente. Kung siya ay member ng board, kung ano ang sabihin niya, iyon ang mangyayari.*

I doubt whether there is anyone in the board who will go against the president or the administrator if he knows that the administrator is interested in a particular subject matter.

**Senator Fernan.** The SSS officials here have stated that there were occasions in the past where the wishes of the president were not sustained by the majority of the commission. In other words, he does not get what he wants all the time. There are times when he has to bow to the wishes of the majority.

**Senator Enrile.** Yes, but most of the times, he gets what he wants.

**Senator Fernan.** For as long as it redounds to the benefit of the System then, by all means, let him get it.

**Senator Enrile.** We will come to that during the period of amendments. If I may, I will pass on, Mr. President.

Beginning in line 9, it says: THE SIX MEMBERS REPRESENTING WORKERS AND EMPLOYERS SHALL BE CHOSEN FROM AMONG THE NOMINEES OF WORKERS' AND EMPLOYERS' ORGANIZATIONS, RESPECTIVELY.

Does this mean, Mr. President, that the president has no discretion other than selecting the people presented to him? His field of choice is limited to those presented to him? In other words, his function is ministerial to the extent of just selecting from amongst the people presented to him. He cannot go outside of those that were not presented to him.

**Senator Fernan.** That is correct, Mr. President. But, at the same time, it does not specify what is the particular employers' organization and what is the particular workers' organization. That is where the president has a leeway provided he is the choice and nominee of the workers' organization and employers' organization recognized by the President of the Philippines.

**Senator Enrile.** So are we now saying that the President should be crafty enough to organize his own employers' organization and say: "I-nominate *mo ito para siya ay mabigyan ko ng appointment sa SSS.*" *Ganoon ba?*

**Senator Fernan.** Mr. President, we have to credit the President with enough knowledge on what unions are worth recognizing. What are the reputable unions in this country—TUCP, FFW, or other big unions—that deserve recognition and must be represented in the SSS from their membership or track record? In the same manner, we also know what are the different organizations of employers that deserve to be recognized and whose representatives deserve to be considered for appointment.

**Senator Enrile.** What is the rationale of these capitalized letters saying, "SIX MEMBERS REPRESENTING WORKERS AND EMPLOYERS SHALL BE CHOSEN FROM AMONG THE NOMINEES OR WORKERS' AND EMPLOYERS' ORGANIZATIONS, RESPECTIVELY." This is appearing for the first time and it is a limitation on the appointing power of the President.

Why is it being introduced now? Is it because there is no trust and confidence in the President of the country to exercise a wise judgment to protect the interest of labor and employers in the country? What is the meaning of this?

**Senator Fernan.** If that is compared with the existing provisions, the change there is from "labor" to WORKERS, and from "management" to EMPLOYERS. So it is just a change of certain words, but in effect, it is still the same six people—three from the workers' and three from the employers' group.

**Senator Enrile.** Mr. President, I think the distinguished sponsor did not understand my question. This is a new provision. It is not in the present charter. Why are we now changing the present charter by introducing this new provision? Is it because we do not trust the President?

**Senator Fernan.** I fully understand the question, Mr. President. These nominations pass through the organizations. It is not enough to just say three of whom shall represent the workers—it used to be labor—and the other three would represent the management group. Now it says: "The six members representing workers and employers." That means they are representatives designated by the employers' group.

In other words, they are nominees of certain organizations. They do not just present themselves and say: "I am a member of a union; I am a worker; I am an employee; therefore, I am qualified to be a member of the SSS Commission."

He cannot. Now he has got to be coursed through the organization, the union. In the same manner, an employer's representative has to be coursed through an employers' confederation or an employers' chamber or association.

**Senator Enrile.** Mr. President, we are talking of unionized labor. How about those who are not unionized? Majority of our workers are not members of unions. Why should the minority represent the majority?

**Senator Fernan.** If they are not unionized, they can always form their own associations without becoming a union. They are not prevented from doing so. But they cannot go there as individuals unless they want to be considered as public representatives, Mr. President.

**Senator Enrile.** That is precisely what I am raising, Mr. President—why should we make so much importance of unions? Why not workers, unionized or not, and let the non-unionized members be also taken as a field of choice, as an area for choosing those who would be appointed in this commission? After all, they are contributing to the SSS. Why should the nominees of organized labor be the only ones who will be considered for appointment? Why not give that prerogative to the President?

**Senator Fernan.** Precisely, I qualified my statement by



saying not just a union, but also an association or any group. But if one does not belong to any group, then he asks that he be considered for appointment as a representative of the public, Mr. President.

**Senator Enrile.** But the wording of this provision is to the effect that, "The six (6) members representing workers and employers shall be chosen from among the nominees of workers' and employers' organizations."

*Alam naman natin na karamihan sa ating mga workers ay hindi members ng union. Bakit natin ipipilit na magkaroon sila ng organisasyon?* The right to form an association carries with it the right not to form an association. Why should we be violating the rights of those who do not wish to be a part of an association? Why not leave the choice to the President to select at least one of these workers' representatives to come from nonorganized labor?

**Senator Fernan.** Their rights are not being violated, Mr. President. The general idea—and that can be deduced from the phraseology used—is that someone is representing the workers. Now, whether it is a union, an association or a group of workers, that remains to be seen. It is up to the President to determine whether this particular individual deserves to be appointed to the commission because he represents that particular group.

**Senator Enrile.** Precisely, Mr. President, I am raising a question. Why should we compel those members of the laboring group who are not organized to organize before they could be given a representation in the commission? We are limiting representation to those who are organized because, unless an organization nominates a prospective member of the commission, he will never be appointed by the President because we limit the field of choice of the President to those who are nominated by workers' organization whether they are unions or not,

**Senator Fernan.** In order not to be misunderstood, Mr. President, I have never used the term "organized." It is not a requirement on the part of the sponsor to require a person to organize a union. But that if one joins a group, whether it is a union, an association or a group, it is not enough for one individual to say, "I am an employee, I am a worker and therefore, I should be appointed a representative of the workers."

**Senator Enrile.** May I call the attention of the distinguished sponsor to the text of the bill that is being sponsored.

It says: "The six (6) members representing workers and employers shall be chosen from among the nominees of workers' and employers' organizations."

**Senator Fernan.** But there is nothing here that mentions that one has to organize a union in order to be one of the nominees of that group.

**Senator Enrile.** I precisely followed the logic of the distinguished sponsor by not limiting my question to unions. I said: Why should a member of the nonunionized labor group be required to organize themselves first and have an organization to nominate somebody to represent nonunionized labor force? Why not leave that to the President to choose from among those who are not members of the union to represent the majority of workers who are not, in fact, unionized?

**Senator Fernan.** The idea, Mr. President, is to provide certain criteria that would at the same time guide the President in the choice of someone who can speak for the workers.

**Senator Enrile.** Why? Do we consider the President a nincompoop that he does not have an idea of who is qualified to be a member of the SSS if he can appoint someone to become an administrator who may not be a hotshot? Is he not qualified equally to get somebody to represent a sector of the society in the commission? I cannot accept that proposition.

**Senator Fernan.** Mr. President, he is presumed to be qualified to choose, in the same manner that it is provided in the choice of the members of the judiciary that the President can choose only from among the three nominees. That is the guideline provided to the Judicial and Bar Council.

**Senator Enrile.** That is the mandate of the Constitution. We are not talking of the Constitution. We are talking of statutes. We are crafting policy. We are crafting the nitty-gritty of our social life here. I am testing the validity of these propositions.

**Senator Fernan.** Mr. President, if it is good enough for the Constitution, it is good enough for ordinary legislation.

**Senator Enrile.** Not necessarily, Mr. President. If I have my way, I would consider that provision of the Constitution an equally debatable issue bordering on something else.

**Senator Fernan.** If the gentleman feels that he can still improve the language as it appears now, the same can be entertained during the period of amendments.

**Senator Enrile.** The gentleman can be sure of that, Mr. President.

**Senator Fernan.** It would be most welcome, Mr. President.

**Senator Enrile.** Now, Mr. President, according to this proposed revision of this charter, the appointive nominees will

have a maximum of eight meetings in a month to be paid and a minimum compensation per meeting was set at P2,500. There is no upper limit to the amount of compensation per meeting.

Could these people have only four meeting days in a month—one in the morning, one in the afternoon—and charge the per diem equivalent to eight meetings?

**Senator Fernan.** What is mentioned here in the existing provision of the law is “for each meeting actually attended by them.”

**Senator Enrile.** So they can hold meeting during breakfast, another meeting during lunch and another meeting during dinner. They do that in three days in a month and they can satisfy the eight meetings and collect their per diems equal to eight meetings?

**Senator Fernan.** No, Mr. President. The answer is, it depends. What is the intention of the commission? When the meeting in the morning is over, do they adjourn? And another meeting is called in the afternoon. But if the meeting in the morning is merely suspended and resumed in the afternoon as we do it here in the Senate, then it is the same meeting continued.

**Senator Enrile.** Suppose they adjourned the meeting in the morning and then adjourned the meeting at noon and then also adjourned the meeting in the evening?

**Senator Fernan.** Probably they can get away with it on a technicality by saying these are two meetings. But in the long run, they will be subject to criticism.

**Senator Enrile.** Then my question, Mr. President, is: Why should we take a chance by adopting a provision like this which I consider rather unusual? We established a minimum per diem per meeting and yet we do not establish a maximum. I have always thought that if we establish a limit, it is the upper limit that we control rather than the minimum amount.

My question, Mr. President, is, if the sense of this provision, as I understand it, is correct, then they can increase the per diem per meeting to P25,000 and it will be legal. It will be in accordance with the statute. Am I correct on this, Mr. President?

**Senator Fernan.** Mr. President, before I comment on whether or not the statement is correct, I am just surprised why the distinguished gentleman is dwelling on this particular provision because this is not the subject of amendment. It has been left untouched. And if it is the desire of the gentleman to amend this provision, then I think the proper time is during the period of amendments to come up with a new amendment because the

committee has never recommended that this be the subject of amendment.

**Senator Enrile.** Mr. President, am I using the same copy as the distinguished sponsor? May I call his attention to line 21 on page 2. There are three words in capital letters—“ATLEAST TWO (one) Thousand Five Hundred Pesos.” What is this? Was this not a proposed amendment?

**Senator Fernan.** But the clause referred to is “Provided that no compensation shall be paid for more than *eight meetings a month*.” Eight meetings a month underscored. Those were the words referred to, Mr. President.

**Senator Enrile.** No, I am talking of the compensation now, the per diem, Mr. President. The per diem has a minimum but the maximum is limitless.

**Senator Fernan.** Well, if it is at least two, it does not refer to the number of meetings, but it refers to the figure. From P1,500.00, it has been increased to at least P2,500.00.

**Senator Enrile.** May I clarify, Mr. President, to remove the cobwebs that is beginning to appear. And that is, the members of the commission can have a compensable meeting of not more than eight meetings per month.

**Senator Fernan.** That is correct.

**Senator Enrile.** That is in the law. On the other hand, under the old law, they are entitled to a per diem per meeting of P1,500.00. The words “at least” was not there. The words “at least” are introduced for the first time. So therefore, it changes the situation radically. The proposal now is cleverly made to suggest that a minimum per diem of P2,500.00 will be allowed but there is no limit with respect to the maximum. So the maximum is “open sesame.” It will be within the total complete uncontrolled discretion of the commission to increase their own per diem of the appointed members.

May I know whether this is really the thinking, first, of the sponsor and/or the commission? Or this is only by accident, a thought-out accident?

**Senator Fernan.** It is becoming apparent, Mr. President, that there is really a reason to clear the cobweb. Because, what was referred to earlier was the number of meetings—eight meetings. Now, we are going into at least two, the words “at least two.” The words “at least two” do not refer to the number of meetings but to the change of the figure of the amount from P1,500.00 to at least P2,500.00. And I have not commented yet on the “at least P2,500.00.”

My comment on the "at least P2,500.00" is that the per diem of P1,500.00 has become unrealistic through the years, considering the present purchasing power of the peso. And so, there is every need to increase the per diem to P2,500, at least P2,500.00 per meeting.

#### SUSPENSION OF SESSION

**Senator Enrile.** I think the cobweb has become more complicated, Mr. President. May I ask for a five-minute suspension of the session.

**The Presiding Officer [Sen. Flavier].** Is there any objection? [Silence] There being none, session is suspended for five minutes.

*It was 5:14 p.m.*

#### RESUMPTION OF SESSION

*At 5:46 p.m., the session was resumed with the Senate President presiding.*

**The President.** The session is resumed. The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** I move that we suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [Silence] There being no objection, the motion is approved.

#### CONFERENCE COMMITTEE REPORT ON S. NO. 913 AND H. NO. 2467

**Senator Tatad.** Mr. President, we have just been informed that the Conference Committee on the disagreeing provisions of House Bill No. 2467 and Senate Bill No. 913 has concluded its business. The chairman of the Senate panel is ready to report to us for the appropriate action of the Senate.

I ask that the chairman of the Senate panel, the distinguished gentleman from the Cordilleras, be recognized to render his report.

**The President.** Senator Flavier is recognized.

#### REPORT OF SENATOR FLAVIER

**Senator Flavier.** Mr. President, I have the honor to report

the results of the Bicameral Committee meeting reconciling the conflicting provisions of House Bill No. 2467 and Senate Bill No. 913.

In essence, Mr. President, there were two main issues that we have to reconcile. The House wanted a percentage of the Pagcor funds. However, the Senate wanted an absolute figure. This was finally resolved by agreeing on a two-tier funding. Meaning, that we also agreed to the length of time which the House wanted "as open-ended." The Senate wanted a sunset provision of three years. Later, the House and the Senate agreed to four years and the four years would be divided into two phases.

The first two years, it would be pegged at P6 million per month for two years. And the second two years, or the third and fourth years, will be pegged at P7 million per month. The other major insertion was a phrase that gave priority to fifth- and sixth-class municipalities. And also the council's life has been readjusted to four years, in view of the fact that this is a four-year funding act.

Finally, Mr. President, the title was also rephrased because there was a legal opinion that the original title was composed of two items and the agreement was to simplify it. Therefore, it is now known as "An Act Further Strengthening the Science Technology Program of the Government, Amending for the Purpose Republic Act No. 7687, Otherwise Known as The Science and Technologies Scholarship Act of 1994."

#### APPROVAL OF CONFERENCE COMMITTEE REPORT ON S. NO. 913 AND H. NO. 2467

Mr. President, it is my honor to recommend to the Body the adoption and approval of this bicameral report.

Thank you very much, Mr. President.

**Senator Tatad.** We so move, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the Bicameral Report is approved.

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*The following is the full text of the Bicameral Report:*

#### CONFERENCE COMMITTEE REPORT

The Conference Committee on the disagreeing provisions of House Bill No. 2467, entitled

#### AN ACT AUTHORIZING THE PHILIPPINE

**Senator Angara.** I can see that, Mr. President, but I think that support by government in extending guarantee or even extending direct loans should be sufficient support to export companies rather than requiring a public corporation like Philguarantee to invest in equity.

The experience, Mr. President, is quite unhappy in this country. It may be involved in speculative investment that may ultimately wipe out its capital. Philguarantee, as we have seen in the past, has been the object of political misuse and abuse. We should also anticipate that kind of contingency in the future. So this is leaving a loophole in the power of the corporation that will in fact tempt powers-that-be to utilize the funds of this corporation.

**Senator Enrile.** Mr. President, in due time, we will be open to consider such proposal and limitations or both that the distinguished gentleman from Quezon may wish to propose.

**Senator Angara.** Thank you very much, Mr. President.

Just one final point—this has been raised before—and that is the request for exemption from the Salary Standardization Law. I think this is about the third agency request put to us in the Senate. The first one I remember is the Small and Medium-Scale Guarantee firm. The second is the SSS which we are now debating on, and the third one is this.

I agree that if our people, both in the civil service as well as in the corporate sector, feel that the salary is now out of date and out of line, what we ought to do is to pass a general law reclassifying the salary and grades rather than passing piecemeal exemptions like these because they have a way of demoralizing the rest of the bureaucracy. I for one will go all out for a general reclassification.

Thank you, Mr. President.

**Senator Enrile.** We will consider that at the proper time, Mr. President. Thank you very much.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, we thank the distinguished gentleman from Aurora, and Quezon for his questions and the sponsor for his answers.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1885

In the meantime, I move to suspend consideration of Senate Bill No. 1885.

**The President.** Is there any objection? *[Silence]* There being none, the motion is granted.

#### SUSPENSION OF SESSION

**Senator Tatad.** I move for a few minutes' suspension, Mr. President.

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 5:07 p.m.*

#### RESUMPTION OF SESSION

*At 5:44 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

#### BILL ON SECOND READING S. No. 1663 - An Act Strengthening the Social Security System *(Continuation)*

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 1886.

**The President.** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of interpellations. When we last suspended, the distinguished gentleman from Cagayan was interpellating, and he made reservations to continue to interpellate. But to facilitate the discussions, he has kindly agreed to terminate his interpellation, without prejudice to asking questions prefatory to proposed amendments which he would propose at the appropriate time.

In the meantime, I ask that the distinguished sponsor, the gentleman from Cebu be recognized, and the gentleman from Aurora and Quezon, to interpellate.

**The President.** The gentleman from Cebu and the gentleman from Aurora, Quezon and Pampanga are recognized.

**Senator Angara.** Mr. President, I thank the Chair for recognizing the origin of my wife.

Mr. President, I would like to put some questions for clarification and public information to the distinguished sponsor of this proposed change in the SSS Law. I will be very brief and direct to the point.

Mr. President, on September 29, 1995, the World Bank issued a report titled "Philippines, An Agenda for the Reform of

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the Social Security Institutions." Some of its findings are quite revealing, and I took the effort of looking and reading this report.

Generally, while it praises the Philippines for its savings mobilization, it raises some very important points about the operations of the SSS as well as the GSIS.

Just to summarize its findings, it says the following:

1. The investment return of the SSS is below the return on T-bills in this country;
2. The collection of payment contribution is very slow and, in fact, declining; and
3. The SSS must watch out on its operational cost because with a combination of a declining investment return and contribution, accompanied by a rising operating cost, there is danger that the SSS as presently ran and operated will go bankrupt by the year 2020.

I would like to put that on record, Mr. President, so that we will be able to assure our millions of SSS members that these findings are not as pessimistic and that something can still be done.

Ultimately, I will ask the question: Will these proposed changes try to correct some of these deficiencies pointed out by the World Bank study? First of all, is it true that the investment return of the SSS has been below the T-bill return?

**Senator Fernan.** Mr. President, in answer to the first point raised by the distinguished gentleman from Quezon, Aurora and Pampanga, the World Bank study which compared the SSS return on investment with the treasury bill average did not include the unrealized gains from stock investments of the SSS. That was the natural consequence because of investments in subsidized member loans, salaries and housing which subsidy is being phased out now to the members.

If the unrealized gains were to be added, the SSS got close to higher than the T-bill average rate, and that is as per record of SSS compared to the record as pointed out by the World Bank study, Mr. President.

**Senator Angara.** What were the investment returns, Mr. President, for the past five years, if we may ask?

**Senator Fernan.** For the past five years, they are as follows: for 1991, 20.5%; 1992, 17%; 1993, 16%; 1994, 14.3%; and for 1995, 14.1%. An average for the past five years of 16.4%. That does not include the unrealized gains on stocks, Mr. President.

**Senator Angara.** Let me read for the record, Mr. President, the key findings of the World Bank study. For the period 1989 to 1993, both the SSS and GSIS realized returns less than the T-bill rates. Perhaps, it has improved since then. Secondly, SSS funds outperformed the T-bill yields in only two years and barely kept paced with inflation. Thirdly, when adjusted for inflation over the period, the real rate of return for the SSS was only 5%. These facts will show that there is a clear need for improvement through a better mix of assets and improved asset management. What is the response of our colleague from the SSS, Mr. President?

**Senator Fernan.** The figures mentioned, as I pointed out earlier, do not include the unrealized gains from stocks, because the figure comes into play only when the stocks are sold. So, prior to the sale of the stocks, there is no unrealized gains to report. That is why, what appeared to the World Bank is a figure less than what was actually realized later on.

**Senator Angara.** Another key finding, Mr. President, is that in 1993, the SSS collected total contributions of P13.4 billion but paid out P14 billion in benefits, leaving a gap of P600 million to be covered by investment income. At the rate the benefits are rising, it says here, "During the period 1987 to 1993, the benefit payment increased to 34% per annum compared with 30% per annum for contribution income and 27% for operating expense. The combination of benefit payments and operating expenses exceeded income from contributions in 1992 and benefit payments alone exceeded contribution income by over half a billion pesos in 1993. Consequently, SSS had to use its investment income to cover current expenses over the last two years." This is a very serious matter.

**Senator Fernan.** Yes.

**Senator Angara.** What is the response, Mr. President? It says here "by the year 2020, the system would be so precarious because persons over 60 years old will now be more than 10% of the population, whereas today, it is only 5%. Therefore, more people will be retiring at a faster rate by 2020 and the danger of bankruptcy or insolvency will be great.

**Senator Fernan.** The figures mentioned by the distinguished gentleman became a challenge to the people running the SSS, so that efforts were exerted to reverse the trend, and they are pleased to inform this august Body that the trend has been reversed since 1996, because in the SSS report for the period January to December 1996, the total benefits paid out is P20,114,220,000.

On the other hand, the total contributions amount to P21,740,340,000.

**Senator Angara.** What particular change in this law, Mr. President, is intended to cure this deficiency?

**Senator Fernan.** One aspect of this is the broadening of the area of investment. With the broadening of the area of investment, there is a promise of a higher return of investments, and, of course, exercising caution and prudence in the investment of funds. That is why there is a need for a full-time investment manager, and for the imposition of higher penalties for noncompliance with the requirements of these provisions. So that those who violate the provisions will be imposed a higher penalty.

Collection efficiency, in general, Mr. President, is usually related to the economic status of countries. The SSS collection rate is low compared to developed countries; but related to other developing countries, the Philippines has done well. The amendments provide for measures that would improve collection. The SSS has collected better than other government agencies.

**Senator Angara.** In terms of compliance, Mr. President—this is the finding—the rate of compliance is very low. In fact, the latest figures indicate that employer's compliance with SSS requirement ranges from 35% to 55%. Again, we relate it to rising benefit payments to a declining contribution. What particular change in this proposed law will cure this low compliance?

**Senator Fernan.** As I mentioned, we are giving more teeth to the law by increasing the original penalty of fine from P500 to P5,000 to P5,000 to P20,000; and the imprisonment is, from six months and one year, it was increased to a range of minimum of six years and maximum of 12 years; and persons engaging independent contractors subsidiarily liable for the latter's civil liability. If the amendments are approved, the use now of the optical disk, similar archival media, then it would be admissible as evidence.

**Senator Angara.** What about the rising operating costs, Mr. President? What particular change is intended to arrest the rising operating costs of the SSS?

**Senator Fernan.** There was a determination of the number of employees of the SSS, of the whole system. In fact, compared with the GSIS, although the volume of transactions on the part of SSS is much bigger than the volume of business handled by GSIS, we have very much less and I think the figure is 5,000 employees for GSIS and SSS.

**Senator Angara.** So, it is about the same.

**Senator Fernan.** It is about the same, although a bigger volume of business is handled by the SSS. The operating cost of the SSS has always been lower than the statutory limits which

is not more than 12% of the contribution and not more than 3% of the investment earnings.

**Senator Angara.** With the proposed contribution to a Provident Fund and the exemption from the Salary Standardization Law, how much more cost will be added to the payroll of the SSS? And with that additional amount to the payroll, will it still be within the ceilings that the gentleman just mentioned?

**Senator Fernan.** The SSS cannot exceed the statutory limits, Mr. President. Within the foreseeable future, the SSS expects to hire people with expertise. While their compensation may be higher, they can do the work of more than one person so that there may not be need to increase the personnel as much as when it hires ordinary employees whose salaries are not competitive with the salary rates of people in the private sector.

**Senator Angara.** Now, let us talk of asset management, Mr. President. I know that the law specifies the kind of investment instruments and areas in which SSS can invest its reserved fund.

What is the proposed change to this investment coverage? Are we expanding it? Are we adding additional areas of investment and, incidentally, what is the investment mix now of the reserved fund of the SSS?

**Senator Fernan.** There are now more areas of investment, of course, subject to limitations. The expanded investment areas for flexibility with expected higher rate of investments but limited are, in the case of private securities, 40% of the loanable funds; 40% for member-loans, that includes housing, salary, et cetera; 30% for government financial institutions and government corporations; a limitation of 30% for infrastructure projects; and 15% for any industry.

**Senator Angara.** Mr. President, if the SSS just confined itself to investing in T-bills, I believe that its return would even be better than actual.

Are we not risking members' money, trust and fiduciary money, in allowing the SSS to invest in the equities of a private corporation?

**Senator Fernan.** In the actual experience of the SSS, there is a higher return in private securities as against the T-bills. In government securities, the rate of investment, the return on investment is an average of 13.68%. On the other hand, the private securities and loans average 16.69%.

**Senator Angara.** In terms of absolute amount, how much is that 16% lent to private companies, Mr. President? Can we

have examples of these private companies?

**Senator Fernan.** The figure there as of October 1996, for private securities and loans, is P23,933,137,000.

**Senator Angara.** That is equity investment, Mr. President. That is P23 billion in equity investments in private corporations. Am I correct?

**Senator Fernan.** Yes, Mr. President. If I give the gentleman a specific example, we have the marketable securities and other common stocks of P13,053,503,000 and that derived an income from January to October of P2,134,988,000 or a percentage earnings of 21.62%.

**The President.** The Chair would like to be clarified if this is actual realized profit or this is paper profit.

**Senator Fernan.** Actual realized profit, Mr. President.

**The President.** Meaning to say, the stocks were sold at a profit?

**Senator Fernan.** Yes, that is correct, Mr. President.

**The President.** Thank you.

**Senator Angara.** Can we have a list of those companies, Mr. President?

**Senator Fernan.** Yes, it is available, Mr. President.

**Senator Angara.** Those are investments in equity. Can we have an idea what financial instruments are lending to private companies against their own IOUs?

**Senator Fernan.** Mostly medium enterprises. We have a folder on the Kasapi Lending Program, then the educational institutions, stocks investment loans, small-scale industry, SMILP, Privatization Loan Fund, SSS Employees Housing Loan Program.

**Senator Angara.** No, I am just asking, Mr. President, not the members' borrowings but corporate borrowings from the SSS.

**Senator Fernan.** These are corporate borrowings. Then they have the UBP Savings/Time Deposits earnings. Then the vocational technical schools, the Investment Incentive Loans, Power Generation Program, tourism project, land for development, Livelihood Financing Program. These are among the investments in the private securities and loans, Mr. President.

**Senator Angara.** I would like to request a copy, a listing

of those borrowings by the corporate sector in addition to the list of equity investment in this corporation. I reserve my right to go over that and ask some more questions.

**Senator Fernan.** Yes, we would like to furnish the gentleman the copies now.

**Senator Angara.** Mr. President, I was asking the increment to the payroll cost out of the request for setting up a provident fund as well as a salary adjustment as a result of the salary standardization exemption. Would we have that figure?

**Senator Fernan.** There are no estimates yet because they are presently under study, Mr. President.

**Senator Angara.** Then I reserve my right to ask that question, Mr. President, because that goes also to the viability and soundness of the SSS.

As pointed out in the WB study, we must watch the rising operational cost of the System so that we can ensure that members will be assured of payment.

**Senator Fernan.** The Anderson Consulting Report handling the figures here will be forthcoming, but we can give the distinguished gentleman our assurance that it is within the 12% statutory limits, Mr. President.

**Senator Angara.** I thank the gentleman for that, Mr. President, but I would like to read the Anderson Consulting Report on that.

**Senator Fernan.** It will be made available as soon as it is available.

**Senator Angara.** Thank you, Mr. President. In the meantime, I reserve my right to ask further questions on that Anderson study, as well as to have more time to look over the investment and lending program of the SSS.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

#### SUSPENSION OF SESSION

**Senator Tatad.** I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 6:11 p.m.*

**RESUMPTION OF SESSION**

*At 6:12 p.m., the session was resumed.*

**The President.** The session is resumed.

**SUSPENSION OF CONSIDERATION OF S. NO. 1663**

**Senator Tatad.** Mr. President, to allow the sponsor to produce the document requested by our distinguished colleague from Aurora, Quezon, I move to suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [*Silence*] There being none, consideration of S. No. 1663 is suspended.

**STATEMENT OF SENATOR TATAD**

**Senators Angara and Revilla as Laban Nominees for  
CA vice Senators Ople and Tatad**

**Senator Tatad.** Mr. President, we are in receipt of a letter addressed to the Senate President from the party chairman of LABAN, Sen. Edgardo J. Angara, informing the Senate that Sen. Edgardo J. Angara and Sen. Ramon B. Revilla are being

nominated as its representatives to the Commission on Appointments vice Sen. Blas F. Ople and Sen. Francisco S. Tatad.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

**Senator Tatad.** Mr. President, I move to adjourn the session until three o'clock tomorrow afternoon.

**The President.** Before we adjourn, with the permission of the Senate, I just like to make of record a letter of Secretary Gloria to this representation which we will forward to the Committee on Rules to the effect that the so-called nine "Concerned Employees," who signed a Letter to the Editor mentioned in a question of privilege here in the Senate several days ago, are not employees of the department. In short, they are fake DECS employees.

**ADJOURNMENT OF SESSION**

The session is adjourned until three o'clock tomorrow afternoon, if there is no objection. [*There was none.*]

*It was 6:14 p.m.*



But I would also be interested to know whether the planes were airworthy. Because I recall, Mr. President, that in many occasions in the past, when I had taken off in some old private planes, including the ones from Bacolod to Iloilo, I thought such planes should no longer be allowed to fly; yet, these were allowed to fly. In fact, when I took that plane from Bacolod to Iloilo, I had to hold my breath because it seemed to me that that plane was as old as the planes that I used to read being used in Bataan and Corregidor. Nevertheless, I still took the plane. And sometimes we are afraid of being said to have chickened out, so we just continue riding that plane.

It seems to me that this is another thing that could be the subject of an inquiry, as well as the proper training of the pilots. I am just expressing my concern, but I would certainly wish to attend the hearing when it is held.

Thank you, Mr. President.

**Senator Tatad.** I appreciate the concern of our distinguished colleague. This is going to be one of the important questions that we will have to ask—the airworthiness of private aircraft; the ease with which they get their certification; the competence of maintenance personnel and, of course, the pilots. In this case, the pilot was a flight instructor, so a very good one.

Thank you very much, Mr. President.

**MOTION OF SENATOR TATAD**  
**(Referral of His Privilege Speech to the**  
**Committee on Public Services)**

I move that my remarks and the interpellations thereto be referred as well to the Committee on Public Services.

**The President.** Is there any objection? [*Silence*] There being none, the motion is granted.

**BILL ON SECOND READING**  
**S. No. 1663 - An Act Strengthening the**  
**Social Security System**  
**(Continuation)**

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [*Silence*] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of

interpellations. I ask that the distinguished sponsor and chairman of the Committee on Labor, the gentleman from Cebu, be recognized. And for a few more questions and interpellations, I ask that the distinguished gentleman from Aurora, Quezon and Pampanga, be recognized.

**The President.** The distinguished gentleman from Cebu, Senator Fernan, is recognized and the distinguished gentleman from Quezon, Aurora and Pampanga, Senator Angara, is likewise recognized.

**Senator Angara.** Thank you very much, Mr. President. Certainly, I took the hint sounded by our distinguished Majority Leader, but I think I have to ask more questions than he expects because there are many more issues involved in this amendment.

This is not a simple amendment. This calls for a very drastic reorientation of the SSS. And, therefore, I think it is worthwhile for us to spend a little more time clarifying and elaborating on the proposals.

Mr. President, the last time we were on interpellation, we asked the SSS, through the distinguished sponsor, questions about the World Bank study which in effect says that based on current trends, with benefit payments rising and contribution decreasing and operating expense going up, there is a great danger that the SSS funds would run out and be bankrupt in less than 30 years. And I appreciate the written answer supplied to me, Mr. President, by the distinguished sponsor.

There are two letters sent to him both dated February 12. The first is on the specific points raised by the World Bank and the second is on the impact of the lifting of the Salary Standardization Law on the overall operating expense.

Let me begin, Mr. President, with the letter responding to the World Bank assessment.

The main answer of the SSS, Mr. President, is that contrary to the World Bank's study, the SSS return on investment (ROI) has been higher than the average T-bill rates by at least 0.5% and higher than the average inflation rate by 5.4% since 1991, and that seems to be reflected on the record.

However, Mr. President, I notice that in the table that the SSS officials supplied to me, if the rate of return on investment is reckoned from 1979 to 1996, the rate of return relative to T-bill is a negative 1.1%. The rate of return relative to inflation is a measly 2%. I said "measly" because under the current practice of the Department of Finance and the Bureau of Treasury, they impose a 10% discount on borrowings from the SSS. So with 10% placed on the gross of its borrowings from the SSS, the 2%

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margin over inflation is practically negative.

So, I still believe on the main point raised by the World Bank that the rate of return of the fund must be much higher than what it is, otherwise it runs the risk of running out in 2024. So the point is still valid.

**Senator Fernan.** Mr. President, the observations would be accurate to the extent of the period prior to 1986, because there were no equity investments before 1986. But the moment we include the equity investments in the form of government securities in the amount of P60,875,620,000, the loans of members in the amount of P50,603,710,000, and the private securities in the amount of P23,824,290,000, or a total investments of P135,303,620,000, then it would show that the average return on investment is 12.3% so that the stock earnings increased the yield.

**Senator Angara.** That is only true, Mr. President, if we take one period—1991 to 1996. But that is not how to look at an investment fund like this. We have to look at the average return over a period of time like 1979. I just picked this date because that was the year that the SSS picked as its beginning year.

If we reckon the average RIO from 1979 to 1996, then the return on investment is a negative 1.1% from an average T-bill return, and only 2% above inflation which, I said, will become negative if we now input the requirement of the Department of Finance by imposing a 10% discount on SSS borrowings. The main point is that the investment performance must be better than what it is today.

**Senator Fernan.** Mr. President, the average from 1979 to 1996 would show minus -1.1%. But for the period 1986 to 1996, it is -0.3%.

**Senator Angara.** It is still negative.

**Senator Fernan.** Yes, Mr. President. But the negative figure is getting smaller.

From 1991 to 1996, it becomes five-tenth of a percent. In other words, there is a trend now showing an improvement, as shown in the figures.

**Senator Angara.** We are happy that the investment performance is minimally or marginally better than in the past, but that does not really respond to the main point that it can still perform better for its members.

The second point is the compliance rate. The SSS admits that its compliance rate of 35% to 45% is quite low. But it

rationalizes this by saying that in Chile, for instance, 59% of the work force are covered and only 57% are contributing. In Argentina, only 65% of the labor force are covered and the compliance rate is 55%. Whereas in the Philippines, in 1995, 65% were covered and the compliance rate was 45%. Even compared to other developing countries, the compliance rate of the Philippines is still quite low.

But I will be curious, Mr. President. What is the compliance rate within our region, for instance, in Thailand or Indonesia, if the gentleman has the figures?

**Senator Fernan.** Is the gentleman referring to the compliance rate for the ASEAN region?

**Senator Angara.** Of the number of employer covered by the SSS, how many are contributing and how many are paying their contributions to the System?

**Senator Fernan.** If the gentleman will give me a minute, I will have the figures provided, Mr. President.

**Senator Angara.** Yes, Mr. President. I am asking now for the compliance rate in Thailand and Indonesia so that we have at least an example closer to home.

**Senator Fernan.** It is much lower in Indonesia than in the Philippines. In Thailand, the coverage is for those employed by employers with 20 or more employees.

**Senator Angara.** I would like to find out what percentage of the labor force in these two countries are covered by SSS.

**Senator Fernan.** At the moment, we do not have the figures, Mr. President.

**Senator Angara.** Can the SSS Research Department supply us the statistics?

**Senator Fernan.** Yes, Mr. President. It is ready to furnish the gentleman.

**Senator Angara.** As regards operating expense, Mr. President, again, operating expense is important because the trend apparently is going up almost geometrically. For instance, according to the report submitted to the gentleman, between the period 1986 and 1996, a 10-year period, the number of employees has almost doubled—from an original 3,004 to 5,300. About 70% increase in personnel. There was a big jump in absolute amount in operating expense—from an original P161 million in 1986 to P1,753,000,000 in 1996 or almost an 11% jump in operating expense. And on a per capita basis, from a low of

47,443 per employee in 1986, it is now 329,872.

Again, the World Bank report says that operating expense has been rising very rapidly while contributions are declining, and investment income is not growing as fast as it should. Again, it draws the spectre of an SSS or a security system that can go bankrupt unless we do something drastic in its operations.

Am I correct, Mr. President?

**Senator Fernan.** As pointed out earlier, Mr. President, that was the trend in the past but this trend has been checked and is now in the process of being reversed. As shown in the 1996 performance, it now looks more optimistic as we look at the figures, because the limit is still maintained at 12% plus 3% of investment income.

**Senator Angara.** Let us dwell on that legal limit of 12%, Mr. President.

**Senator Fernan.** Yes.

**Senator Angara.** What is the basis of the 12%?

**Senator Fernan.** From January to December 1996 under operating expenses, the personal services amount to a total of P1,332,004,000.

**Senator Angara.** Yes. But what is the base figure on which the gentleman based this 12%, Mr. President, to come up with the legal limit in operating expense?

**Senator Fernan.** The limit is in the charter.

**Senator Angara.** All right, it is in the charter. But I do not believe, Mr. President, that just because the SSS has not been hitting the legal maximum, it does not indicate to me that the operating expense is kept at a reasonable level.

To me, the more reasonable interpretation is that operating expense should keep pace with contribution and earnings of the fund.

**Senator Fernan.** Yes.

**Senator Angara.** If the earnings are good, I do not think our members will complain that their pensions or their retirement or their benefits are not increased at all because operating expense is growing.

**Senator Fernan.** Earlier, Mr. President, the distinguished gentleman from Quezon and Aurora mentioned the experience

in Chile where it is 20% of the costs, that is, for old age only. The investment income in the Philippines is low because it is 12% of the costs plus 3%.

In other words, Chile has 20% as against 12% plus 3%.

**Senator Angara.** Yes. But we do not know, Mr. President, how much investment income or the ROI of the Chile fund yields. So, we cannot judge whether the 20% legal limit is reasonable in comparison to the investment income, as well as the rate of contribution. But here in the Philippines, we know what the rate of contribution is and what the return on investments is; therefore, we can say that we do not have to exhaust the 12% just because the limit is 12%. Because if that is the reasoning, then we must also insist that the SSS collect 100% from all employers covered by the System.

I think that is no argument for saying that operating expense should...please go ahead.

**Senator Fernan.** Mr. President, the operating expenses of other institutions similarly situated should also be considered. Because if we make a comparison of the operating expenses of the GSIS, the Pag-IBIG and other private insurance companies, the operating expenses of the SSS is low compared to the GSIS and Pag-IBIG.

With respect to the private insurance company, the commission alone is about 40% of the first year premium. Yes, 40% of the premium is used up for operating expenses.

**Senator Angara.** I have no quarrel at all with that. In fact, Mr. President, I would favor our SSS employees to get more and their pay be made comparable with the insurance and banking system. I have no quarrel at all with that.

What I am raising is the overall viability of the System either because investment return is not maximized or the contribution rate and the compliance rate is very low, and because benefit payments have been increasing.

So we want to assure our SSS members because this is their money. This is one unique feature of the SSS fund. This is not public money. This is members' money and this is fiduciary fund; therefore, there is much greater obligation on the part of the fund managers to manage this well because this is other people's money.

In the case of a private insurance or a private bank, Mr. President, they are really out there for profit. Sure, they are also taking care of other people's money, but here, this is truly people's money because workers in the private sector are

contributing to this fund. So we must demand a higher accountability in terms of performance and in terms of cost. Because when costs go up, then to that extent we also reduce the benefit payments to the members.

To repeat, Mr. President. I do not at all dispute the fact that the SSS employees and officials should get comparable salary with banking and insurance company. But what I am saying is that, this proposed change, to me, only partly addresses the basic issues raised in the World Bank study. In fact, the issue of operating expense, I think, would be even larger than what the SSS is predicting.

**Senator Fernan.** With due respect to my distinguished colleague, Mr. President. Reforms are being introduced in these amendments precisely to help ensure the viability of the SSS. Because the SSS and the rest of us are aware of the World Bank report; that the SSS has been increasing benefits so many times in the past. If SSS continues to do so, the actuarial life of the fund would only last up to year 2000, 2020 or 2023.

That is dangerous. Under the actual valuations of the ISA and ILO, the actual life of the Social Security Fund should be at least 40 to 50 years, or 70 years. So 22 years actuarial life is very dangerous.

Presently, we only have 500,000 pensioners with 17 million members. We have a potential of 16.5 million members who will be pensioners 5, 10, 15 and 20 years from now. If we try to keep on increasing the minimum pension now for the benefit of our present pensioners, there will be nothing left to our potential pensioners 10, 15, 20 or 30 years from now.

The idea now is to allow the SSS to invest in other areas of investment. The idea is to broaden this field of investment so that there will be a bigger income on the part of the SSS loans on the basis of its vast experience where investing only on government securities would limit its income. But if it is allowed to invest in other undertakings and in other businesses, without sacrificing safety and caution, then its income can be considerably increased.

**Senator Angara.** The main point, Mr. President, is, if the SSS just simply invested in T-bills over the past many years since 1979, its income would have been much better than what it is now. I think that is the main point of the World Bank study. I do not think that expanding the areas of investment and letting it go into as many investment areas as possible is, to me, quite risky.

That is the experience of many government agencies. I do not think the SSS would be an exception because, once given a *carte blanche*, a mandate to invest in almost any area, we stand the risk of speculation.

**Senator Fernan.** Mr. President, from the experience of SSS, when it limited its investments only on government securities, that was when its sad experience of a minus 1.1% rate on ROI arose. But when it included public equities, that is when its return on investment improved. So it has been shown by its track record that it really pays to invest not only in government securities but also in private equities.

**Senator Angara.** Even now, Mr. President, under its present charter, the SSS can go into investment in prime securities like San Miguel Corporation, PLDT, Meralco, et cetera. I will go over that list later on. It is not prohibited from investing in prime securities in this country. What I would question is if we expand the areas of investment beyond T-bills and these prime securities.

What I am saying, Mr. President, is, to me, except for a few changes, the whole amendment does not seem to respond to the main concerns of performance and viability raised by the World Bank study.

For instance, I cannot see how establishing an office in every congressional district, in every urbanized city and in every big municipality will help the investment return and increase collections. I cannot see how offshore offices can increase the ROI as well as their collections. There are many other things here that are completely questionable to me.

For instance, it will give a new power to the SSS to compromise or release, in whole or in part, any interest, penalty or any liability to SSS in connection with the investment.

Mr. President, this is an invitation to reckless investment. Because if the investment turns sour or the investment is bad, then the Social Security Commission is empowered to compromise or release or condone that investment.

I cannot see how some of these amendments will improve the performance of the SSS and assure the viability of the System for our people.

**Senator Fernan.** Mr. President, I can understand the concern of the distinguished colleague from Quezon and Aurora.

With respect to the representative offices, the idea is to establish, to set up an office with one, two or three personnel only in those places where there is absolute need by reason of the population in a particular area.

I know that in the House of Representatives' version that was approved sometime in the past, it really contains provision wherein representative offices are going to be set up, because

each member knows what is the need of his particular district. And that is the reason it was also carried over as part of the recommendation of this committee.

The committee will entertain any possible amendments which the members of the Senate feel would satisfy the need of the public with respect to the sensitive offices.

With respect to the offshore offices, an SSS office will be set up only when it is absolutely necessary to do so because of the concentration of many Filipinos. We are referring to places like Hong Kong, where there are thousands of Filipinos. We are referring to a place in the Middle East. We are referring to a place wherein a lot of overseas contract workers are concentrated. That is where the services and the need for SSS personnel arise.

In fact, I also toyed with the idea that if it cannot be an office, at least, representatives of the SSS should be made available in those places if it is found to be so expensive to maintain such offices.

With respect to the matter of compromise, this authority to compromise could be qualified. If there is fear that this authority will be abused, this can be qualified by specifying that it will be used only for distress companies. I think that is the intention of the SSS.

Only a few days ago, the Chair received a long letter from a distress company in Cebu. The amount of its account with the SSS has really accumulated to many millions of pesos now. Unless there is some sort of a compromise, what is going to happen is that the distress company will not be in a position to pay anything. On the other hand, if the SSS is given the authority to compromise, the company is willing to amortize this as it has been amortizing its obligations with other banks, and for which it is fully paid.

So, this is the situation where the matter of compromising is only with respect to distress companies.

**Senator Angara.** Mr. President, there are two things as regards the power to compromise and condone. First, is to condone interests and other liabilities as a result of investment; second, is to compromise and restructure SSS contributions.

The example the gentleman cited, Mr. President, is compromising unremitted contributions. What I am objecting to is giving advance authority to the System that it can compromise now bad investments, because these bad accounts are no longer collectible.

Normally, Mr. President, in the course of business, we write

off a debt or an investment after pursuing legal means and showing to the accountant that it is really uncollectible. That is really bad debt. But here, we are giving an advance authority to the SSS to compromise or condone investments which it made in the first place. That means its credit decision was bad and we are going to reward the SSS by saying, "Never mind, never mind, you made a bad credit check, we will allow you to condone that investment."

This is a dangerous power. It leads to the temptation to make reckless investment on the part of the SSS. I am sure that is not the intent of the SSS in asking for this authority, but that is going to be the necessary consequence as a result of this provision.

For instance, Mr. President, I would be very much interested in having a list of investments which the SSS can now judge as bad or poor investments, the collection of which is not promising. I would request that so we can relate it to this power it is asking.

**Senator Fernan.** As we are all interested in crafting a good SSS Law, I guess, with the assistance of our distinguished colleague, we could craft something that could qualify the authority or power to compromise rather than take away that power, because a situation will also arise where the power to compromise would be absolutely necessary.

**Senator Angara.** I think that is implicit in the power of the Board, Mr. President. But, as I said, before turning an account into a bad account, uncollectible account, it must prove that it had exhausted all legal means to collect it but the efforts have been unavailing. That is the only requirement, otherwise, they can write it off. But if we give the SSS an advance authority like this, this would be a mandate for the SSS to make reckless investments.

**Senator Fernan.** It can be prefaced with those words, Mr. President.

**Senator Angara.** Yes, exhaustion of all legal means.

**Senator Fernan.** Exhaustion before resorting to the compromise.

**Senator Angara.** Yes. And likely, Mr. President, I would like this overhaul to be really useful to the SSS rather than just benefiting the System as an institution. I would like this amendments to benefit the members of the System who contribute money to this fund.

As regards, the establishment of representative and offshore offices, Mr. President, I cannot understand why an SSS represen-

tative office ought to be established in every congressional district. There are 200 of these right now, but with the redistricting, it could be close to 400 in all, including urbanized cities. I cannot understand this. This is like featherbedding to me, just creating offices for its protégé, and it smacks of politicking. Also, I cannot understand why it is necessary for the SSS to establish offshore offices to supervise our overseas workers.

**Senator Fernan.** Just to attend to the needs, not to supervise.

**Senator Angara.** Mr. President, there are so many agencies already attending to the needs of our overseas workers abroad. There is the labor attaché, the welfare attaché, the revenue attaché and the OWWA, and now we want an SSS offshore representative.

Mr. President, the only concern for an offshore office is that we want to maximize our investment at that time. Today, in an age of program investment, we need to tap not just the local markets but the global markets. But that one does not require going offshore because all the representatives of the major investment houses have agencies here in Manila. Then, there is the telephone, fax and the magic of telecommunications.

Why is it necessary for the SSS to establish offshore offices in selected countries? Again, that is like featherbedding to me, and I would really be interested in the cost of this whole system of organizing representative offices and offshore offices under this proposal.

**Senator Fernan.** We should consider the fact, Mr. President, that Filipinos in the Middle East, Hong Kong and a few other places are not covered by any SSS protection. So the only way to provide social security for these workers is through the Republic of the Philippines' Social Security System.

**Senator Angara.** But there are many offices, Mr. President, in the Republic of the Philippines already attending to that. I think an SSS office is going to be an expensive appendage.

**Senator Fernan.** As long as words to that effect, "or representative offices in an offshore capacity," can be modified to make it appear that representatives are necessary in an offshore operation.

**Senator Angara.** Mr. President, I do not think the gentleman ought to modify this; we have to scrap this additional power.

**Senator Fernan.** As pointed out not only by the administrator but some of the commissioners whom I talked to, they feel

it is necessary because we have to satisfy the needs of the overseas contract workers.

**Senator Angara.** Mr. President, the overseas contract workers, as the gentleman said, are not covered by the SSS; they are either covered in the country of work or they continue to contribute to the SSS on a voluntary basis.

**Senator Fernan.** Not in the Middle East, Hong Kong and a few other places. They are not covered by any other form of social security.

**Senator Angara.** Yes, Mr. President. The work that the gentleman is intending to assign to the offshore offices can be very well done by a system of SSS inspectors, who can travel on a regular basis to these countries where Filipinos congregate; where there is a large concentration. But I do not see why we have to have a permanent overseer, an offshore office, to start with.

I remember very well, Mr. President, in the '70s and in the '80s, the PNB said that "We will establish representative offices in key cities." Those representative offices graduated into full-blown branches. So we start with a low-key sounding office like representative offices and then pretty soon, we have a full-blown bureaucracy in our hands.

I think we are not doing justice to our members, Mr. President, by allowing this unnecessary luxury, maybe, just for self-aggrandizement of some of the commission members or officials. We have to put our foot down against this unnecessary extravagance.

**Senator Fernan.** Mr. President, the gentleman has mentioned about the matter of inspection. For as long as someone looks after the interest of the overseas contract workers by way of social security benefits, I think the proper phraseology can be made.

**Senator Angara.** We can delegate that, Mr. President, either to the OWWA representative, to the labor attaché or even to the embassy itself. We do not have to create another office.

I will be interested, Mr. President, in having a list of current investments which the SSS may believe or have reason to believe are going sour or may become uncollectible so that we can relate it to its authority that it is requesting to compromise these investments.

We are also going to grant the SSS the power to borrow funds. Heretofore, Mr. President, the SSS is a lending authority because it has money. It has investable funds so it lends even to the government.

What is the rationale for authorizing it to borrow? I can understand why someone, even flush with cash, needs to borrow, but why the SSS at this time and what is the limit?

**Senator Fernan.** The power requested—which is the power to borrow by the SSS—operates this way: It is not really the intention to borrow on a day-to-day basis as part of the day-to-day transactions but as investor in securities, the SSS sells securities with or without recourse to SSS. Selling securities with recourse is effectively borrowing. This is needed for SSS to help develop the secondary market for mortgages, thus enabling the recycling of funds for new mortgages.

The SSS also may have to temporarily borrow in the future to pay benefits to its members of its investments that are not immediately liquifiable.

Those are the instances where the SSS may resort to borrowing, Mr. President.

**Senator Angara.** Should we not qualify it in that sense then, instead of a general mandate that the borrowing authority is granted only to bridge the gap between cash flows or between temporary illiquidity?

**Senator Fernan.** We are agreeable to qualify and to limit it, because that is really the intention all along.

**Senator Angara.** Yes, Mr. President. Now, what is the meaning of this authority, “to approve, confirm, pass upon or review any and all actions of the SSS in the exercise of its powers and duties hereinafter enumerated”?

Is the authority to approve action and to confirm action taken not inherent in the Commission? Why is it necessary to spell it out here? Does this mean that there may be actions or transactions not approved by the Commission but which is now authorized to approve and confirm despite the fact that initially it is not a proper Commission action? Is that the meaning of this?

**Senator Fernan.** This constitutes part of the regular corporate power of the Social Security Commission, which is equivalent to a board of directors in a corporate setup, which is the SSS headed by its president.

**Senator Angara.** All right. What does that phrase “actions of the SSS” mean or comprehend? What actions are actions of the SSS?

If a vice president lent to a company that is obviously bankrupt and he submits that for confirmation, is that contemplated under this power?

**Senator Fernan.** The action would refer to action on the part of the Social Security System. I think for the first time there is a clear delineation between the SSC or the Social Security Commission which acts as a board, and the SSS, the System, which is equivalent to the stockholders or the members in the exercise of corporate powers. That is the reason why they are delineating the functions pertaining to the respective bodies within that corporate setup.

**Senator Angara.** This power is being granted to the Commission which is, if it is a corporation, the board of directors. The Commission is the board of directors, is that correct?

**Senator Fernan.** Yes, Mr. President.

**Senator Angara.** And the SSS refers to the body corporate, the corporation itself?

**Senator Fernan.** Yes, the body corporate. That is correct.

**Senator Angara.** Now, my question is: What action of the corporation itself, of the SSS is within the contemplation of this authority? Would the action, as I said in my example, of an assistant vice president lending P10 million to an obviously bankrupt company—or, at least, he has reasons to doubt its viability and then he goes to the Commission, to the board and ask for confirmation—be contemplated by this provision? Because it says “acts of the SSS.”

**Senator Fernan.** Mr. President, if after the SSC has adopted its policy and when it formulates policy and adopted a specific policy like, for instance, loans up to a certain amount fall within the purview or the prerogative of an assistant vice president, then I think the assistant vice president can act on it without further consultation, unless it is a very unusual case where he feels he has to consult top management.

**Senator Angara.** Yes.

**Senator Fernan.** But the moment he goes beyond the amount for which he is authorized, I am sure he brings it to the attention of the top management, which is, instead of the administrator, the president. And the president, in turn, if he has any doubts, will bring it to the attention of the Commission.

**Senator Angara.** I am trying to define what are the actions and who is the SSS. We know conceptually that the SSS refers to the corporation itself. But we are not sure what actions are subject to the Commission’s approval, confirmation or review.

In corporate practice, Mr. President, the action or acts or transactions of the entity is usually done through the board of

directors as well as its authorized officials.

**Senator Fernan.** Yes.

**Senator Angara.** Again, I want to be specific what actions are being referred to here. What I am afraid of, Mr. President, is that, in my example, an assistant vice president lends money, which is all within his lending authority, to a company that is obviously unfit, and then later on he goes to the Commission and says: "Please confirm this transaction." And by that very act, he can very well say later on: "But this act is the act of the SSS, confirmed by its board, and I have no liability. I just did my duty."

**Senator Fernan.** If my distinguished colleague, Mr. President, will turn to page 4 of the draft under discussion, starting with line 2, Section 4.

#### SUSPENSION OF SESSION

**Senator Angara.** Mr. President, may we have a one-minute suspension. I just want to get my copy.

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 6:13 p.m.*

#### RESUMPTION OF SESSION

*At 6:16 p.m., the session was resumed.*

**The President.** The session is resumed. Senator Fernan is recognized.

**Senator Fernan.** Mr. President, before the suspension of the session was declared a while ago, I was referring my distinguished colleague to page 4, Section 4, starting with line 2 where there is now an enumeration, starting from line 5, of the *Powers and Duties of the Commission*. That is the commission apart and distinct from the System. That goes on from line 5 up to line 25.

Starting with line 26 of the same page all the way to page 5, there is an enumeration of the powers and duties of the System, which is the System apart and distinct from the Commission. There is an enumeration of all the powers and duties up to page 6, line 22. That is the enumeration, Mr. President.

**Senator Angara.** Yes. But I will go back to my original question, Mr. President, because I am referring to the power of the Commission "to approve, confirm, pass upon or review any

and all actions of the SSS." We are trying to define what actions are subject to this approval, confirmation, and review. Who exercises or who does these actions? It could not be that the SSS as an entity can do it directly. It must do it through its delegates, and who are they?

**Senator Fernan.** There are certain acts on the part of the Commission that need the approval of the President of the Philippines. There are certain acts as found in the different provisions of the amendatory law.

**Senator Angara.** In my example, Mr. President, a vice president lending money within his lending authority to a company that, one month thereafter, goes bankrupt. Then he goes to the Commission. The Commission, not realizing that it was a bad investment, approves or confirms that borrowing. Would that be covered by this provision, by this authority?

**Senator Fernan.** Yes, Mr. President. It would fall under...

**Senator Angara.** Item 5 of Section 4.

**Senator Fernan.** Yes, Mr. President, "approve, confirm, pass upon or review."

**Senator Angara.** That is exactly my fear, Mr. President, in having to provide for this kind of authority. The power of the SSS is usually done or carried out by its Commission which is the equivalent of a board of directors, and the Commission is supposed to approve specific transactions. Therefore, it should not be authorized or the power should not be given to it such that it can be used as a legal refuge for people who make bad investment or lending decisions for the SSS. That is my fear, so we must spell out more clearly this phrase "all actions of the SSS."

Perhaps, Mr. President, we can qualify this as "all actions of the SSS in the PROPER AND NECESSARY exercise of its powers." With that qualification, we know that the only action or transactions that the Commission can confirm or approve would be such actions and transactions that are proper and necessary.

**Senator Fernan.** That sounds good to this representation. It is so difficult when we are defending something which we did not draft.

**Senator Angara.** Yes, I understand the distinguished gentleman's difficulty, Mr. President. Our sponsor did not draft this measure.

**Senator Fernan.** That is good and worthwhile.



**Senator Angara.** But there are many other changes here, Mr. President, that I believe, if we approve, will not contribute to the strength of the SSS and, on the contrary, will prejudice the members of the SSS. I already cited some of them—the power to compromise in advance bad investments, the power to establish these offices in 200 congressional districts and in other countries, and many others. I have not exhausted the list yet and I intend to raise each and everyone of them.

But just a final point, Mr. President. It says here: "To establish and operate a mutual fund to benefit SSS members." Can the distinguished gentleman please tell us the concept of this mutual fund and the mechanics of its establishment? Would it be a separate company; would it be a subsidiary of the SSS; would it be just contributing to the equity of an existing mutual fund which, in turn, will be the vehicle for SSS members to put their savings; who will manage this mutual fund; and what would be the future investment cost of this mutual fund?

**Senator Fernan.** The mutual fund is established for the benefit of its members. It is like Pag-IBIG but voluntary and to supplement their pensions. Not all can afford it. This is voluntary, not mandatory.

**Senator Angara.** Yes, Mr. President, I appreciate that. But I would like to be enlightened in more respects than that. I would like our colleagues from the SSS to tell us the concept of this mutual fund; how is it going to be set up; would it be a subsidiary of the SSS or is it already an existing mutual fund in which the SSS will invest; who will manage this; and what will be the main purpose of the mutual fund? Will it improve the performance of the fund or the System itself, or is this just a vehicle for convenience to its members? I would like to find out.

#### SUSPENSION OF SESSION

**Senator Fernan.** May I ask for a one-minute suspension of the session while we are digging up the materials on the mutual fund, Mr. President.

**The President.** Is there any objection? [*Silence*] There being none, the session is suspended for one minute.

*It was 6:24 p.m.*

#### RESUMPTION OF SESSION

*At 6:27 p.m., the session was resumed with Sen. Juan M. Flavio presiding.*

**The Presiding Officer [Sen. Flavio].** The session is resumed.

**Senator Fernan.** Mr. President, per information of the SSS officials, the mutual fund operates this way: The SSS sets aside a certain fund and invests it in the various stocks which are safe for investment purposes such as San Miguel, PLDT, and other well-established companies. These stocks are placed in a common fund as if one has a smorgasbord of shares of stock. The members are invited to invest in these group of stocks. So that if one is minded to invest, he benefits not only from one kind of stock but also from the other stocks which are included in the smorgasbord of shares.

The SSS collects a very nominal service fee. But the SSS merely administers the fund because, eventually, if everything is sold out to the members, then it no longer has any equity or participation except to administer the shares of stock as well as the fund. Instead of buying the stocks, SSS may spin off some of its existing stockholdings, and that is another way of approaching it. That, briefly, in effect, is the mutual fund.

**Senator Angara.** That is the concept, Mr. President. The SSS has investments in several companies in this country like San Miguel, Meralco, PLDT. What it will do is to spin off some of these investments and put them in a fund which we call mutual fund.

**Senator Fernan.** That is correct, Mr. President.

**Senator Angara.** How is the SSS going to be paid for this spin off?

**Senator Fernan.** It will sell off shares.

**Senator Angara.** To whom?

**Senator Fernan.** To the members.

**Senator Angara.** To the members of the SSS?

**Senator Fernan.** The members will subscribe to the shares, to that mutual fund.

**Senator Angara.** Mr. President, our experience in public offering to employees has not been a very promising one. Because instead of investing in equity, most people in the country would rather have cash. Therefore, we must study very well whether this plan will click or not, whether it is saleable to the members or not.

So, it is not as easy as saying we will invite the members to invest in this fund, buy a share in the mutual fund and out of the proceeds, we will pay the SSS. I do not think it is as simple as that, Mr. President. There ought to be some more careful

thinking about it.

**Senator Fernan.** They are reminded to do so, and I guess some of them will avail of this benefit through a salary loan.

**Senator Angara.** So, the SSS itself will fund the purchase of this. But is it not a circular way, Mr. President, of liquefying? Because, in the first place, the SSS can very well sell their equity holdings through the stock market and get cash.

Now, would this mutual fund be an open or a close-end fund?

**Senator Fernan.** Would it be closed-end or open-end?

**Senator Angara.** Yes.

**Senator Fernan.** Well, it is available to the SSS members.

**Senator Angara.** Yes. I am sure it is available to all the members, Mr. President. That is closed-end in the sense that once one buys into it, one cannot sell it so easily. One cannot withdraw his investments so quickly. Whereas an open-end fund, we can trade our shares in the open market.

**Senator Fernan.** We can buy out any member at any time.

**Senator Angara.** We can come in and out?

**Senator Fernan.** Yes.

**Senator Angara.** That is why, Mr. President, I think this is such a completely different financial business that I do not believe that the SSS ought to go into. I would, perhaps, go to the extent of saying that, yes, SSS can invest in mutual funds because a mutual fund has a more varied and diversified investment. But for the SSS itself to run a mutual fund, I think it is already going too far, Mr. President. Very risky. I think it is putting members' money at great risk. So why should we allow them to do that?

**Senator Tatad.** Mr. President.

**The Presiding Officer** [Sen. Flavie]. The Majority Leader is recognized.

SUSPENSION OF CONSIDERATION OF  
S. NO. 1663

**Senator Tatad.** With the consent of our two distinguished colleagues on the floor, I move to suspend consideration of Senate Bill No. 1663.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the motion is approved.

CONSIDERATION OF P.S. RES. NO. 751  
(Expressing Deep Sympathy and Condolence of the  
Senate on the Death of National Artist for  
Literature Jose Garcia Villa)

**Senator Tatad.** Mr. President, I move that we consider Proposed Senate Resolution No. 751.

**The President.** Is there any objection? [Silence] There being none, the motion is approved.

**Senator Tatad.** I ask that the Secretary read the text of the resolution.

**The Presiding Officer** [Sen. Flavie]. With the permission of the Body, the Secretary will read the whole text of the resolution.

**The Acting Secretary** [Atty. Cordoba]. Proposed Senate Resolution No. 751, entitled

RESOLUTION EXPRESSING THE DEEP  
SYMPATHY AND SINCERE CONDOLENCE  
OF THE SENATE ON THE DEATH OF  
NATIONAL ARTIST FOR LITERATURE JOSE  
GARCIA VILLA

WHEREAS, Jose Garcia Villa, also monickered "Dovegion," is recognized as one of the most influential figures in contemporary Philippine literature and is the first Filipino poet to attain international fame and respect;

WHEREAS, his controversial "Man Songs," the anthology "Footnote to Youth" published in 1933 and his first book of poetry "Have Come, Am Here" published in 1942, are considered milestones in the history of Philippine literature, the latter having been granted the Poetry Award of the American Academy of Arts and Letters;

WHEREAS, his latter works like the Selected Poems (1942), Selected Poems Volume II (1949) and Selected Poems and New (1958) solidified his reputation as "one of the finest living poets in the world";

WHEREAS, in 1973, the Philippine government bestowed upon Jose Garcia Villa a much deserved National Artist Award in recognition of his outstanding

YOUTH AND SPORTS DEVELOPMENT TO  
COMMEND THE SILVER MEDAL VICTORY  
OF BOXER MANSUETO VELASCO, JR. IN  
THE 23RD ATLANTA OLYMPICS AND TO  
LEGISLATE MEASURES TO HELP TRAIN  
ATHLETES IN GRASSROOTS LEVELS TO BE  
COMPETENT IN INTERNATIONAL  
ATHLETIC MEETS,

recommending that they be sent to the Archives.

**The President.** To the Archives

The Majority Leader is recognized.

#### SUSPENSION OF SESSION

**Senator Tatad.** Mr. President, I move that we suspend the session for a few minutes.

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 3:23 p.m.*

#### RESUMPTION OF SESSION

*At 3:36 p.m., the session was resumed.*

**The President.** The session is resumed.

#### BILL ON SECOND READING

##### S. No. 1663—An Act Strengthening the Social Security System (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of interpellations. When we last suspended, the gentleman from Aurora, Quezon and Pampanga was interpellating and he has a standing reservation to continue with his interpellation.

But without waiving that reservation, I ask that the distinguished chairman of the Committee on Labor and Employment, the gentleman from Cebu, be recognized; and

also the gentleman from Camarines Sur and Bohol be recognized to interpellate.

**The President.** The gentleman from Cebu and the gentleman from Camarines Sur and Bohol are recognized.

**Senator Roco.** Mr. President, we did commit to the Majority Leader, in the interest of brevity, to restrict ourselves to two questions. Will the distinguished sponsor yield for some questions?

**Senator Fernan.** Yes, Mr. President, with pleasure.

**Senator Roco.** Thank you, Mr. President. May we ask what is the position now of the sponsor as regards the lump sum retirement pay? We are hoping that there could be an improvement from the six months that was projected actuarially by the SSS, considering that our bill was seeking a five-year lump sum retirement pay.

**Senator Fernan.** The original position before of the SSS was to limit the lump sum to six months. It made all the necessary computations in order to stretch it to the maximum without losing its viability. The maximum lump sum that it could extend for the benefit of the members, and in order to satisfy the distinguished interpellator—we might as well lay the cards on the table without further haggling—is 18 monthly pensions. It would be discounted at a rate of interest to be determined by the SSS but not less than the T-bill rate at the time of filing the application.

**Senator Roco.** So it is the present value on the basis of 18 months, but not less.

**Senator Fernan.** Discounted at the rate of interest to be determined by the SSS.

**Senator Roco.** Thank you very much, Mr. President, for this concession. May we come to the second point.

The ticklish point that we see, Mr. President, is the question of investing abroad. There were guidelines given by the sponsor in the bill. Do I take it that these guidelines of 40 percent not more than so much percent for certain investments, apply also to the investments abroad by the SSS under this bill?

**Senator Fernan.** As far as the investments abroad are concerned, Mr. President, the ceiling is 10 percent. In other words, it should not exceed. But this investment abroad is to be resorted to only if there is really an opportunity to so invest which would enable the money to earn more than what is being earned in the Philippines.

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**Senator Roco.** Yes, Mr. President. But does it not seem bad policy for the SSS to be investing abroad? Would it not be simpler to keep the collective investable funds within the Philippines instead of going abroad where we cannot monitor what is happening to the investment?

**Senator Fernan.** The idea on these foreign investments, Mr. President, is that at any time in the future, we cannot tell what will happen if all the eggs are placed in one basket. One possibility is to leave the door open for foreign investment as a necessary hedge against peso devaluation, collapse of the local market and other local political, economic, or social risks.

It is also the common practice among leading and progressive social security institutions. In fact, we can cite certain countries that have also allowed the investments of their funds abroad, of course, up to a certain ceiling or limit. Then the investments abroad should provide better opportunities. The SSS need not invest in foreign securities if not warranted and all investments are subject to the Social Security Commission's approval and COA audit.

This can also be the subject of a possible amendment in order to meet whatever objections may be raised. But the idea is to really safeguard whatever investments may be made abroad provided that the power is given to the SSS.

**Senator Roco.** This is one of the things, Mr. President, that we feel should be deleted later on from the bill. The dangers arising from a possible investment abroad are, I think, greater than the possible gains that are anticipated like the a collapse of the political system, for example, and for other reasons given by the sponsor.

It seems to me, Mr. President, that there is no cogent reason to support SSS investing abroad up to 10 percent of their investable fund. So, would the distinguished sponsor, Mr. President, consider at the appropriate time a deletion or a revision of this particular power because it could be a very contentious issue, and it may be better that we modify it now so that we can keep the investable funds within?

If it were a private company, Mr. President, I can even see why we are not keeping all the eggs in one basket as an appealing proposition. But this is the Social Security System, and it is not just a private firm.

**Senator Fernan.** Rather than consider the possibility of completely doing away with the power to invest the funds abroad, the committee would consider a possible reduction of the ceiling or percentage from 10 percent to whatever percentage may be agreed upon.

**Senator Roco.** May we also have a higher majority vote in the board of directors of the commission in this particular case.

Maybe the sponsor, Mr. President, might want to give a more stringent guidelines because, for instance, who would have thought that Barings would collapse. Who would have thought that the Pakistan, the one that involved...who is the American lawyer who got enmeshed in the scandal...who would have thought that these things could happen abroad and in the biggest financial institutions?

So, Mr. President, investing abroad does not necessarily mean better opportunities. It may just mean hidden dangers that we can never catch. Of course, it results to attending meetings abroad but that, I am sure, is not the intention of this investable proposition.

**Senator Fernan.** Safeguards can be adopted like, for instance, a higher majority vote is required. Probably, two-thirds vote of the commission is required, I think that is acceptable to the committee rather than a simple majority of the members of the commission. The guidelines in the investment abroad should be subject to the approval of the Bangko Sentral ng Pilipinas so that, again, the funds can be properly safeguarded.

**Senator Roco.** Yes. Mr. President, I will end with those observations. We will still go for a deletion if there are other like-minded members in the Chamber; otherwise, we will look at the possible limitations to the investment of SSS funds abroad.

I have other questions, Mr. President, but I was made to understand by the Majority Leader that it will be very appreciated if we shorten the proceedings.

Thank you, Mr. President.

**Senator Fernan.** I thank the distinguished gentleman, Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, we would like to thank our distinguished colleague from Camarines Sur and Bohol for his very incisive questions.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

I move that we suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [*Silence*] There being no objection, the motion is approved.

APPROVAL OF P. S. RES. NO. 573 ON  
SECOND READING

**Senator Tatad.** Mr. President, I move that we vote on Proposed Senate Resolution No. 573 on Second Reading.

**The President.** Is there any objection? *[Silence]* There being none, we shall now vote on Senate Resolution No. 573 on Second Reading.

As many as are in favor of the resolution, say *aye*.

**Several Members.** *Aye*.

**The President.** As many as are against the resolution, say *nay*. *[Silence]*

Senate Resolution No. 573 is approved on Second Reading.

**Senator Tatad.** Mr. President, I move that we suspend consideration of Senate Resolution No. 573.

**The President.** Is there any objection? *[Silence]* There being none, consideration of Senate Resolution No. 573 is hereby suspended.

BILL ON SECOND READING  
S. No. 1663 - An Act Strengthening  
the Social Security System  
*(Continuation)*

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of interpellations. I ask that the distinguished sponsor and chairman of the Committee on Labor, Employment and Human Resources Development, Sen. Marcelo B. Fernan, be recognized; and to ask a few more questions, I ask that the distinguished gentleman from Aurora, Quezon and Pampanga, Sen. Edgardo J. Angara, be recognized.

**The President.** The gentleman from Cebu, the chairman of the Committee on Labor, Employment and Human Resources Development, Sen. Marcelo B. Fernan, is recognized.

**Senator Fernan.** Thank you, Mr. President.

SUSPENSION OF SESSION

**The President.** The session is suspended for a few minutes, if there is no objection. *[There was none.]*

*It was 4:28 p.m.*

RESUMPTION OF SESSION

*At 4:34 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Aurora, Quezon and Pampanga, Sen. Edgardo J. Angara, is recognized to continue his interpellation.

**Senator Angara.** Thank you, Mr. President.

Mr. President, the last time, we were discussing the matter of the authority being sought by the System to establish an operating mutual fund, and we were asking what is the concept of the mutual fund sought to be established; what are the mechanics; who will manage it; will it be a separate company or a subsidiary of the SSS; will it be an existing company in which SSS will invest in; what is the concept of this mutual fund?

**Senator Fernan.** Mr. President, the meaning of the term "mutual fund," as used in the charter of the SSS, will depend on what will finally be approved by the Securities and Exchange Commission in terms of implementation, enforcement and with respect to other details.

As a concept, "mutual funds" represent a company-type of collective investment schemes. Under this scheme, the investment companies raise money from shareholders and investors and invest pools of money that are collected from shareholders, the members of the SSS in this case, in a host of investment instruments.

This is the setup of a mutual fund. The investors hire an investment adviser, and like any other publicly-traded company, they have a board and the shareholders have the right to participate in the governance through the exercise of voting rights.

It will be noted that in dealing with Philippine circumstances, the mutual funds may be established under Republic Act No. 2629, or the Investment Company Act, and governed by a specific existing law. The common trust fund, as distinguished, is operated by the trust departments of banks and other financial institutions.

Now, the idea is to give these small investors, the SSS members, an opportunity to invest in a mutual fund. The SSS

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members cannot invest in existing mutual funds because individual shares or units on these existing mutual funds outside of the SSS are too big. They either require a minimum of from P50,000 to P100,000. That is the reason why SSS is organizing or providing a mutual fund setup for the benefit of very small investors.

**Senator Angara.** Mr. President, the history of mutual funds in this country has not been a very happy one. In fact, the first two mutual funds established by some insurance companies in the '60s went under very suspicious circumstances in three years time.

As we know, Mr. President, mutual fund is an entirely different financial business, and I was wondering why the SSS would now think of branching out into a field where probably it is not even trained or oriented to perform or manage.

So what I am trying to find out is whether this mutual fund will be an open-ended mutual fund or will it be a closed-end mutual fund. Will it be exclusively reserved to SSS members, or is this open to all investors, SSS members or not, because this is going to be a major diversion of the—if we are talking of the corporate business—core business of the SSS? We want to find out why trust money of SSS members will be placed in an entirely separate business.

**Senator Fernan.** Mr. President, in the past the mutual funds were not really doing well. But lately, the new mutual funds, such as that of the Bank of the Philippine Islands and the Philamlife, are doing well in its operation. On a worldwide basis, mutual funds are generally all right. This fund scheme is an accepted fact, as this is used in North America. What is used in the United Kingdom as in some Asian countries is the unit trust fund.

**Senator Angara.** I am very familiar with that, Mr. President. I am not arguing against the running of mutual fund by itself. I also know that mutual fund is a very effective mobilizer of small savings. So, I am not against that in principle.

What I am trying to raise is the basic principle why our System—the Social Security System—will now embark on an entirely new financial business unrelated to its trust business and risk members' money where even the most experienced can commit disastrous mistake and lose the entire investment. The fact that the Bank of Philippine Islands and the Philamlife mutual funds are now performing very well should signal government not to go into it. Leave it to the private sector and let our SSS members, if they are minded, to invest in this private-sector run mutual funds rather than their own trust money being put at risk in a mutual fund. That is the only point I am trying to raise, Mr. President.

I want a justification. I just want a clear description of the mutual fund it has in mind—open-end, closed-end, open to all, or open only to SSS members. Most important, why are we now putting at risk SSS members' funds in a business that I am sure not many, perhaps, in SSS are trained to run?

**Senator Fernan.** Mr. President, the SSS normally invests in a safe and very solvent shares of stocks. The idea of in allowing the members to purchase under a mutual fund setup is that these investments in a mutual fund will be applied to the existing prime investments of the SSS.

The SSS is already regularly investing in San Miguel Corporation, Philippine Long Distance Telephone Company and Ayala Corporation, which are very stable and reliable companies. Rather than enjoy the benefits by itself, it wants to share the benefits to its members by allowing them to make small investments. That is the idea behind the establishment of a mutual fund. It is not just a matter of being centered on itself but it shares the blessings with the small investors.

**Senator Angara.** Mr. President, I submit that there is a misplaced concern for the members' interest. I think it is better that the members invest their money in areas of investment that they themselves decide. It is presumptuous of the SSS to say to the members, "Invest your savings in a mutual fund that we are running."

In the first place, when it runs a mutual fund, it will collect up front a commission. Where will that commission go? It will go to the SSS. That is at the sacrifice of the SSS members. I do not believe that this is really for the self-interest of the SSS members.

But again I go back, Mr. President, because I have not received yet the justification for this diversion of main business to a mutual fund. I want to find out for the record, because this is a major shift in investment.

**Senator Fernan.** The benefit, Mr. President, will arise this way. When an ordinary member of the SSS buys the shares of stock by himself, he gets it at the normal regular price. But if the SSS acquires the shares, and usually in bulk, the System gets the shares at a big discount. And this discount, to a certain extent, is enjoyed by the small investors. That is the reason this benefit is passed on, to a certain extent, to the members who invest in the mutual fund.

Because SSS will not invest in new shares, the mutual fund investment will come from existing investments of the SSS. But these are shares acquired at a big discount from companies which do not give discounts to ordinary small buyers of shares of stock.

**Senator Angara.** Mr. President, I doubt very much whether listed companies selling to any one, whether it is the SSS or the richest man in this country, will give a discount on the listed price of their share. They will have to buy at the price listed in the stock market and, therefore, there is no discount to be gained by that.

I believe, Mr. President, that what the members want in terms of benefit is not so much this dividend but an increase in their benefits. On the contrary, the benefits may be in danger of being reduced as a result of ventures such as this.

So I would propose that this power be removed because this is really diverting trust funds to another purpose not intended by the SSS. For instance, Mr. President, how many social security systems in the world have a mutual fund run by it?

**Senator Fernan.** Before I answer that question, Mr. President, may I be allowed to point out other advantages of the mutual fund. These are to establish a mechanism that will allow broader ownership of highly profitable companies, particularly among lower income group of Philippine society; to create alternative saving instruments to the general public, particularly to SSS members from which additional stream of income could be generated; and to provide an efficient program for SSS to liquefy and redeploy its investment portfolio.

These are among the advantages, Mr. President.

**Senator Angara.** Mr. President, I agree that those advantages accrue to a mutual fund. But it will not accrue to SSS members. It is a mutual fund that is independently run, perhaps more efficiently run, by the private sector which will have those advantages.

Those are textbook advantages of a mutual fund. But I doubt very much, Mr. President—and I have not been convinced yet—that these advantages will accrue to the SSS members once they embark on this entirely new business venture of mutual fund.

#### SUSPENSION OF SESSION

**Senator Fernan.** At this juncture, Mr. President, may I ask for a one-minute suspension of the session in order to help persuade my esteemed colleague.

**The President.** Is there any objection? [Silence] There being none, the session is suspended.

*It was 4:49 p.m.*

#### RESUMPTION OF SESSION

*At 4:56 p.m., the session was resumed.*

**The President.** The session is resumed. Senator Angara is recognized.

**Senator Angara.** Mr. President, I think we have reached a consensus with the sponsor about this particular provision on mutual fund, and I will introduce an amendment to delete this provision during the period of amendments.

One final question, Mr. President. Would there be an increase or improvement in the benefits under this proposal? And what would be the impact of that incremental increase in benefits on current benefit payment?

**Senator Fernan.** The benefits, as a result of the amendments, would be in lump sum; salary loans, as we have manifested will be increased to 18 months; funeral benefits will be increased from P10,000 to P12,000, in cash or in kind; and retirement benefits will be increased from the minimum P1,000 to P1,200. Assuming that one is a member and he paid his membership dues for 10 years, it is P1,200 a month; and his retirement benefit is a minimum of P2,000 a month, if his membership has been maintained for 20 years.

The pension of the member who retires after age 60 will be the higher pension computed at the earliest time he could have retired or had been separated from employment or ceased to be self-employed plus adjustments or pension computed at actual retirement.

Since social security benefit is in the nature of income replacement, if a member retires after age 60 but has not reached the age of 65, it is proposed that the pension be stopped when the pensioner resumes gainful occupation.

The death benefits will be increased from P800 to P1,000; the amount is P1,200 if the member has enjoyed the membership of a minimum period of 10 years; and a minimum amount of P2,000, if the member has enjoyed a membership of a minimum period of 20 years.

In case of permanent partial disability benefit, the same will be paid in lump sum if it is payable for less than 12 months. The period during which a member is receiving partial disability benefit will be considered in the computation for adjudicating permanent total disability, death or retirement benefit.

And if one is gainfully employed after age 65, he will continue to enjoy his retirement benefits.

On the matter of the illegitimate children, they will be considered primary beneficiaries and will be entitled to one-half share of the legitimate children.

The coverage is broadened now in the sense that it will now include self-employed individuals and persons. I am referring to minors working for their parents and parents working for their children.

There are also amendments to the effect that it will now include the wives, although it will be computed on the basis of a minimum of one-half.

These are among the benefits, Mr. President.

**Senator Angara.** Mr. President, do we have an idea, as a rough calculation, of how much these incremental benefits represent in terms of percentage over current benefit payments? Is it 5%, 10% or 20%?

While our colleague from the SSS is calculating that, Mr. President, in terms of coverage, will it now include the self-employed and even domestic workers receiving P1,000 and above?

**Senator Fernan.** Yes. That is correct.

**Senator Angara.** And other employees. How many are presently covered by the SSS, Mr. President?

**Senator Fernan.** I understand there are 16,000...

**Senator Angara.** Sixteen million.

**Senator Fernan.** Sixteen million employees covered.

**Senator Angara.** All right. And how many are expected to be added to the list after this expanded coverage?

**Senator Fernan.** With the amendments, between now and until the year 2000, about 12 million are expected to be added, bringing the total to about 28 million members.

**Senator Angara.** And do we have a projection, Mr. President, of the compliance rate by the year 2000? Would it be 65% of 28 million covered employees paying to the System? Is there a rough projection?

**Senator Fernan.** In 1996, the coverage of the current work force...

**Senator Angara.** As of the present, Mr. President, the compliance rate, according to the SSS, is 45%. Now, I am trying to...

**Senator Fernan.** The target, Mr. President is 90%.

**Senator Angara.** Ninety percent of 28 million...

**Senator Fernan.** Twenty-eight million.

**Senator Angara.** ... will be complying with the SSS.

**Senator Fernan.** Yes, Mr. President.

**Senator Angara.** Well, that is a very ambitious goal and I hope it will be achieved, Mr. President. Then the SSS would really be one of the outstanding systems in the world. I pray that it will attain that target.

**Senator Fernan.** It will endeavor to do so, Mr. President.

**Senator Angara.** Right. Mr. President, I will now sit down and stop interpellating. The main reason why I wanted all these points clarified is that we want all these amendments to really improve the performance, the benefit payments as well as the efficiency of our System.

The SSS, Mr. President, is one of the financial institutions in this country that is known to be veteran than most. And above all, it is at least graft-free, by and large. Therefore, we would like the law that will be introduced to really be an improvement over its own record of good reputation and integrity. We do not want the amendment only to add to the cost of operating the System without improving the investment return of the members' money.

Above all, Mr. President, let us not forget that these are trust funds. These are funds belonging to the members. They worked hard for it. They looked to this fund as their nest egg in times of retirement and in times of critical need. So I think we owe it to our people, to the SSS members, to be really, if necessary, hawk-eyed, and clear-eyed in what we are doing in trying to improve this proposal.

It is only in that light that my questions may sound too hard but only because I really want this law to be a good law that we can give to the SSS.

**Senator Fernan.** Mr. President, before my distinguished colleague winds up his interpellation, there was one question left unanswered with respect to the quantifying of increase in benefits. We have the figures now based on a moderate assumption and on the optimistic side. It would amount to about P9 billion to P11 billion a year.

**Senator Angara.** And that represents per annum. What is the percentage increase in terms of current payment?

**Senator Fernan.** It is about 60%, Mr. President.



**Senator Angara.** It is 60% increase over current benefit.

**Senator Fernan.** Yes, the expected rate in increase of benefits.

**Senator Angara.** Thank you, Mr. President.

**Senator Fernan.** Thank you for helping us fine-tune the draft.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** If there are no further interpellations, I move that the period of interpellations be closed.

**The President.** Is there any objection? *[Silence]* There being none, the period of interpellations is finally closed.

**Senator Tatad.** Mr. President, I move that we now consider the amendments. There are no committee amendments as this is a substitute measure. We shall now proceed with the individual amendments.

**The President.** The period of committee amendments is closed.

**Senator Tatad.** The distinguished gentleman from Cagayan has made a reservation to propose a number of amendments. I propose that we go page by page.

SUSPENSION OF SESSION

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 5:07 p.m.*

RESUMPTION OF SESSION

*At 5:07 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Cagayan is recognized.

**Senator Enrile.** Mr. President, on page 2, line 1...

**Senator Webb.** Mr. President.

**The President.** Senator Webb is recognized.

**Senator Webb.** May I have an anterior amendment,

Mr. President, on page 1, line 10. I propose to delete the word "all" between the words "to" and "workers."

**The President.** What does the sponsor say?

**Senator Fernan.** What line is that?

**The President.** It is on page 1, line 10.

**Senator Fernan.** What word is that?

**Senator Webb.** I propose to delete the word "all" between the words "to" and "workers."

**Senator Fernan.** That is in line 8 of our draft, Mr. President. May we know if we are using the same draft?

SUSPENSION OF SESSION

**Senator Webb.** May I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended for one-minute, if there is no objection. *[There was none.]*

*It was 5:09 p.m.*

RESUMPTION OF SESSION

*At 5:10 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

**Senator Tatad.** Mr. President, may I invite attention to the modified version that contains the committee amendments. This modified version has been distributed and copies are with the senators. Not all the copies may be in the black folder, but all the senators have copies of the same.

**Senator Webb.** May I now propose my amendments, Mr. President?

**The President.** A motion is in order to adopt this as the working draft.

**Senator Tatad.** I move that this be adopted as the working draft, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the motion is approved.

The gentleman from Parañaque is recognized.

## WEBB AMENDMENTS

**Senator Webb.** I will have to move from line 10 to line 8, Mr. President, since this is the final draft.

In line 8, delete the word "ALL" between the words "TO" and "WORKERS." The reason for the proposed deletion of this particular word "ALL" is that the term "ALL WORKERS," Mr. President, implies both government workers and private workers. And we know very well that the government workers are not included here.

On the other hand, it would not also be proper to specify here the nongovernment workers—because these are government workers—who are at the same time also self-employed.

My amendment, Mr. President, is to delete the word "ALL" and also, if I may continue—because this is connected to each other—delete the word "FAMILIES" in line 9 and replace it with the word BENEFICIARIES.

May I just state, for the record, Mr. President, that beneficiaries of the SSS Law are not limited to the worker's family. In the absence of the worker's immediate family, the worker may designate anyone as his or her beneficiary. Hence, it would not be proper to use the word "families."

**Senator Fernan.** The committee has no objection to the proposed amendment on page 1, line 8, deleting the word "ALL," with the understanding that it includes all workers within the coverage of this proposed law. If it is treated as one amendment, then that is our comment and we have no objection.

**The President.** The committee has accepted the amendment. Is there any objection? [*Silence*] There being none, the amendment is approved.

**Senator Fernan.** The second amendment on page 1, line 9 is to change the word FAMILIES to BENEFICIARIES. We agree that that is a broader term, and we accept the amendment, Mr. President.

**The President.** Is there any objection? [*Silence*] There being none, the amendment is approved.

**Senator Enrile.** Mr. President, on the same page 1, before I propose an amendment, I would like to ask a question.

What is the difference between the word "PROTECTION" mentioned in line 8 and the words "MEANINGFUL PROTECTION" in line 9? In general, what is the distinction between subparagraph (a) and subparagraph (b) of Section 1 on Declaration of Policy?

May I read it just for proper understanding. It says: "It is the policy of the STATE to establish, develop, promote and perfect a sound and viable tax-exempt social security SYSTEM suitable to the needs of the people throughout the Philippines which shall (A) PROMOTE SOCIAL JUSTICE AND TOWARDS THIS END, THE STATE SHALL ENDEAVOR TO EXTEND SOCIAL SECURITY PROTECTION TO WORKERS AND THEIR BENEFICIARIES; (b) provide MEANINGFUL PROTECTION to covered WORKERS and their families against the hazards of disability, sickness, MATERNITY, old age, death AND OTHER CONTINGENCIES RESULTING IN LOSS OF INCOME OR FINANCIAL BURDEN."

**Senator Fernan.** Mr. President, the difference is that with respect to subparagraph (a), the use of the term "protection" refers to the kind of extent of coverage. That is why the term "protection to workers" was used.

With respect to subparagraph (b) in line 9, "meaningful protection" refers to the quality of the protection to be given to the workers. That is the distinction.

**Senator Enrile.** What is "meaningful protection," Mr. President? A protection is protection whether we add the adjective "meaningful" or nothing at all. Besides, is there any additional protection that the System could grant to workers other than the hazards of disability, sickness, maternity, old age, death, loss of income or financial burden? What other protections are we contemplating here? Give them what?

**Senator Fernan.** Mr. President, now that we are in the period of amendments—and the idea behind these amendments is to help fine-tune this bill—may we know what proposed change, if any, the distinguished gentleman is proposing?

**Senator Enrile.** Before I can propose an amendment on this, Mr. President, I would like to understand what is meant here. Because this paragraph in the Declaration of Policy speaks of workers and covered workers.

**Senator Fernan.** Mr. President, I have spelled out already the reason. This was adopted when I was not yet the chairman of the committee. If the reason given is not satisfactory to our distinguished colleague, I would suggest that the gentleman comes up with his proposed amendment.

**Senator Enrile.** Mr. President, I move then that we restore the old text of this Declaration of Policy because the wording, as it is worded now, creates confusion.

**The President.** Is the gentleman referring to the previous original version?

**Senator Enrile.** I am referring to the text of the unamended Social Security Law, Mr. President.

**The President.** The text of the present law. What does the sponsor say?

#### SUSPENSION OF SESSION

**Senator Fernan.** May I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended for a few minutes, if there is no objection. *[There was none.]*

*It was 5:19 p.m.*

#### RESUMPTION OF SESSION

*At 5:25 p.m., the session was resumed.*

**The President.** The session is resumed.

#### ENRILE AMENDMENTS

**Senator Enrile.** Mr. President, on page 1, line 9, I propose to delete the word "MEANINGFUL" after the word "provide" and before the word "PROTECTION."

**Senator Fernan.** We accept the amendment, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** On the same page and line, after the preposition "to" and before the word "WORKERS," delete the word "covered."

**The President.** What does the sponsor say?

**Senator Fernan.** Can we substitute the word "WORKERS" to "MEMBERS" since we removed the word "covered"? In other words, instead of "WORKERS," we will refer to them as MEMBERS.

**Senator Enrile.** I have no objection to that, Mr. President.

**Senator Fernan.** We agree then.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** Now, before I proceed to propose my

amendment, what is meant by this phrase "AND OTHER CONTINGENCIES"? What are these contingencies? Can the Gentleman give us an example, Mr. President? It further says: "RESULTING IN LOSS OF INCOME OR FINANCIAL BURDEN." Dismissal from work.

**Senator Fernan.** Well, one contingency is unemployment.

**Senator Enrile.** Does this contemplate closure of a factory or a production establishment, for instance?

**Senator Fernan.** Closure by reason of bankruptcy.

**Senator Enrile.** Can the SSS afford this kind of situation? In fact, many countries in Europe are now reeling under this social security system. Could we really afford this when government itself could not afford this?

**Senator Fernan.** At present, under the existing rules of the SSS, this particular contingency is not being provided for. But we look forward to the time when the funds of the SSS will permit and afford this, then it will provide for this contingency.

**Senator Enrile.** Mr. President, may I move on to line 11. We delete after the comma (,) following the word "death" the phrase "AND OTHER CONTINGENCIES RESULTING IN."

**Senator Sotto.** Mr. President, may I propose an anterior amendment before the approval of the proposed amendment of Senator Enrile.

**The President.** Senator Sotto is recognized.

#### SOTTO AMENDMENT

**Senator Sotto.** Mr. President, in line 9, we changed the word "families" to BENEFICIARIES. Are we retaining the word "families" in line 10? To be consistent, does the sponsor not think we should also replace it with BENEFICIARIES before we go to the amendment of Senator Enrile?

**Senator Fernan.** Yes. We have no objection. The gentleman is referring now to line 10?

**Senator Sotto.** Yes, line 10.

**Senator Fernan.** The use of the term "families." To delete the word "families" and, in lieu thereof, use the word BENEFICIARIES. We have no objection, Mr. President.

**Senator Sotto.** I so move, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Webb.** Mr. President.

**The President.** The gentleman from Parañaque is recognized.

**Senator Webb.** Consistent with the amendment of Senator Enrile, I think the word "WORKERS" now in line 8 will have to be replaced with MEMBERS.

**Senator Fernan.** Mr. President, the reason ...

**Senator Webb.** Mr. President. I guess I understand. I withdraw my proposed amendment.

**The President.** The amendment is withdrawn. What is the pleasure of the sponsor on the amendment of Senator Enrile to remove the phrase "AND OTHER CONTINGENCIES RESULTING IN".

**Senator Fernan.** We have no objection, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

#### ENRILE AMENDMENT

**Senator Enrile.** In line 13, after the bracket, remove the semicolon (;) and put a period (.) and delete the words beginning with the word "AND" up to line 15.

**Senator Fernan.** Starting from the word "AND" in line 13 all the way to "COUNTRY" in line 15, is that correct?

**Senator Enrile.** In other words, this section should end with the word "BURDEN" followed by a period (.) and delete the rest of the sentence.

The purpose of this, Mr. President, is, first, there is no need to state here that the Social Security System shall contribute to the economic development of the country. It is too presumptuous to do that. The purpose of the SSS is to protect and serve its members. In doing so, it may invest its funds in housing and in investment that will enhance the value of the contributions of the members; in which case, it will impliedly contribute to the socioeconomic development of the country.

As a matter of policy, the state should not declare that this institution will perform the function of participating in the socioeconomic development of the nation. That is not its primary purpose.

**Senator Fernan.** I agree, Mr. President, that there is no need for the SSS to proclaim to the whole world that it will contribute. It is enough that it will just contribute to the socioeconomic development of the country.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Enrile.** On page 2, Mr. President...

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

#### TATAD AMENDMENT

**Senator Tatad.** Before we leave this particular provision, I would like to revisit page 1, lines 6 to 8.

In line 6, I propose that we delete the letter "(A)." In line 7, I propose that we delete the sentence "TOWARDS THIS END, THE STATE SHALL ENDEAVOR TO EXTEND SOCIAL SECURITY PROTECTION TO WORKERS AND THEIR BENEFICIARIES" and simply go on with line 9 after deleting the letter "(B)." We just continue the sentence. I propose that we transpose the deleted words appearing in lines 7 and 8 to the end of the sentence after the word "BURDEN." So that the whole paragraph will now read:

"It is the policy of the STATE to establish, develop, promote and perfect a sound and viable tax-exempt social security SYSTEM suitable to the needs of the people throughout the Philippines which shall PROMOTE SOCIAL JUSTICE AND PROVIDE PROTECTION TO MEMBERS AND THEIR BENEFICIARIES against the hazards of disability, sickness, MATERNITY, old age, death, LOSS OF INCOME OR FINANCIAL BURDEN. TOWARDS THIS END, THE STATE SHALL ENDEAVOR TO EXTEND SOCIAL SECURITY PROTECTION TO WORKERS AND THEIR BENEFICIARIES."

**Senator Fernan.** True to form, Mr. President, very well fine-tuned. We have no objection.

**The President.** Since this involves an amendment of previous amendments, does the gentleman from Cagayan agree to the new formulation?

**Senator Enrile.** I have no objection, Mr. President. In fact, it makes this garbled material more understandable.

**The President.** Does the gentleman from Parañaque agree

to the new formulation? Because it changes the previous amendments proposed by the gentleman.

**Senator Webb.** I have no objection, Mr. President.

**The President.** There being no objection on the part of the sponsor, the gentlemen from Cagayan and Parañaque, the new statement or declaration of policy as proposed by the Majority Leader, former editor and journalist, is approved.

ENRILE AMENDMENT

**Senator Enrile.** On page 2, line 1, Mr. President, I propose to delete the phrase "JURIDICAL PERSONALITY AND" following the conjunction "with." This is superfluous. If it is a corporate body, it has a juridical personality.

**Senator Fernan.** Mr. President, as long as it is understood by this Body that SSS is a juridical person with personality separate and distinct from the Social Security Commission, we have no objection.

**Senator Enrile.** Mr. President, may I ask the distinguished sponsor if the SSS, as it is, can sue and be sued?

**Senator Fernan.** That is correct, Mr. President.

**Senator Enrile.** Can it contract?

**Senator Fernan.** The System can contract.

**Senator Enrile.** It can contract. It can own property and dispose property?

**Senator Fernan.** Yes, Mr. President. As a juridical person, it can.

**Senator Enrile.** Therefore, there is no need to put here that it is a juridical person because it is stated here that it is a corporate body.

**Senator Fernan.** In the past, the juridical personality was given to the Commission. Now, we want to clearly establish that the juridical personality is with the System, Mr. President.

**Senator Enrile.** The commission was made the juridical personality? How can that be?

**Senator Fernan.** In the past, there was a bit of confusion—I think from the experience of our former Secretary of Labor—that all contracts were coursed through the commission. Now, it is really the System that is the whole corporation with the

commission as the board of directors and the members of the Social Security System are the members of the corporation. So that the juridical personality belongs to the System and that the commission is just the governing body acting as a board of directors.

**Senator Enrile.** The stockholders are the members?

**Senator Fernan.** Strictly speaking, there are no stockholders. But the members of the SSS are equivalent to the members of a corporation.

**Senator Enrile.** Do they have the right to vote? Are they entitled to dividends? Let us be very careful in our terminologies here.

**Senator Fernan.** They are entitled to benefits, Mr. President.

**Senator Enrile.** But that does not make them stockholders.

**Senator Fernan.** I never used the term "stockholders"; I said they are equivalent to members of a corporation.

**Senator Enrile.** Because if that is the case, Mr. President, I will go along and establish in the record that they are members of a corporation; they must approve any amendment of the charter as members.

What is the purpose of putting the term "juridical personality"?

**Senator Fernan.** It is that it is a corporate body. And being a corporate body, it follows that it has juridical personality. But if the purpose of the amendment is to delete the phrase "JURIDICAL PERSONALITY AND"—these are the three words—we agree, Mr. President.

**Senator Enrile.** I find that superfluous because a corporate body has all the attributes of a corporation—a separate artificial person.

**The President.** Is there any objection to the amendment? [Silence] There being none, the amendment is approved.

**Senator Enrile.** On the same page 2, line 21, Mr. President, I propose that the phrase....

**Senator Webb.** Mr. President, I have an anterior amendment.

**The President.** The gentleman from Parañaque, Senator Webb, is recognized.

**Senator Webb.** Mr. President, on page 2, lines 13 and 14, delete the phrase "designated by the President OF THE PHILIPPINES from among its members" and replace these with the phrase ELECTED BY THE MEMBERS OF THE COMMISSION FROM AMONG THEMSELVES. I consider this more attuned to our democratic setup.

#### SUSPENSION OF SESSION

**The President.** The session is suspended for a few minutes, if there is no objection. *[There was none.]*

*It was 5:41 p.m.*

#### RESUMPTION OF SESSION

*At 5:45 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, I move that we suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? *[Silence]* There bring none, the motion is approved.

#### SUSPENSION OF SESSION

**Senator Tatad.** May I ask for a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 5:45 p.m.*

#### RESUMPTION OF SESSION

*At 5:46 p.m., the session was resumed.*

**The President.** The session is resumed.

#### BILL ON SECOND READING

#### S. No. 1708 - Creating the Department of Fisheries (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1708 as reported out under Committee Report No. 229.

**The President.** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1708 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of interpellations. I ask that the distinguished sponsor, the senator from Pangasinan, Sen. Leticia Ramos-Shahani, be recognized, and to continue with his interpellation, the distinguished gentleman from Iloilo, Sen. Franklin M. Drilon.

**The President.** The senator from Pangasinan, the new presidential, Senator Shahani, is recognized.

The gentleman from Iloilo, Senator Drilon, an old vice presidential, is recognized to interpellate.

**Senator Drilon.** Mr. President, the last time we took up this bill on the floor, we were discussing the establishment of the FARMCs. Under the bill, FARMCs are established at all levels, except on the provincial level.

First, may I know the policy why a FARMC is not being established in the provincial level?

**Senator Shahani.** Mr. President, it is because FARMCs are community-based bodies—barangay and municipal—and to establish them at the provincial level would be superfluous.

**Senator Drilon.** But now we have a national FARMC established. So the concept that it is really of the community may not be true in the case of the national FARMC.

**Senator Shahani.** Mr. President, it was really to avoid other superfluous levels of FARMCs. But if it will be seen during the debate that there is a need for provincial FARMCs, this representation is open to its creation.

**Senator Drilon.** Talking about the creation of FARMCs, may I know how many barangay FARMCs will be established under this proposed law, Mr. President?

**Senator Shahani.** Mr. President, it is obvious that the FARMCs will be established in all coastal barangays. The BFAR does not seem to have the exact number, but we will have that available. It will not be difficult to surmise that there will be quite a number of these FARMCs required.

**Senator Drilon.** In fact, if I recall correctly, there are about 40,000 barangays all over the country. Is that a correct recollection, Mr. President?

**Senator Shahani.** I think that is about, more or less, what

**Secretary Torres.** Like you, Mr. Senator, I cannot also determine why those who were there in the Constitutional Convention who put this provision there would now oppose the citizens exercising this right to propose amendments through peoples initiative.

**Senator Romulo.** But let me restate that we are against any amendment of the Constitution, in my case, not only during this term but even beyond 1998.

Thank you.

**Secretary Torres.** I respect that, Mr. Senator.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Unless there are questions from the Chair, there are no further questions.

**The President.** The Chair has no questions to ask.

**Senator Tatad.** Mr. President, we wish to thank the distinguished Executive Secretary for his appearance here this afternoon and for answering the questions from the members.

I move to close the Question Hour, and that the honorable Executive Secretary be excused.

**Secretary Torres.** First, may I thank the Senate President and the honorable members of this Chamber for giving me this opportunity to clarify certain matters that have really bothered not only the members of this honorable Chamber but our people as well.

Thank you very much.

**The President.** The Chair would like to add its appreciation to the Executive Secretary for honoring our invitation. The Chair would like to make the unsolicited comment that the Executive Secretary has demonstrated that he could very well debate on the floor on a more permanent basis in future years.

#### TERMINATION OF THE QUESTION HOUR

**Senator Tatad.** I reiterate my motion, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the Question Hour is terminated, and the Executive Secretary is excused.

#### SUSPENSION OF SESSION

**Senator Tatad.** I move for a few minutes suspension of the session, Mr. President.

**The President.** The session is suspended for a few minutes, if there is no objection. *[There was none.]*

*It was 5:21 p.m.*

#### RESUMPTION OF SESSION

*At 5:53 p.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

#### BILL ON SECOND READING

##### S. No. 1663—Strengthening the Social Security System (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are now in the period of individual amendments. I ask that the distinguished sponsor, the chairman of the Committee on Labor, be recognized, with the distinguished gentleman from Cagayan to propose his individual amendments.

**The President.** Senators Fernan and Enrile are recognized.

**Senator Fernan.** Thank you, Mr. President.

**Senator Enrile.** Thank you, Mr. President.

In the last session that considered this measure, this representation was proposing certain amendments, Mr. President. Today I would like to propose on page 2, from line 21 all the way to line 22, to delete the phrase "AT LEAST TWO (One) thousand five hundred pesos (P2,500.00)" in figures, and in lieu thereof, insert, in words and figures, the phrase FIVE THOUSAND PESOS (P5,000.00).

The reason I am proposing this, Mr. President is this: since there is a maximum eight meetings of the System's board or commission in every month, that means that each member

would get P40,000.00 a month of P480,000 a year, which amount is much larger than the salary of the President of the Philippines.

**Senator Fernan.** Mr. President, if we peg the amount to a certain figure without any allowance for possible adjustment in the future, when the need arises to increase it in the future, it will be very unwieldy or burdensome on the part of the parties concerned to come to Congress in order to change the figures.

Now the SSS would be willing to settle for a smaller amount provided the same is not the maximum, or the same is not fixed, but is subject to increase. However, the increase is subject to the approval of the President of the Philippines.

For the information of the distinguished gentleman from Cagayan, there are usually only four meetings per month most of the time and not eight, Mr. President.

**Senator Enrile.** But the proposed measure contemplates not more than eight meetings in a month. Whatever their practice is, the fact is that we are authorizing eight meetings in a month. So I am computing the emoluments of each member on the basis of this maximum number of meetings.

**Senator Fernan.** They mentioned that in actual practice, there is just one meeting a week or not more than four meetings in a month. The proposed amendment now is not to exceed P25,000 per month or just exactly P25,000. We can mention a figure, a limit of P25,000 per month.

In other words, the provision on allowance can be reworded in such a way that regardless of the number of meetings held, the amount will not exceed P25,000.

**Senator Enrile.** Mr. President, I proposed an amendment. It is either accepted or rejected.

#### SUSPENSION OF SESSION

**Senator Fernan.** May I request a one-minute suspension of the session, Mr. President.

**The President.** The session is suspended for one minute, if there is no objection. *[There was none.]*

*It was 6:04 p.m.*

#### RESUMPTION OF SESSION

*At 6:15 p.m., the session was resumed.*

**The President.** The session is resumed.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, I move to suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? *[Silence]* There being none, the motion is approved.

#### ADJOURNMENT OF SESSION

**Senator Tatad.** Mr. President, there being no further business, I move to adjourn the session until three o'clock tomorrow afternoon.

**The President.** Is there any objection? *[Silence]* There being none, the session is adjourned until three o'clock tomorrow afternoon.

*It was 6:15 p.m.*



March 3, 1997

The Secretary. House Bill No. 2814, entitled

AN ACT PROVIDING FOR THE SEPARATION OF THE BARANGAY ORINGAO EXTENSION HIGH SCHOOL LOCATED IN THE MUNICIPALITY OF KABANKALAN, PROVINCE OF NEGROS OCCIDENTAL, FROM THE BINICUIL HIGH SCHOOL AND TO BE KNOWN AS FLORENTINO GALANG SR. NATIONAL HIGH SCHOOL, AND APPROPRIATING FUNDS THEREFOR

The President. We shall now vote on the bill and the Secretary will call the roll.

The Secretary. Senators

- Alvarez ..... Yes
Angara ..... Yes
Coseteng ..... Yes
Drilon ..... Yes
Enrile ..... Yes
Fernan ..... Yes
Flavier ..... Yes
Gonzales ..... Yes
Herrera ..... Yes
Honasan .....
Macapagal ..... Yes
Magsaysay Jr. .... Yes
Mercado .....
Ople .....
Osmeña III ..... Yes
Revilla ..... Yes
Roco .....
Romulo ..... Yes
Santiago .....
Shahani .....
Sotto III ..... Yes
Tatad ..... Yes
Webb ..... Yes
The President ..... Yes

APPROVAL OF H. NO. 2814 ON THIRD READING

The President. With 18 affirmative votes, no negative vote, and no abstention, House Bill No. 2814 is approved on Third Reading.

BILL ON SECOND READING
S. No. 1663—Social Security Law
(Continuation)

Senator Tatad. Mr. President, I move that we resume

consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

The President. Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

Senator Tatad. We are now in the period of amendments. I ask that the distinguished sponsor, the chairman of the Committee on Labor, Employment and Human Resources Development, Sen. Marcelo B. Fernan, be recognized.

To propose individual amendments, I ask that the distinguished gentleman from Cagayan, Sen. Juan Ponce Enrile, be recognized.

The President. The gentleman from Cebu and the gentleman from Cagayan are recognized.

Senator Fernan. Thank you, Mr. President.

SUSPENSION OF SESSION

The President. The session is suspended for one minute, if there is no objection. [There was none.]

It was 3:40 p.m.

RESUMPTION OF SESSION

At 3:42 p.m., the session was resumed.

The President. The session is resumed.

Senator Enrile. Mr. President, as agreed upon in last week's sessions of the Senate, the sponsor of the measure and this representation worked out a working draft of Senate Bill No. 1663 reflecting the proposed amendments of this representation. Today, we have a copy of that working draft which is dated February 25, 1997, and I would like to officially submit to the Chamber the proposed changes which were more or less agreed upon between the sponsor and this representation.

With the permission of the Chair, Mr. President.

The President. Please proceed.

ENRILE AMENDMENT

Senator Enrile. Mr. President, on page 1, Section 1, which seeks to amend Section 2 of RA No. 1161, as amended, has been reworded beginning from line 3 to line 13. And I would like to

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read the version as redrafted:

**"SEC. 2. Declaration of Policy.**—It is hereby the policy of the State to establish, develop, promote and perfect a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines which shall promote social justice and provide protection to members and their BENEFICIARIES against the hazards of disability, sickness, MATERNITY, old age, death, LOSS OF INCOME OR FINANCIAL BURDEN." Instead of a comma after the word "burden," I move that the comma be changed to period (.), Mr. President.

**The President.** What does the sponsor say?

**Senator Fernan.** Yes. So far, we have no objections to what has been read as we phrased it including the period(.). In fact, we admit it is an improvement, Mr. President.

**The President.** Is there any objection? [*Silence*] There being none, the amendment is approved.

**Senator Enrile.** And then, after the period (.) in line 10 towards the amended Section 2, it would continue to read as follows: "TOWARDS THIS END, THE STATE SHALL ENDEAVOR TO EXTEND SOCIAL SECURITY PROTECTION TO WORKERS AND THEIR BENEFICIARIES."

**Senator Fernan.** Yes, it will read, "SHALL ENDEAVOR TO EXTEND...."

**The President.** Is there any objection? [*Silence*] There being none, the amendment is approved.

**Senator Enrile.** In Section 2, Mr. President, line 3, after the comma (,) following the word "SYSTEM," insert HEREINAFTER REFERRED TO AS SSS(,) and then continue to line 4, A CORPORATE BODY.

**Senator Fernan.** We accept the amendment, Mr. President.

**The President.** Is there any objection? [*Silence*] There being none, the amendment is approved.

#### WEBB AMENDMENT

**Senator Webb.** Mr. President.

**The President.** The gentleman from Parañaque is recognized, with the permission of the gentlemen on the floor.

**Senator Webb.** With the permission of the two gentlemen,

is it our procedure to first allow Senator Enrile to state all of his amendments, and then later on, we can propose our own, Mr. President? Or are we going to state now our amendments also as individual amendments as we go page by page?

**The President.** We should go page by page.

**Senator Webb.** Thank you, Mr. President. If Senator Enrile is already on page 3, I have an anterior amendment on page 2 which is in line 14. Delete the words "except through" and replace them with PRIOR TO.

**The President.** Page 2, line 14?

**Senator Webb.** Line 14, Mr. President.

**The President.** Is the gentleman using a version as of February 25?

**Senator Webb.** I do not have a copy, Mr. President.

**The President.** The Secretary shall make sure that all the Senators have a copy of this revised version.

#### SUSPENSION OF SESSION

**Senator Webb.** May I ask for just a one-minute suspension of the session?

**The President.** The session is suspended, if there is no objection. [*There was none.*]

*It was 3:48 p.m.*

#### RESUMPTION OF SESSION

*At 3:50 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Parañaque may proceed.

#### WEBB AMENDMENT

**Senator Webb.** Mr. President, still on page 2, line 21, delete the words "except through" and replace them with the words PRIOR TO.

The reason, Mr. President, is that no one can fill a vacancy for the unexpired term if the term has already expired. Hence, it would not be logical to say "except through."

**The President.** What does the sponsor say?

**Senator Fernan.** "All vacancies except..."

**Senator Webb.** Page 2, line 21.

**Senator Fernan.** We have no objection, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

We go now to page 3. Senator Enrile is recognized.

#### ENRILE AMENDMENTS

**Senator Enrile.** Mr. President, on page 3, beginning in line 2, may I propose an amendment: AT LEAST TWO THOUSAND FIVE HUNDRED PESOS (P2,500.00) PER DIEM FOR EACH MEETING ACTUALLY ATTENDED BY THEM BUT NOT TO EXCEED TEN THOUSAND PESOS (P10,000.00) A MONTH:

**The President.** What does the sponsor say?

**Senator Fernan.** We have no objection, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Enrile.** Beginning in line 5 all the way to line 9, I propose an amendment: *PROVIDED, THAT MEMBERS OF THE COMMISSION WHO HEAR AND EVALUATE CASES PENDING BEFORE THE COMMISSION SHALL ALSO RECEIVE A PER DIEM OF AT LEAST TWO THOUSAND FIVE HUNDRED (P2,500.00), BUT NOT TO EXCEED FIFTEEN THOUSAND PESOS (P15,000.00) A MONTH:*

**The President.** What does the sponsor say?

**Senator Fernan.** We accept the amendment.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

#### SUSPENSION OF SESSION

The Chair declares a one-minute suspension of the session, if there is no objection. [There was none.]

*It was 3:52 p.m.*

#### RESUMPTION OF SESSION

*At 3:53 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Cagayan may proceed.

**Senator Enrile.** Mr. President, in line 12, after the word "Commission," change the period (.) to comma (,) and add the phrase BUT NOT TO EXCEED TEN THOUSAND PESOS (P10,000.00) A MONTH.

**The President.** What does the sponsor say?

**Senator Fernan.** Is that referring now to the per diem?

**Senator Enrile.** That refers to reasonable transportation and representation allowances.

**Senator Fernan.** We accept, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Enrile.** Mr. President, on page 6, line 12, after the colon (:) following the word "offices," add the clause: *PROVIDED, THAT THE SSS MAY ASSIGN ATTACHÉS IN EMBASSIES AND CONSULATES OF THE REPUBLIC OF THE PHILIPPINES IN SELECTED COUNTRIES.* That runs from lines 12 to 14.

**Senator Fernan.** We have no objection to that proposed amendment, Mr. President.

**The President.** Will the gentleman from Cagayan restate the amendment?

**Senator Enrile.** I will read the entire subparagraph, Mr. President, beginning in line 9.

(3) TO ESTABLISH BRANCHES OF THE SSS IN PROVINCES AND HIGHLY URBANIZED CITIES AND REPRESENTATIVE OFFICES WHENEVER AND WHEREVER IT MAY BE EXPEDIENT OR NECESSARY, AND TO INSPECT OR CAUSE TO BE INSPECTED PERIODICALLY SUCH BRANCHES AND OFFICES; *PROVIDED, THAT THE SSS MAY ASSIGN ATTACHÉS IN EMBASSIES AND CONSULATES OF THE REPUBLIC OF THE PHILIPPINES IN SELECTED COUNTRIES.*

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, before the sponsor accepts or acts on the proposal, may I ask a short clarificatory question.

What kind of privileges would be enjoyed by such attachés?

**Senator Enrile.** They will be entitled to the privileges of a member of a diplomatic corps of the Republic.

**Senator Angara.** Mr. President.

**The President.** The gentleman from Baler, Aurora and Quezon is recognized, with the permission of the gentlemen on the floor.

**Senator Angara.** Thank you. I have an anterior amendment on page 5, Mr. President.

**The President.** If the gentleman would not mind, may we dispose of this amendment that has been proposed?

**Senator Angara.** I will also have an amendment on that, Mr. President. I will object to that amendment because I am going to propose that the entire provision be deleted.

#### SUSPENSION OF SESSION

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 3:57 p.m.*

#### RESUMPTION OF SESSION

*At 4:00 p.m., the session was resumed.*

**The President.** The session is resumed. The gentleman from Aurora and Quezon is recognized.

**Senator Angara.** Thank you, Mr. President.

#### ANGARA AMENDMENT

Mr. President, I have an anterior amendment on page 5, subparagraph 3, which states: TO APPROVE RESTRUCTURING PROPOSALS FOR THE PAYMENT OF DUE BUT UNLIMITED CONTRIBUTIONS AND LOAN AMORTIZATION.

Before I state my amendment, Mr. President, may I know the coverage of this power, because it involves both unlimited contributions of employers and employees as well as loan amortizations. Loan amortizations from whom, Mr. President? From members of the SSS or from firms that have been extended loans by the SSS?

#### SUSPENSION OF SESSION

**Senator Fernan.** Mr. President, may I ask for a one-minute

suspension of the session?

**The President.** Is there any objection? *[Silence]* There being none, the session is suspended.

*It was 4:01 p.m.*

#### RESUMPTION OF SESSION

*At 4:09 p.m., the session was resumed.*

**The President.** The session is resumed.

**Senator Angara.** Mr. President, after our short meeting, may I propose that in line 7, page 5, between the words "AND" and "LOAN," insert the word UNPAID.

**The President.** Unpaid?

**Senator Angara.** Yes.

**Senator Fernan.** We have no objection, Mr. President.

**The President.** Is there any objection to the amendment? *[Silence]* There being none, the amendment is approved.

**Senator Angara.** In line 11, page 5, between the words "the" and "exercise," insert the words PROPER AND NECESSARY exercise of its powers and duties, et cetera.

**Senator Fernan.** We have no objection, Mr. President.

**The President.** Is there any objection to the amendment? *[Silence]* There being none, the amendment is approved.

**Senator Angara.** On page 6, Mr. President, with the permission of the distinguished gentleman from Cagayan, may I propose that we delete subparagraph 3, from lines 9 to 14, and in lieu thereof, we propose the following provision: TO DESIGNATE OR ASSIGN AN SSS ATTACHÉ IN PLACES WHERE THERE IS AT LEAST 200,000 FILIPINO WORKERS.

**Senator Enrile.** It is accepted, Mr. President, subject to style.

**Senator Magsaysay.** Mr. President.

**The President.** The gentleman from Zambales is recognized.

**Senator Magsaysay.** Mr. President, I have an anterior amendment, if the gentleman on the floor does not mind.

**The President.** Please proceed.

### MAGSAYSAY AMENDMENT

**Senator Magsaysay.** This has been cleared with the Social Security System, so I think it is self-explanatory. On page 5, lines 1 to 5, the same is hereby amended to read as follows: "(2) To establish a provident fund for the members which will consist of voluntary contributions of employers and/or employees, self-employed persons, and voluntary members and their earnings for the payment of benefits to such members or their beneficiaries, subject to such rules and regulations as it may promulgate and approved by the President of the Philippines."

To add a new paragraph to read as follows:

3. TO MAINTAIN A PROVIDENT FUND WHICH CONSISTS OF CONTRIBUTIONS MADE BY BOTH THE SSS AND ITS OFFICIALS AND EMPLOYEES AND THEIR EARNINGS FOR THE PAYMENT OF BENEFITS TO SUCH OFFICIALS AND EMPLOYEES AS THEIR HEIRS UNDER SUCH TERMS AND CONDITIONS AS IT MAY PRESCRIBE."

Those are my proposed anterior amendments.

**The President.** What does the sponsor say?

**Senator Fernan.** We have no objection to the establishment of the provident fund as spelled out by the distinguished gentleman from Zambales.

**The President.** Is there any objection to the amendment? [Silence] There being none, the amendments are approved.

**Senator Magsaysay.** Finally, Mr. President, to renumber the remaining paragraphs.

Thank you, Mr. President.

**The President.** Is there any objection to the amendments? [Silence] There being none, the amendment is approved.

Back to page 6.

**Senator Fernan.** By way of clarification, on page 6, if I understood it correctly, lines 9 to 12 up to the middle of line 12 had not been touched. But this proposal would refer only to lines 12, 13, and 14. Someone came up with the proposal, with the indulgence of the distinguished gentlemen on the floor, that we retain the present phraseology and at the end, that is in line 14, "Republic of the Philippines in"—delete "selected countries"—"in countries where there are at least 200,000 Filipino contract workers."

**Senator Angara.** We do not accept that, Mr. President. Precisely, we object to the provision that the SSS can establish offices all over the place in this country because that power has already been exercised and already existing. So this may become misleading.

So, in lieu of this paragraph, Mr. President, we propose the following: TO DESIGNATE OR ASSIGN AN SSS ATTACHÉ IN PLACES OVERSEAS WHERE THERE IS AT LEAST 200,000 FILIPINO WORKERS.

**The President.** At any rate, the Chair would like to suggest that we leave this matter until the end pending the submission of official statistics from the Department of Labor and Employment of how many countries would be having at least 200,000 workers. I think at the moment that information is not at hand.

**Senator Angara.** We accept the suggestion of the Chair.

**Senator Herrera.** Mr. President.

**The President.** The gentleman from Cebu and Bohol is recognized.

**Senator Herrera.** With the permission of the two gentlemen.

Mr. President, I am just wondering why we need to appoint an SSS attaché considering that overseas workers generally are not members of the Philippine Social Security System. They are members of the social security system of the countries where they are working.

My worry, Mr. President, is that this might only be used to assign people without doing anything there.

### SUSPENSION OF SESSION

**The President.** The session is suspended for one minute, if there is no objection. [There was none.]

It was 4:16 p.m.

### RESUMPTION OF SESSION

At 4:21 p.m., the session was resumed.

**The President.** The session is resumed.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**SUSPENSION OF CONSIDERATION OF S. NO. 1663**

**Senator Tatad.** Mr. President, after consultation between the sponsor and proponents of the amendments, it becomes necessary to ask the SSS for some data. So pending the submission of these data, I move that we suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? *[Silence]* There being none, the motion is approved.

**SUSPENSION OF SESSION**

**Senator Tatad.** Mr. President, may I ask for a suspension of the session.

**The President.** Is there any objection? *[Silence]* There being none, the session is suspended.

*It was 4:22 p.m.*

**RESUMPTION OF SESSION**

*At 4:42 p.m., the session was resumed with Sen. Juan M. Flavie presiding.*

**The Presiding Officer [Sen. Flavie].** The session is resumed.

**BILL ON SECOND READING  
S. No. 1663 - Amending the SSS Law  
(Continuation)**

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663, as reported out under Committee Report No. 186.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of amendments. I ask that the distinguished gentleman from Cebu, Sen. Marcelo B. Fernan, and the distinguished gentleman from Cagayan, Sen. Juan Ponce Enrile, be recognized.

**The Presiding Officer [Sen. Flavie].** Senator Fernan and Senator Enrile are recognized.

**Senator Fernan.** Thank you, Mr. President.

**ENRILE AMENDMENTS**

**Senator Enrile.** Thank you, Mr. President.

On page 7, in the paragraph that starts from line 7 and ends in line 12, this representation proposes a recasting of this entire paragraph, to read as follows:

“(9) To acquire, receive, or hold, by way of purchase, expropriation or otherwise, public or private property for the purpose of undertaking housing projects preferably for the benefit of low-salaried employees and for the maintenance of HOSPITALS AND INSTITUTIONS FOR THE sick, aged and DISABLED, AS WELL AS SCHOOLS FOR THE MEMBERS AND THEIR IMMEDIATE FAMILIES.”

**Senator Fernan.** It is accepted, Mr. President.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** On the same page, lines 13 to 14, Mr. President, paragraph 10, we propose a recasting of this entire paragraph, to read as follows: “(10) TO ESTABLISH AND OPERATE A MUTUAL FUND FOR SSS MEMBERS.”

**Senator Fernan.** It is accepted, Mr. President.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** On the same page, beginning from line 16 to line 17, paragraph 12, we propose a recasting of this paragraph to read as follows:

TO PERFORM SUCH OTHER CORPORATE ACTS AS IT MAY DEEM APPROPRIATE FOR THE PROPER ENFORCEMENT OF THIS ACT.

**Senator Fernan.** The same is hereby accepted, Mr. President.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** On page 9, Mr. President, lines 17 to 18, subparagraph (1) of paragraph (e), we propose that the word “legitimate” be changed to LEGAL. The word “legitimate” is too broad and has a nonlegalistic connotation. We suggest that the terms THE LEGAL SPOUSE be adopted.

**Senator Fernan.** The proposal is accepted, Mr. President.

**The Presiding Officer [Sen. Flavie].** Is there any objection? *[Silence]* There being none, the amendment is approved.

If the Chair may be allowed to make an amendment on the same page, with the permission of Senator Enrile.

On page 9, line 5, it says there that the following paragraphs are amended, namely (e), (j), (k), and (m).

In reading through the text, we find that paragraph (i) and paragraph (l) are also amended. So those should be inserted between (e) and (j) to insert paragraph (i) and paragraph (l) between (k) and (n).

**Senator Fernan.** We will take note of that, Mr. President, and make the necessary insertions.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

The gentleman from Cagayan may now continue.

**Senator Enrile.** On page 16, Mr. President, line 6, Roman numeral "IV," we propose to modify the word "athletes" with the word PROFESSIONAL.

The word "athletes" is so broad that it includes even grade school kids who are engaged in sports. We should limit the covered athletes to PROFESSIONAL ATHLETES.

**The Presiding Officer [Sen. Flavier].** What line is that, please?

**Senator Enrile.** Line 6, page 16, Mr. President.

**Senator Fernan.** The proposal is well taken, Mr. President. We accept.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** On page 27, Mr. President, line 18 all the way to line 20—the penultimate sentence of page 27—we propose to recast the entire sentence to read:

NO TAX MEASURE OF WHATEVER NATURE HERE-AFTER ENACTED SHALL APPLY TO THE SSS, UNLESS IT EXPRESSLY REVOKES THE DECLARED POLICY OF THE STATE IN SECTION 2 HEREOF GRANTING TAX EXEMPTION TO THE SSS.

**Senator Fernan.** The proposed amendment is accepted, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objec-

tion? *[Silence]* There being none, the amendment is approved.

**Senator Enrile.** Then we propose to recast the last sentence of the same page 27, Mr. President, to read as follows: Beginning in lines 20 and 21 and ending in the first line of page 28: ANY TAX ASSESSMENT HEREAFTER IMPOSED AGAINST THE SSS SHALL BE NULL AND VOID.

**Senator Fernan.** The proposed amendment is accepted, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** I have an anterior amendment, Mr. President.

**The Presiding Officer [Senator Flavier].** Senator Roco is recognized.

**Senator Roco.** I was on page 16, line 22.

**The Presiding Officer [Sen. Flavier].** Page 16 has only 21 lines. May I check whether the gentleman has the most recent version because my copy has only 21 lines.

**Senator Roco.** I have 25 lines.

**The Presiding Officer [Sen. Flavier].** This copy says "with committee amendments as of February 15, 1997" on the front page.

#### ROCO AMENDMENT

**Senator Roco.** Yes, it is Section 12 (B), page 19, lines 14 and 15. The proviso should read as follows: *PROVIDED, THAT HE SHALL HAVE THE OPTION TO RECEIVE HIS FIRST EIGHTEEN (18) MONTHLY PENSIONS IN LUMP SUM DISCOUNTED AT A PREFERENTIAL RATE OF INTEREST TO BE DETERMINED BY THE SSS.*

**The Presiding Officer [Sen. Flavier].** This is effectively changing "six (6)" to EIGHTEEN (18). What does the sponsor say?

**Senator Fernan.** The proposed amendment is accepted, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** Thank you, Mr. President.

#### ENRILE AMENDMENT

**Senator Enrile.** Mr. President, on page 41, line 4, I would like to propose an adjectival modification of the word "equities" by inserting the word NONSPECULATIVE before the word "equities" in line 4.

**The Presiding Officer** [Sen. Flavie]. What does the sponsor say?

**Senator Fernan.** I accept the insertion of the word NONSPECULATIVE.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the amendment is approved.

#### FLAVIER AMENDMENT

With the permission of Senator Enrile, the Chair has an anterior amendment on page 26, line 6. It says, "amending the opening paragraph and subparagraphs (c) and (f)". But when we look at the text being amended, it is really subparagraphs (c) and (g). So that subparagraph (f) should be replaced with subparagraph (G).

**Senator Fernan.** It is accepted, Mr. President.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Roco.** Mr. President.

**The Presiding Officer** [Sen. Flavie]. Senator Roco is recognized.

**Senator Roco.** I hate to do this, Mr. President, but I think we are now making very important amendments, and there are very few people in the hall. This is the lifeblood of the SSS members.

Before I call it, maybe the Majority Leader would want to suspend the session and have more people in the session hall.

#### SUSPENSION OF SESSION

**Senator Tatad.** I move for a few minutes' suspension of the session, Mr. President.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the session is suspended for a few minutes.

*It was 4:54 p.m.*

#### RESUMPTION OF SESSION

*At 4:59 p.m., the session was resumed.*

**The Presiding Officer** [Sen. Flavie]. The session is resumed.

**Senator Enrile.** Mr. President, this representation is through with the introduction of his proposed individual amendments, and I would like to make it of record that the document, the draft of Senate Bill No. 1663 as of February 25, 1997, including committee amendments, has been the document used in the amended proposals of this representation.

Thank you, Mr. President.

**Senator Fernan.** Mr. President, at this juncture, I would like to thank the distinguished gentleman from Cagayan for his thought-provoking suggestions, interpellations, and now in the form of amendments. They have definitely improved the bill.

**Senator Tatad.** Mr. President.

**The Presiding Officer** [Sen. Flavie]. The Majority Leader is recognized.

#### TATAD AMENDMENT

**Senator Tatad.** I was going to propose an amendment on page 26 before the suspension of the session. I wonder if the sponsor is ready to listen to this proposal. In line 11, I propose the deletion of the word "abortion." I believe MISCARRIAGE is sufficient.

**Senator Fernan.** The proposal is accepted.

**Senator Tatad.** On the same page, line 20...

**Senator Webb.** Mr. President, I have an anterior amendment.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the amendment is approved.

Senator Webb is recognized for an anterior amendment.



**Senator Webb.** On page 11, right after line 20, insert the following paragraph: NOTHING HEREIN SHALL PREVENT THE FOREGOING TO REGISTER THEMSELVES AS SELF-EMPLOYED PERSONS WITH THE SSS ON A VOLUNTARY BASIS.

**Senator Fernan.** Is this on page 11, Mr. President?

**Senator Webb.** Page 11, right after line 20.

**The Presiding Officer [Sen. Flavier].** Will the gentleman restate his amendment again?

**Senator Fernan.** We are using the February 25 draft.

**Senator Webb.** That is right, Mr. President. On page 11, line 20, after the word "contractors."

**Senator Fernan.** Yes, Mr. President.

**Senator Webb.** After that, I propose a new paragraph:

NOTHING HEREIN SHALL PREVENT THE FOREGOING TO REGISTER THEMSELVES AS SELF-EMPLOYED PERSONS WITH THE SSS ON A VOLUNTARY BASIS.

#### SUSPENSION OF SESSION

**Senator Fernan.** May I ask for a one-minute suspension of the session, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the session is suspended for one minute.

*It was 5:03 p.m.*

#### RESUMPTION OF SESSION

*At 5:05 p.m., the session was resumed.*

**The Presiding Officer [Sen. Flavier].** The session is resumed. Senator Webb is recognized.

**Senator Webb.** Mr. President, after consultation with the sponsor, I realized his logic so I am withdrawing my proposed amendment.

**The Presiding Officer [Sen. Flavier].** The proposed amendment is withdrawn.

#### WEBB AMENDMENTS

**Senator Webb.** Still on page 14, line 3, Mr. President, if

there are no anterior amendments, delete the word "compulsorily" and insert between the words "under" and "Section 9" the words SECTION 8, PARAGRAPH (S).

The reason is, in subparagraph (b), the worker is covered on a voluntary basis. Thus, to say that members refer to persons who are compulsorily covered is inconsistent with Section 9 (b). Moreover, this would be inconsistent with the additional definition I am about to propose, Mr. President.

**The Presiding Officer [Sen. Flavier].** What does the sponsor say?

**Senator Fernan.** The proposed amendment is well-taken. We accept the proposed amendment, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Webb.** Still on page 14, lines 3 and 4, after subparagraph (r) of Section 8 defining the term "Member," we add the following:

(R) SELF-EMPLOYED - ANY PERSON WHOSE INCOME IS NOT DERIVED FROM EMPLOYMENT, INCLUDING THOSE EMPLOYED WORKERS WHO ARE NOT COVERED BY THE TERM "EMPLOYMENT" AS DEFINED IN SUBPARAGRAPH (J) OF THIS SECTION. AS WELL AS THOSE WORKERS ENUMERATED IN SECTION 9 (A) OF THIS ACT.

May I explain the rationale, Mr. President. We want to be consistent with the other provision of this bill. A definition of the term "Self-Employed" should be specified in the Definition of Terms. Moreover, this promotes the intention of the bill to extend social security protection to workers.

**Senator Fernan.** Is this proposed amendment to be added at the end of the sentence regarding membership in line 3?

**Senator Webb.** May I restate my amendment, Mr. President. This is on page 14, between lines 3 and 4, after subparagraph (r) of Section 8 defining the term "Member."

**Senator Fernan.** What page is the gentleman referring to, Mr. President?

**Senator Webb.** On page 14, between lines 3 and 4, I am proposing an additional definition of terms which is subparagraph (r). It says:

(R) SELF-EMPLOYED - ANY PERSON WHOSE

INCOME IS NOT DERIVED FROM EMPLOYMENT, INCLUDING THOSE EMPLOYED WORKERS WHO ARE NOT COVERED BY THE TERM "EMPLOYMENT" AS DEFINED IN SUBPARAGRAPH (J) OF THIS SECTION, AS WELL AS THOSE WORKERS ENUMERATED IN SECTION 9 (A) OF THIS ACT.

**Senator Fernan.** The proposed amendment is accepted, Mr. President.

**The Presiding Officer [Sen. Flavier].** Is there any objection? [*Silence*] There being none, the amendment is approved.

If the Chair may intervene. On page 12, line 15, for the sake of consistency with the stated policy, may the Chair propose the insertion in line 16 of the phrase LOSS OF INCOME OR FINANCIAL BURDEN, OLD AGE, appearing in the Statement of Policy. That is for consistency's sake, if the sponsor would allow. That is on page 12, line 16.

**Senator Fernan.** Mr. President, much as we want to accede to the proposal, I think financial burden is not within the coverage of the SSS.

#### FLAVIER AMENDMENT

**The Presiding Officer [Sen. Flavier].** The desire of the Chair is to achieve consistency with the statement appearing in the Statement of Policy.

If we will look at page 1, we will notice the words "hazards of disabilities, sickness, maternity, old age, loss of income or financial burden." It is the suggestion of the Chair to make it consistent, if the sponsor will agree.

**Senator Fernan.** My attention has just been called, Mr. President, that the proper phraseology here should be "RESULTING IN LOSS OF INCOME OR FINANCIAL BURDEN" rather than "covering loss of income or financial burden."

**The Presiding Officer [Sen. Flavier].** With that agreement, would the gentleman then accept the amendment now?

**Senator Fernan.** Yes. If it is qualified with the phrase "RESULTING IN LOSS OF INCOME OR FINANCIAL BURDEN," then we accept the amendment.

**The Presiding Officer [Sen. Flavier].** With that understanding, is there any objection? [*Silence*] There being none, the amendment is approved.

Senator Angara is recognized.

**Senator Angara.** I have an anterior amendment, Mr. President, on page 7, lines 13 and 14.

**Senator Webb.** Mr. President, may I have an anterior amendment, if Senator Angara would not mind.

**Senator Angara.** Yes, please.

**The Presiding Officer [Sen. Flavier].** Senator Webb is recognized.

**Senator Webb.** Before I propose my amendment, may I just ask one question: Is there a cap as far as the budget of the SSS is concerned for administration and for operational expenses? May I know how much is the cap?

**Senator Fernan.** The cap is 12% of contributions and 3% of investments. The cap is found in the existing law, on Section 25, which states that not more than 12% of the total yearly contributions plus 3% of other revenues shall be disbursed for salaries, wages, purchases of office equipment and materials, operational expenses and the maintenance of regional offices of the SSS.

**Senator Webb.** But it is not found in the bill, Mr. President. May I know the page where it is located?

**Senator Fernan.** It is Section 25 of the existing law, and can be found on page 32 of the Social Security Law, 1996 edition.

The proposed amendment is found on page 34, lines 13 to 23, Mr. President.

**Senator Webb.** I thank the sponsor for that. I kept on looking for that but I cannot see it. Thank you.

**The Presiding Officer [Sen. Flavier].** Senator Angara is now recognized.

**Senator Angara.** Thank you, Mr. President. Just a point of inquiry, Mr. President. What happened to the provision authorizing the assistance to establish representative offices and appointing attachés? Are we holding that in abeyance?

**Senator Fernan.** After consultation with the various members of this Body and the officials of the SSS, we have decided that we will delete this particular provision.

**Senator Angara.** So my amendment is accepted.

**Senator Fernan.** The amendment is accepted.

**Senator Angara.** Thank you very much, Mr. President.

On page 7, I also have a proposal to delete lines 13 to 14, which is the power to establish and operate a mutual fund for SSS members.

**Senator Enrile.** With the permission of the two distinguished gentlemen on the floor, Mr. President. With respect to the amendment proposed by the distinguished senator from Quezon, authorizing the SSS to designate representatives in selected countries where the number of Filipino workers is about 200,000 or more, in fact, the amendment proposed by the distinguished senator from Quezon has not been approved as far as I can remember the records.

**Senator Angara.** I see. I think the gentleman is correct, Mr. President.

**Senator Enrile.** So it has to be voted upon.

#### ANGARA AMENDMENTS

**Senator Angara.** So I withdraw my amendment, Mr. President, and in lieu thereof, I propose that the entire provision be deleted.

**Senator Fernan.** The same is hereby accepted, Mr. President.

**The Presiding Officer [Sen. Flavie].** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** On page 7, to reiterate, Mr. President, I propose that we delete the provision authorizing the SSS to establish and operate a mutual fund.

Mr. President, this is going to be a major undertaking that I think the SSS ought not to embark on. The SSS can invest in existing mutual funds, but I doubt very much the wisdom of allowing the SSS to set up and operate a mutual fund. This will be risking the trust funds of members in a major financial undertaking.

So I propose that we delete this, Mr. President.

**The Presiding Officer [Sen. Flavie].** What does the sponsor say?

#### SUSPENSION OF SESSION

**Senator Fernan.** May I ask for a one-minute suspension, Mr. President?

**The Presiding Officer [Sen. Flavie].** Is there any objection? [Silence] There being none, the session is suspended for one minute.

*It was 5:16 p.m.*

#### RESUMPTION OF SESSION

*At 5:17 p.m., the session was resumed.*

**The Presiding Officer [Sen. Flavie].** The session is resumed.

**Senator Fernan.** With respect to this provision regarding the mutual fund for the SSS, which is in lines 13 and 14, we accept the proposal to delete the provision regarding the establishment of a mutual fund for SSS members.

**The Presiding Officer [Sen. Flavie].** Is there any objection? [Silence] There being none, lines 13 and 14 on page 7 are deleted.

**Senator Angara.** Thank you, Mr. President.

**The Presiding Officer [Sen. Flavie].** Senator Drilon is recognized.

**Senator Drilon.** Point of clarification, Mr. President. In relation to the amendment on page 6 introduced earlier by the Senator from Quezon and accepted by the sponsor, may I know if the proposed amendment will delete only that authority to establish and assign attachés abroad or would the amendment include the deletion of the provision from lines 9 to 12 of page 6, which refers to the right of the SSS to establish branches in provinces? Just for clarification.

**Senator Angara.** If I may, Mr. President, because that is my amendment, with the permission of the distinguished sponsor.

The entire provision, Mr. President, is to be deleted. The power of the SSS to establish a branch right now is existing and being exercised by the SSS. Therefore, there is no necessity for reiterating it. So the whole provision will be deleted.

**Senator Drilon.** So that just for clarity, when we delete the whole provision from lines 9 to 14 on page 6, the original wording of the present law would be retained?

**Senator Angara.** That is right.

**Senator Drilon.** Thank you, Mr. President.

**The Presiding Officer** [Sen. Flavier]. The Majority Leader is recognized.

**Senator Tatad.** Mr. President, I want to go back to page 26. Consistent with my previous amendment which has been accepted, I propose that in line 20, the words "abortion or" be deleted.

**Senator Fernan.** The proposed amendment is accepted, Mr. President.

**The Presiding Officer** [Sen. Flavier]. Is there any objection to the amendment? [*Silence*] There being none, the amendment is approved.

The Chair has an amendment on page 37, if there are no anterior amendments.

If the sponsor would allow on page 37, lines 10 to 19, the whole paragraph from line 13 to the end of line 19, delete the whole sentence and my amendment would be to retain that except the phrase from line 16 which reads, "and in loans for the construction," up to line 18, "of this Act."

The reason for that removal is that it is found already in Section (f). But the meat of my amendment is really to retain the last two lines found in lines 18 and 19 which is the proviso: "That such investments shall not exceed 30% of the investment reserve fund." This has to be connected with the next paragraph from lines 20 to 27, where I would like to propose that in line 26, "40 percent" should go back to "10 PERCENT."

In effect, I am submitting as an amendment a return to the old configuration of 30% for the shelter activities and 10% for salary loans and others.

The reason is that if we combine them to 40% and considering Executive Order No. 90, it gives the option and leeway for the SSS to really control it to a point where the shelter programs will be stifled which is, I submit, a very important thrust today of the government.

Subject to style, Mr. Sponsor, that will be my amendment.

**Senator Fernan.** Mr. President, when some parties got hold of the earlier draft containing the provision combining the 30% and the 10% to make it 40%, several objections were raised from many quarters. They were afraid that the housing loan might suffer as a result of the merging of the two kinds of loans. So the SSS has decided to recommend to the committee that we maintain the 30% for housing loans and 10% for salary loans separate and distinct. We feel that the amendment is well-taken.

**Senator Tatad.** Mr. President.

**The Presiding Officer** [Sen. Flavier]. The Majority Leader is recognized.

#### SUSPENSION OF SESSION

**Senator Tatad.** May I ask for a one-minute suspension of the session?

**The Presiding Officer** [Sen. Flavier]. The session is suspended, if there is no objection. [*There was none.*]

*It was 5:23 p.m.*

#### RESUMPTION OF SESSION

*At 5:26 p.m., the session was resumed with Sen. Orlando S. Mercado presiding.*

**The Presiding Officer** [Sen. Mercado]. The session is resumed. Senators Fernan and Flavier are recognized.

**Senator Flavier.** We have conferred with the good sponsor, and to the best of my understanding, he has accepted the amendment.

**Senator Fernan.** That is correct, Mr. President.

**Senator Tatad.** May we have a restatement of the amendment, Mr. President.

#### FLAVIER AMENDMENT

**Senator Flavier.** Subject to style, Mr. President, we are really saying that we will not combine both. We will separate the loans into two as found in the present law and, that is, 30% for housing, 10% for salary loans, et cetera.

So, subject to style, that will be the spirit of the amendment, Mr. President.

**The Presiding Officer** [Sen. Mercado]. Does the sponsor accept the amendment?

**Senator Fernan.** That is accepted, Mr. President.

**The Presiding Officer** [Sen. Mercado]. Are there any objections to the amendment?

**Senator Flavier.** Mr. President, just for the record, I would like to say that there are inquiries from the gallery regarding the

definition of "miscarriage"; and after cross checking with Senator Tatad, our understanding is common—that we are retaining the word "miscarriage" with the understanding that this includes all forms. And because it is the common usage, we will retain it in the text.

**The Presiding Officer** [Sen. Mercado]. Anyway, for the previous amendment, is there any objection to the amendment subject to refinement and style? [Silence] There being none, the amendment is approved.

#### TATAD AMENDMENT

**Senator Tatad.** Mr. President, in the light of the statement of our colleague from the Cordilleras, I would like to go back to page 26. There is another line where the word "abortion" appears, that is line 18. I propose that it be deleted. And just in case we have overlooked any such usage, I am making an omnibus motion for the deletion of the word "abortion" whenever it appears in a similar context.

**Senator Fernan.** If I am not mistaken the fact that it is bracketed, Mr. President, means that it is deleted.

**The Presiding Officer** [Sen. Mercado]. There is a bracket up to line 18. It starts from line 11.

**Senator Tatad.** Yes, I am sorry. I withdraw that. I reiterate the omnibus motion just in case it becomes necessary.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Roco.** Mr. President.

**The Presiding Officer** [Sen. Mercado]. Senator Roco is recognized.

**Senator Roco.** May I just make an inquiry, Mr. President. Do I take it that the matter of investments in foreign mutual fund and in foreign equities is the one now appearing on page 40 and page 41?

**Senator Fernan.** Pages 40 and 41?

**Senator Roco.** Yes, Mr. President. Is that the one in line 24 all the way to line 13 of page 41?

**Senator Fernan.** Yes, Mr. President, on page 40 from line 24 and page 41, from line 1 all the way to line 13.

**Senator Roco.** Yes. Mr. President, may we ask the distinguished sponsor again to kindly explain to us why we want to invest abroad for the SSS?

It is bad enough, Mr. President, that we encourage foreign investments because we lack capital. There are many arguments that the more foreign investments pour in, the more they tend to inhibit growth in certain sectors. Now, here are funds from within that can be invested within, but now are being recommended for investment outside.

May we ask again the distinguished sponsor because before, we were prevailed upon not to lengthen the interpellation. But now that we are in the period of amendments, may we ask again what is the reason for this?

**Senator Fernan.** Mr. President, the reason behind the provisions earlier referred to is that, while as a rule the SSS would not invest SSS funds in foreign mutual funds or in any form of investments abroad, the investments abroad will be resorted to only if they will protect the interest of the funds and in effect the members of the System in the event there is an expected peso devaluation or when the market collapses.

This investment, which is limited incidentally to just 10%—it cannot exceed 10%—is a necessary hedge against peso devaluation. It is a common practice among leading and progressive social security institutions. It provides opportunities for better investments abroad. If we feel that it is not warranted, there is no need or obligation to invest in foreign countries.

All these investments are subject to the approval of the Social Security Commission and subject to the audit of the Commission on Audit.

In liquefying foreign investments, the capital plus earnings shall be returned to the Republic of the Philippines. There are also some countries that look forward to reciprocal arrangements.

These are the reasons that impelled them to request the inclusion of a provision on foreign mutual fund, Mr. President.

**Senator Roco.** As far as "(J)", Mr. President, is concerned, this is subject to a 10% limitation. How much would that 10% of the investment reserve fund limitation amount to?

**Senator Fernan.** The 10% would not exceed \$500 million.

**Senator Roco.** It is \$500 million. So that is how many billion pesos?

**Senator Fernan.** It is about P14 billion, Mr. President.

**Senator Roco.** Yes, P14 billion that can be invested in foreign mutual funds.

**Senator Fernan.** Yes, Mr. President.

**Senator Roco.** And another P14 billion that can be invested in foreign currency-denominated debts, nonspeculative equities, and other financial instruments, et cetera.

So these are all in all P28 billion. They are both subject to 10% limitations.

**Senator Fernan.** No, Mr. President. The correct interpretation is that there is an omnibus cap of 10%. In other words, the 10% applies to both foreign and domestic mutual funds.

**Senator Roco.** But the way the section is put here, Mr. President, that is not clear since (J) refers to domestic or foreign mutual funds and it has the limitation of not to exceed 10% of the investment reserve fund.

And "(K)" also has a separate limitation that such investments shall not exceed 10% of the investment reserve fund. There is no correlation between the two.

So the distinguished sponsor may want to reexamine those two because they amount to P28 billion. Right now, I am not even sure that that should be allowed. May we clarify that.

**Senator Fernan.** May I invite the attention of the distinguished gentleman to page 42, line 7, the limitation of 10% in foreign currency-denominated investments. There is really an enumeration of the ceilings of how the investment reserve fund of the SSS may be invested. It enumerates the ceilings of the various investments, and the last one is 10% in foreign currency-denominated investments.

**Senator Roco.** May I request the sponsor, Mr. President, to try to rework those statements because that is covered by subsection (M). The proviso that is being pointed out by normal statutory construction will not cover (J) and (K). That will cover (M).

**Senator Fernan.** Yes, that is correct. The observation is correct, Mr. President. We are ready to redraft it so that it will be understood to include not only foreign but also domestic.

**Senator Roco.** Not only that, Mr. President. During the interpellation, I understood the distinguished chairman as manifesting that they were willing to lower the limitation to 5%. In

fact, it was a way of mollifying me and requesting me to cut down my questions. They were willing to go down to 5%, but I do not see the 5% here.

**Senator Fernan.** It was not formally proposed. But if the distinguished gentleman will propose it, then we will make the proper response.

**Senator Roco.** In an effort to facilitate, Mr. President, may we request the distinguished chairman to work this out already in a manner that is satisfactory to them, and maybe, to give also the Chamber a listing of these foreign mutual funds that are supposed to be commendable for investment, as well as these foreign currency-denominated debts and nonspeculative equities. Just examples so that we can be guided accordingly, and rework (J), (K), and (M) to have that kind of limitation.

If it is not too much to ask, may we ask that we continue tomorrow, because this will be very important, if we may request.

**The Presiding Officer [Sen. Mercado].** Maybe we can go back to this particular provision but proceed to other provisions that are not controversial or that are not controvertible.

**Senator Roco.** Yes, Mr. President. So if we can come back to it the first thing tomorrow afternoon, we will be appreciative.

**The Presiding Officer [Sen. Mercado].** We will not close the period of amendments on this bill.

**Senator Roco.** Thank you, Mr. President.

**Senator Drilon.** Mr. President.

**The Presiding Officer [Sen. Mercado].** Senator Drilon is recognized.

**Senator Drilon.** Just by way of omnibus amendment. I move that the various sections, numbers and paragraphs which are affected by the amendments accepted by the committee be accordingly renumbered or relettered in order to reflect the correct numbering and lettering, Mr. President.

**Senator Fernan.** The same is not only accepted but very well-taken, Mr. President.

**The Presiding Officer [Sen. Mercado].** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Roco.** Mr. President.

**The Presiding Officer** [Sen. Mercado]. Senator Roco is recognized.

**Senator Roco.** While we are at it, Mr. President, may we request also the committee to already have a clean copy so that when we read through, it is no longer with brackets. It will no longer be engrossed. It will be as though it were in the final form for the appreciation of the statutory construction.

**The Presiding Officer** [Sen. Mercado]. The Secretary will take note of the request.

**Senator Fernan.** Yes, we will comply, Mr. President.

**The Presiding Officer** [Sen. Mercado]. Are there any other individual amendments?

**Senator Tatad.** Mr. President.

**The Presiding Officer** [Sen. Mercado]. The Majority Leader is recognized.

**Senator Tatad.** I see none, Mr. President.

#### SUSPENSION OF CONSIDERATION OF S. NO. 1663

I move to suspend consideration of Senate Bill No. 1663.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [*Silence*] There being none, the amendment is approved.

#### RESOLUTION ON SECOND READING S. Jt. Res. No. 11 - Extending the Tenure of the Congressional Commission on Agricultural Modernization (Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Joint Resolution No. 11 under Committee Report No. 269.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [*Silence*] There being none, the motion is approved. Resumption of consideration of Senate Joint Resolution No. 11 is now in order.

**Senator Tatad.** We were in the period of interpellations, Mr. President. There was a reservation made by one of our colleagues. We are given to understand that that reservation has been withdrawn. I therefore move to close the period of interpellations.

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [*Silence*] There being none, the motion is approved.

**Senator Tatad.** I ask that the distinguished sponsor of the measure, the chairman of the Committee on Agriculture, be recognized for the period of amendments. There are no committee amendments?

**Senator Angara.** There are no committee amendments, Mr. President.

**The Presiding Officer** [Sen. Mercado]. Are there any individual amendments to Senate Joint Resolution No. 11?

**Senator Webb.** Mr. President.

**The Presiding Officer** [Sen. Mercado]. Senator Webb is recognized.

#### SUSPENSION OF SESSION

**Senator Webb.** Mr. President, may I just ask for a one-minute suspension of the session?

**The Presiding Officer** [Sen. Mercado]. Is there any objection? [*Silence*] There being none, the session is suspended for one minute.

*It was 5:41 p.m.*

#### RESUMPTION OF SESSION

*At 5:42 p.m., the session was resumed.*

**The Presiding Officer** [Sen. Mercado]. The session is resumed. Senator Webb is recognized.

#### WEBB AMENDMENTS

**Senator Webb.** Mr. President, on the third WHEREAS after the semicolon (;) following the word "programs," delete the semicolon (;) and insert a COMMA (,) and add the phrase, AND PURSUANT TO ITS VERIFIED FINDINGS TO FORMULATE RECOMMENDATIONS FOR LEGISLATION AND FOR IMPLEMENTATION BY THE EXECUTIVE DEPARTMENT.

**The Presiding Officer** [Sen. Mercado]. What does the sponsor say?

**Senator Angara.** I am sorry, Mr. President, may I have the amendment again?

RESUMPTION OF SESSION

At 5:42 p.m., the session was resumed.

**The President.** The session is resumed.

BILL ON SECOND READING  
S. No. 1663—Amending the SSS Law  
(Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The President.** Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Tatad.** Mr. President, we are still in the period of amendments. I ask that the distinguished sponsor, the distinguished gentleman from Cebu, and the distinguished gentleman from Camarines Sur and Bohol, be recognized.

**The President.** The gentleman from Cebu and the gentleman from Camarines Sur and Bohol are recognized.

**Senator Roco.** Thank you, Mr. President.

At the outset, Mr. President, may we put into a formal motion—because I thought there was an implicit consent on the format of the bill—to allow the committee to reproduce the Senate bill with the complete text of the law indicating in capital letters what are added and in brackets what are supposed to be deducted.

It is taking so much time when, for instance, in Section 6, it says, “amending paragraphs (e), (i), (j),” et cetera, “of Section 8.” And then what appears are (A), (B), (C), (D). We need the SSS Law by our side. Correlating all these sections would be more difficult.

In any event, in the Intellectual Property Law, that is what was allowed by the Chamber. In the Bangko Sentral Law, that is what we followed because it becomes simpler. Likewise, in the thicker Land Bank Law.

If it is all right, Mr. President, it will simplify the life of all the members of the Chamber. Then we will make sure that we do not contradict the existing law unintentionally.

**Senator Fernan.** Mr. President, if the subject matter of the motion of the distinguished gentleman from Camarines Sur will

help expedite matters, then we have no objection. And that will mean including all provisions of the existing SSS Law, Republic Act No. 1161, and that includes the provisions not affected by the proposed amendment.

**Senator Roco.** Yes, Mr. President. If it is all right, if it can be so approved by the Chamber, we will have a simpler time tomorrow. Will that be all right?

**Senator Fernan.** Yes. We will be ready before tomorrow’s afternoon session.

**Senator Roco.** Do I take it that there is implicit approval, Mr. President, because the *Rules* allow implicit approval of this procedure? I thought in fact we agreed yesterday.

Is it approved by the Body, Mr. President?

**The President.** What does the Majority Leader say?

**Senator Tatad.** Mr. President, we have no objection to the motion of our distinguished colleague from Camarines Sur and Bohol. This will entail a little time but I am confident that the Secretariat will be able to comply.

**The President.** So ordered.

**Senator Roco.** Thank you, Mr. President.

Now, just so it can be already worked into the draft, may we just suggest, Mr. President, and submit this to the committee.

In various sections, there are amounts. For instance, funeral expenses is at P10,000; there are also amounts for other benefits. Would the committee, Mr. President, in general, accept an amendment so that all these amounts are subject to adjustments for inflation purposes every five years, subject to the approval of the Board?

It need not be obligatory, Mr. President, because it will be subject to actuarial factors and the judgment of the Board. But one of the problems that we do meet—and I am sure all of us have met it—is that when SSS members discussed it with us, they said that the funeral benefits are such and such but it is not even enough to get them a plot or whatever, to get them a “kahon.”

On the other hand, we cannot modify this law every so many years. It may be better to have adjustable provisions and powers on the part of the Commission or whatever way it can be expressed.

**Senator Fernan.** The request on the part of the

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distinguished gentleman from Camarines Sur is to review every five years?

**Senator Roco.** For inflation purposes, Mr. President, to review the amounts for the purpose of adjusting for inflation and subject to factors that are actuarially viable. I would imagine the actuarial studies of the SSS will have to be considered by the Board.

**Senator Fernan.** Rather than make a decision at this time, could it be the subject of a short discussion when we discuss other provisions? Because the concern of the SSS is the viability.

Actually, the practice now is, there is a yearly review on the part of the SSS. Because as provided on page 5, line 17, under the old letter "C," now No. 2, it says:

To require the Actuary to submit a valuation report on the SSS benefit program every five years or more frequently as may be necessary, and to undertake the necessary actuarial studies and calculations concerning increases in benefits and the financial stability of the SSS and to provide for the feasible increases in benefits and the addition of new ones under such rules and regulations as the Commission may adopt subject to the approval of the President of the Philippines: *Provided*, That the actuarial soundness of the reserve fund shall be guaranteed.

Does this not satisfy the gentleman?

**Senator Roco.** Yes. In fact, Mr. President, it was because of this section that I thought of recommending to the committee similar general provision which authorizes the Commission therefor to make adjustments every five years for the different benefits.

Because what has happened, Mr. President—and I am sure all the members here have been deluged with letters—those who have retired and live longer eventually starts complaining that it is not enough, and it seems fair to make adjustments. So all of us start filing bills, and the law becomes so tedious. Whereas, if we authorize the Commission to make adjustments, subject to the standards that will make it actuarially viable, then it is simpler.

The only disadvantage, Mr. President, is that the Commission will be subject to pressure from their constituents. I guess that goes with the job description, and it is better that they have the powers than to keep coming back to Congress for adjusting funeral expenses, which is now fixed at P10,000.

**Senator Fernan.** Yes. May we request that we come up

with a formal amendment to that effect, and then we sit down to thresh out that amendment.

**Senator Roco.** Yes. For consistency of style, the staff can be requested to look into that.

**Senator Fernan.** Yes, Mr. President.

**Senator Roco.** Mr. President, I also wish to call attention to page 4 because there is a concern in reading this, that while we strengthen the Commission, it may be at the expense of the members who may be helpless now before the Commission.

So, Mr. President, may we ask again the experts of the SSS to suggest modifications on pages 4 and 5. Page 4, line 23 and then in line 29.

When there is delegation of powers, to the making of the rules and regulations as regards the provident fund or as regards the common fund for the payment of benefits subject to such terms and conditions as they may prescribe, may we just have a standard that will guide the Commission in making this? We want to make sure that the SSS members, on the other hand, have some access to remedy under these rules.

I do not have the words, Mr. President, but the distinguished gentleman must forgive me. It is such a thick law, and it was very difficult reading it.

So again, we have no specific amendment, but we will seek the assistance of the experts, Mr. President.

**Senator Fernan.** Yes. It will be recalled that the establishment here of a provident fund is an amendment proposed by the distinguished gentleman from Zambales, Sen. Ramon Magsaysay, Jr.

It is specified in the rules and regulations, and there are no other guidelines except that it is subject to the promulgation and approval by the President of the Philippines. But the most important consideration here why the committee accepted the amendment is that, it operates on a voluntary basis on the part of the employers and employees or both.

In other words, they may or may not join the provident fund; they may or may not be a part of the provident fund, Mr. President.

**Senator Roco.** The point is well-taken, Mr. President. On page 4 again, in the restructuring proposals, would the sponsor kindly inform the Chamber if there are existing restructuring proposals pending before the SSS?

**Senator Fernan.** This has been the practice of the SSS for so many years and there has been no condonation of obligations to the SSS, but merely a restructuring, especially when the company is encountering financial difficulties. So the company is given an opportunity to settle its obligations with the SSS by allowing it to make payments on installment.

**Senator Roco.** But it is understood that condonations are, in fact, not visualized under this restructuring.

**Senator Fernan.** That is correct, Mr. President.

**Senator Roco.** On page 6, I am not sure I understand what we mean when we say, "setting up the accounting system and providing for the necessary personnel thereof." I am under the impression that accounting systems are standardized by international conventions. I am not sure if we are now authorizing the SSS to branch out on its own and invent a system that it may wish to use all by itself.

**Senator Fernan.** The phrase "setting up an accounting system" is according to accepted accounting standards. It will be noted here that this is an existing provision which we have not amended or do not seek to amend, and that the accounting system has grown with the years depending on the number of members of the System. Of course, the personnel has also grown through the years as the membership has increased.

**Senator Roco.** At the bottom of page 6, Mr. President, I am not sure I understand additions or amendments in terms of the full construction. Maybe the staff would want to review the construction.

**Senator Fernan.** Is the gentleman referring to page 6?

**Senator Roco.** Yes, page 6.

**Senator Fernan.** What line, Mr. President?

**Senator Roco.** The last three lines—"and DISABLED, AS WELL AS SCHOOLS FOR THE MEMBERS..."

I think I know what they are trying to say. But for clarity, may we authorize the staff to restyle this, Mr. President. I think, when this was approved, it was subject to style.

**Senator Fernan.** I guess the capitalized letters of the words here merely involve the transposition of these words in the old law which appeared in another portion of this particular subsection. In order to appear and sound better, it was proposed that the phrase "and DISABLED, AS WELL AS SCHOOLS FOR THE MEMBERS AND THEIR IMMEDIATE FAMILY" should

appear as the last phrase in this particular provision. It resulted in the deletion of the words "infirm employees and immediate members of their families."

**Senator Roco.** As worded, Mr. President, do I take it that this refers to maintenance of hospitals and institutions for the sick, aged and disabled and schools for the members and their immediate families? Is this maintaining hospitals and schools? Is that what we meant?

**Senator Fernan.** Yes, Mr. President. The old law is maintenance of hospitals and institutions for the sick, aged and disabled. We are not changing the law; we merely moved the last clause, and we also reworded it by saying "as well as schools for the members and their immediate family."

In other words, whatever properties or housing projects are undertaken, it is for the benefit of low-salaried employees; for the maintenance of hospitals and institutions for the sick, aged and disabled; and thirdly, schools for the members and their immediate family.

**Senator Herrera.** Mr. President.

**The President.** With the permission of the gentlemen on the floor, Senator Herrera is recognized.

**Senator Herrera.** Thank you, Mr. President. With the permission of the two gentlemen, go back to page 4. I am not enlightened on the explanation in line 30. This is No. (4): "TO APPROVE RESTRUCTURING PROPOSAL FOR THE PAYMENT OF DUES BUT UNREMITTED CONTRIBUTIONS AND UNPAID LOAN AMORTIZATIONS..."

To my mind, this will weaken the position of the Social Security System in collecting unremitted contribution. This is supposed to be estafa.

Now, if we will agree to the restructuring in the remittance of these contributions, I think that will weaken the SSS in collecting these unremitted dues.

**Senator Fernan.** The way I understood the SSS officials in the past, there was immediate resort to court action. Oftentimes, the writ of execution, after judgment is obtained, is returned unsatisfied. So, oftentimes, the SSS is not paid the amount that it is entitled to collect. They feel that if given the authority to restructure even if it is paid in several installments, they expect, as it was practiced in the past, that the obligation in the final analysis would be fully paid.

**Senator Herrera.** But would this erase the crime of estafa

in this case, Mr. President? I do not think so.

**Senator Fernan.** Yes, Mr. President.

**Senator Herrera.** I think this will also weaken the position of the SSS. In fact, I filed a bill a month ago, Mr. President, where I strengthened the position of the SSS by increasing the penalty for those who failed to remit the contribution of the workers, and which would give power to the SSS to ask for the cancellation of the permit of these companies to operate if they do not remit the contribution of the workers in addition to the penalties prescribed under the Penal Code. To my mind, if the SSS would agree to the restructuring, then it is encouraging these employers not to remit the workers' contributions.

This is a very convenient way of using the money contributed by the workers. All they have to do is not to remit it for five 5 years and then ask for a restructuring.

**Senator Fernan.** Mr. President, what makes it very burdensome to the employer is the 36-percent interest per annum, and that is the reason why, at times, the restructuring proposal be resorted to.

On the matter of estafa referred to as a criminal action, I do not think it would be a wise policy on the part of the SSS to wipe out the criminal liability and let it be superseded by a civil liability. Because for as long as there is a threat of a criminal action, a person who is liable to pay a certain amount would be expected to promptly settle his obligation rather than face a civil liability.

**Senator Herrera.** Anyway, Mr. President, I think it is important that we really have to take a second look on these particular amendments because, as I said, this might only weaken the position of the SSS in collecting the unremitted contribution and at the same time, it might only encourage employers not to remit the contributions of the workers to the SSS.

Probably tomorrow, when we will have the clean draft, I might be able to come out with an amendment that would strengthen the position of the SSS. The desire of the SSS is to make sure that the employers will be able to pay or to remit the contribution of the workers to the SSS.

Thank you, Mr. President.

**Senator Fernan.** In due time, we will tackle that particular amendment, Mr. President.

**Senator Roco.** Mr. President.

**The President.** Senator Roco is recognized.

**Senator Roco.** Mr. President, just to shorten the proceedings because of the lateness of the hour, may we now go to the question of investments abroad.

We have had discussions with the SSS administrator and his technical staff. We were shown drafts of Triple A mutual funds that are certified, that obviously may ensure profitability. We were told of the reason for seeking authority to invest abroad. We were also told that we should lower it to 5 percent and the SSS is willing to lower the authority to 5-percent investment. There may also be willingness to accept a phasing-in so that the first year can be 1 percent all the way to over five years, maybe, up to a maximum of 5 percent.

This notwithstanding, Mr. President, we will ask for the proper phraseology from the staff.

May we again ask the sponsor, Mr. President, to put on record why we want authority at this time to bring out funds when the country seems to be in bad need of capital investment here. May we have reason for this so that when it is reviewed by COA or other Congresses, they will know what the intention was.

**Senator Fernan.** Mr. President, in yesterday's deliberations, when I was faced with the same question, we spelled out the reasons for making an investment abroad, which is to be done only when absolutely necessary, because the usual practice is to invest the funds of the SSS in the Philippines.

But this will be done only if it is justified for a great number of reasons. And this is done for a greater diversity in the investment portfolio that reduces the risk inherent in the financial market and eventually results in higher investment returns.

Specifically, there is actually a lower risk because of the multinational pool of assets and resources; there is a higher return over a long period of time vis-a-vis the domestic market; investors are insulated from the risk of country's specific inflation; investors are assured of easy capital outflow back to the homegrounds; capital outflow could be shifted to a country that offers the highest return; and confinement of pension reserves strictly on homeground may erode the fund because local governments have a tendency to make it absorb losses in the economy.

This has been illustrated in the pension funds abroad which is becoming more and more apparent in European, South American and even Asian countries.

In Chile, beginning in 1994, it has allowed investment

abroad of pension funds up to 12 percent of its investments. In Europe, the European Commission has been encouraging the freedom of movement of pension funds. Ireland, the Netherlands and the United Kingdom lead these countries in terms of overseas investment of pension funds. Hungary, Malaysia and Switzerland are also in this type of foreign venture.

These are among the reasons, Mr. President.

**Senator Roco.** Mr. President, do I take it that we will be relying on investment counselors in purchasing equities or mutual funds abroad?

**Senator Fernan.** Yes, Mr. President. That is why there is a need to rely on the counsel or advice of an accepted expert on foreign investments which is the foreign investment manager.

**Senator Roco.** Therefore, we shall be paying commissions on these investment counselors and we shall be effectively transferring the business judgment of the Commission to the investment counselors abroad, so that there will be an additional cost for the SSS members. Is this a natural consequence of the answer of the distinguished sponsor, Mr. President?

**Senator Fernan.** That is correct, Mr. President. If the services of that foreign investment manager is worth it—I am sure that by the time his services are engaged by the SSS, he shall have established a track record and is known to the business world as someone who can be relied upon and has had good experiences with his other clients—then there is reasonable ground to expect that he will also be expected to deal with us fairly, justly and honestly.

**Senator Roco.** But these investment counselors, Mr. President, will follow the normal rules for investment counselors. They are never culpable. They are never at risk. They just keep on collecting their commissions which range anywhere from 0.02 of a percent to 1/2 of a percent. They are not culpable at all.

So, how can we hold the Commission culpable for the advice of these counselors who will always get their commissions regardless of whether we make or lose money? How can we add a provision here so that the commissioners or the Board who selected these counselors can be held culpable for the losses? Because I do not think there is any guaranteed return in any investment abroad.

**Senator Fernan.** I would assume, Mr. President, that the officers of the SSS are expected to exercise due diligence in the performance of their duties. If anyone willfully discharges his duties in such a way as to amount to a violation of the provisions

of this Act, I would assume that he would be criminally liable under the SSS Law, as amended. Therefore, I would expect all of them to proceed with utmost caution because they cannot toy around with the funds of the public, especially the members of the SSS.

**Senator Roco.** That does not quite answer the question, Mr. President. But would the committee and the SSS commissioners be willing to put a provision here so that they may have accountability for the choice of investment counselors?

Mr. President, in the past 10 years, we have seen even Barings, a very established company, collapsing because of some genius whom nobody noticed. And here we are, in dire need of investible funds within the Philippines, authorizing SSS funds to be brought abroad. I can see my way clear to a compromise of 5 percent, but there must be accountabilities. Even the brightest investment counselor still cannot guarantee profit.

Do I take it that if they go abroad, they will have an extraordinary culpability for their choice of these investment counselors?

**Senator Fernan.** Mr. President, to allay the fears of the distinguished gentleman from Camarines Sur, on page 40, Section 26-A, lines 13 to 17, with respect to fund managers, it is the SSS that appoints the local fund manager or, in the absence thereof, the foreign fund manager. It is not just the administrator—who will thereafter be known as president if these amendments are approved—but it is really the collective decision of the System acting through the Commission that will designate the fund manager.

There is also a provision on page 33, starting with line 1, which says: "This fund shall be known as the investment reserve fund which shall, with the approval of the Commission, be invested with due diligence and prudence in line with the basic principles of safety, yield, social and economic utility, and liquidity to earn an average annual income close to the average rate of Treasury bills or any other acceptable market yield indicator."

**Senator Roco.** If the best that we can do is to be close to the average yield of Treasury bills, then why do we not just settle for Treasury bills? It is absolutely within the Philippines and there is no risk. After all, if the Treasury bills are in trouble, then the rest of the Republic will be in greater trouble.

And so, why risk, Mr. President, when the only gauge of success will be the average yield of Treasury bills? What would be the reason?

**Senator Fernan.** At the moment, Mr. President, the SSS has Treasury bills in the form of housing loans amounting to P30 billion. So it is a matter of diversifying and not putting all the eggs of the SSS in one basket.

**Senator Roco.** I understand the philosophy of diversifying, Mr. President. But even diversifying within the Philippines can be done. And that does not explain why it must be diversified abroad.

Mr. President, just to cut the discussion short for now, may we wait for the new text or form as agreed upon and ordered by the Senate President, and then we can continue. Maybe we can simplify the discussions under the new form.

**Senator Fernan.** Yes. We look forward to the preparation of that final draft.

**Senator Roco.** Thank you, Mr. President.

**The President.** The Majority Leader is recognized.

SUSPENSION OF CONSIDERATION OF S. NO. 1663

**Senator Tatad.** Mr. President, I move that we suspend consideration of Senate Bill No. 1663.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

ADJOURNMENT OF SESSION

**Senator Tatad.** I move to adjourn the session until three o'clock tomorrow afternoon.

**The President.** Is there any objection? [*Silence*] There being none, the session is adjourned until three o'clock tomorrow afternoon.

*It was 6:17 p.m.*



**REPUBLIC OF THE PHILIPPINES  
CONGRESS OF THE PHILIPPINES  
SENATE**

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# **Record of the Senate**

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MARCH 6 TO JUNE 5 (PM), 1997**

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under the supervision of  
**SECRETARY LORENZO E. LEYNES JR.**

**The President.** Is there any objection? *[Silence]* There being none, the motion is approved.

#### SUSPENSION OF SESSION

**Senator Mercado.** Mr. President, may I ask for a one-minute suspension of the session.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the session is suspended.

*It was 5:39 p.m.*

#### RESUMPTION OF SESSION

*At 5:40 p.m., the session was resumed.*

**The Presiding Officer [Sen. Flavier].** The session is resumed. The Acting Majority Leader is recognized.

#### BILL ON SECOND READING S. No. 1663 — An Act Strengthening the Social Security Law (Continuation)

**Senator Mercado.** Mr. President, I move that we resume consideration of Senate Bill No. 1663 as reported out under Committee Report No. 186.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 1663 is now in order.

**Senator Mercado.** Mr. President, we are in the period of amendments on this particular measure. I ask that Senator Fernan be recognized.

**The Presiding Officer [Sen. Flavier].** Senator Fernan is recognized.

**Senator Fernan.** Thank you, Mr. President. Before we proceed, for the guidance of everyone concerned, Senate Bill No. 1663 is the amended copy as of March 12, 1997. This is now the point of reference, this particular copy, dated March 12, 1997.

There is a typographical error on page 1, Section 1 on the title of the bill—the “Social Security Act of 1997.” The word “Act” under line 4 should all be capitalized, and the word “of” following ACT should also be capitalized. So that it still reads: “SOCIAL SECURITY ACT OF 1997.” The two words “ACT OF” should be capitalized.

That is all, Mr. President.

**The Presiding Officer [Sen. Flavier].** It is noted.

Senator Shahani is recognized.

#### SHAHANI AMENDMENTS

**Senator Shahani.** Thank you, Mr. President.

Mr. President, I have three amendments. The first one is on page 16, Section 9, line 5. I propose that we delete the word “Compulsory” on the title. Thus, the title will now read: “SEC. 9. COVERAGE.”

I propose the deletion of the word “Compulsory” so as to avoid confusion, since Section 9 deals with both compulsory and voluntary coverage in the Social Security System.

**The Presiding Officer [Sen. Flavier].** What line would that be, Senator Shahani?

**Senator Shahani.** Line 5, Mr. President.

**The Presiding Officer [Sen. Flavier].** What does the sponsor say?

**Senator Fernan.** Mr. President, we gladly accept the amendment.

**The Presiding Officer [Sen. Flavier].** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Shahani.** Mr. President, on the same Section 9, I propose that nonworking spouses be covered by the SSS on a voluntary basis. I believe I was quite vocal in my concern that a housework should be given a commercial value, since that is one reason why women, especially housewives, are not looked at as important economic agents in any society. Therefore, their participation in a social security system would, at least, recognize the economic value of housework and that women are indeed economic agents in the societies where they exist.

Now, Mr. President, my final amendment on the provision concerning spouses really would make them fall under a voluntary coverage. I would have wanted them to fall under a compulsory system, but on further consultation with the good administrator of the SSS and his staff, they feel that it would be difficult to implement a compulsory coverage at this stage of our economic life.

With that in mind, Mr. President, I have acceded to a

compulsory coverage with the hope that in the future, there will be a compulsory coverage for housework. I still deeply feel that without the formal recognition of housework as having economic value, we are discriminating against people—whether they be men or women—who work in the household on full-time jobs.

So, Mr. President, this is my second proposal. On page 17, after line 4, insert a new paragraph (b) to read as follows: SPOUSES WHO DEVOTE FULL TIME TO MANAGING THE HOUSEHOLD AND FAMILY AFFAIRS, UNLESS THEY ARE ALSO ENGAGED IN OTHER VOCATION OR EMPLOYMENT WHICH IS SUBJECT TO MANDATORY COVERAGE, MAY BE COVERED BY THE SSS ON A VOLUNTARY BASIS.

**The Presiding Officer** [Sen. Flavie]. What does the sponsor say?

**Senator Fernan.** Mr. President, as the proposed amendment is very well taken, we happily accept.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the amendment is approved.

It is, of course, understood that paragraph (b) here will become paragraph (c). That is in line 5.

**Senator Fernan.** That is correct, Mr. President.

**Senator Shahani.** And it is my understanding, Mr. President, that the SSS will give a lot of publication, advocacy, and public information on this right of housewives to voluntary SSS coverage. I was told that although the present law implies that housewives may be covered by SSS, this is hardly known by the general public. Since this could benefit quite a large number of the population, I would hope that the SSS, which has a good information program, will give priority to this important aspect of the work which is now the voluntary coverage of husbands and housewives.

Mr. President, on the same page, we change paragraph (b) to paragraph (c) and the provision will read: FILIPINOS RECRUITED BY FOREIGN-BASED EMPLOYERS FOR EMPLOYMENT ABROAD, MAY BE COVERED BY THE SSS ON A VOLUNTARY BASIS.

This, again, will not be compulsory for obvious reasons, but I believe it will still be worthwhile to cover Filipinos on a voluntary basis if their employers abroad so desire.

**The Presiding Officer** [Sen. Flavie]. What does the sponsor say?

**Senator Fernan.** We accept the proposed amendment, Mr. President.

**The Presiding Officer** [Sen. Flavie]. Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Shahani.** Thank you, Mr. President.

**Senator Fernan.** We have the commitment of the SSS administrator who will soon be known as the "president," if the amendments are finally approved, that the matter of the coverage of the spouses will be given the widest publicity and the information will be given the widest possible dissemination.

**The Presiding Officer** [Sen. Flavie]. It is noted. Are there any other amendments?

Senator Angara is recognized.

**Senator Angara.** If there are no anterior amendments, Mr. President, because my amendment will be on Section 26, Investment of Reserve Funds.

**The Presiding Officer** [Sen. Flavie]. What page would that be?

**Senator Angara.** That would be on page 32 of the March 3, 1997 draft, Mr. President. If there are no anterior amendments, I would like to introduce my amendment.

**The Presiding Officer** [Sen. Flavie]. What particular section, Senator Angara?

**Senator Angara.** On page 32, Section 26, Mr. President.

**The Presiding Officer** [Sen. Flavie]. The gentleman might be using an old draft because page 32 contains Sections 17 and 18.

*At this juncture, the legislative page handed to Senator Angara the March 12, 1997 draft.*

**Senator Angara.** I am using the March 3, 1997 draft.

#### SUSPENSION OF SESSION

May I ask for a one-minute suspension of the session, Mr. President, because this is the first time I will be looking at this March 12, 1997 draft.

**The Presiding Officer** [Sen. Flavie]. The session is suspended for one minute, if there is no objection. [There was none.]



It was 5:51 p.m.

#### RESUMPTION OF SESSION

At 5:52 p.m., the session was resumed.

**The Presiding Officer** [Sen. Flavier]. The session is resumed.

**Senator Angara.** Mr. President, this is not to complain, but I think there is something confusing with this system of always coming up with a new draft every time we take up this bill on the floor. We usually study the last draft, we put our amendments on it and we are guided by the text of that draft.

#### ANGARA AMENDMENTS

Nonetheless, Mr. President, I have seen the new draft just now. Just not to waste time, I would like to introduce my amendment on page 40, beginning with line 31.

Let me just explain my amendment, Mr. President. The Social Security Fund is a trust fund. The Commission is holding this in trust for the members of the SSS who really own this fund. There is a principle in law that once we are holding a trust fund, then we must exercise a certain degree of care and diligence in the management and investment of that fund. I would like to incorporate that rule, the fiduciary duty of a manager of a trust fund. I would like to hand over to our distinguished colleague a proposed draft of that Prudent-Man Rule which is found in the General Banking Act and ask whether this will be an acceptable amendment.

**The Presiding Officer** [Sen. Flavier]. The gentleman is suggesting an amendment that would insert a phrase from the General Banking Act that would underscore diligence in the care of the investment trust fund.

**Senator Angara.** That is correct, Mr. President, and it will be in substitute of the standard of diligence and prudence stated here.

Let me state it for the record, Mr. President, subject to style.

**The Presiding Officer** [Sen. Flavier]. Please go ahead.

**Senator Angara.** Beginning with line 31, delete the phrase beginning with the word "SHALL" and insert the following: WHICH THE COMMISSION OR ANY OF ITS APPOINTED INVESTMENT MANAGER MUST INVEST AND ADMINISTER WITH THE SKILL, CARE, PRUDENCE AND DILIGENCE NECESSARY UNDER THE CIRCUMSTANCES

THEN PREVAILING THAT A PRUDENT MAN ACTING IN LIKE CAPACITY AND FAMILIAR WITH SUCH MATTERS WOULD EXERCISE IN THE CONDUCT OF AN ENTERPRISE OF A LIKE CHARACTER AND WITH SIMILAR AIMS.

That will now be the standard of management and care and diligence to be imposed on the SSS Commission or any of designated or appointed investment manager.

**The Presiding Officer** [Sen. Flavier]. The gentleman said we shall delete the word "SHALL" and then what the gentleman mentioned will be inserted. What lines are we going to delete?

**Senator Angara.** Beginning with line 31.

**The Presiding Officer** [Sen. Flavier]. We will delete all the lines that followed up to what line?

**Senator Angara.** Up to line 37, Mr. President, ending with the word "INDICATOR."

**The Presiding Officer** [Sen. Flavier]. There is an insertion. Instead of the word "SHALL" beginning with line 31 and a deletion up to line 37 up to the word "INDICATOR", in its place will be the draft that the sponsor is holding. What does the sponsor say?

**Senator Fernan.** Mr. President, just for clarity, may I start reading that point. From line 31 the word "WHICH," and after that the words following are deleted and in lieu of the deleted words all the way up to line 37, the following are inserted: WHICH THE COMMISSION OR ANY OF ITS APPOINTED INVESTMENT MANAGER SHALL MANAGE AND INVEST WITH THE SKILL, CARE, PRUDENCE AND DILIGENCE NECESSARY UNDER THE CIRCUMSTANCES THEN PREVAILING THAT A PRUDENT MAN ACTING IN LIKE CAPACITY AND FAMILIAR WITH SUCH MATTERS WOULD EXERCISE IN THE CONDUCT OF AN ENTERPRISE OF A LIKE CHARACTER AND WITH SIMILAR AIMS."

Did I correctly read it, Mr. President?

**Senator Angara.** Yes, Mr. President.

**Senator Fernan.** With that proposal having been clarified, we accept the amendment, Mr. President.

**The Presiding Officer** [Sen. Flavier]. Subject to style. Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** As a second paragraph, Mr. President, so that we capture also the original letter and spirit, or at least the spirit of the original draft, I would insert an additional paragraph to the effect, again subject to style: "THAT THE COMMISSION SHALL PURSUE AN INVESTMENT POLICY WITH THE BASIC PRINCIPLES OF SAFETY, GOOD YIELD AND LIQUIDITY."

**The Presiding Officer [Sen. Flavie].** Where will that be inserted?

**Senator Angara.** That will be the second paragraph under Section 26.

**The Presiding Officer [Sen. Flavie].** So, that will be after line 37.

**Senator Angara.** That will be after line 37.

**The Presiding Officer [Sen. Flavie].** There will be a new paragraph, as the gentleman enunciated.

**Senator Angara.** That is correct, Mr. President.

**The Presiding Officer [Sen. Flavie].** And it has three elements: the elements of safety, reasonable yield and liquidity. What does the sponsor say, subject to style?

**Senator Fernan.** Yes, subject to style, Mr. President, we accept the proposed amendment.

**The Presiding Officer [Sen. Flavie].** Is there any objection to the amendment? *[Silence]* There being none, the amendment is approved.

**Senator Angara.** Mr. President, on page 42, subparagraph—I do not know whether this is (d) or (e).

**The Presiding Officer [Sen. Flavie].** Line 22?

**Senator Angara.** Yes, line 22, Mr. President. It is just a question.

**The Presiding Officer [Sen. Flavie].** Please proceed.

**Senator Angara.** The investment under this type of bonds, Mr. President, will be up to 30%. Is that correct?

**Senator Fernan.** That is correct, Mr. President.

**Senator Angara.** Is it possible, Mr. President, to increase this ceiling to 35%?

**Senator Fernan.** That seems to be a reasonable request.

**Senator Angara.** And take that extra 5% from the allocation in investment in real estate property, which is line 17 of page 43?

**Senator Fernan.** Yes, we have no objection to increasing the 30% to 35% and take the 5% from the 10%.

**The Presiding Officer [Sen. Flavie].** There is a realignment of the figures. Having been accepted by the sponsor, is there any objection? *[Silence]* There being none, the amendment is approved.

While Senator Angara is looking for the page, may we just go to page 33 where there is this table. I had wanted to include everybody, but I was told by the SSS staff that it was actuarially unsound to include everybody and therefore the cut-off point is really at P1,000 and above; so that portion of the table, lines 3 and 9, which is interestingly shaded, will be deleted. Is that a correct interpretation, Mr. Sponsor?

**Senator Fernan.** That is correct, Mr. President.

**The Presiding Officer [Sen. Flavie].** The Chair does not know if that is an amendment or a clarification, but those lines 3 to 9 are deleted.

Is there any objection? *[Silence]* There being none, the amendment is approved.

There is, however, line 12 that is also shaded. Is it really part of the whole thing?

**Senator Fernan.** Line 12 is also deleted, Mr. President.

**The Presiding Officer [Sen. Flavie].** So line 12 is deleted as an amendment.

Is there any objection? *[Silence]* There being none, the amendment is approved.

Senator Angara may continue.

**Senator Angara.** Mr. President, it takes me some time to look at the appropriate section now because of the change of the draft.

On page 44, Mr. President, this is the investment in equities, in the equity of a listed company or a company about to be listed or in options or warrants to such stock or such other risk management instrument of any prime or solvent corporation or financial institution.

Let me ask, Mr. President, what is meant by "options or warrants to such stocks or such other risk management instruments"?

**Senator Fernan.** What line is referred to by the distinguished gentleman, Mr. President?

**Senator Angara.** That is page 44, lines 22 to 25.

**The Presiding Officer [Sen. Flavier].** A clarification is being sought on the phrase "options or warrants to such stocks or such other risk management instruments."

**Senator Fernan.** It is the right to buy the stocks at a predetermined price in the future. An example of that kind of transaction will be the Philippine National Bank.

**Senator Angara.** The reason I want this particular point clarified, Mr. President, is, if we will remember, sometime last year or two years ago, this very bright investment manager out of Singapore bought the so-called derivatives which are in effect options, futures, but very speculative, very risky.

I do not want the funds of the SSS put at risk being invested in these highly risky derivatives or futures. I do not mind at all investing it in preferred or common stocks of established companies. But allowing it to be invested in options, warrants, and futures may be unduly putting the fund at risk.

This is not a mutual fund, Mr. President. This is a trust fund. This is not an investment company. This is the social security. So I think the clearer we define the areas of investment, then there will be less risk being placed on this trust fund.

#### SUSPENSION OF THE SESSION

**Senator Fernan.** At this juncture, Mr. President, may we ask for a brief suspension of the session.

**The Presiding Officer [Sen. Flavier].** The session is suspended, if there is no objection. *[There was none.]*

*It was 6:08 p.m.*

#### RESUMPTION OF SESSION

*At 6:23 p.m., the session was resumed with the Senate President presiding.*

**The President.** The session is resumed. Senator Angara is recognized.

**Senator Angara.** Mr. President, let me go back to page 43 because we forgot to adjust the percentage in line 30 as well as in line 34.

In lieu of "Ten percent (10%)", Mr. President, found in lines 29 and 30, it should be changed to FIVE PERCENT (5%) in words and figures. And in line 34, instead of "Thirty percent (30%)," put TWENTY-FIVE (25%) in words and figures. Just to reflect the changes earlier made, where we increased the housing loan to 35%.

**The President.** What does the sponsor say?

**Senator Fernan.** We accept the amendment, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Angara.** Going back to what we are debating on, Mr. President, when a recess was declared. The amendment is in lines 24 and 25, subject to style. Between the words "OR" and "SUCH" in line 24, insert the phrase OR SUBJECT TO PRIOR APPROVAL OF THE BANGKO SENTRAL SUCH OTHER RISK MANAGEMENT INSTRUMENTS of any PRIME OR solvent corporation or FINANCIAL INSTITUTION....

**The President.** What does the sponsor say?

**Senator Fernan.** We accept the amendment.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved subject to style.

**Senator Angara.** In line 29, beginning with the word "AND" at the end of that line up to and including line 37 of page 44 and lines 1 to 11 on page 45 ending with the word "FUND," delete the whole paragraph.

**The President.** What does the sponsor say?

**Senator Fernan.** The same is accepted, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Angara.** On the same page, page 45, Mr. President, lines 29 and 30, delete the phrase "INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS." This is in line with an earlier amendment. We propose that the SSS should not invest in a mutual fund or run a mutual fund.

**The President.** May we have the amendment again?

**Senator Angara.** In line 29, delete the phrase "INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS," ending in line 30.

**The President.** But line 28 still maintains—"IN DOMESTIC OR FOREIGN MUTUAL FUNDS."

**Senator Angara.** Yes, that is correct, Mr. President. What we do not want the SSS to do is to invest or set up a mutual fund, and this phrase indicates that we are authorizing SSS, in effect, to invest in the operations of a mutual fund. But it can invest in an existing mutual fund.

**The President.** Maybe line 28 should be limited by an aging period—IN DOMESTIC OR FOREIGN MUTUAL FUNDS IN EXISTENCE FOR AT LEAST THREE (3) YEARS, or something to that effect.

**Senator Angara.** Yes, we accept that amendment, Mr. President.

**The President.** Three-year period. What does the sponsor say?

**Senator Fernan.** Yes, we accept the amendment.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved, subject to style, including the deletion.

**Senator Angara.** On page 46, line 2, between the words "OR" and "FOREIGN," insert the following phrase: TRIPLE A FOREIGN CURRENCY-DENOMINATED DEBTS.

**The President.** What does the sponsor say?

**Senator Fernan.** We accept the proposal, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** On the same page, line 3, in lieu of "NON-SPECULATIVE," we propose the word PRIME. So that it will read PRIME EQUITIES rather than "NON-SPECULATIVE EQUITIES."

#### ANGARA-MACEDA AMENDMENTS

**The President.** Would the gentleman like to add PRIME to NON-SPECULATIVE?

**Senator Angara.** I accept the amendment, Mr. President, to emphasize very clearly that we are not allowing SSS to invest in speculative equities.

**The President.** So, PRIME AND NON-SPECULATIVE EQUITIES. What does the sponsor say?

**Senator Fernan.** We accept the amendment as proposed further by the Senate President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** In line 12 of the same page, Mr. President, after the word "PROFITABILITY," remove the semicolon (;) and insert the following phrase: OVER THE LAST THREE (3) YEARS AND A RECORD OF DIVIDEND PAYOUT OVER THE SAME PERIOD.

So that the proviso will now read: "PROVIDED, FURTHER, THAT THE ISSUING COMPANY HAS PROVEN TRACK RECORD OF PROFITABILITY OVER THE LAST THREE (3) YEARS AND A RECORD OF DIVIDEND PAYOUT OVER THE SAME PERIOD."

**The President.** The gentleman might want to use the word REGULAR.

**Senator Angara.** Yes, Mr. President—AND A RECORD OF REGULAR DIVIDEND PAYOUT.

**The President.** What does the sponsor say?

**Senator Fernan.** The same is accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** In line 24 of the same page, between the words "OTHER" and "INVESTMENT," insert the phrase BANGKO SENTRAL NG PILIPINAS-APPROVED INVESTMENT INSTRUMENTS.

This is a safety measure so that any other investment instruments outside those enumerated from subsections (A) to (L) should have prior Bangko Sentral ng Pilipinas approval.

**The President.** What does the sponsor say?

**Senator Fernan.** The same is hereby accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** On page 47, line 3,—again, to reflect the changes in ceilings and percentages earlier introduced—in lieu of the words and figures “THIRTY PERCENT (30%),” we make it THIRTY FIVE PERCENT (35%) in words and figures.

So that the phrase will now read: THIRTY FIVE PERCENT (35%) IN HOUSING.

**The President.** What does the sponsor say?

**Senator Fernan.** I accept the amendment, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** And between the words “HOUSING” and “TEN” in line 4, insert the phrase in words and figures: THIRTY PERCENT (30%) IN REAL ESTATE RELATED INVESTMENTS.

**The President.** What does the sponsor say?

**Senator Fernan.** The amendment is accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Angara.** Thank you very much, Mr. President. I would like to thank the distinguished sponsor for his patience.

**Senator Gonzales.** Mr. President.

**The President.** The Minority Leader is recognized.

#### GONZALES AMENDMENT

**Senator Gonzales.** Mr. President, may we go back to page 43, and this would be in line 14.

**The President.** Page 43, line 14.

**Senator Gonzales.** After the word “HOSPITALS,” add the following clause: AND THEIR EQUIPMENT AND FACILITIES.

So that pertain to this amendment, it will now read: TO FINANCE THE CONSTRUCTION, IMPROVEMENT AND MAINTENANCE OF SCHOOLS AND HOSPITALS AND

THEIR EQUIPMENT AND FACILITIES.

**The President.** What does the sponsor say?

**Senator Fernan.** The same is hereby accepted, Mr. President.

**The President.** Is there any objection? [Silence] There being none, the amendment is approved.

**Senator Gonzales.** Thank you, Mr. President.

**Senator Roco.** Mr. President.

**The President.** The gentleman from Camarines Sur is recognized.

#### ROCO AMENDMENTS

**Senator Roco.** Mr. President, may I go back to page 6, line 4.

**The President.** Page 6, line 4.

**Senator Roco.** After the word “necessary,” delete the word “and”; then in line 5, after the word “benefits,” insert the phrase: TAKING INTO ACCOUNT INFLATION. And in line 6, after the word “benefits,” insert the phrase: EVERY FIVE (5) YEARS, INCLUDING.

So that the provision will read as follows: “TO require the actuary to submit a valuation report on the SSS benefit program every five (5) years, or more frequently as may be necessary, to undertake the necessary actuarial studies and calculations concerning increases in benefits TAKING INTO ACCOUNT INFLATION and the financial stability of the SSS, and to provide for feasible increases in benefits EVERY FIVE (5) YEARS, et cetera....”

**The President.** Is it correct to just say INFLATION or “taking into account INFLATION RATES”?

**Senator Roco.** “Taking into account INFLATION,” I guess is, Mr. President.

**The President.** The simple INFLATION will be fine?

**Senator Roco.** Yes, Mr. President, just without any modifications.

**The President.** All right. What does the sponsor say?

**Senator Fernan.** The proposals in lines 5 and 6 are accepted.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** On page 11, section 8, line 2, Mr. President, after the word "spouse," delete the words "dependent for support upon" and insert the phrase ENTITLED BY LAW TO RECEIVE SUPPORT FROM. So the provision will now read as follows: "The legal spouse ENTITLED BY LAW TO RECEIVE SUPPORT FROM the member...."

**The President.** What does the sponsor say?

**Senator Fernan.** We accept, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** Thank you, Mr. President.

On page 11, line 5, after the word "adopted," place a COMMA (,) and insert the words AND ILLEGITIMATE, so that the provision will read, "The legitimate, legitimated or legally adopted, AND ILLEGITIMATE child who is unmarried...." The rest is the same.

**The President.** What does the sponsor say?

**Senator Fernan.** We accept, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** Again, on page 11, Mr. President, after the word "is," delete the words "dependent upon" and insert the phrase RECEIVING. Then, transpose the words "regular support" in line 12 to be added to the word RECEIVING, after which the word FROM. Well, in any event it will read as follows: "The parent who is RECEIVING REGULAR SUPPORT FROM the member...."

**The President.** What does the sponsor say?

**Senator Fernan.** We accept, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Roco.** Finally, Mr. President, on page 11, delete lines 13 to 16: "Considering that the illegitimate child is similarly categorized now with the legitimate, legitimated or adopted children under paragraph 2..." as modified earlier.

**The President.** What does the sponsor say?

**Senator Fernan.** We accept, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

#### SUSPENSION OF THE SESSION

**Senator Roco.** May I have a one-minute suspension of the session, Mr. President.

**The President.** Is there any objection? *[Silence]* There being none, the session is suspended for one minute.

*It was 6:38 p.m.*

#### RESUMPTION OF SESSION

*At 6:39 p.m. the session was resumed.*

**The President.** The session is resumed. The gentleman from Camarines Sur is recognized.

**Senator Roco.** May we ask for an extension of the suspension of the session.

**The President.** The session is suspended, if there is no objection. *[There was none.]*

*It was 6:39 p.m.*

#### RESUMPTION OF SESSION

*At 6:41 p.m., the session was resumed.*

**The President.** The session is resumed. Senator Fernan is recognized.

#### AMENDMENT OF THE SENATE PRESIDENT

**Senator Fernan.** Mr. President, there is one more amendment, and this is proposed by Senate President Ernesto M. Maceda. We refer to page 19, line 22, that presently reads "TWO THOUSAND PESOS (P2,000.00) FOR THOSE WITH TWENTY (20) CREDITED YEARS OF SERVICE."

Just to have an idea of the whole provision, starting with line 18, it reads: "NOTWITHSTANDING THE PRECEDING PARAGRAPH, THE MINIMUM PENSION SHALL BE ONE

THOUSAND TWO HUNDRED PESOS (P1,200.00) FOR MEMBERS WITH AT LEAST TEN (10) CREDITED YEARS OF SERVICE AND TWO THOUSAND PESOS (P2,000.00) FOR THOSE WITH TWENTY (20) CREDITED YEARS OF SERVICE."

The distinguished proponent would like to increase this the moment there is service for at least 20 credited years from P2,000 to P2,400. That is the proposal.

**The President.** Is there any objection? *[Silence]* There being none, the amendment is approved.

**Senator Fernan.** Thank you, Mr. President.

**Senator Mercado.** Mr. President, I move that we close the period of amendments.

**The President.** Is there any objection? *[Silence]* There being none, the period of amendments is finally and ultimately closed.

APPROVAL OF S. NO. 1663 ON SECOND READING, AS AMENDED

**Senator Mercado.** Mr. President, I move that we vote on Second Reading on Senate Bill No. 1663, as amended.

**The President.** Is there any objection? *[Silence]* There being none, we shall now vote on Second Reading on Senate Bill No. 1663, as amended.

As many as are in favor of the bill, say *aye*.

**Several Members.** *Aye*.

**The President.** As many as are against the bill, say *nay*. *[Silence]*

Senate Bill No. 1663, as amended, is approved on Second Reading.

**Senator Tatad.** Mr. President, I move that we proceed to the Additional Reference of Business.

**The President.** Is there any objection? *[Silence]* There being none, the motion is approved.

The Secretary will read the Additional Reference of Business.

ADDITIONAL REFERENCE OF BUSINESS

MESSAGE FROM THE HOUSE OF REPRESENTATIVES

The Secretary.

December 4, 1996

The Honorable  
ERNESTO M. MACEDA  
President of the Senate  
M a n i l a

Mr. President:

I have been directed to inform the Senate that the House of Representatives, on December 4, 1996, designated Hons. Thelma Z. Almario and Lally Laurel-Trinidad as additional members of the Bicameral Conference on the disagreeing provisions of House Bill No. 6265, entitled

AN ACT REDEFINING THE LAW ON RAPE, RECLASSIFYING THE SAME AS A CRIME AGAINST PERSONS TO INCLUDE OTHER FORMS OF SEXUAL ASSAULT ON ANY PERSON, PRESCRIBING PENALTIES THEREFOR, AMENDING IN THIS CONNECTION ARTICLE 335 OF THE REVISED PENAL CODE, ACT NUMBER 3815, AS AMENDED, AND FOR OTHER PURPOSES,

and Senate Bill No. 950, entitled

AN ACT EXPANDING THE DEFINITION OF THE CRIME OF RAPE, RECLASSIFYING THE SAME AS A CRIME AGAINST PERSONS, AMENDING FOR THE PURPOSE ACT NO. 3815, AS AMENDED, OTHERWISE KNOWN AS THE REVISED PENAL CODE, AND FOR OTHER PURPOSES.

Very truly yours,

(Sgd.) ROBERTO P. NAZARENO  
Secretary General

**The President.** Referred to the Committee on Rules.

COMMITTEE REPORTS

**The Secretary.** Committee Report No. 320, prepared and

MUNICIPALITY OF BROOKE'S POINT, PROVINCE OF PALAWAN, TO BE KNOWN AS THE GOVERNOR ALFREDO ABUEG, SR. NATIONAL TECHNOLOGY AND VOCATIONAL MEMORIAL HIGH SCHOOL, AND APPROPRIATING FUNDS THEREFOR

and Republic Act No. 8276, entitled

AN ACT GRANTING THE PACIFIC CABLE AND DTU SYSTEMS, INC., A FRANCHISE TO ESTABLISH, CONSTRUCT, INSTALL, OPERATE AND MAINTAIN FOR COMMERCIAL PURPOSES CABLE/COMMUNITY ANTENNAE TELEVISION SYSTEMS AND/OR DIRECT TO USER SATELLITE SYSTEMS THROUGHOUT THE PHILIPPINES,

which lapsed into laws without the signature of the President, in accordance with Article VI, Section 27 (1) of the Constitution.

The President. To the Archives

The Majority Leader is recognized.

BILL ON THIRD READING S. No. 1663 - The Social Security Law

Senator Tatad. Mr. President. I move that we vote on Third Reading on Senate Bill No. 1663. Copies of the bill were distributed to the members of the Senate on March 19, 1997.

The President. Is there any objection [Silence] There being none, voting on Third Reading on Senate Bill No. 1663 is now in order.

The Secretary will please read only the title of the bill.

The Secretary. Senate Bill No. 1663, entitled

AN ACT FURTHER STRENGTHENING THE SOCIAL SECURITY SYSTEM, THEREBY AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL SECURITY LAW"

The President. We shall now vote on the bill and the Secretary will call the roll.

The Secretary. Senators

- Alvarez .....
Angara ..... Yes

- Coseteng ..... Yes
Drilon ..... Yes
Enrile ..... Yes
Fernan ..... Yes
Flavier ..... Yes
Gonzales ..... Yes
Herrera ..... Yes
Honasan ..... Yes
Macapagal ..... Yes
Magsaysay Jr. .... Yes
Mercado ..... Yes
Ople .....
Osmeña III ..... Yes
Revilla ..... Yes
Roco ..... Yes
Romulo ..... Yes
Santiago ..... Yes
Shahani .....
Sotto III ..... Yes
Tatad ..... Yes
Webb ..... Yes
The Senate President ..... Yes

APPROVAL OF S. NO. 1663 ON THIRD READING

The President. With 21 affirmative votes, no negative vote, and no abstention, Senate Bill No. 1663 is approved on Third Reading.

BILL ON THIRD READING S. No. 1924 - Inclusion of Shabu Under the Dangerous and Prohibited Drugs

Senator Tatad. Mr. President. I move that we vote on Third Reading on Senate Bill No. 1924. Copies of the bill were distributed to the members on March 20, 1997.

The President. Is there any objection? [Silence] There being none, voting on Third Reading on Senate Bill No. 1924 is now in order.

The Secretary will please read only the title of the bill.

The Secretary. Senate Bill No. 1924, entitled

AN ACT PROVIDING FOR THE INCLUSION OF METAMPHETAMINE HYDROCHLORIDE COMMONLY KNOWN AS "SHABU", "ICE", "METH" OR BY ANY OTHER NAME UNDER THE DEFINITION AND CLASSIFICATION OF DANGEROUS AND PROHIBITED DRUGS, AMENDING FOR THE PURPOSE ARTICLE I,

April 21, 1997 pp. 271



**The Secretary.** Senate Bill No. 2006, entitled

**AN ACT UPGRADING THE MINIMUM SALARY GRADE LEVEL OF PUBLIC SCHOOL TEACHERS IN ELEMENTARY AND SECONDARY LEVELS FROM GRADE 10 TO GRADE 18 AND AUTHORIZING THE APPROPRIATION OF FUNDS THEREFOR**

Introduced by Senator Flavier

**The President.** Referred to the Committees on Education, Arts and Culture; Civil Service and Government Reorganization; and Finance

**The Secretary.** Senate Bill No. 2007, entitled

**AN ACT AMENDING REPUBLIC ACT NO. 4136, OTHERWISE KNOWN AS THE LAND TRANSPORTATION AND TRAFFIC CODE**

Introduced by Senator Romulo

**The President.** Referred to the Committee on Public Services

**COMMITTEE REPORT**

**The Secretary.** Committee Report No. 356, submitted by the Committees on Health and Demography; and Finance on House Bill No. 4080 introduced by Representative Ty, entitled

**AN ACT CONVERTING THE ADELA SERRA TY MEMORIAL HOSPITAL IN TANDAG, SURIGAO DEL SUR, INTO A MEDICAL CENTER, UNDER THE FULL ADMINISTRATIVE AND TECHNICAL SUPERVISION OF THE DEPARTMENT OF HEALTH (DOH), TO BE KNOWN AS THE ADELA SERRA TY MEMORIAL MEDICAL CENTER, AND APPROPRIATING FUNDS THEREFOR,**

recommending its approval with amendments.

Sponsor: Senator Webb

**The President.** To the Calendar for Ordinary Business

**SUSPENSION OF SESSION**

**Senator Tatad.** Mr. President, may I ask for a few minutes' suspension of the session.

**The President.** Is there any objection? [Silence] There being none, the session is suspended for a few minutes.

*It was 10:50 a.m.*

**RESUMPTION OF SESSION**

*At 10:58 a.m., the session was resumed.*

**The President.** The session is resumed.

**Senator Tatad.** Mr. President.

**The President.** The Majority Leader is recognized.

**Senator Tatad.** Mr. President, I have just received a report from the Bicameral Conference Committee on the disagreeing provisions of Senate Bill No. 1663 and House Bill No. 7758. This is the Social Security Law. The chairman of the panel, the gentleman from Cebu, will be ready to render his report in just a few minutes.

**SUSPENSION OF SESSION**

May I just ask for a few minutes to allow him to consolidate his papers so that we can approve the report.

**The President.** The session is suspended for a few minutes, if there is no objection. [There was none.]

*It was 10:59 a.m.*

**RESUMPTION OF SESSION**

*At 11:34 a.m., the session was resumed.*

**The President.** The session is resumed. The Majority Leader is recognized.

**CONFERENCE COMMITTEE REPORT ON  
S. NO. 1663/H. NO. 7758  
(Social Security Law)**

**Senator Tatad.** Mr. President, I move that we now consider the Bicameral Conference Committee Report on the disagreeing provisions of Senate Bill No. 1663 and House No. 7758. This is the Social Security Law.

I ask that the distinguished chairman of the Committee on Labor, Employment and Human Resources, the gentleman from Cebu, be recognized.

**The President.** The gentleman from Cebu is recognized.

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REPORT OF SENATOR FERNAN

**Senator Fernan** Thank you, Mr. President.

The Senate/House Conference Committee met at the Senators' Lounge of Manila Hotel the night before last. After a marathon conference, which started at about 7:30 p.m., we finally adjourned at 12:30 past midnight, reaching a consensus in coming out with a reconciled version of the two bills—Senate Bill No. 1663 and House Bill No. 7758 on the Social Security System.

At the outset, as moved by Congressman Enverga, chairman of the House panel, the conferees agreed to make Senate Bill No. 1663 as the working draft.

The following matters were agreed upon based on the Senate draft:

The insertion of the word MEANINGFUL in Section 2, in the phrase “promote social justice and provide protection....” The the word MEANINGFUL is inserted between the words “provide” and “protection,” so that it will read: “promote social justice and provide MEANINGFUL protection to members.” The amendment was readily accepted by the conferees.

In the enumeration of hazards of that same Section 2, which started the enumeration against the hazards of disability, sickness, maternity, old age and death, the House conferees suggested the inclusion of the phrase AND OTHER CONTINGENCIES, which was accepted by the Senate conferees.

Proceeding to the second paragraph of Section 3, the House conferees suggested and proposed that the representative of the general public, whose qualifications are not spelled out in the Senate version, shall come from the general public and shall have adequate knowledge and experience regarding social security. This was accepted by the Senate conferees.

Proceeding to subsection paragraphs (1), (2) and (3) of Section 4, the Senate version provides for approval of the President of the Philippines. This was similar to the provisions, except those provisions which require the approval of the President of the Philippines.

In the matter under Section 4, subparagraphs (1), (2) and (3), the Senate version of a provident fund was accepted. At the outset, they wanted to introduce certain amendments, but they finally yielded after an explanation on the part of the Senate conferees.

With respect to the authority to compromise or release, it

will be remembered that there was an amendment to take away this power from the SSS—to compromise or release in whole or in part any interest, penalty or civil liability to the SSS. The House panel felt that this provision should be included, but it should read that the compromise would refer to investments authorized under Section 26 hereof. It does not refer, if I am not mistaken, to the premiums, but just to the investments.

Since the position of the Senate conferees was not to give authority to compromise or release, we came up with a proposal that the same will be accepted, provided that it will be under such terms and conditions as may be prescribed by the Commission subject to the approval of the President of the Philippines.

The next area of difference is in the matter of Section 4 (b), No. 2. The Senate version speaks of valuation report by the actuary to be submitted every five years; and the House version is every four years or more frequently as may be necessary.

The Senate conferees felt that reducing the period from five years to four years will really benefit the members. So the same was accepted, reducing the valuation period, the interval from one valuation to another, from five years to FOUR years. The House also accepted, taking into account inflation.

Correspondingly, the “five years” following in that same subsection was also changed from five years to FOUR years.

In the matter of establishing offices, I recall that it was strongly objected to here, that it should not just be accepted that every congressional district will have an office. But it was proposed by the House conferees that the setting up of an office will cover as many provinces, cities and congressional districts, without saying that all districts should have an office “whenever and wherever it may be expedient, necessary AND FEASIBLE and to inspect or cause to be inspected periodically such OFFICES.” Since it does not specify what offices are really going to be established under the text of this provision, the Senate conferees accepted because it is still subject to the criterion of “whenever and wherever it may be expedient, necessary and feasible.”

The next area of difference which we tried to resolve is in Section 8. The House version provided under subsection (f), on Compensation, “All actual remuneration for employment including the mandated cost of living allowance as well as the cash value of any remuneration paid in any medium other than cash except that part of the remuneration in excess of P9,000 received during the month effective January 1996, provided that it shall be increased by P1,000 every year thereafter until it shall have reached P12,000 by 1999.”

The Senate version is: "All actual remuneration for employment including the mandated cost of living allowance as well as the cash value of any remuneration paid in any medium other than cash except that part of remuneration in excess of the maximum salary credit as provided under Section 18 of this Act."

We were able to persuade the House conferees to accept the Senate version.

Now, the next area of difference is under Section 8, letter S, which is found on page 8 of the draft. There is a superfluity noticed by the House. The House conferees asked for the deletion of that superfluity.

Under Subsection (S), it provides that any person whose income is not derived from employment including those employed workers who are not covered by the term "employment" as defined under this Act, the House conferees proposed the deletion of the clause "including those employed workers who are not covered by the term "employment." So that with the deletion, it will read under the heading "Self-employed: Any person whose income is not derived from employment as defined under this Act as well as those workers enumerated in Section 9 hereof."

Now, proceeding further, the next area of difference is on page 16. In this particular proviso on page 16, which is the last part of Section 15 regarding nontransferrability of benefits, there is a final proviso which reads: "Provided, finally, That notwithstanding any law to the contrary, the payment of benefits under this Act shall bar the recovery of similar benefits under Title II of Book IV of the Labor Code of the Philippines as amended during the period of such payment for the same contingency and conversely."

Now, the attention of the conferees was only called this morning, and we felt that it will be in order to get in touch with the chairman of our House counterpart, Congressman Enverga. We were able to inform Congressman Enverga of the desire of the Senate conferees to delete this final proviso because it will have the effect of barring the recovery of double benefits. And since this proviso would be prejudicial to labor, we felt that this proviso should be deleted. At the same time, we felt that the House conferees should be properly notified, and they have been properly notified. So the Senate conferees would like to report that this final proviso under Section 15 has been deleted.

Now, proceeding to Section 19. Section 19-A of the House version regarding contributions of the self-employed has a proviso that reads: "Provided, further, That the contributions of self-employed persons earning P1,000 monthly or below may

be reduced by the Commission."

There is no proviso in the Senate version. But we felt that it would also work for the benefit of those who have less in life that this proviso should be inserted, and so the Senate conferees agreed.

Proceeding further to subparagraph (A), Section 24 of the House version, when it comes to a contractor, when any person or entity engages the services of an independent contractor, the employer shall be subsidiarily liable with such contractor for any civil liability incurred by the latter under this Act.

The Senate version ends with the word "Act," but the House version has a proviso: "Provided, finally, That the same person or entity engaging the services of an independent contractor shall require such contractor to post a surety bond to guarantee the payment of the worker's benefits."

Again, since the Senate conferees felt that it would safeguard the rights of the workers, they agreed on the inclusion of this proviso.

The next one is subparagraph (A) of Section 26, in the matter of investment of reserve funds. In the Senate version—I think it was proposed by Senator Angara and approved by the Senate—it provides, among others: "... shall manage and invest with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters should exercise in the conduct of an enterprise of a like character and similar aims. Pursuant thereto, and in line with the basic principles of safety, good yield and liquidity, the Commission shall invest in any or all of the following:"

That particular provision was the subject of a request on the part of the House conferees to insert after the word "liquidity" of the phrase **BUT IN NO CASE LESS THAN THE AVERAGE RATES OF TREASURY BILLS AND OTHER ACCEPTABLE MARKET-YIELD INDICATOR.**

Since this will further safeguard the interest of the workers or the members in the investment of funds of the Commission, the Senate conferees agreed.

The reference to an investment manager under the Senate version, which reads, "...or any of his appointed investment manager," was deleted upon the request of the House conferees because they would want the Commission to assume full responsibility in the investment of funds, although in the exercise of that power, that is expected to be done actually by subalterns or whoever they will authorize. That is with respect to Section 26.

Proceeding to Section 28. In that section there was a variance between the penal clause provided in the House version and the penal clause provided in the Senate version. After we explained why the Senate version would be the preferred one, the same was accepted by the House conferees.

After Section 28, we have Section 29. Section 29 of the Senate version was accepted but with a slight amendment. There is an amendment sought in Section 29—"the establishment of the SSS shall not disqualify"—I think the Senate version refers to covered employees.

Since it would not be appropriate to refer to the persons covered only to employees because there those who are now self-employed, the phraseology was changed, so that it will now read: "The establishment of the SSS shall not disqualify the MEMBERS, et cetera." This was approved by the Senate conferees as a proposal that was well taken.

In Section 30, the transitory provisions, the Senate version provides that "an employer who is delinquent or has not remitted all contributions due and payable to the SSS may, within six (6) months from the effectivity of this Act, remit said contributions or submit a proposal." This was finally accepted by the House conferees.

Mr. President, with all those agreements on the areas of difference, the Bicameral Conference Committee conferees of both the Senate and the House reached an agreement regarding the two bills—the Senate and the House versions on the SSS Law.

**The President.** The Majority Leader is recognized.

APPROVAL OF CONFERENCE COMMITTEE REPORT  
ON S. NO. 1663/H. NO. 7758

**Senator Tatad.** Mr. President, I move for the approval of the Bicameral Conference Committee Report on the disagreeing provisions of Senate Bill No. 1663 and House Bill No. 7758.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

The Chair would like to express its appreciation and commendation to the members of the Bicameral Conference Committee headed by Hon. Marcelo Fernan and Senators Herrera, Angara, Drilon, Romulo and Roco for working overtime on this measure.

**Senator Fernan.** Thank you, Mr. President.

*The following is the full text of the conference committee report:*

CONFERENCE COMMITTEE REPORT

The Conference Committee on the disagreeing provisions of Senate Bill No. 1663, entitled

AN ACT FURTHER STRENGTHENING THE SOCIAL SECURITY SYSTEM THEREBY AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW

and House Bill No. 7758, entitled

AN ACT EXPANDING THE COVERAGE AND BENEFITS OF THE SOCIAL SECURITY SYSTEM AND INSTITUTING REFORMS THEREIN, FURTHER AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW,

having met, after full and free conference, has agreed to recommend and does hereby recommend to their respective Houses that Senate Bill 1663, in consolidation with House Bill No. 7758, be approved in accordance with the attached copy of the bill as reconciled and approved by the conferees.

Approved,

CONFEREES ON THE PART OF THE SENATE:

(Sgd.) HON. MARCELO B. FERNAN  
*Chairman*

(Sgd.) HON. ERNESTO F. HERRERA

(Sgd.) HON. EDGARDO J. ANGARA

(Sgd.) HON. FRANKLIN M. DRILON

(Sgd.) HON. ALBERTO G. ROMULO

(Sgd.) HON. RAUL S. ROCO

CONFEREES ON THE PART OF THE HOUSE OF REPRESENTATIVES:

(Sgd.) HON. WILFRIDO L. ENVERGA  
*Chairman*

(Sgd.) HON. ERICO B. AUMENTADO

HON. RODOLFO T. TUAZON

HON. MA. SOCORRO O. ACOSTA

(Sgd.) HON. CARLOS M. PADILLA

(Sgd.) HON. ELIAS B. LOPEZ

AN ACT STRENGTHENING THE SOCIAL SECURITY SYSTEM THEREBY AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 1161, AS AMENDED, OTHERWISE KNOWN AS THE SOCIAL SECURITY LAW

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

SECTION 1. Republic Act No. 1161, as amended, otherwise known as the "Social Security Law", is hereby further amended to read as follows:

"SEC. 1. *Short Title.* - This act shall be known as the 'Social Security ACT OF 1997.

"SEC. 2. *Declaration of Policy.* - It is the policy of the STATE to establish, develop, promote and perfect a sound and viable tax-exempt social security SYSTEM suitable to the needs of the people throughout the Philippines which shall PROMOTE SOCIAL JUSTICE AND provide MEANINGFUL PROTECTION to MEMBERS and their BENEFICIARIES against the hazards of disability, sickness, MATERNITY, old age, death, AND OTHER CONTINGENCIES RESULTING IN LOSS OF INCOME OR FINANCIAL BURDEN. TOWARDS THIS END, THE STATE SHALL ENDEAVOR TO EXTEND SOCIAL SECURITY PROTECTION TO WORKERS AND THEIR BENEFICIARIES.

"SEC. 3. *Social Security System.* - (a) To carry out the purposes of this Act, the Social Security System, HEREINAFTER REFERRED TO AS "SSS", A CORPORATE BODY, with principal place of business in Metro Manila, Philippines, is hereby created. The SSS shall be directed and controlled by a Social Security Commission, HEREINAFTER REFERRED TO AS "COMMISSION", composed of the Secretary of Labor and Employment OR HIS DULY DESIGNATED UNDERSECRETARY, the SSS PRESIDENT and seven

(7) appointive members, three (3) of whom shall represent the WORKERS' group, AT LEAST one (1) of whom shall be a woman; three (3), the EMPLOYERS' group, AT LEAST one (1) of whom shall be a woman; and one (1), the general public WHOSE REPRESENTATIVE SHALL HAVE ADEQUATE KNOWLEDGE AND EXPERIENCE REGARDING SOCIAL SECURITY, to be appointed by the President of the Philippines. THE SIX (6) MEMBERS REPRESENTING WORKERS AND EMPLOYERS SHALL BE CHOSEN FROM AMONG THE NOMINEES OF WORKERS' AND EMPLOYERS' ORGANIZATIONS, RESPECTIVELY. The Chairman of the Commission shall be designated by the President OF THE PHILIPPINES from among its members. The term of the appointive members shall be three (3) years: *Provided*, That the terms of the first six (6) appointive members shall be one (1), two (2) and three (3) years for every two (2) members, respectively: *PROVIDED, FURTHER*, THAT THEY SHALL CONTINUE TO HOLD OFFICE UNTIL THEIR SUCCESSORS SHALL HAVE BEEN APPOINTED AND DULY QUALIFIED. All vacancies, PRIOR TO the expiration of the term, shall be filled for the unexpired term only. The appointive members of the Commission shall receive AT LEAST TWO thousand five hundred pesos (P2,500.00) per diem for each meeting actually attended by them, BUT NOT TO EXCEED TEN THOUSAND PESOS (P10,000.00) A MONTH: *Provided*, That members of the Commission who hear AND EVALUATE cases pending before the Commission shall also receive a per diem of AT LEAST TWO thousand five hundred pesos (P2,500.00), BUT NOT TO EXCEED FIFTEEN THOUSAND PESOS (P15,000.00) A MONTH: *PROVIDED, FURTHER*, THAT SAID MEMBERS OF THE COMMISSION SHALL ALSO RECEIVE REASONABLE TRANSPORTATION AND REPRESENTATION ALLOWANCES AS MAY BE FIXED BY THE COMMISSION, BUT NOT TO EXCEED TEN THOUSAND PESOS (P10,000.00) A MONTH.

"(b) The general conduct of the operations and management functions of the SSS shall be vested in the SSS PRESIDENT who shall serve as the chief executive officer immediately responsible for carrying out the program of the SSS and the policies of the Commission. The SSS PRESIDENT shall be a person who has had previous experience in technical and administrative fields related to the purposes of this Act. He shall be appointed by the President of the Philippines and shall receive a salary to be fixed

by the Commission with the approval of the President OF THE PHILIPPINES, payable from the funds of the SSS.

“(c) The Commission, upon the recommendation of the SSS PRESIDENT, shall appoint an actuary and such personnel as may be deemed necessary; fix their REASONABLE compensation, ALLOWANCES AND OTHER BENEFITS; prescribe their duties and establish such methods and procedures as may BE NECESSARY TO insure the efficient, honest and economical administration of the provisions and purposes of this Act: *Provided, however,* That the personnel of the SSS BELOW THE RANK OF VICE-PRESIDENT SHALL BE APPOINTED BY THE SSS PRESIDENT: *PROVIDED, FURTHER,* THAT THE PERSONNEL APPOINTED BY THE SSS PRESIDENT, EXCEPT THOSE BELOW THE RANK OF ASSISTANT MANAGER, SHALL BE SUBJECT TO THE CONFIRMATION BY THE COMMISSION: *PROVIDED, FURTHER,* THAT THE PERSONNEL OF THE SSS shall be selected only from civil service eligibles and be subject to civil service rules and regulations: *PROVIDED, FINALLY,* THAT THE SSS SHALL BE EXEMPT FROM THE PROVISIONS OF REPUBLIC ACT NO. 6758 AND REPUBLIC ACT NO. 7430.

“SEC. 4. *Powers and Duties of the Commission AND SSS.* - (A) THE COMMISSION. - For the attainment of its main objectives as set forth in Section 2 hereof, the Commission shall have the following powers and duties:

“(1) TO adopt, amend and rescind, subject to the approval of the President OF THE PHILIPPINES, such rules and regulations as may be necessary to carry out the provisions and purposes of this Act;

“(2) TO ESTABLISH A PROVIDENT FUND FOR THE MEMBERS WHICH WILL CONSIST OF VOLUNTARY CONTRIBUTIONS OF EMPLOYERS AND/OR EMPLOYEES, SELF-EMPLOYED AND VOLUNTARY MEMBERS AND THEIR EARNINGS, FOR THE PAYMENT OF BENEFITS TO SUCH MEMBERS OR THEIR BENEFICIARIES, SUBJECT TO SUCH RULES AND REGULATIONS AS IT MAY PROMULGATE AND APPROVED BY THE PRESIDENT OF THE PHILIPPINES;

“(3) TO MAINTAIN A PROVIDENT FUND WHICH CONSISTS OF CONTRIBUTIONS

MADE BY BOTH THE SSS AND ITS OFFICIALS AND EMPLOYERS AND THEIR EARNINGS, FOR THE PAYMENT OF BENEFITS TO SUCH OFFICIALS AND EMPLOYERS OR THEIR HEIRS UNDER SUCH TERMS AND CONDITIONS AS IT MAY PRESCRIBE;

“(4) TO APPROVE RESTRUCTURING PROPOSALS FOR THE PAYMENT OF DUE BUT UNREMITTED CONTRIBUTIONS AND UNPAID LOAN AMORTIZATIONS UNDER SUCH TERMS AND CONDITIONS AS IT MAY PRESCRIBE;

“(5) TO AUTHORIZE COOPERATIVES REGISTERED WITH THE COOPERATIVE DEVELOPMENT AUTHORITY OR ASSOCIATIONS REGISTERED WITH THE APPROPRIATE GOVERNMENT AGENCY TO ACT AS COLLECTING AGENTS OF THE SSS WITH RESPECT TO THEIR MEMBERS: *PROVIDED,* THAT THE SSS SHALL ACCREDIT THE COOPERATIVE OR ASSOCIATION: *PROVIDED, FURTHER,* THAT THE PERSONS AUTHORIZED TO COLLECT ARE BONDED;

“(6) TO COMPROMISE OR RELEASE, IN WHOLE OR IN PART, ANY INTEREST, PENALTY OR ANY CIVIL LIABILITY TO SSS IN CONNECTION WITH THE INVESTMENTS AUTHORIZED UNDER SECTION 26 HEREOF, UNDER SUCH TERMS AND CONDITIONS AS IT MAY PRESCRIBE AND APPROVED BY THE PRESIDENT OF THE PHILIPPINES; AND

“(7) TO APPROVE, CONFIRM, PASS UPON OR REVIEW ANY AND ALL ACTIONS OF THE SSS IN THE PROPER AND NECESSARY EXERCISE OF ITS POWERS AND DUTIES HEREINAFTER ENUMERATED.

“(B) *THE SOCIAL SECURITY SYSTEM.* - SUBJECT TO THE PROVISION OF SECTION FOUR (4), PARAGRAPH SEVEN (7) HEREOF, THE SSS SHALL HAVE THE FOLLOWING POWERS AND DUTIES:

“(1) To submit annually not later than APRIL 30, a public report to the President of the Philippines AND TO THE CONGRESS OF THE PHILIPPINES covering its activities in the administration and enforcement of this Act during

the preceding year including information and recommendations on broad policies for the development and perfection of the program of the SSS;

“(2) TO require the actuary to submit a valuation report on the SSS benefit program every FOUR (4) years, or more frequently as may be necessary, to undertake the necessary actuarial studies and calculations concerning increases in benefits TAKING INTO ACCOUNT INFLATION and the financial stability of the SSS, and to provide for feasible increases in benefits EVERY FOUR (4) YEARS, INCLUDING the addition of new ones, under such rules and regulations as the Commission may adopt, subject to the approval of the President OF THE PHILIPPINES: *Provided*, That the actuarial soundness of the reserve fund shall be guaranteed: *Provided, further*, that such increases in benefits shall not require any increase in the rate of contribution;

“(3) TO establish OFFICES of the SSS TO COVER AS MANY PROVINCES, CITIES AND CONGRESSIONAL DISTRICTS, whenever and wherever it may be expedient, necessary AND FEASIBLE, and to inspect or cause to be inspected periodically such OFFICES;

“(4) TO enter into agreements or contracts for such services and aid, as may be needed for the proper, efficient and stable administration of the SSS;

“(5) TO adopt, from time to time, a budget of expenditures including salaries of personnel, against all funds available to the SSS under this Act;

“(6) TO set up its accounting system and provide the necessary personnel therefor;

“(7) TO acquire reports, compilations and analyses of statistical and economic data and to make investigation as may be needed for the proper administration and development of the SSS;

“(8) TO acquire AND DISPOSE OF property, real or personal, which may be necessary or expedient for the attainment of the purposes of this Act;

“(9) TO acquire, receive, or hold, by way of

purchase, expropriation or otherwise, public or private property for the purpose of undertaking housing projects preferably for the benefit of low-INCOME MEMBERS and for the maintenance of hospitals and institutions for the sick, aged and DISABLED, AS WELL AS SCHOOLS FOR THE MEMBERS AND THEIR IMMEDIATE FAMILIES;

“(10) TO sue and be sued in court; AND

“(11) TO perform such other CORPORATE acts as it may deem appropriate for the proper enforcement of this Act.

“SEC. 5. *Settlement of Disputes.* - (a) Any dispute arising under this Act with respect to coverage, benefits, contributions and penalties thereon or any other matter related thereto, shall be cognizable by the Commission, and any case filed with respect thereto shall be heard by the Commission, or any of its members, or by hearing officers duly authorized by the Commission and decided within THE MANDATORY PERIOD OF twenty (20) days after the submission of the evidence. The filing, determination and settlement of disputes shall be governed by the rules and regulations promulgated by the Commission.

“(b) *Appeal to Courts.* - Any decision of the Commission, in the absence of an appeal therefrom as herein provided, shall become final AND EXECUTORY fifteen (15) days after the date of notification, and judicial review thereof shall be permitted only after any party claiming to be aggrieved thereby has exhausted his remedies before the Commission. The Commission shall be deemed to be a party to any judicial action involving any such decision, and may be represented by an attorney by the Commission, or when requested by the Commission, by the Solicitor General or any PUBLIC PROSECUTOR.

“(c) *Court Review.* - The decision of the Commission upon any disputed matter may be reviewed both upon the law and the facts by the Court of Appeals. For the purpose of such review the procedure concerning appeals from the REGIONAL TRIAL COURT shall be followed as far as practicable and consistent with the purposes of this Act. Appeal from a decision of the Commission must be taken within fifteen (15) days from notification of such decision. If the decision of the Commission involves only questions of law, the same shall be reviewed by the Supreme Court. No appeal

bond shall be required. The case shall be heard in a summary manner, and shall take precedence over all cases, except that in the Supreme Court, criminal cases wherein life imprisonment or death has been imposed by the trial court shall take precedence. No appeal shall act as a *supersedeas* or stay of the order of the Commission unless the Commission itself, or the Court of Appeals or the Supreme Court, shall so order.

“(d) *Execution of Decisions.* - THE COMMISSION MAY, *MOTU PROPIO* OR ON MOTION OF ANY INTERESTED PARTY, ISSUE A WRIT OF EXECUTION TO ENFORCE ANY OF ITS DECISIONS OR AWARDS, AFTER IT HAS BECOME FINAL AND EXECUTORY, IN THE SAME MANNER AS THE DECISION OF THE REGIONAL TRIAL COURT BY DIRECTING the city or provincial sheriff or the sheriff whom it may appoint TO ENFORCE SUCH FINAL DECISION OR EXECUTE such writ; and any person who shall fail or refuse to comply with such decision, award or writ, after being required to do so shall, upon application by the Commission, PURSUANT TO RULE 71 OF THE RULES OF COURT, be punished for contempt.

“SEC. 6. *Auditor and Counsel.* - (a) The CHAIRMAN OF THE COMMISSION on Audit shall be the *ex officio* Auditor of the SSS. He or his representative shall check and audit all the accounts, funds and properties of the SSS in the same manner and as frequently as the accounts, funds and properties of the government are checked and audited under existing laws; and he shall have, as far as practicable, the same powers and duties as he has with respect to the checking and auditing of public accounts, funds and properties in general.

“(b) The Secretary of Justice shall be the *ex officio* counsel of the SSS. He or his representative shall act as legal adviser and counsel thereof.

“SEC. 7. *Oaths, Witnesses, and Production of Records.* - When authorized by the Commission, an official or employee thereof shall have the power to administer oath and affirmation, take depositions, certify to official acts and issue subpoena and subpoena *duces tecum* to compel the attendance of witnesses and the production of books, papers, correspondence and other records deemed necessary as evidence in connection with any question arising under this Act. Any case of contumacy shall be dealt with *BY THE COMMISSION* in accordance with LAW.

“SEC. 8. *Terms Defined.* - For the purposes of this Act, the following terms shall, unless the context indicates otherwise, have the following meanings:

“(a) *SSS* - The Social Security System created by this Act.

“(b) *Commission* - The Social Security Commission as herein created.

“(c) *Employer* - Any person, natural or juridical, domestic or foreign, who carries on in the Philippines any trade, business, industry, undertaking or activity of any kind and uses the services of another person who is under his orders as regards the employment, except the Government and any of its political subdivisions, branches or instrumentalities, including corporations owned or controlled by the Government: *Provided*, That a self-employed PERSON shall be both employee and employer at the same time.

“(d) *Employee* - Any person who performs services for an employer in which earlier or both mental and physical efforts are used and who receives compensation for such services, where there is an employer-employee relationship: *Provided*, That a self-employed PERSON shall be both employee and employer at the same time.

“(e) *Dependents* - The DEPENDENTS SHALL BE THE FOLLOWING:

“(1) THE LEGAL SPOUSE ENTITLED BY LAW TO RECEIVE SUPPORT FROM THE MEMBER;

“(2) THE LEGITIMATE, LEGITIMATED OR LEGALLY ADOPTED, AND ILLEGITIMATE CHILD WHO IS UNMARRIED, NOT GAINFULLY EMPLOYED AND HAS NOT REACHED TWENTY-ONE YEARS (21) OF AGE, OR IF OVER TWENTY-ONE (21) YEARS OF AGE, HE IS CONGENITALLY OR WHILE STILL A MINOR HAS BEEN PERMANENTLY INCAPACITATED AND INCAPABLE OF SELF-SUPPORT PHYSICALLY OR MENTALLY; AND

“(3) THE PARENT WHO IS



RECEIVING REGULAR SUPPORT FROM  
THE MEMBER.

“(f) *Compensation* - All actual remuneration for employment, including the mandated cost of living allowance, as well as the cash value of any remuneration paid in any medium other than cash except that part of the remuneration received during the month in excess of THE MAXIMUM SALARY CREDIT AS PROVIDED UNDER SECTION EIGHTEEN OF THIS ACT.

“(g) Monthly salary credit - The compensation base for contributions and benefits as indicated in the schedule in section eighteen of this Act.

“(h) Monthly - The period from one end of the last payroll period of the preceding month to the end of the last payroll period of the current month if compensation is on hourly, daily or weekly basis; if on any other basis, monthly shall mean a period of one (1) month.

“(i) Contribution - The amount paid to the SSS by AND ON BEHALF OF the MEMBER in accordance with section eighteen of this Act.

“(j) Employment - Any service performed by an employee for this employer, except -

“(1) Employment purely casual and not for the purpose of occupation or business of the employer;

“(2) Service performed on or in connection with an alien vessel by an employee if he is employed when such vessel is outside the Philippines;

“(3) Service performed in the employ of the Philippine Government or instrumentality or agency thereof;

“(4) Service performed in the employ of a foreign government or international organization, or their wholly-owned instrumentality: *Provided, however,* That this exemption notwithstanding, any foreign government, international organization or their wholly-owned instrumentality employing workers in the Philippines or employing Filipinos outside of the Philippines, may enter

into an agreement with the Philippine Government for the inclusion of such employees in the SSS except those already covered by their respective civil service retirement systems: *Provided, further,* That the terms of such agreement shall conform with the provisions of this Act on coverage and amount of payment of contributions and benefits: *Provided, finally,* That the provisions of this Act shall be supplementary to any such agreement; AND

“(5) Such other services performed by temporary AND OTHER employees which may be excluded by regulation of the Commission. Employees of *bona fide* independent contractors shall not be deemed employees of the employer engaging the services of said contractors.

“(k) Beneficiaries - The dependent spouse until he OR SHE remarries, THE dependent LEGITIMATE, LEGITIMATED OR LEGALLY ADOPTED, AND ILLEGITIMATE children, who shall be the primary beneficiaries OF THE MEMBER: *PROVIDED,* THAT THE DEPENDENT ILLEGITIMATE CHILDREN SHALL BE ENTITLED TO FIFTY PERCENT (50%) OF THE SHARE OF THE LEGITIMATE, LEGITIMATED OR LEGALLY ADOPTED CHILDREN: *PROVIDED, FURTHER,* THAT IN THE ABSENCE OF THE DEPENDENT LEGITIMATE, LEGITIMATED OR LEGALLY ADOPTED CHILDREN OF THE MEMBER, HIS/HER DEPENDENT ILLEGITIMATE CHILDREN SHALL BE ENTITLED TO ONE HUNDRED PERCENT (100%) OF THE BENEFITS. In their absence, the dependent parents who shall be the secondary beneficiaries OF THE MEMBER. IN the absence of ALL of the foregoing, any other person designated by the MEMBER as HIS/HER secondary beneficiary.

“(l) Contingency - The retirement, death, disability, injury or sickness, AND MATERNITY of the MEMBER.

“(m) Average monthly salary credit - The result obtained by dividing the sum of the LAST SIXTY (60) monthly salary credits immediately preceding the semester of contingency by SIXTY (60), or the result obtained by dividing the sum of

all the monthly salary credits paid prior to the semester of contingency by the number of MONTHLY CONTRIBUTIONS PAID in the same period, whichever is greater: *Provided*, That the injury or sickness which caused the disability shall be deemed as the permanent disability for the purpose of computing the average monthly salary credit.

“(n) Average daily salary credit - The result obtained by dividing the sum of the six (6) highest monthly salary credits in the twelve-month period immediately preceding the semester of contingency by one hundred eighty (180).

“(o) *Semester* - A period of two (2) consecutive quarters ending the quarter of contingency.

“(p) *Quarter* - A period of three (3) consecutive calendar months ending on the last day of March, June, September and December.

“(Q) *Credited Years of Service* - For a member covered prior to January nineteen hundred EIGHTY five (1985) minus the calendar year of coverage plus the number of calendar years in which six (6) or more contributions have been paid from January NINETEEN HUNDRED EIGHTY FIVE (1985) up to the calendar year containing the semester prior to the contingency. For a member covered in or after January NINETEEN HUNDRED EIGHTY FIVE (1985), the number of calendar years in which six (6) or more contributions have been paid from the year of coverage up to the calendar year containing the semester prior to the contingency: *PROVIDED*, THAT THE COMMISSION MAY PROVIDE FOR A DIFFERENT NUMBER OF CONTRIBUTIONS IN A CALENDAR YEAR FOR IT TO BE CONSIDERED AS A CREDITED YEAR OF SERVICE.

“(R) *MEMBER* - THE WORKER WHO IS COVERED UNDER SECTION NINE AND SECTION NINE-A OF THIS ACT.

“(S) *SELF-EMPLOYED* - ANY PERSON WHOSE INCOME IS NOT DERIVED FROM EMPLOYMENT, AS DEFINED UNDER THIS ACT, AS WELL AS THOSE WORKERS ENUMERATED IN SECTION NINE-A HEREOF.

“(T) *NET EARNINGS* - NET INCOME

BEFORE INCOME TAXES PLUS NON-CASH CHARGES SUCH AS DEPRECIATION AND DEPLETION APPEARING IN THE REGULAR FINANCIAL STATEMENT OF THE ISSUING OR ASSUMING INSTITUTION.

“(U) *FIXED CHARGES* - RECURRING EXPENSE SUCH AS AMORTIZATION OF DEBT DISCOUNT AND RENTALS FOR LEASED PROPERTIES, INCLUDING INTEREST ON FUNDED AND UNFUNDED DEBT.

“SEC. 9. *Coverage*. - (a) Coverage in the SSS shall be compulsory upon all employees not over sixty (60) years of age and their employers: *PROVIDED*, THAT IN THE CASE OF DOMESTIC HELPERS, THEIR MONTHLY INCOME SHALL NOT BE LESS THAN ONE THOUSAND PESOS (P1,000.00) A MONTH: *Provided, FURTHER*, That any benefit already earned by the employees under private benefit plans existing at the time of the approval of this Act shall not be discontinued, reduced or otherwise impaired: *Provided, further*, That private plans which are existing and in force at the time of compulsory coverage shall be integrated with the plan of the SSS in such a way where the employer's contribution to this private plan is more than that required of him in this Act, he shall pay to the SSS only the contribution required of him and he shall continue his contribution to such private plan less his contribution to the SSS so that the employer's total contribution to his benefit plan and to the SSS shall be the same as his contribution to his private benefit plan before the compulsory coverage: *Provided, further*, That any changes, adjustments, modifications, eliminations or improvements in the benefits to be available under the remaining private plan, which may be necessary to adopt by reason of the reduced contributions thereto as a result of the integration, shall be subject to agreements between the employers and employees concerned: *Provided, further*, That the private benefit plan which the employer shall continue for his employees shall remain under the employer's management and control unless there is an existing agreement to the contrary: *Provided, finally*, That nothing in this Act shall be construed as a limitation on the right of employers and employees to agree on and adopt benefits which are over and above those provided under this Act.

“(B) SPOUSES WHO DEVOTE FULL TIME TO MANAGING THE HOUSEHOLD AND FAMILY

AFFAIRS, UNLESS THEY ARE ALSO ENGAGED IN OTHER VOCATIONS OR EMPLOYMENT WHICH IS SUBJECT TO MANDATORY COVERAGE, MAY BE COVERED BY THE SSS ON A VOLUNTARY BASIS.

“(C) Filipinos recruited by foreign-based employers for employment abroad may be covered by the SSS on a voluntary basis.

“SEC. 9-A. *Compulsory Coverage of the Self-employed.* - Coverage in the SSS shall be compulsory upon SUCH self-employed persons AS MAY be determined by the Commission under such rules and regulations AS it may prescribe, INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

1. All self-employed professionals;
2. Partners and single proprietors of businesses;
3. Actors and actresses, directors, scriptwriters and news correspondents who do not fall within the definition of the term “employee” in Sec. 8 (d) of this Act;
4. Professional athletes, coaches, trainers AND JOCKEYS; AND
5. Individual farmers and fishermen.

“Unless otherwise specified herein, all provisions of THIS ACT applicable to covered employees shall also be applicable to the covered self-employed persons.

“SEC. 10. *Effective Date of Coverage.* - Compulsory coverage of the employer shall take effect on the first day of his operation and that of the employee on the day of his employment: *Provided*, That the compulsory coverage of THE self-employed PERSON shall take effect UPON HIS REGISTRATION WITH THE SSS.

“SEC. 11. *Effect of Separation from Employment.*  
- When an employee under compulsory coverage is separated from employment, his employer’s contribution in his account and his obligation to pay contributions arising from that employment shall cease at the end of the month of separation, but said employee shall be credited with all contributions paid on his behalf and entitled to benefits according to the provisions of this Act. He may, however, continue to pay the total

contributions to maintain his right to full benefit.

“SEC. 11-A. *Effect of Interruption of Business or Professional Income.* - If the self-employed MEMBER realizes no income in any GIVEN MONTH, he shall not be required to pay contributions for THAT MONTH. He may, however, be allowed to continue paying contributions under the same rules and regulations applicable to A separated employee MEMBER: *PROVIDED*, THAT NO RETROACTIVE PAYMENT OF CONTRIBUTIONS SHALL BE ALLOWED OTHER THAN AS PRESCRIBED UNDER SECTION TWENTY-TWO-A HEREOF.

“SEC. 12. *Monthly Pension.* - (a) The monthly pension shall be THE HIGHEST of the following AMOUNTS:

“(1) THE SUM OF THE FOLLOWING:

“(i) THREE HUNDRED PESOS (P300.00); PLUS

“(ii) TWENTY PERCENT (20%) OF THE AVERAGE MONTHLY SALARY CREDIT; PLUS

“(iii) Two percent (2%) of the average monthly salary credit for each credited year of service in excess of ten (10) years; OR

“(2) FORTY PERCENT (40%) OF THE AVERAGE MONTHLY SALARY CREDIT; OR

“(3) ONE THOUSAND PESOS (P1,000.00): *PROVIDED*, THAT THE MONTHLY PENSION SHALL IN NO CASE BE PAID FOR AN AGGREGATE AMOUNT OF LESS THAN SIXTY (60) MONTHS.

“(b) NOTWITHSTANDING THE PRECEDING PARAGRAPH, THE MINIMUM PENSION SHALL BE ONE THOUSAND TWO HUNDRED PESOS (P1,200.00) FOR MEMBERS WITH AT LEAST TEN (10) CREDITED YEARS OF SERVICE AND TWO THOUSAND FOUR HUNDRED PESOS (P2,400.00) FOR THOSE WITH TWENTY (20) CREDITED YEARS OF SERVICE.

“SEC. 12-A. *Dependents’ Pension.* - WHERE MONTHLY PENSION IS PAYABLE ON ACCOUNT OF DEATH, PERMANENT TOTAL DISABILITY

OR RETIREMENT, dependents' pension equivalent to ten percent (10%) of the monthly pension or TWO hundred fifty pesos (P250.00), whichever is higher SHALL ALSO BE PAID for each dependent child CONCEIVED ON OR BEFORE THE DATE OF THE CONTINGENCY but not exceeding five (5) beginning with the youngest and without substitution: *PROVIDED*, THAT WHERE THERE ARE LEGITIMATE AND ILLEGITIMATE CHILDREN, THE FORMER SHALL BE PREFERRED.

"SEC. 12-B. *Retirement Benefits.* - (a) A MEMBER who has paid at least one hundred twenty (120) monthly contributions prior to the semester of retirement and who (1) has reached the age of sixty (60) years and is ALREADY SEPARATED FROM EMPLOYMENT OR HAS CEASED TO BE SELF-EMPLOYED or (2) has reached the age of sixty-five (65) years, shall be entitled for as long as he lives to the monthly pension: *PROVIDED*, THAT HE SHALL HAVE OPTION TO RECEIVE HIS FIRST EIGHTEEN (18) MONTHLY PENSIONS IN LUMP SUM DISCOUNTED AT A PREFERENTIAL RATE OF INTEREST TO BE DETERMINED BY THE SSS.

"(b) A covered member who is sixty (60) years old at retirement and who does not qualify for pension benefits under paragraph (a) above, shall be entitled to a lump sum benefit equal to the total contributions paid by him and on his behalf: *Provided*, that he is separated from employment and is not continuing payment of contributions to the SSS on his own.

"(c) The monthly pension shall be SUSPENDED upon reemployment OR RESUMPTION OF SELF-EMPLOYMENT of a retires MEMBER who is less than sixty-five (65) years old. He shall again be subject to Section 18 and his employer to Section 19 of this Act.

"(d) Upon the death of the retired MEMBER, his primary beneficiaries as of the date of his retirement shall be entitled to RECEIVE the monthly pension: *Provided*, That if he has no primary beneficiaries and he dies within sixty (60) months from the start of his monthly pension, his secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the total monthly pensions CORRESPONDING TO THE BALANCE OF THE FIVE-YEAR GUARANTEED PERIOD, excluding the dependents' pension.

"(E) THE MONTHLY PENSION OF A MEMBER

WHO RETIRES AFTER REACHING AGE SIXTY (60) SHALL BE THE HIGHER OF EITHER: (1) THE MONTHLY PENSION COMPUTED AT THE EARLIEST TIME HE COULD HAVE RETIRED HAD HE BEEN SEPARATED FROM EMPLOYMENT OR CEASED TO BE SELF-EMPLOYED PLUS ALL ADJUSTMENTS THERETO; OR (2) THE MONTHLY PENSION COMPUTED AT THE TIME WHEN HE ACTUALLY RETIRES.

"SEC. 13. *Death Benefits.* - Upon the DEATH OF A MEMBER WHO HAS PAID AT LEAST THIRTY SIX (36) MONTHLY CONTRIBUTIONS PRIOR TO THE SEMESTER OF DEATH, his primary beneficiaries shall be entitled to the monthly pension: *Provided*, That IF HE HAS NO PRIMARY BENEFICIARIES, HIS SECONDARY BENEFICIARIES SHALL BE ENTITLED TO A LUMP SUM BENEFIT EQUIVALENT TO THIRTY-SIX (36) TIMES THE MONTHLY PENSION. IF HE HAS NOT PAID THE REQUIRED THIRTY-SIX (36) MONTHLY CONTRIBUTIONS, his primary OR SECONDARY beneficiaries shall be entitled to a lump sum benefit equivalent to THE MONTHLY PENSION TIMES THE NUMBER OF MONTHLY CONTRIBUTIONS PAID TO THE SSS OR TWELVE (12) TIMES THE MONTHLY PENSION, WHICHEVER IS HIGHER.

"SEC. 13-A. *Permanent Disability Benefits.* - (a) Upon the permanent total disability OF A MEMBER WHO HAS paid at least thirty-six (36) monthly contributions prior to the semester of disability, he shall be entitled to the monthly pension: *Provided*, That if HE HAS NOT PAID THE REQUIRED THIRTY-SIX (36) MONTHLY CONTRIBUTIONS, he shall be entitled to a lump sum benefit equivalent to THE MONTHLY PENSION TIMES THE NUMBER OF MONTHLY CONTRIBUTIONS PAID TO THE SSS OR TWELVE (12) TIMES THE MONTHLY PENSION, WHICHEVER IS HIGHER. A member who (1) HAS received a lump sum benefit and (2) is re-employed OR HAS RESUMED SELF-EMPLOYMENT not earlier than one (1) year from the date of his disability shall again be subject to compulsory coverage and shall be considered a new member.

"(b) The monthly pension AND DEPENDENTS' PENSION shall be SUSPENDED upon THE reemployment OR RESUMPTION OF SELF-EMPLOYMENT OR THE recovery OF THE DISABLED MEMBER from HIS permanent total

disability or his failure to present himself for examination at least once a year upon notice by the SSS.

“(c) Upon the death of the permanent disability pensioner, his primary beneficiaries as of the date of disability shall be entitled to RECEIVE the monthly pension: *Provided*, That if he has no primary beneficiaries and he dies within sixty (60) months from the start of his monthly pension, his secondary beneficiaries shall be entitled to a lump sum benefit equivalent to the total monthly pensions CORRESPONDING TO THE BALANCE OF THE FIVE-YEAR GUARANTEED PERIOD excluding the dependents’ pension.

“(d) The following disabilities shall be deemed permanent total:

1. Complete loss of sight of both eyes;
2. Loss of two limbs at or above the ankle or wrists;
3. Permanent complete paralysis of two limbs;
4. Brain injury resulting to incurable imbecility or insanity; and
5. Such cases as determined and approved by the SSS.

“(e) If the disability is permanent partial, and such disability occurs before thirty-six (36) monthly contributions have been paid prior to the semester of disability, the benefit shall be such percentage of the lump sum benefit described in the preceding paragraph with due regard to the degree of disability as the Commission may determine.

“(f) If the disability is permanent partial and such disability occurs after thirty-six (36) monthly contributions have been paid prior to the semester of disability, the benefit shall be the monthly pension for permanent total disability payable not longer than the period designated in the following schedule:

COMPLETE AND PERMANENT LOSS OF

USE OF	NO. OF MONTHS
One thumb	10
One index finger	8
One middle finger	6

One ring finger	5
One little finger	3
One big toe	6
One hand	39
One arm	50
One foot	31
One leg	46
One ear	10
Both ears	20
Hearing of one ear	10
Hearing of both ears	50
Sight of one eye	25

“(g) The percentage degree of disability, which is equivalent to the ratio that the designated number of months of compensability bears to seventy-five (75), rounded to the next higher integer, shall not be additive for distinct, separate and unrelated permanent partial disabilities, but shall be additive for deteriorating and related permanent partial disabilities, to a maximum of one hundred percent (100%), in which case the MEMBER shall be deemed as permanently totally disabled.

“(H) IN CASE OF PERMANENT PARTIAL DISABILITY, THE MONTHLY PENSION BENEFIT SHALL BE GIVEN IN LUMP SUM IF IT IS PAYABLE FOR LESS THAN TWELVE (12) MONTHS.

“(I) FOR THE PURPOSE OF ADJUDICATING RETIREMENT, DEATH AND PERMANENT TOTAL DISABILITY PENSION BENEFITS, CONTRIBUTIONS SHALL BE DEEMED PAID FOR THE MONTHS DURING WHICH THE MEMBER RECEIVED PARTIAL DISABILITY PENSION: *PROVIDED*, THAT SUCH CONTRIBUTIONS SHALL BE BASED ON HIS LAST CONTRIBUTION PRIOR TO HIS DISABILITY.

“(J) SHOULD A MEMBER WHO IS ON PARTIAL DISABILITY PENSION RETIRE OR DIE, HIS DISABILITY PENSION SHALL CEASE UPON HIS RETIREMENT OR DEATH.

“Sec. 13-B. *Funeral Benefit*. - A funeral grant EQUIVALENT TO TWELVE THOUSAND PESOS (P12,000.00) shall be paid, IN CASH OR IN KIND, to help defray the cost of funeral expenses upon the death of a member, INCLUDING permanently totally disabled MEMBER or retiree.

“Sec. 14. *Sickness benefit*. - (a) A MEMBER who

has paid at least three semester contributions in the twelve-month period immediately preceding the semester of sickness OR INJURY and is confined THEREFOR for more than three (3) days in a hospital or elsewhere with the approval OF THE SSS, shall, for each day of compensable confinement or fraction thereof, be paid by his employer, or the SSS, if such person is unemployed OR SELF-EMPLOYED, A DAILY SICKNESS BENEFIT equivalent to ninety percent (90%) of his average daily salary credit, subject to the following conditions:

“(1) In no case shall the daily SICKNESS BENEFIT be paid longer than one hundred twenty (120) days in one (1) calendar year, nor shall any unused portion of the one hundred twenty (120) days of sickness benefit granted under this section be carried forward and added to the total number of compensable days in the subsequent year;

“(2) THE DAILY SICKNESS BENEFIT shall NOT be paid for more than two hundred forty (240) days on account of the same confinement; and

“(3) The employee MEMBER shall notify his employer of the fact of his sickness or injury within five (5) calendar days after the start of his confinement unless such confinement is in a hospital or the employee became sick or was injured while working or within the premises of the employer in which case notification to the employer is not necessary: *Provided*, That if the member is unemployed OR SELF-EMPLOYED, he shall directly notify the SSS of his confinement within five (5) calendar days after the start thereof unless such confinement is in a hospital in which case notification is also not necessary: *Provided, further*, That in cases where notification is necessary, the confinement shall be deemed to have started not earlier than the fifth day immediately preceding the date of notification.

“(b) The compensable confinement shall begin on the first day of sickness, and the payment of such allowances shall be promptly made by the employer every regular payday or on the fifteenth and last day of each month, and similarly in the case of direct payment by the SSS, for as long as such allowances are due and payable: *Provided*, That such allowances shall begin only after all sick leaves of absence with full pay to the credit of the employee MEMBER shall have been exhausted.

“(c) One hundred percent (100%) of the daily benefits provided in the preceding paragraph shall be reimbursed by the SSS to said employer upon receipt of satisfactory proof of such payment and legality thereof: *Provided*, That the employer has notified the SSS of the confinement within five (5) calendar days after receipt of the notification from the employee MEMBER: *Provided, further*, That if the notification to the SSS is made by the employer beyond five (5) calendar days after receipt of the notification from the employee MEMBER, said employer shall be reimbursed only for each day of confinement starting from the tenth calendar day immediately preceding the date of notification to the SSS: *Provided, finally*, That the SSS shall reimburse the employer or pay the unemployed member only for confinement within the one-year period immediately preceding the date the claim for benefit or reimbursement is received by the SSS, except confinement in a hospital in which case the claim for benefit or reimbursement must be filed within one (1) year from the last day of confinement.

“(d) Where the employee MEMBER has given the required notification but the employer fails to notify the SSS of the confinement or to file the claim for reimbursement within the period prescribed in this section resulting in the reduction of the benefit or denial of the claim such employer shall have no right to recover the corresponding daily allowance he advanced to the employee MEMBER as required in this section.

“(e) The claim of reimbursement shall be adjudicated by the SSS within a period of two (2) months from receipt thereof: *Provided*, That should no payment be received by the employer within one (1) month after the period prescribed herein for adjudication the reimbursement shall thereafter earn simple interest of one percent (1%) per month until paid.

“(f) The provisions regarding the notification required of the MEMBER and the employer as well as the period within which the claim for benefit or reimbursement may be filed shall apply to all claims filed with the SSS.

“SEC. 14-A. *Maternity Leave Benefit.* - A female MEMBER who has paid at least three (3) monthly contributions in the twelve month period immediately preceding the semester of his childbirth or miscarriage shall be paid a daily maternity benefit equivalent to one hundred percent (100%) of her AVERAGE DAILY SALARY CREDIT for sixty (60) days or seventy-eight

(78) days in case of caesarean delivery, subject to the following conditions:

“(a) That the employee shall have notified her employer of her pregnancy and the probable date of her childbirth, which notice shall be transmitted to the SSS in accordance with the rules and regulations it may provide;

“(b) The FULL payment shall be advanced by the employer within thirty (30) days from the filing of the maternity leave application;

“(C) That payment of daily maternity benefits shall be a bar to the recovery of sickness benefits provided by this Act for the same period **FOR WHICH DAILY MATERNITY BENEFITS HAVE BEEN RECEIVED;**

(D) That the maternity benefits provided under this section shall be paid only for the first four (4) deliveries **OR MISCARRIAGES;**

“(E) That the SSS shall immediately reimburse the employer of one hundred percent (100%) of the amount of maternity benefits advanced to the employee by the employer upon receipt of satisfactory proof of such payment and legality thereof; and

(F) That if an employee MEMBER should give birth or suffer miscarriage without the required contributions having been remitted for her by her employer to the SSS, or without the latter having been previously notified by the employer of the time of the pregnancy, the employer shall pay to the SSS damages equivalent to the benefits which said employee MEMBER would otherwise have been entitled to.

“SEC. 15. *Nontransferability of Benefits.* - The SSS shall PROMPTLY pay the benefits provided for in this Act to such persons as may be entitled thereto in accordance with the provisions of this Act: *Provided*, That **THE SSS SHALL PAY THE RETIREMENT BENEFITS ON THE DAY OF CONTINGENCY TO QUALIFIED MEMBERS WHO HAVE SUBMITTED THE NECESSARY DOCUMENTS AT LEAST SIX (6) MONTHS BEFORE: PROVIDED, FURTHER, THAT** the beneficiary who is a national of foreign country which does not extend benefits to a Filipino beneficiary residing in the Philippines, or which is not

recognized by the Philippines, shall not be entitled to receive any benefit under this Act: *Provided, further*, That notwithstanding the foregoing, where the best interest of the SSS will be served, the Commission may direct payments without regard to nationality or country of residence: *Provided, further*, That if the recipient is a minor or a person incapable of administering his own affairs, the Commission shall appoint a representative under such terms and conditions as it may deem proper: *Provided, further*, that such appointment shall not be necessary in case the recipient is under the custody of or living with the parents or spouse of the MEMBER in which case the benefits shall be paid to such parents or spouse, as representative payee of the recipient. Such benefits are not transferable and no power of attorney or other document executed by those entitled thereto, in favor of any agent, attorney or any other person for the collection thereof on their behalf shall be recognized, except when they are physically unable to collect personally such benefits: *Provided, further*, that in case of death benefits, if no beneficiary qualifies under this Act, said benefits shall be paid to the legal heirs in accordance with the law of succession.

“Sec. 16. *Exemption from Tax, Legal Process and Lien.* - All laws to the contrary notwithstanding, the SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom, as well as all supplies, equipment, papers or documents shall be exempt from any tax, assessment, fee, charge, or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt by the person or persons entitled thereto, except to pay any debt of the MEMBER to the SSS. No tax measure **OF WHATEVER NATURE** enacted shall apply to the SSS, unless it expressly revokes the declared policy of the State in Section 2 hereof granting tax-exemption to the SSS. Any tax assessment **IMPOSED** against the SSS shall be null and void.

“SEC. 17. *Fee of Agents, Attorneys, etc.* - No agent, attorney or other person in charge of the preparation, filing or pursuing any claim for benefit under this Act shall demand or charge for his services any fee, and any stipulation to the contrary shall be null and void. The retention or deduction of any amount from any benefit granted under this Act for the payment

of fees for such services is prohibited: *Provided, however,* That any member of the Philippine Bar who appears as counsel in any case heard by the Commission shall be entitled to attorney's fees not exceeding ten percent (10%) of the benefits awarded by the Commission, which fees shall be payable before the actual payment of the benefits, and any stipulation to the contrary shall be null and void.

"Any violation of the provisions of this Section shall be punished by a fine of not less than five hundred pesos (P500.00) nor more than five thousand pesos (P5,000.00), or imprisonment for not less than six (6)

months nor more than one (1) year, or both, at the discretion of the court.

"SEC. 18. *Employee's Contribution.* - (a) Beginning as of the last day of the calendar month when an employee's compulsory coverage takes effect and every month thereafter during his employment, the employer shall deduct and withhold from such employee's monthly salary, wage, compensation or earnings, the employee's contribution in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the following SCHEDULE:

SALARY BRACKET	RANGE OF COMPENSATION	MONTHLY SALARY CREDIT	MONTHLY CONTRIBUTION		
			EMPLOYER	EMPLOYEE	TOTAL
I	1,000.00 - 1,249.99	1000	50.70	33.30	84.00
II	1,250.00 - 1,749.99	1500	76.00	50.00	126.00
III	1,750.00 - 2,249.99	2000	101.30	66.70	168.00
IV	2,250.00 - 2,749.99	2500	126.70	83.30	210.00
V	2,750.00 - 3,249.99	3000	152.00	100.00	252.00
VI	3,250.00 - 3,749.99	3500	177.30	116.70	294.00
VII	3,750.00 - 4,249.99	4000	202.70	133.30	336.00
VIII	4,250.00 - 4,749.99	4500	228.00	150.00	378.00
IX	4,750.00 - 5,249.99	5000	253.30	166.70	420.00
X	5,250.00 - 5,749.99	5500	278.70	183.70	462.40
XI	5,750.00 - 6,249.99	6000	304.00	200.00	504.00
XII	6,250.00 - 6,749.99	6500	329.30	216.70	546.00
XIII	6,750.00 - 7,249.99	7000	354.70	233.30	588.00
XIV	7,250.00 - 7,749.99	7500	380.00	250.00	630.00
XV	7,750.00 - 8,249.99	8000	405.30	266.70	672.00
XVI	8,250.00 - 8,749.99	8500	430.70	283.30	714.00
XVII	8,750.00 - OVER	9000	456.00	300.00	756.00



"The FOREGOING schedule OF contribution SHALL ALSO APPLY TO self-employed and voluntary members.

"The maximum MONTHLY SALARY CREDIT SHALL BE NINE THOUSAND PESOS (P9,000.00) EFFECTIVE JANUARY NINETEEN HUNDRED AND NINETY SIX (1996): *PROVIDED*, THAT IT SHALL BE INCREASED BY ONE THOUSAND PESOS (P1,000.00) EVERY YEAR THEREAFTER UNTIL IT SHALL HAVE REACHED TWELVE THOUSAND PESOS (P12,000.00) BY NINETEEN HUNDRED AND NINETY NINE (1999): *PROVIDED, FURTHER*, THAT THE MINIMUM AND MAXIMUM MONTHLY SALARY CREDITS AS WELL AS THE RATE OF CONTRIBUTIONS MAY BE FIXED FROM TIME TO TIME by the Commission through rules and regulations taking into consideration actuarial calculations and rate of benefits, SUBJECT TO THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES.

"SEC. 19. *Employer's Contributions.* - (a) Beginning as of the last day of the month when an employee's compulsory coverage takes effect and every month thereafter during his employment, his employers shall pay, with respect to such covered employee, the employer's contribution in accordance with the schedule indicated in section eighteen of this Act. Notwithstanding any contract to the contrary, an employer shall not deduct, directly or indirectly, from the compensation of his employees covered by the SSS or otherwise recover from them the employer's contributions with respect to such employees.

"(b) The remittance of such contributions by the employer shall be supported by a quarterly collection list to be submitted to the SSS at the end of each calendar quarter indicating the correct ID number of the employer, the correct names of SS numbers of the employees and the total contributions paid for their account during the quarter.

"SEC. 19-A. *Contribution of the Self-employed MEMBER.* The contributions to the SSS of the self-employed MEMBER shall be determined in accordance with Section EIGHTEEN of this Act: *Provided*, That the monthly earnings declared by the self-employed MEMBER at the time of his registration with the SSS shall be considered as his monthly compensation and he shall pay both the employer and employee contributions: *PROVIDED, FURTHER*, THAT THE

CONTRIBUTIONS OF SELF-EMPLOYED PERSONS EARNING ONE THOUSAND PESOS (P1,000.00) MONTHLY OR BELOW MAY BE REDUCED BY THE COMMISSION.

"The monthly earnings declared by the self-employed member at the time of his registration shall remain the basis of his monthly salary credit, unless he makes another declaration of his monthly earnings, in which case such latest declaration becomes the new basis of his monthly salary credit.

"SEC. 20. *Government Contribution.* - As the contribution of the Government to the operation of the SSS, Congress shall annually appropriate out of any funds in the National Treasury not otherwise appropriated, the necessary sum or sums to meet the estimated expenses of the SSS for each ensuing year. In addition to this contribution, Congress shall appropriate from time to time such sum or sums as may be needed to assure the maintenance of an adequate working balance of the funds of the SSS as disclosed by suitable periodic actuarial studies to be made of the operations of the SSS.

"SEC. 21. *Government Guarantee.* - The benefits prescribed in this Act shall not be diminished and to guarantee said benefits the Government of the Republic of the Philippines accepts general responsibility for the solvency of the SSS.

"SEC. 22. *Remittance of Contributions.* - (a) The contribution imposed in the preceding section shall be remitted to the SSS within the first TEN (10) days of each calendar month following the month for which they are applicable or within such time as the Commission may prescribe. Every employer required to deduct and to remit such contributions shall be liable for their payment and if any contribution is not paid to the SSS as herein prescribed, he shall pay besides the contribution a penalty thereon of three percent (3%) per month from the date the contribution falls due until paid. If deemed expedient and advisable by the Commission, the collection and remittance of contributions shall be made quarterly or semi-annually in advance, the contributions payable by the employees to be advanced by their respective employers: *Provided*, that upon separation of an employee, any contribution so paid in advance but not due shall be credited or refunded to his employer.

"(b) The contributions payable under this Act in

cases where an employer refuses or neglects to pay the same shall be collected by the SSS in the same manner as taxes are made collectible under the National Internal Revenue Code, as amended. Failure or refusal of the employer to pay or remit the contributions herein prescribed shall not prejudice the right of the covered employee to the benefits of the coverage.

"The right to institute the necessary action against the employer may be commenced within twenty (20) years from the time the delinquency is known or the assessment is made by the SSS, or from the time the benefit accrues, as the case may be.

"(c) Should any person, natural or juridical, defaults in any payment of contributions, the Commission may also collect the same in either of the following ways:

"1. By an action in court, which shall hear and dispose of the case in preference to any other civil action; or

"2. By issuing a warrant to the Sheriff of any province or city commanding him to levy upon and sell any real or personal property of the debtor. The Sheriff's sale by virtue of said warrant shall be governed by the same procedure prescribed for executions against property upon judgments by a court of record.

"(d) The last complete record of monthly contributions paid by the employer or the average of the monthly contributions paid during the past three (3) years as of the date of filing of the action for collection shall be presumed to be the monthly contributions payable by and due from the employer to the SSS for each of the unpaid month, unless contradicted and overcome by other evidence: *Provided*, that the SSS shall not be barred from determining and collecting the true and correct contributions due to the SSS even after full payment pursuant to this paragraph, nor shall the employer be relieved of his liability under section twenty-eight of this Act.

"SEC. 22-A. *Remittance of Contributions of Self-employed MEMBER.* Self-employed members shall remit their monthly contributions quarterly on such dates and schedules as the Commission may specify through rules and regulations: *PROVIDED*, THAT NO RETROACTIVE PAYMENT OF CONTRIBUTIONS SHALL BE ALLOWED, EXCEPT

AS PROVIDED IN THIS SECTION.

"SEC. 23. *Method of Collection and Payment.* - The SSS shall require a complete and proper collection and payment of contributions and proper identification of the employer and the employee. Payment may be made in cash, checks, stamps, coupons, tickets, or other reasonable devices that the Commission may adopt.

"SEC. 24. *Employment Records and Reports.* - (a) Each employer shall immediately report to the SSS the names, ages, civil status, occupations, salaries and dependents of all his employees who are subject to compulsory coverage: *Provided*, That if an employee subject to compulsory coverage should die or become sick or disabled or reach the age of sixty (60) without the SSS having previously received any report or written communication about him from his employer, the said employer shall pay to the SSS damages equivalent to the benefits to which said employee MEMBER would have been entitled had his name been reported on time by the employer to the SSS, except that in case of pension benefits, the employer shall be liable to pay the SSS damages equivalent to THE ACCUMULATED PENSION DUE AS OF THE DATE OF SETTLEMENT OF THE CLAIM OR to THE five (5) years' pension, WHICHEVER IS HIGHER, including dependent's pension: *Provided, further*, That if the contingency occurs within thirty (30) days from the date of employment, the employer shall be relieved of his liability for damages: *PROVIDED, FURTHER*, THAT ANY PERSON OR ENTITY ENGAGING THE SERVICES OF AN INDEPENDENT CONTRACTOR SHALL BE SUBSIDIARILY LIABLE WITH SUCH CONTRACTOR FOR ANY CIVIL LIABILITY INCURRED BY THE LATTER UNDER THIS ACT: *PROVIDED, FINALLY*, THAT THE SAME PERSON OR ENTITY ENGAGING THE SERVICES OF AN INDEPENDENT CONTRACTOR SHALL REQUIRE SUCH CONTRACTOR TO POST A SURETY BOND TO GUARANTEE THE PAYMENT OF THE WORKER'S BENEFIT.

"(b) Should the employer misrepresent the true date of employment of THE employee MEMBER or remit to the SSS contributions which are less than those required in this Act OR FAIL TO REMIT ANY CONTRIBUTION DUE PRIOR TO THE DATE OF CONTINGENCY, resulting in a reduction of benefits, SUCH employer shall pay to the SSS damages EQUIVALENT TO THE DIFFERENCE BETWEEN THE AMOUNT OF BENEFIT TO WHICH THE

EMPLOYEE MEMBER OR HIS BENEFICIARY IS ENTITLED HAD THE PROPER CONTRIBUTIONS BEEN REMITTED TO THE SSS AND THE AMOUNT PAYABLE ON THE BASIS OF THE CONTRIBUTIONS ACTUALLY REMITTED: *PROVIDED*, THAT IF THE EMPLOYEE MEMBER OR HIS BENEFICIARY IS ENTITLED TO PENSION BENEFITS, THE DAMAGES SHALL BE EQUIVALENT TO THE ACCUMULATED PENSION DUE AS OF THE DATE OF SETTLEMENT OF THE CLAIM OR TO THE FIVE (5) YEARS' PENSION, WHICHEVER IS HIGHER INCLUDING DEPENDENTS' PENSION.

"In addition to the liability mentioned in the preceding paragraphs (a) and (b) hereof, the employer shall also be liable for the payment of the corresponding unremitted contributions and penalties thereon.

"(c) The records and reports duly accomplished and submitted to the SSS by the employer OR THE MEMBER, as the case may be, shall be kept confidential by the SSS except in compliance with a *subpoena duces tecum* issued by the Courts, shall not be divulged without the consent of the SSS PRESIDENT or any official of the SSS duly authorized by him, shall be presumed correct as to the data and other matters stated therein, unless the necessary corrections to such records and reports have been properly made by the parties concerned before the right to the benefit being claimed accrues, and shall be made the basis for the adjudication of the claim. If as a result of such adjudication the SSS in good faith pays a monthly pension to a beneficiary who is inferior in right to another beneficiary or with whom another beneficiary is entitled to share, such payments shall discharge the SSS from liability unless and until such other beneficiary notifies the SSS of his claim prior to the payments.

"(d) Every employer shall keep true and accurate work records for such period and containing such information as the Commission may prescribe, in addition to an 'Annual Register of New and Separated Employees' which shall be secured from the SSS wherein the employer shall enter on the first day of employment or on the effective date of separation, the names of the persons employed or separated from employment, their SSS numbers, and such other data that the Commission may require and said annual register shall be submitted to the SSS in the month of January of each year. Such records shall be open for inspection by the SSS or its authorized representatives

quarterly or as often as the SSS may require.

"The SSS may also require each employer to submit, with respect to the persons in his employ, reports needed for the effective administration of this Act.

"(e) Each employer shall require, as a condition to employment, the presentation of a registration number secured by the prospective employee from the SSS in accordance with such procedure as the SSS may adopt: *Provided*, That in case of employees who have earlier been assigned registration numbers by virtue of a previous employment, such numbers originally assigned to them should be used for purpose of this Section: *Provided, further*, That the issuance of such registration numbers by the SSS shall not exempt the employer from complying with the provisions of paragraph (a) of this section.

"(f) Notwithstanding any law to the contrary, microfilm, OR NON-ERASABLE OPTICAL DISC AND OTHER SIMILAR ARCHIVAL MEDIA copies of original SSS records and reports, OR COPIES OF SUCH RECORDS AND REPORTS, duly certified by the official custodian thereof, shall have the same evidentiary value as the originals and be admissible as evidence in all legal proceedings.

"(G) NOTWITHSTANDING ANY LAW TO THE CONTRARY, LOCAL GOVERNMENT UNITS SHALL, PRIOR TO ISSUING ANY ANNUAL BUSINESS LICENSE OR PERMIT, REQUIRE SUBMISSION OF CERTIFICATE OF SSS COVERAGE AND COMPLIANCE WITH THE PROVISIONS OF THIS ACT: *PROVIDED*, THAT THE CERTIFICATION OR CLEARANCE SHALL BE ISSUED BY THE SSS WITHIN FIVE (5) WORKING DAYS FROM RECEIPT OF THE REQUEST.

"SEC. 24-A. *Report and Registration of the Self-employed MEMBER.* - Each covered self-employed MEMBER shall, within thirty (30) days from the FIRST DAY HE STARTED THE PRACTICE OF HIS PROFESSION OR BUSINESS OPERATIONS, REGISTER AND report to the SSS his name, age, civil status, occupation, average monthly net income and his dependents.

"SEC. 25. *Deposit and Disbursements.* - All money paid to or collected by the SSS every year under

this Act, and all accruals thereto, shall be deposited, administered and disbursed in the same manner and under the same conditions and requirements as provided by law for other public special funds: *Provided*, That not more than twelve percent (12%) of the total yearly contributions plus three percent (3%) of other revenues shall be disbursed for ADMINISTRATIVE AND OPERATIONAL EXPENSES SUCH AS salaries and wages, SUPPLIES and materials, DEPRECIATION, and the maintenance of offices of the SSS: *Provided, further*, That if the expenses in any year are less than the maximum amount permissible, the difference shall not be availed of as additional expenses in the following years.

"SEC. 26. *Investment of Reserve Funds.* - All revenues of the SSS that are not needed to meet the current administrative and operational expenses incidental to the carrying out of this Act shall be accumulated in a fund to be known as the "Reserve Fund." Such portions of the Reserve Fund as are not needed to meet the current benefit obligations thereof shall BE KNOWN AS THE "INVESTMENT RESERVE FUND" WHICH THE COMMISSION SHALL MANAGE AND INVEST WITH THE SKILL, CARE, PRUDENCE AND DILIGENCE NECESSARY UNDER THE CIRCUMSTANCES THEN PREVAILING THAT A PRUDENT MAN ACTING IN LIKE CAPACITY AND FAMILIAR WITH SUCH MATTERS WOULD EXERCISE IN THE CONDUCT OF AN ENTERPRISE OF A LIKE CHARACTER AND WITH SIMILAR AIMS. PURSUANT THERETO, AND IN LINE WITH THE BASIC PRINCIPLES OF SAFETY, GOOD YIELD AND LIQUIDITY, THE COMMISSION SHALL INVEST THE FUNDS to earn an annual income NOT LESS THAN THE AVERAGE RATES OF TREASURY BILLS OR ANY OTHER ACCEPTABLE MARKET YIELD INDICATOR in any or all of the following:

"(a) IN bonds, securities, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS of the Government of the Philippines, or IN bonds, securities, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS to which the FULL faith, credit AND UNCONDITIONAL GUARANTEE of the GOVERNMENT of the Philippines is pledged;

"(B) IN BONDS, SECURITIES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF THE GOVERNMENT OF THE PHILIPPINES OR ANY OF ITS AGENCIES OR

INSTRUMENTALITIES TO FINANCE DOMESTIC INFRASTRUCTURE PROJECTS SUCH AS ROADS, BRIDGES, PORTS, TELECOMMUNICATIONS, AND OTHER SIMILAR PROJECTS: *PROVIDED*, THAT THE INSTRUMENTS ISSUED BY AN AGENCY OR INSTRUMENTALITY OF THE GOVERNMENT SHALL BE GUARANTEED BY THE GOVERNMENT OF THE PHILIPPINES OR ANY GOVERNMENT FINANCIAL INSTITUTION OR ACCEPTABLE MULTILATERAL AGENCY: *PROVIDED, FURTHER*, THAT THE SSS SHALL HAVE PRIORITY OVER THE REVENUES OF THE PROJECTS: *PROVIDED, FINALLY*, THAT SUCH INVESTMENTS SHALL NOT EXCEED THIRTY PERCENT (30%) OF THE INVESTMENT RESERVE FUND;

"(C) IN BONDS, SECURITIES, PROMISSORY NOTES OR OTHER EVIDENCE OR INDEBTEDNESS OF GOVERNMENT FINANCIAL INSTITUTIONS OR GOVERNMENT CORPORATIONS WITH ACCEPTABLE CREDIT OR GUARANTEE: *PROVIDED*, THAT SUCH INVESTMENTS SHALL NOT EXCEED THIRTY PERCENT (30%) OF THE INVESTMENT RESERVE FUND;

"(D) IN BONDS, SECURITIES, deposits, PROMISSORY NOTES or OTHER EVIDENCE OF INDEBTEDNESS OF any bank doing business in the Philippines AND IN GOOD STANDING WITH THE *BANGKO SENTRAL NG PILIPINAS* TO FINANCE LOANS TO PRIVATE CORPORATIONS DOING BUSINESS IN THE PHILIPPINES, INCLUDING SCHOOLS, HOSPITALS, SMALL-AND-MEDIUM SCALE INDUSTRIES, COOPERATIVES AND NON-GOVERNMENTAL ORGANIZATIONS, IN WHICH CASE THE COLLATERALS OR SECURITIES SHALL BE ASSIGNED TO THE SSS, UNDER SUCH TERMS AND CONDITIONS AS THE COMMISSION MAY PRESCRIBE: *Provided*, That IN THE CASE OF BANK deposits, THEY shall not exceed any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller: *Provided, further*, That said bank shall first have been designated as a depository for this purpose by the Monetary Board of the *BANGKO SENTRAL NG PILIPINAS*: *PROVIDED, FINALLY*, THAT SUCH INVESTMENTS SHALL NOT EXCEED FORTY PERCENT (40%) OF THE INVESTMENT RESERVE FUND;

"(E) IN BONDS, SECURITIES, PROMISSORY

NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF SHELTER AGENCIES OF THE NATIONAL GOVERNMENT OR FINANCIAL INTERMEDIARIES TO FINANCE housing loans OF MEMBERS; AND IN LONG-TERM DIRECT INDIVIDUAL OR GROUP HOUSING LOANS GIVING PRIORITY TO THE LOW-INCOME GROUPS, UP TO A MAXIMUM OF NINETY PERCENT (90%) OF THE APPRAISED VALUE OF THE PROPERTIES TO BE MORTGAGED BY THE BORROWERS; AND

"IN short and medium term loans to MEMBERS such as salary, educational, LIVELIHOOD, MARITAL, calamity and emergency loans: *Provided*, That not more than THIRTY FIVE percent (35%) of the Investment Reserve Fund at any time shall be invested for HOUSING PURPOSES: *PROVIDED, FURTHER*, THAT NOT MORE THAN TEN PERCENT (10%) OF THE INVESTMENT RESERVE FUND SHALL BE INVESTED IN SHORT AND MEDIUM TERM LOANS;

"(F) IN 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 AND THEIR EQUIPMENT AND FACILITIES: *PROVIDED*, THAT SUCH INVESTMENTS SHALL NOT EXCEED TEN PERCENT (10%) OF THE INVESTMENT RESERVE FUND;

"(G) IN 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 SSS: *PROVIDED*, THAT SUCH PROJECTS AND INVESTMENTS SHALL, in the determination of the Commission, redound to the benefit of the SSS, its members, as well as the GENERAL public: *PROVIDED, FURTHER*, THAT INVESTMENT IN REAL ESTATE PROPERTY, INCLUDING SHARES OF STOCKS INVOLVING REAL ESTATE PROPERTY SHALL NOT EXCEED FIVE PERCENT (5%) OF THE INVESTMENT RESERVE FUND: *PROVIDED, FINALLY*, THAT INVESTMENTS IN OTHER INCOME-EARNING PROJECTS AND INVESTMENTS SECURED BY FIRST MORTGAGES OR OTHER COLLATERALS SHALL NOT EXCEED TWENTY FIVE PERCENT (25%) OF THE

INVESTMENT RESERVE FUND;

"(H) IN bonds, debentures, SECURITIES, PROMISSORY NOTES or other evidence of indebtedness of any PRIME corporation or MULTILATERAL institution TO FINANCE DOMESTIC PROJECTS: *Provided*, That the issuing OR assuming entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any three (3) including the last two (2) of the five (5) fiscal years next preceding the date of acquisition by the SSS of such bonds, debentures or other evidence of indebtedness, the net earnings of the issuing OR assuming institution available for its fixed charges, as defined IN THIS ACT, shall have been not less than one and one-quarter times the total of its fixed charges for such year: *Provided, further*, That such investments shall not exceed THIRTY percent (30%) of the Investment Reserve Fund;

"(I) IN PREFERRED OR common SHARES OF stocks listed OR ABOUT TO BE LISTED in the stock exchange OR OPTIONS OR WARRANTS TO SUCH STOCKS OR, SUBJECT TO PRIOR APPROVAL OF THE *BANGKO SENTRAL NG PILIPINAS*, SUCH OTHER RISK MANAGEMENT INSTRUMENTS of any PRIME OR solvent corporation or FINANCIAL institution created or existing under the laws of the Philippines with proven track record of profitability OVER THE LAST THREE (3) YEARS and payment of dividends AT LEAST ONCE over the SAME PERIOD: *Provided*, That such investments shall not exceed THIRTY percent (30%) of the Investment Reserve Fund;

"(J) IN DOMESTIC OR FOREIGN MUTUAL FUNDS IN EXISTENCE FOR AT LEAST THREE (3) YEARS: *PROVIDED*, THAT SUCH INVESTMENTS SHALL NOT EXCEED TWENTY PERCENT (20%) OF THE INVESTMENT RESERVE FUND: *PROVIDED, FURTHER*, THAT INVESTMENTS IN FOREIGN MUTUAL FUNDS SHALL NOT EXCEED ONE PERCENT (1%) OF THE INVESTMENT RESERVE FUND IN THE FIRST YEAR WHICH SHALL BE INCREASED BY ONE PERCENT (1%) FOR EACH SUCCEEDING YEAR, BUT IN NO CASE SHALL IT EXCEED SEVEN AND ONE-HALF PERCENT (7.5%) OF THE INVESTMENT RESERVE FUND;

"(K) IN FOREIGN CURRENCY DEPOSITS OR TRIPLE "A" FOREIGN CURRENCY-

DENOMINATED DEBTS, PRIME AND NON-SPECULATIVE EQUITIES, AND OTHER *BANGKO SENTRAL NG PILIPINAS* APPROVED 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 LISTED IN BOURSES OF THE RESPECTIVE COUNTRIES WHERE THESE INSTRUMENTS OR ASSETS ARE ISSUED: *PROVIDED, FURTHER*, THAT THE ISSUING COMPANY HAS PROVEN TRACK RECORD OF PROFITABILITY OVER THE LAST THREE (3) YEARS AND A RECORD OF REGULAR DIVIDEND PAY-OUT OVER THE SAME PERIOD: *PROVIDED, FINALLY*, THAT SUCH INVESTMENTS SHALL NOT EXCEED ONE PERCENT (1%) OF THE INVESTMENT RESERVE FUND IN THE FIRST YEAR WHICH SHALL BE INCREASED BY ONE PERCENT (1%) FOR EACH SUCCEEDING YEAR, BUT IN NO CASE SHALL IT EXCEED SEVEN AND ONE-HALF PERCENT (7.5%) OF THE INVESTMENT RESERVE FUND;

“(L) IN LOANS SECURED BY SUCH COLLATERALS LIKE CASH, GOVERNMENT SECURITIES OR GUARANTEES OF MULTILATERAL INSTITUTIONS: *PROVIDED*, THAT SUCH INVESTMENTS SHALL NOT EXCEED THIRTY PERCENT (30%) OF THE INVESTMENT RESERVE FUND; AND

“(M) IN OTHER *BANGKO SENTRAL NG PILIPINAS* APPROVED INVESTMENT INSTRUMENTS WITH THE SAME INTRINSIC QUALITY AS THOSE ENUMERATED IN PARAGRAPHS (A) TO (L) HEREOF, SUBJECT TO THE POLICIES AND GUIDELINES WHICH THE COMMISSION MAY FORMULATE.

“NO PORTION OF THE INVESTMENT RESERVE FUND OR INCOME THEREOF SHALL ACCRUE TO THE GENERAL FUND OF THE NATIONAL GOVERNMENT OR TO ANY OF ITS AGENCIES OR INSTRUMENTALITIES, INCLUDING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS, EXCEPT AS MAY BE ALLOWED UNDER THIS ACT: *PROVIDED*, THAT NO PORTION OF THE INVESTMENT RESERVE FUND SHALL BE INVESTED FOR ANY PURPOSE OR IN ANY INSTRUMENT, INSTITUTION OR INDUSTRY OVER AND ABOVE THE PRESCRIBED

CUMULATIVE CEILINGS AS FOLLOWS:

40%	IN PRIVATE SECURITIES
35%	IN HOUSING
30%	IN REAL ESTATE RELATED INVESTMENTS
10%	IN SHORT AND MEDIUM-TERM MEMBER LOANS
30%	IN GOVERNMENT FINANCIAL INSTITUTIONS AND CORPORATIONS
30%	IN INFRASTRUCTURE PROJECTS
15%	IN ANY PARTICULAR INDUSTRY
7.5%	IN FOREIGN-CURRENCY DENOMINATED INVESTMENTS

“SECTION 26-A. *FUND MANAGERS*. - AS PART OF ITS INVESTMENT OPERATIONS, THE SSS, MAY APPOINT LOCAL OR, IN THE ABSENCE THEREOF, FOREIGN FUND MANAGERS TO MANAGE THE INVESTMENT RESERVE FUND, AS IT MAY DEEM APPROPRIATE.

“SECTION 26-B. *MORTGAGOR INSURANCE ACCOUNT*. - (A) As part of its investment operations, the SSS shall act as insurer of all or part of its interest on SSS properties mortgaged to the SSS, or lives of mortgagors whose properties are mortgaged to the SSS. For this purpose, the SSS shall establish a separate account to be known as the “Mortgagors’ Insurance Account.” All amounts received by the SSS in connection with the aforesaid insurance operations shall be placed in the Mortgagors’ Insurance Account. The assets and liabilities of the Mortgagors’ Insurance Account shall at all times be clearly identifiable and distinguishable from the assets and liabilities in all other accounts of the SSS. Notwithstanding any provision of law to the contrary, the assets held in the Mortgagors’ Insurance Account shall not be chargeable with the liabilities arising out of any other business the SSS may conduct but shall be held and applied exclusively for the benefit of the owners or beneficiaries of the insurance contracts issued by the SSS under this paragraph.

“(B) The SSS may insure any of its interests or part thereof with any private company or reinsurer. The Insurance Commission or its authorized representatives shall make an examination into the financial condition and methods of transacting business of the SSS at least once in two (2) years, but such examination shall be limited to the insurance operation of the SSS as authorized under this PARAGRAPH and shall not

embrace the other operations of the SSS; and the report of said examination shall be submitted to the Commission and a copy thereof shall be furnished the Office of the President of the Philippines within a reasonable time after the close of the examination: *Provided*, That for each examination, the SSS shall pay to the Insurance Commission an amount equal to the actual expenses of the Insurance Commission in the conduct of the examination, including the salaries of the examiners and of the actuary of the Insurance Commission who have been assigned to make such examination for the actual time spent in said examination: *Provided, further*, That the general law on insurance AND THE RULES AND REGULATIONS promulgated thereunder shall have suppletory application insofar as it is not in conflict with this ACT and its rules and regulations.

"SEC. 27. *Records and Reports.* - The SSS PRESIDENT shall keep and cause to keep records of operations of the funds of the SSS and of disbursements thereof and all accounts of payments made out of said funds. During the month of January of each year, the SSS PRESIDENT shall prepare for submission to the President OF THE PHILIPPINES and to the Congress of the Philippines a report of operations of the SSS during the preceding year, including statistical data on the number of persons covered and benefited, their occupations and employment status, the duration and amount of benefits paid, the finances of the SSS at the close of the said year, and recommendations. He shall also cause to be published in two newspapers of general circulation in the Philippines a synopsis of the annual report, showing in particular the status of the finances of the SSS and the benefits administered.

"SEC. 28. *Penal Clause.* - (a) Whoever, for the purpose of causing any payment to be made under this Act, or under an agreement thereunder, where none is authorized to be paid, shall make or cause to be made false statement or representation as to any compensation paid or received, or whoever makes or causes to be made any false statement of a material fact in any claim for any benefit payable under this Act, or application for loan with the SSS, or whoever makes or causes to be made any false statement, representation, affidavit or document in connection with such claim or loan, shall suffer the penalties provided for in Article one hundred seventy-two of the Revised Penal Code.

"(b) Whoever shall obtain or receive any money or check under this Act or any agreement thereunder,

without being entitled thereto with intent to defraud any MEMBER, employer or the SSS, shall be fined not less than five THOUSAND pesos (P5,000.00) nor more than TWENTY thousand pesos (P20,000.00) and imprisoned for not less than six (6) YEARS AND ONE (1) DAY nor more than TWELVE (12) yearS.

"(c) Whoever buys, sells, offers for sale, uses, transfer or takes or gives in exchange, or pledges or gives in pledge, except as authorized in this Act or in regulations made pursuant thereto, any stamp, coupon, ticket, book or other device, prescribed pursuant to section twenty-three hereof by the Commission for the collection or payment of contributions required herein, shall be fined not less than five THOUSAND pesos (P5,000) nor more than TWENTY thousand pesos (P20,000), or imprisoned for not less than six (6) YEARS AND ONE (1) DAY nor more than TWELVE (12) yearS, or both, at the discretion of the court.

"(d) Whoever, with intent to defraud, alters, forges, makes or counterfeits any stamp, coupon, ticket, book or other device prescribed by the Commission for the collection or payment of any contribution required herein, or uses, sells, lends, or has in his possession any such altered, forged or counterfeit materials, or makes, uses, sells or has in his possession any such altered, forged material in imitation of the material used in the manufacture of such stamp, coupon, ticket, book or other device, shall be fined not less than FIVE thousand pesos (P5,000) nor more than TWENTY thousand (P20,000), or imprisoned for not less than SIX (6) yearS AND ONE (1) DAY nor more than TWELVE (12) years, or both, at the discretion of the court.

"(e) Whoever fails or refuses to comply with the provisions of this Act or with the rules and regulations promulgated by the Commission, shall be punished by a fine of not less than five THOUSAND pesos (P5,000) nor more than TWENTY thousand pesos (P20,000), or imprisonment of not less than six (6) YEARS AND ONE (1) DAY nor more than TWELVE (12) yearS or both, at the discretion of the court: *Provided*, That where the violation consists in failure or refusal to register employees or himself, in case of the covered self-employed, or to deduct contributions from the employees' compensation and remit the same to the SSS, the penalty shall be a fine of not less than five THOUSAND pesos (P5,000) nor more than TWENTY thousand pesos (P20,000) and imprisonment for not less than six (6) YEARS AND ONE (1) DAY nor more than TWELVE (12) yearS.

“(f) If the act or omission penalized by this Act be committed by an association, partnership, corporation or any other institution, its managing head, director or partners shall be liable to the penalties provided in this Act for the offense.

“(g) Any employee of the SSS who receives or keeps funds or property belonging, payable or deliverable to the SSS and who shall appropriate the same, or shall take or misappropriate, or shall consent or through abandonment or negligence shall permit any other person to take such property or funds, wholly or partially, or shall otherwise be guilty of misappropriations of such funds or property, shall suffer the penalties provided in Article two hundred seventeen of the Revised Penal Code.

“(h) Any employer who after deducting the monthly contributions or loan amortizations from his employee’s compensation, fails to remit the said deductions to the SSS within thirty (30) days from the date they became due shall be presumed to have misappropriated such contributions or loan amortizations and shall suffer the penalties provided in Article three hundred fifteen of the Revised Penal Code.

“(i) Criminal action arising from a violation of the provisions of this Act may be commenced by the SSS or the employee concerned either under this Act or in appropriate cases under the Revised Penal Code: *Provided*, That such criminal action may be filed by the SSS in the city or municipality where the SSS office is located if the violation was committed within its territorial jurisdiction or in Metro Manila, at the option of the SSS.

“SEC. 29. *Government Aid.* - The establishment of the SSS shall not disqualify the MEMBERS and employers from receiving such government assistance, financial or otherwise, as may be provided.

“SEC. 30. *TRANSITORY CLAUSE.* - ANY EMPLOYER WHO IS DELINQUENT OR HAS NOT REMITTED ALL CONTRIBUTIONS DUE AND PAYABLE TO THE SSS MAY, WITHIN SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS ACT, REMIT SAID CONTRIBUTIONS OR SUBMIT A PROPOSAL TO PAY THE SAME IN INSTALLMENTS WITHIN A PERIOD OF NOT MORE THAN TWELVE (12) MONTHS FROM THE EFFECTIVITY OF THIS ACT WITHOUT INCURRING THE PRESCRIBED PENALTY, SUBJECT TO THE IMPLEMENTING RULES AND

REGULATIONS WHICH THE COMMISSION MAY PRESCRIBE: *PROVIDED*, THAT THE EMPLOYER SUBMITS THE CORRESPONDING COLLECTION LISTS TOGETHER WITH THE REMITTANCE OR PROPOSAL TO PAY IN INSTALLMENTS: *PROVIDED, FURTHER*, THAT IN CASE THE EMPLOYER FAILS TO REMIT CONTRIBUTIONS WITHIN THE SIX-MONTH GRACE PERIOD OR DEFAULTS IN THE PAYMENT OF ANY AMORTIZATION PROVIDED IN THE APPROVED PROPOSAL, THE PRESCRIBED PENALTY SHALL BE IMPOSED FROM THE TIME THE CONTRIBUTIONS FIRST BECAME DUE AS PROVIDED IN SECTION 22 (a) HEREOF.”

SEC. 2. *Separability Clause.* - If any provision of this Act is declared invalid, the other provisions not affected thereby shall remain valid.

SEC. 3. *Repealing Clause.* - All laws, proclamations, executive orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed, modified or amended accordingly: *Provided*, That no person shall be deemed to be vested with any property or other right by virtue of the enactment or operation of this Act.

SEC. 4. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved,

THE JOURNAL

**Senator Tatad.** Mr. President, yesterday we deferred the approval of the *Journal* to allow for some corrections to be inserted. The corrections have been fully inserted. I now move that we dispense with the reading of the *Journal* of our session on Monday, April 28, 1997, and consider the same as approved.

**The President.** Is there any objection? [*Silence*] There being none, the motion is approved.

BILL ON SECOND READING  
S. No. 1708 - **Philippine Fisheries Code of 1996**  
(Continuation)

**Senator Tatad.** Mr. President, I move that we resume consideration of Senate Bill No. 1708 as reported out under Committee Report No. 229.