

RECORDS OF THE SENATE

RAN 8291 / SBN 2013

Government Service Insurance System Act of 1997 (GSIS)



TRIPARTITE WAGES AND PRODUCTIVITY
BOARDS AMENDING FOR THE PURPOSE
ARTICLE 122 OF THE LABOR CODE AS
AMENDED

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

Senator Tatad. Committee Report No. 345 on House Bill No. 6089, entitled

AN ACT AMENDING REPUBLIC ACT NO. 7908
ENTITLED 'AN ACT GRANTING THE MULTI-
MEDIA TELEPHONE INC., A FRANCHISE TO
CONSTRUCT, OPERATE AND MAINTAIN
RADIO PAGING SYSTEM IN THE
PHILIPPINES'

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

Senator Tatad. Committee Report No. 346 on House Bill No. 4603, entitled

AN ACT GRANTING THE GRAND INTERNA-
TIONAL AIRWAYS INC., (GRANDAIR) A
FRANCHISE TO ESTABLISH, OPERATE AND
MAINTAIN TRANSPORT SERVICES FOR
CARRIAGE OF PASSENGERS, MAILS, GOODS
AND PROPERTY BY AIR BOTH DOMESTIC
AND INTERNATIONAL

SUSPENSION OF SESSION

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

It was 3:27 p.m.

RESUMPTION OF SESSION

At 3:27 p.m., the session was resumed.

The President. The session is resumed.

Senator Tatad. Mr. President, I withdraw the last motion.

The President. It is so withdrawn.

SUSPENSION OF SESSION

Senator Tatad. 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 for one minute.

It was 3:28 p.m.

RESUMPTION OF SESSION

At 3:31 p.m., the session was resumed.

The President. The session is resumed.

BILL ON SECOND READING
S. No. 2013 - The GSIS Act of 1997

Senator Tatad. Mr. President, I move that we consider Senate Bill No. 2013 as reported out under Committee Report No. 362.

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

Consideration of Senate Bill No. 2013 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 Acting Secretary [Atty. Raval]. Senate Bill No. 2013, entitled

AN ACT AMENDING PRESIDENTIAL DECREE
NO. 1146 EXPANDING AND INCREASING
THE COVERAGE AND BENEFITS OF THE
GOVERNMENT SERVICE INSURANCE
SYSTEM, INSTITUTING REFORMS THEREIN
AND FOR OTHER PURPOSES

The following is the whole text of the bill:

Senate Bill No. 2013

(In substitution of S. Nos. 822, 1544 and 1572
and in consideration of H. No. 8561)

AN ACT AMENDING PRESIDENTIAL DECREE
NO. 1146, EXPANDING AND INCREASING
THE COVERAGE AND BENEFITS OF THE
GOVERNMENT SERVICE INSURANCE
SYSTEM, INSTITUTING REFORMS THEREIN
AND FOR OTHER PURPOSES

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

SECTION 1. Presidential Decree No. 1146, as amended, otherwise known as the "Revised Government Service Insurance Act of 1997", is hereby further amended to read as follows:

"SECTION 1. *Title.* - The short title of this Act shall be the: [Revised] "The Government Service Insurance SYSTEM Act of [1977] 1997."

"A. DEFINITIONS

SEC. 2. *Definition of Terms.* - Unless the context otherwise indicates, the following terms shall mean:

(a) *System* - The Government Service Insurance System created [and established] by Commonwealth Act No. 186;

(b) *Board* - The Board of Trustees of the Government Service Insurance system;

(c) *Employer* - The National Government, its political subdivisions, branches, agencies or instrumentalities, INCLUDING GOVERNMENT - [corporations] owned [and/] or controlled [by the Government,] CORPORATIONS, [the Philippine Tuberculosis Society, the Philippine National Red Cross and the Philippine Veterans Bank] AND FINANCIAL INSTITUTIONS WITH ORIGINAL CHARTERS, CONSTITUTIONAL COMMISSIONS AND THE JUDICIARY;

(d) *Employee OR MEMBER* - Any person, [whether elected or appointed,] RECEIVING COMPENSATION WHILE in the service of an employer [who receives compensation for such service] AS DEFINED HEREIN, WHETHER BY ELECTION OR APPOINTMENT, IRRESPECTIVE OF STATUS OF APPOINTMENT, INCLUDING BARANGAY AND SANGGUNIAN OFFICIALS[.];

(e) *ACTIVE Member* - [Any person compulsorily covered by the System under Section 3 of this Act] A MEMBER WHO IS NOT SEPARATED FROM THE SERVICE;

(f) *Dependent* - The legitimate, legitimated, legally adopted, or [acknowledged natural or] illegitimate child who is unmarried, not gainfully

employed, [and] not over [twenty-one years of] THE age OF MAJORITY, or is over [twenty-one years of] THE age OF MAJORITY, but [physically and mentally] incapacitated and incapable of self-support DUE TO A MENTAL OR PHYSICAL DEFECT; the [legitimate] LEGAL spouse dependent for support upon the member/ PENSIONER; and [legitimate] parent/s [wholly] dependent upon the member for support;

(g) *Primary Beneficiaries* - The LEGAL dependent spouse until he/SHE remarries and the dependent children;

(h) *Secondary Beneficiaries* - The dependent parents and, SUBJECT TO THE RESTRICTIONS ON DEPENDENT CHILDREN, THE legitimate descendants [other than dependent children];

(i) *Compensation* - The basic pay or salary received by an employee, pursuant to his [employment] ELECTION/appointment[s], excluding per diems, bonuses, overtime pay, HONORARIA, [and] allowances AND ANY OTHER EMOLUMENTS RECEIVED IN ADDITION TO THE BASIC PAY WHICH ARE NOT INTEGRATED INTO THE BASIC PAY UNDER EXISTING LAWS;

(j) *Contribution* - The amount payable to the System by the member and the employer in accordance with Section 5 of this Act;

(K) *CURRENT DAILY COMPENSATION* - THE ACTUAL DAILY COMPENSATION OR THE ACTUAL MONTHLY COMPENSATION DIVIDED BY THE NUMBER OF WORKING DAYS IN THE MONTH OF CONTINGENCY BUT NOT TO EXCEED TWENTY-TWO (22) DAYS;

(L) [(k)] *Average Monthly Compensation (AMC)* - The quotient after dividing the aggregate compensation[s] received by the member [for] DURING [the] HIS last [three-years] THIRTY-SIX (36) MONTHS OF SERVICE [immediately] preceding his separation/ retirement/disability/death BY THIRTY SIX (36), OR by the number of months he received [said] SUCH compensation. [or Three Thousand Pesos, whichever is smaller] IF HE HAS LESS THAN THIRTY-SIX (36) MONTHS OF SERVICE: PROVIDED, THAT, THE AVERAGE MONTHLY COMPENSATION SHALL IN NO CASE EXCEED THE AMOUNT AND RATE AS MAY BE RESPECTIVELY SET BY THE BOARD UNDER THE RULES AND REGULATIONS

IMPLEMENTING THIS ACT AS DETERMINED BY THE ACTUARY OF THE SYSTEM: *PROVIDED, FURTHER*, THAT INITIALLY THE AVERAGE MONTHLY COMPENSATION SHALL EXCEED TENTH THOUSAND PESOS (P10,000); AND PREMIUM SHALL BE NINE PERCENT (9%) AND TWELVE PERCENT (12%) FOR EMPLOYEE AND EMPLOYER COVERING THE AMC LIMIT AND BELOW; AND TWO (2%) PERCENT AND TWELVE (12%) PERCENT FOR EMPLOYEE AND EMPLOYER COVERING COMPENSATION ABOVE THE AMC LIMIT;

(M) [(l)] *Revalued average monthly compensation* - An amount equal to one hundred seventy percent of the first [two hundred] ONE THOUSAND Pesos (P1,000.00) of the average monthly compensation plus one hundred percent of the average monthly compensation in excess of [Two Hundred] ONE THOUSAND Pesos (P1,000.00);

(N) [(m)] *Lump Sum* - The [present value of the] basic monthly pension [for five years discounted at a rate of interest to be determined by the System but not less than six percent per annum] MULTIPLIED BY SIXTY (60);

(O) [(n)] *Pensioner* - Any person [who receives] RECEIVING old-age or PERMANENT TOTAL disability pension [whether in lump sum or otherwise] OR ANY PERSON WHO HAS RECEIVED THE LUMP SUM EXCLUDING ONE RECEIVING SURVIVORSHIP PENSION BENEFITS AS DEFINED IN SECTION 20 OF THIS ACT;

(P) *GAINFUL OCCUPATION* - ANY PRODUCTIVE ACTIVITY THAT PROVIDED THE MEMBER WITH INCOME AT LEAST EQUAL TO THE MINIMUM COMPENSATION OF GOVERNMENT EMPLOYEES;

(Q) [(o)] *Disability* - Any loss or [reduction of earning capacity due to] impairment of the normal functions of the physical and/or mental [faculties] FACULTY OF A MEMBER which reduces [a member's ability to] OR ELIMINATES HIS/HER CAPACITY TO CONTINUE WITH HIS/HER CURRENT GAINFUL OCCUPATION OR engage in any OTHER gainful occupation;

(R) [(p)] *Total Disability* - [Accrues or arises when the loss or reduction of earning capacity amounts

to at least seventy-five percent; or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amounts to at least one hundred percent] COMPLETE INCAPACITY TO CONTINUE WITH HIS PRESENT EMPLOYMENT OR ENGAGE IN ANY GAINFUL OCCUPATION DUE TO THE LOSS OR IMPAIRMENT OF THE NORMAL FUNCTIONS OF THE PHYSICAL AND/OR MENTAL FACULTIES OF THE MEMBER;

(S) [(q)] *Permanent Total Disability* - Accrues or arises when recovery from the impairment mentioned in Section 2 [(o) (q)] is medically remote;

(T) [(r)] *Temporary Total Disability* - Accrues or arises when the impaired physical and/or mental faculties can be rehabilitated and/or restored to their normal functions;

(U) [(s)] *Permanent Partial Disability* - Accrues or arises [when the loss or reduction of earning capacity amounts to less than seventy-five percent (75%) or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amount to at least one hundred percent as a result of an irrecoverable anatomical loss] UPON THE IRREVOCABLE LOSS OR IMPAIRMENT OF CERTAIN PORTION/S OF THE PHYSICAL FACULTIES, DESPITE WHICH THE MEMBER IS ABLE TO PURSUE A GAINFUL OCCUPATION;

"B. [COVERAGE] MEMBERSHIP [OF] IN THE SYSTEM

"SEC. 3. *Compulsory [Coverage] MEMBERSHIP* - Membership in the System shall be compulsory for all [permanent] employees [below 60 years of age upon appointment to permanent status and for all elective officials for the duration of their tenure; *Provided*, That, upon approval of the President of the Philippines and subject to the availability of funds, compulsory coverage may be extended to non-permanent employees of national government agencies and local governments, either simultaneously, in phases or by groups: *Provided, further*, that non-permanent employees of government-owned and controlled corporations may be covered upon approval by the System at the request of their respective Governing Boards. *Provided, finally*, That the coverage of temporary employees under Republic Act No. 4968 shall remain in force.] RECEIVING COMPENSATION AND WHO HAVE NOT

REACHED THE COMPULSORY RETIREMENT AGE, IRRESPECTIVE OF EMPLOYMENT STATUS, EXCEPT MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES AND PHILIPPINE NATIONAL POLICE, SUBJECT TO THE CONDITION THAT THEY MUST SETTLE FIRST THEIR FINANCIAL OBLIGATION WITH THE SYSTEM, AND CONTRACTUALS WHO HAVE NO EMPLOYER AND EMPLOYEE RELATIONSHIP WITH THE AGENCIES THEY SERVE.

EXCEPT FOR THE MEMBERS OF THE JUDICIARY AND CONSTITUTIONAL COMMISSIONS WHO SHALL HAVE LIFE INSURANCE ONLY, ALL MEMBER OF THE SYSTEM SHALL HAVE LIFE INSURANCE, RETIREMENT, AND ALL OTHER SOCIAL SECURITY PROTECTION SUCH AS DISABILITY, SURVIVORSHIP, SEPARATION, AND UNEMPLOYMENT BENEFITS.

“SEC. 4. *Effect of Separation from the Service.* - A member separated from the service shall continue to be a member, and he shall be entitled to whatever benefits [which shall have accrued or been earned at the time of his separation] HE HAS QUALIFIED TO in the event of any contingency compensable under this Act [*Provided, however,* That if he is separated for cause or considered resigned, he automatically forfeits said benefits, unless the terms of his resignation or separation provide otherwise. In case of forfeiture of benefits, the separated employee shall still be entitled to receive one-half of the cash surrender value of his insurance]

C. SOURCES OF FUNDS

“SEC. 5. *Contributions.* - It shall be mandatory for the [employee] MEMBER AND THE EMPLOYER to pay the monthly contributions specified in the following schedule:

Monthly Compensation	Percentage of Monthly Compensation Payable by	
	[Employee] MEMBER	Employer
[I [P200 or less	7.5%	10.5%]
I. MAXIMUM AVERAGE MONTHLY COMPENSATION (AMC) LIMIT AND BELOW	9.00%	12.00%

[II. Over P200 to P3,000	8.5%	9.5%]
II. OVER THE MAXIMUM AMC LIMIT UP TO THE MAXIMUM AMC LIMIT	9.00%	12.00%
[III. Over P3,000		
First P3,000	8.5%	9.5%]
In excess of P3,000	3.0%	9.5%
IN EXCESS OF THE AMC LIMIT	2%	12.00%

MEMBERS OF THE JUDICIARY AND CONSTITUTIONAL COMMISSIONERS SHALL PAY THREE PERCENT (3%) PERSONAL SHARE AND THEIR EMPLOYERS A CORRESPONDING THREE PERCENT (3%) SHARE FOR THEIR LIFE INSURANCE COVER.

(b) The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above, plus any [extra] ADDITIONAL premiums that may be required on account of the hazards or risks of its employees' occupation [plus the additional amounts, if any, required in the next following paragraph and shall remit the same to the System: *Provided,* That if after an examination of its financial condition, the System finds that the employer cannot afford to pay said contributions in full, then it shall pay only such rates of contributions as the System may consider within its capacity to pay. In case of such reduction the benefits payable to the member and/or his beneficiaries shall be adjusted actuarially in accordance with the rules and regulations prescribed by the System.]

(c) [For the amounts of pensions corresponding to the services rendered by a member prior to June 16, 1951, increase in retirement benefits provided for in Republic Acts Numbers 4968, 5969 and Presidential Decree No. 712, the National Government shall pay the necessary additional amounts as may be determined by the System and in such manner as may be agreed upon by the National Government and the System.] IT SHALL BE MANDATORY AND COMPULSORY FOR ALL EMPLOYERS TO INCLUDE THE PAYMENT OF CONTRIBUTIONS IN ITS ANNUAL APPROPRIATIONS. PENAL SANCTIONS SHALL BE IMPOSED UPON EMPLOYERS WHO FAIL TO

INCLUDE THE PAYMENT OF CONTRIBUTIONS IN ITS ANNUAL APPROPRIATION OR OTHERWISE FAIL TO REMIT THE ACCURATE/ EXACT AMOUNT OF CONTRIBUTIONS ON TIME OR DELAYS THE REMITTANCE OF PREMIUM CONTRIBUTIONS TO THE SYSTEM. HEADS OF OFFICES AND AGENCIES SHALL BE ADMINISTRATIVELY LIABLE FOR NON-REMITTANCE OR DELAYED REMITTANCE OF PREMIUM CONTRIBUTIONS TO THE SYSTEM.

"SEC. 6. *Collection and Remittance of Contributions.* (a) [It shall be compulsory upon the employer to deduct and withhold each month from the salary of each employee the contributions payable by him and to remit the same and its share to the system within the first ten days of each calendar month following the month to which the contributions apply. The remittance of the contributions may be made in advance quarterly or semi-annually or annually, the contributions payable by the employee to be advanced by his employer: *Provided*, That upon separation of an employee, any contributions so paid in advance but not due shall be credited or refunded to his employer. The remittance by the employer of said contributions to the System shall be in preference to the payment of other obligations, except salaries and wages of its employees.] THE EMPLOYER SHALL REPORT TO THE SYSTEM THE NAMES OF ALL ITS EMPLOYEES, THEIR CORRESPONDING EMPLOYMENT STATUS, POSITIONS, SALARIES AND SUCH OTHER PERTINENT INFORMATION, INCLUDING SUBSEQUENT CHANGES THEREIN, IF ANY, AS MAY BE REQUIRED BY THE SYSTEM; THE EMPLOYER SHALL DEDUCT EACH MONTH FROM THE MONTHLY SALARY OR COMPENSATION OF EACH EMPLOYEE THE CONTRIBUTION PAYABLE BY HIM IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED IN THE RULES AND REGULATIONS IMPLEMENTING THIS ACT.

(b) [In case an employee defaults in the payment of its obligations to the System, the Secretary of Finance or the Chairman of the Commission on Audit shall take such steps as may be necessary to have said obligation paid promptly. Said officials or their duly designated representatives are hereby authorized and directed to withhold from revenues and/or incomes of a defaulting employer such amounts as may be necessary to pay its obligations under this Act and remit the same immediately to the System. In case of insolvency of an

employer, its obligations under this Act shall be paid in preference to all other obligations, except salaries and wages of its employees.] EACH EMPLOYER SHALL REMIT DIRECTLY TO THE SYSTEM THE EMPLOYEES' AND EMPLOYERS' CONTRIBUTIONS WITHIN THE FIRST TEN (10) DAYS OF THE CALENDAR MONTH FOLLOWING THE MONTH TO WHICH THE CONTRIBUTIONS APPLY. THE REMITTANCE BY THE EMPLOYER OF THE CONTRIBUTIONS TO THE SYSTEM SHALL TAKE PRIORITY OVER AND ABOVE THE PAYMENT OF ANY AND ALL OBLIGATIONS, EXCEPT SALARIES AND WAGES OF ITS EMPLOYEES.

"SEC. 7. [*Penalty for Non-Remittance or INTERESTS ON Delayed Remittances.* - [Unremitted collections shall earn such interest as the Board may prescribe, not exceeding two percent per month from their due date to the date of payment, payable by the employer.] AGENCIES WHICH DELAY THE REMITTANCE OF ANY AND ALL MONIES DUE TO THE SYSTEM SHALL BE CHARGED INTERESTS AS MAY BE PRESCRIBED BY THE BOARD BUT NOT LESS THAN TWO PERCENT (2%) SIMPLE INTERESTS PER MONTH. SUCH INTEREST SHALL BE PAID BY THE EMPLOYERS CONCERNED.

"SEC. 8. *Government Guarantee.* - The Government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the System to its members as and when they fall due.

"D. BENEFITS

"SEC. 9. *Computation of the Basic Monthly Pension.* - (a) The basic monthly pension is equal to:

- (1) thirty seven and one half percent of the revalued average monthly compensation; plus
- (2) two and a half percent of said revalued average monthly compensation for each year of service in excess of fifteen years: *Provided*, That, the basic monthly pension shall not exceed ninety percent of the average monthly compensation.

(b) The basic monthly compensation may be adjusted upon the recommendation of the President and General Manager of the System and approved by the President of the Philippines in accordance with the

rules and regulations prescribed by the System, *PROVIDED, HOWEVER, THAT THE BASIC MONTHLY PENSION SHALL NOT BE LESS THAN ONE THOUSAND AND THREE HUNDRED PESOS (P1,300.00).*

"SEC. 10. *Computation of Service.* - (a) The computation of service for [calculating the pension] **THE PURPOSE OF DETERMINING THE AMOUNT OF BENEFITS PAYABLE UNDER THIS ACT** shall be from the date of original [service with an employer] APPOINTMENT/ELECTION, including[:]

[(1) periods of honorable service in the Philippines under the authority of the United States Government if rendered prior to July four, nineteen hundred and forty-six; and]

[(2) period from January one, nineteen hundred and forty-two, to February twenty-eight, nineteen hundred and forty-six for those who were in the service on December eight, nineteen hundred and forty-one, but excluding;]

[(i) period of military service for which an employee receives separation, retirement, or disability pay; and

(ii) period of service rendered after June sixteen, nineteen hundred and fifty-one during which contribution were not required, unless the contributions with interest be later on paid to the System.] **PERIODS OF SERVICE AT DIFFERENT TIMES UNDER ONE OR MORE EMPLOYERS, THOSE PERFORMED OVERSEAS UNDER THE AUTHORITY OF THE REPUBLIC OF THE PHILIPPINES, AND THOSE THAT MAY BE PRESCRIBED BY THE SYSTEM IN COORDINATION WITH THE CIVIL SERVICE COMMISSION;**

(b) **ALL SERVICES CREDITED FOR RETIREMENT, RESIGNATION OR SEPARATION FOR WHICH CORRESPONDING BENEFITS HAVE BEEN AWARDED UNDER THIS ACT OR OTHER LAWS SHALL BE EXCLUDED IN THE COMPUTATION OF SERVICE IN CASE OF REINSTATEMENT IN THE SERVICE OF AN EMPLOYER AND SUBSEQUENT RETIREMENT OR SEPARATION WHICH IS COMPENSABLE UNDER THIS ACT.**

For the purpose of this Section [all services rendered in the government by an employee who was separated

from office not for cause but due to government reorganization and subsequently reinstated in another office shall be considered in the computation of his retirement benefit] the term service shall include [only] full time service with compensation;

Provided, That part time and other service with compensation may be included under such rules and regulations AS MAY BE prescribed by the System.

SEPARATION BENEFITS

"SEC. 11. *SEPARATION BENEFITS.* - **THE SEPARATION BENEFIT SHALL CONSIST OF:**

(A) CASH PAYMENT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000) PAYABLE UPON REACHING SIXTY (60) YEARS OF AGE OR UPON SEPARATION, WHICHEVER COMES LATER: *PROVIDED,* THAT THE MEMBER RESIGNS OR SEPARATES FROM THE SERVICE AFTER HE HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE BUT LESS THAN FIFTEEN (15) YEARS; OR

(B) A CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) TIMES HIS BASIC MONTHLY PENSION PAYABLE AT THE TIME OF RESIGNATION OR SEPARATION, PLUS AN OLD AGE PENSION BENEFIT EQUAL TO THE BASIC MONTHLY PENSION PAYABLE MONTHLY FOR LIFE UPON REACHING THE AGE OF SIXTY (60);: *PROVIDED,* THAT THE MEMBER RESIGNS OR SEPARATES FROM THE SERVICE AFTER HE HAS RENDERED AT LEAST FIFTEEN (15) YEARS AND IS BELOW SIXTY (60) YEARS OF AGE AT THE TIME OF RESIGNATION OR SEPARATION.

"SEC. 12. *UNEMPLOYMENT OR INVOLUNTARY SEPARATION BENEFITS.* - UNEMPLOYMENT BENEFITS IN THE FORM OF MONTHLY CASH PAYMENTS EQUIVALENT TO FIFTY PERCENT (50%) OF THE AVERAGE MONTHLY COMPENSATION SHALL BE PAID TO A PERMANENT EMPLOYEE WHO IS INVOLUNTARILY SEPARATED FROM THE SERVICE DUE TO THE ABOLITION OF HIS OFFICE OR POSITION USUALLY RESULTING FROM REORGANIZATION PROVIDED HE HAS BEEN PAYING

INTEGRATED CONTRIBUTIONS FOR AT LEAST ONE (1) YEAR PRIOR TO SEPARATION. UNEMPLOYMENT BENEFITS SHALL BE PAID IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

CONTRIBUTION MADE	BENEFIT DURATION
MORE THAN 1 YEAR BUT LESS THAN 3 YEARS	2 MONTHS
3 OR MORE YEARS BUT LESS THEN 6 YEARS	3 MONTHS
6 OR MORE YEARS BUT LESS THAN 9 YEARS	4 MONTHS
9 OR MORE YEARS BUT LESS THAN 11 YEARS	5 MONTHS
11 OR MORE YEARS BUT LESS THAN 15 YEARS	6 MONTHS

THE FIRST PAYMENT SHALL BE EQUIVALENT TO TWO (2) MONTHLY BENEFITS. A SEVEN-DAY (7) WAITING PERIOD SHALL BE IMPOSED ON SUCCEEDING MONTHLY PAYMENTS.

ALL ACCUMULATED UNEMPLOYMENT BENEFITS PAID TO THE EMPLOYEE DURING HIS ENTIRE MEMBERSHIP WITH THE SYSTEM SHALL BE DEDUCTED FROM VOLUNTARY SEPARATION BENEFITS.

THE SYSTEM SHALL PRESCRIBE THE DETAILED GUIDELINES IN THE OPERATIONALIZATION OF THIS SECTION IN THE RULES AND REGULATIONS IMPLEMENTING THIS ACT.

RETIREMENT BENEFITS

“SEC. [12] 13. [Old-Age Pension.] **RETIREMENT BENEFITS.** - (a) [A member entitled to old-age pension shall receive] THE RETIREMENT BENEFIT SHALL BE: (1) THE LUMP SUM PAYMENT AS DEFINED IN THIS ACT PAYABLE AT THE TIME OF RETIREMENT PLUS AN OLD-AGE PENSION BENEFIT EQUAL TO the basic monthly pension PAYABLE MONTHLY for life [but in no case a period less than], STARTING UPON EXPIRATION OF THE five (5) year[s] ; *Provided*, That the member shall have

the option to convert the basic monthly pensions for the first five years into a lump sum as defined in this Act; *Provided, further*, That in case the pensioner dies before the expiration of the five-year period, his primary beneficiaries shall be entitled to the balance of the amount still due to him. In default of primary beneficiaries, the amount shall be paid to his legal heirs] **GUARANTEED PERIOD COVERED BY THE LUMP SUM; OR (2) CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) MONTHS OF HIS BASIC MONTHLY PENSION PLUS MONTHLY PENSION FOR LIFE PAYABLE IMMEDIATELY WITH NO FIVE (5) YEAR GUARANTEE;**

[(b) A member who has rendered at least three years but less than fifteen years of service at the time of separation, shall upon reaching sixty years of age or upon separation after age sixty, receive a cash payment equivalent to one hundred percent of his average monthly compensation for every year of service with an employer.]

[(c) If a pensioner receiving a monthly pension is reemployed by an employer, the payment of his pension shall be suspended. When a pensioner who received the lump sum is reemployed by an employer prior to the expiration of the period covered by such lump sum, he shall refund to the System the amount corresponding to the unexpired period. In either case, when his compensation is less than the pension, he shall receive the difference, *Provided*, That upon the termination of his reemployment, the pension shall be resumed.]

[(d) All retirement benefits previously paid by the Government Service Insurance System, and not by a government office or agency which has been abolished, to an employee who was separated from office not for cause but due to government reorganization and subsequently reinstated in another office shall be accumulated and deducted, without interest, from the retirement benefits to be received by the employee upon his retirement.]

(b) [Section 11. Conditions for Old-age Pension.] Unless the service is extended by appropriate authorities, retirement shall be compulsory for an employee at sixty-five (65) years of age with at least fifteen (15) years of service: *Provided*, That if he has less than fifteen (15) years of service, he [shall] **MAY** be allowed to continue in the service [to complete the fifteen years] **IN ACCORDANCE WITH EXISTING CIVIL SERVICE RULES AND REGULATIONS.**

"SEC. [11] 13-A. Conditions for [Old-age Pension] ENTITLEMENT. [(a) Old-age Pension shall be paid to a member who:] A MEMBER WHO RETIRES FROM THE SERVICE SHALL BE ENTITLED TO THE RETIREMENT BENEFITS ENUMERATED IN PARAGRAPH (a) HEREOF: *PROVIDED*, THAT:

- (1) HE has RENDERED at least fifteen years of service;
- (2) HE is at least sixty years of age AT THE TIME OF RETIREMENT; AND
- (3) [is separated from the service.] HE IS NOT RECEIVING A MONTHLY PENSION BENEFIT FROM PERMANENT TOTAL DISABILITY.

[Section 13. *Retirement Option*. - Employees who are in the government service upon the effectivity of this Act, at the time of their retirement, have the option to retire under this Act or under Commonwealth Act No. 186, as previously amended, and their benefits and entitlement thereto shall be determined in accordance with the provisions of the law so opted: *Provided, however*, that in the event of reemployment, the employee's subsequent retirement shall be governed by the provisions of this Act; *Provided, further*, That the member may change the mode of his retirement, within one year from the date of his retirement in accordance with such rules and regulations as may be prescribed by the System.]

"SEC. 14. *PERIODIC PENSION ADJUSTMENT*. - THE MONTHLY PENSION OF ALL PENSIONERS INCLUDING ALL THOSE RECEIVING SURVIVORSHIP PENSION BENEFITS SHALL BE PERIODICALLY ADJUSTED AS MAY BE RECOMMENDED BY THE SYSTEM'S ACTUARY AND APPROVED BY THE BOARD IN ACCORDANCE WITH THE RULES AND REGULATIONS PRESCRIBED BY THE SYSTEM.

PERMANENT DISABILITY BENEFITS

"SEC. [14] 15. *GENERAL Conditions for [Permanent Disability Benefits] ENTITLEMENT*. - A member WHO SUFFERS PERMANENT DISABILITY FOR REASONS NOT DUE TO HIS GRAVE MISCONDUCT, NOTORIOUS NEGLIGENCE, HABITUAL INTOXICATION, OR WILLFUL INTENTION TO KILL HIMSELF OR ANOTHER, shall be entitled to the [permanent

disability] benefits [effective from the date of his disability, *Provided*, That:] *PROVIDED FOR UNDER SECTIONS 16 AND 17 IMMEDIATELY FOLLOWING, SUBJECT TO THE CORRESPONDING CONDITIONS THEREFOR.*

[(1) he has paid at least thirty six (36) monthly contributions within the five-year period immediately preceding his disability; or]

[(2) he has paid at least a total of one hundred eighty (180) monthly contributions prior to his disability; and]

[(3) his disability is not compensable under any other law.]

"SEC. [15] 16. *Permanent TOTAL Disability Benefits*. - (a) [A member who becomes permanently disabled before he is qualified for old-age pension but entitled to permanent disability benefits shall receive the basic monthly pension for life, if the disability is total. If the disability is partial, the basic monthly pension shall be payable in accordance with the rules and regulations prescribed by the System.] IF THE PERMANENT DISABILITY IS TOTAL, HE SHALL RECEIVE A MONTHLY INCOME BENEFIT FOR LIFE EQUAL TO THE BASIC MONTHLY PENSION EFFECTIVE FROM THE DATE OF DISABILITY; *PROVIDED*, THAT:

(1) HE IS IN THE SERVICE AT THE TIME OF DISABILITY; OR

(2) IF SEPARATED FROM THE SERVICE, HE HAS PAID AT LEAST THIRTY SIX (36) MONTHLY CONTRIBUTIONS WITHIN THE FIVE (5) YEAR PERIOD IMMEDIATELY PRECEDING HIS DISABILITY, OR HAS PAID A TOTAL OF AT LEAST ONE HUNDRED EIGHTY (180) MONTHLY CONTRIBUTIONS, PRIOR TO HIS DISABILITY; *PROVIDED, FURTHER*, THAT IF AT THE TIME OF DISABILITY, HE WAS IN THE SERVICE AND HAS PAID A TOTAL OF AT LEAST ONE HUNDRED EIGHTY (180) MONTHLY CONTRIBUTIONS, IN ADDITION TO THE MONTHLY INCOME BENEFIT, HE SHALL RECEIVE A CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) TIMES HIS BASIC PENSION: *PROVIDED, FINALLY*, THAT A MEMBER CANNOT ENJOY THE MONTHLY

INCOME BENEFIT FOR PERMANENT DISABILITY AND THE OLD AGE RETIREMENT SIMULTANEOUSLY.

[(b) If at the time of his disability, he is qualified for old-age pension, he shall be entitled to the basic monthly pension for life but in no case for a period less than five (5) years: *Provided*, That the member shall have the option to convert the basic monthly pensions for the first five (5) years into a lump-sum as defined in this Act.]

(B) [(d)] [When at the time of his disability, he is not entitled to any of the benefits under paragraphs (a) and (b) of this Section, he shall receive a] IF A MEMBER WHO SUFFERS PERMANENT TOTAL DISABILITY DOES NOT SATISFY CONDITIONS (1) AND (2) IN PARAGRAPH (A) OF THIS SECTION BUT HAS RENDERED AT LEAST THREE (3) YEARS SERVICE AT THE TIME OF HIS DISABILITY, HE SHALL BE ADVANCED THE cash payment equivalent to one hundred percent (100%) of his average monthly compensation for each year of service he paid contributions, but not less than [five hundred pesos] TWELVE THOUSAND PESOS (P12,0000) WHICH SHOULD HAVE BEEN HIS SEPARATION BENEFIT.

(c) [The basic monthly pension] UNLESS THE MEMBER HAS RECEIVED THE MINIMUM RETIREMENT AGE, DISABILITY BENEFIT shall be suspended when:

- (1) he is reemployed [by an employer and receives a monthly compensation at least equal to his basic monthly pension, otherwise, he shall receive the difference]; or
- (2) he recovers from his disability as determined by the System, whose decision shall be final and binding; or
- (3) he fails to present himself for medical examination when required by the System.

(D) THE FOLLOWING DISABILITIES SHALL BE DEEMED TOTAL AND PERMANENT:

- (1) COMPLETE LOSS OF SIGHT OF BOTH EYES;
- (2) LOSS OF TWO LIMBS AT OR ABOVE THE ANKLE OR WRIST;

- (3) PERMANENT COMPLETE PARALYSIS OF TWO LIMBS;
- (4) BRAIN INJURY RESULTING IN INCURABLE IMBECILITY OR INSANITY; AND
- (5) SUCH OTHER CASES AS MAY BE DETERMINED BY THE SYSTEM.

“SEC. 17. *PERMANENT PARTIAL DISABILITY BENEFITS*. - (a) IF THE DISABILITY IS PARTIAL, HE SHALL RECEIVE A CASH PAYMENT IN ACCORDANCE WITH A SCHEDULE OF DISABILITIES TO BE PRESCRIBED BY THE SYSTEM: *PROVIDED*, THAT HE SATISFIES EITHER CONDITIONS (1) OR (2) OF SECTION 16(A):

(b) THE FOLLOWING DISABILITIES SHALL BE DEEMED PERMANENT PARTIAL:

- (1) COMPLETE AND PERMANENT LOSS OF THE USE OF:
 - (I) ANY FINGER
 - (II) ANY TOE
 - (III) ONE ARM
 - (IV) ONE HAND
 - (V) ONE FOOT
 - (VI) ONE LEG
 - (VII) ONE OR BOTH EARS
 - (VIII) HEARING OF ONE OR BOTH EARS
 - (IX) SIGHT OF ONE EYE
- (2) SUCH OTHER CASES AS MAY BE DETERMINED BY THE SYSTEM.

“[Sickness Benefits]

“SEC. [20] 18. [*Sickness Income*] TEMPORARY TOTAL DISABILITY Benefit. - (a) A member who suffers [a non-work connected sickness or injury resulting in] temporary total disability FOR REASONS NOT DUE TO ANY OF THE CONDITIONS

ENUMERATED IN SECTION 15 HEREOF shall be entitled to [sixty-five] SEVENTY-FIVE percent (75%) of his current daily compensation for each day or fraction thereof of [sickness or injury] TEMPORARY DISABILITY BENEFIT [but] not exceeding [sixty] ONE HUNDRED TWENTY (120) days in one calendar year after exhausting all his sick leave credits AND COLLECTIVE BARGAINING AGREEMENT SICK LEAVE BENEFITS, IF ANY, but not earlier than the fourth day of HIS [sickness or injury] TEMPORARY TOTAL DISABILITY; *Provided*, THAT:

- (1) HE IS IN THE SERVICE AT THE TIME OF HIS DISABILITY; OR
- (2) IF SEPARATED, he HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE AND has paid at least six (6) monthly contributions in the twelve-month period immediately preceding his [sickness or injury:] DISABILITY.

Provided, however, That [the] A member cannot enjoy the [sickness income] TEMPORARY TOTAL DISABILITY benefit and sick leave pay simultaneously: *PROVIDED, FURTHER*, THAT IF THE DISABILITY REQUIRES MORE EXTENSIVE TREATMENT THAT LASTS BEYOND ONE HUNDRED TWENTY (120) DAYS, THE PAYMENT OF THE TEMPORARY TOTAL DISABILITY BENEFIT MAY BE EXTENDED BY THE SYSTEM BUT NOT TO EXCEED A TOTAL OF TWO HUNDRED FORTY (240) DAYS.

(b) The [sickness income] TEMPORARY TOTAL DISABILITY benefit shall [not] IN NO CASE be less than [four] SEVENTY pesos (P70.00) [not more than twenty pesos] a day.

(c) The notices required of the member and the employer, the mode of payment, and the other requirements for entitlement to [sickness income] TEMPORARY TOTAL DISABILITY benefits shall be provided in the rules and regulations to be prescribed by the System.

“SEC. 19. *NON-SCHEDULED DISABILITY*. - FOR INJURIES OR ILLNESSES RESULTING IN A DISABILITY NOT LISTED IN THE SCHEDULE OF PARTIAL/TOTAL DISABILITY, AS PROVIDED HEREIN, THE SYSTEM SHALL DETERMINE THE NATURE OF THE DISABILITY AND THE CORRESPONDING BENEFITS THEREFOR.

SURVIVORSHIP BENEFITS

“SEC. [16] 20. *Survivorship Benefits*. - When a member or pensioner dies, the beneficiaries shall be entitled to survivorship benefits provided [for] in Sections [seventeen and eighteen] 21 and 22 hereunder SUBJECT TO THE CONDITIONS THEREIN PROVIDED FOR. The survivorship pension shall consist of:

- (1) the basic survivorship pension which is fifty percent (50%) of the basic monthly pension; and
- (2) the dependent[‘s] CHILDREN’S pension not exceeding fifty percent (50%) of the basic monthly pension [payable in accordance with the rules and regulations prescribed by the System].

“SEC. [17] 21. *Death of a Member*. - (a) Upon the death of a member, the primary beneficiaries shall be entitled to:

(1) [the basic monthly pension which is guaranteed for five years: *Provided*, That at the option of the beneficiaries, it may be paid in lump sum as defined in this Act: *Provided, further*, That the member is entitled to old-age pension at the time of his death; or] SURVIVORSHIP PENSION: *PROVIDED*, THAT THE DECEASED:

- (i) WAS IN THE SERVICE AT THE TIME OF HIS DEATH; OR
- (II) IF SEPARATED FROM THE SERVICE, HAS AT LEAST THREE (3) YEARS OF SERVICE AT THE TIME OF HIS DEATH AND [had] HAS [at least] paid thirty-six (36) monthly contributions within the five-year period immediately preceding his death; OR HAS PAID a total of at least one hundred eighty (180) monthly contributions prior to his death; or

(2) [the basic survivorship pension which is guaranteed for thirty (30) months and the dependent’s pension: *Provided*, That the deceased has paid at least thirty-six monthly contributions within the five-year period immediately preceding his death; or a total of at least one-hundred eighty contributions prior to his death] THE SURVIVORSHIP PENSION PLUS A CASH PAYMENT EQUIVALENT TO ONE HUNDRED (100%) PERCENT OF HIS AVERAGE MONTHLY COMPENSATION FOR EVERY YEAR

OF SERVICE: *PROVIDED*, THAT THE DECEASED WAS IN THE SERVICE AT THE TIME OF HIS DEATH WITH AT LEAST THREE (3) YEARS OF SERVICE; OR

(3) A CASH PAYMENT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000.00): *PROVIDED*, THAT THE DECEASED HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE PRIOR TO HIS DEATH BUT DOES NOT QUALIFY FOR THE BENEFITS UNDER ITEM (1) OR (2) OF THIS PARAGRAPH.

(b) [At the end of the guaranteed periods mentioned in the preceding sub-section (a)] The survivorship pension shall be paid as follows:

- (1) when the dependent spouse is the only survivor, he/ SHE shall receive the basic survivorship pension for life or until he/SHE remarries;
- (2) when only dependent children are the survivors, they shall be entitled to the BASIC survivorship pension for as long as they are qualified, PLUS THE DEPENDENT CHILDREN'S PENSION EQUIVALENT TO TEN PERCENT (10%) OF THE BASIC MONTHLY PENSION FOR EVERY DEPENDENT CHILD NOT EXCEEDING FIVE (5), COUNTED FROM THE YOUNGEST AND WITHOUT SUBSTITUTION;
- (3) when the survivors are the dependent spouse and the dependent children, [they shall be entitled to the survivorship pension so long as there are dependent and, thereafter,] the dependent [surviving] spouse shall receive the basic survivorship pension for life or until he/she remarries THE DEPENDENT CHILDREN SHALL RECEIVE THE DEPENDENT CHILDREN'S PENSION MENTIONED IN THE NEXT PRECEDING PARAGRAPH.

(c) In the absence of primary beneficiaries, the secondary beneficiaries [designated by the deceased and recorded in the System,] shall be entitled to:

- (1) [a] THE cash payment equivalent to [thirty times the basic survivorship pension when the member is

qualified for old-age pension or;] ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000.00): *PROVIDED*, THAT THE MEMBER IS IN THE SERVICE AT THE TIME OF HIS DEATH AND HAS AT LEAST THREE (3) YEARS OF SERVICE; or

- (2) [a cash payment equivalent to fifty percent (50%) of the average monthly compensation for each year he paid contributions, but not less than Five hundred pesos: *Provided*, That the member paid at least thirty-six monthly contributions within the five-year period immediately preceding his death or paid at total of at least one hundred eighty monthly contributions prior to his death.] IN THE ABSENCE OF SECONDARY BENEFICIARIES, THE BENEFITS UNDER THIS PARAGRAPH SHALL BE PAID TO HIS LEGAL HEIRS.

(d) [When the primary beneficiaries are not entitled to the benefits mentioned in paragraph (a) of this section, they shall receive a cash payment equivalent to one hundred percent of the average monthly compensation for each year the member paid contributions, but not less than Five hundred pesos. In the absence of primary beneficiaries, the amount shall revert to the funds of the System.] FOR PURPOSES OF THE SURVIVORSHIP BENEFITS, LEGITIMATE CHILDREN SHALL INCLUDE LEGALLY ADOPTED AND LEGITIMATED CHILDREN.

"SEC. [18] 22. *Death of a Pensioner.* - Upon the death of AN OLD-AGE [a] pensioner OR A MEMBER RECEIVING THE MONTHLY INCOME BENEFIT FOR PERMANENT DISABILITY, the QUALIFIED [primary] beneficiaries shall [receive] BE ENTITLED TO the [applicable] SURVIVORSHIP pension DEFINED UNDER [mentioned under paragraph (b) of Section 17] SECTION 20 of this Act: *Provided*, That the dependent spouse shall not be entitled to said pension if his marriage with the pensioner is contracted within three (3) years before the pensioner qualified for the pension AND SUBJECT TO THE PROVISIONS OF PARAGRAPH (B) OF SECTION 21 HEREOF. When the pensioner dies within the period covered by the lump sum, the survivorship pension shall be paid after the expiration of the said period. [This shall also apply to the pensioners living as of the effectivity of this

Act, but the survivorship benefit shall be based on the monthly pension being received at the time of death.]

FUNERAL BENEFITS

“SEC. [19] 23. *Funeral Benefit.* - [A funeral benefit of One thousand pesos] THE AMOUNT OF FUNERAL BENEFIT SHALL BE DETERMINED AND SPECIFIED BY THE SYSTEM IN THE RULES AND REGULATIONS BUT SHALL NOT BE LESS THAN TWELVE THOUSAND PESOS (P12,000.00) AND shall be paid upon the death of [a member or a pensioner]:

(A) AN ACTIVE MEMBER AS DEFINED UNDER SECTION 2(E) OF THIS ACT; OR

(B) A MEMBER WHO HAS BEEN SEPARATED FROM THE SERVICE, BUT WHO MAY BE ENTITLED TO FUTURE BENEFIT PURSUANT TO SECTION 4 OF THIS ACT; OR

(C) A PENSIONER, AS DEFINED IN SECTION 2(O) OF THIS ACT; OR

(D) A RETIREE WHO AT THE TIME OF HIS RETIREMENT WAS OF PENSIONABLE AGE UNDER THIS ACT, BUT WHO OPTED TO RETIRE UNDER R.A. NO. 1616.

LIFE INSURANCE BENEFITS

“SEC. [21] 23. *Compulsory Life Insurance.* - [Subject to the rules and regulations prescribed by the System,] All employees EXCEPT FOR MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP) shall, UNDER SUCH TERMS AND CONDITIONS AS MAY BE PROMULGATED BY THE SYSTEM, be compulsory covered with life insurance, which shall automatically take effect as follows:

(1) for those employed after this Act, their insurance shall take effect on the date of their employment;

[(2) for those whose insurance matured and not renewed prior to this Act, their insurance shall be deemed renewed on the day following the effectivity of this Act;]

(2) [(3)] for those whose insurance will mature [or

will expire] after THE EFFECTIVITY OF this Act, their insurance shall be deemed renewed on the day following the maturity or expiry date of their [previous] insurance;

(3) [(4)] for those without life insurance as of the effectivity of this Act, their insurance shall take effect following said effectivity.

“SEC. 25. *DIVIDENDS.* - AN ANNUAL DIVIDEND MAY BE GRANTED TO ALL MEMBERS OF THE SYSTEM WHOSE LIFE INSURANCE IS IN FORCE FOR AT LEAST ONE (1) YEAR IN ACCORDANCE WITH A DIVIDEND ALLOCATION FORMULA DETERMINED BY THE SYSTEM.

“SEC. [22] 26. *Optional [Life] Insurance.* - Subject to the rules and regulations prescribed by the System, a member may [at anytime] apply for [optional life] insurance AND/OR PRE-NEED COVERAGE EMBRACING LIFE, HEALTH, HOSPITALIZATION, EDUCATION, MEMORIAL PLANS, AND SUCH OTHER PLANS AS MAY BE DESIGNED BY THE SYSTEM, for himself and/or his dependents. ANY EMPLOYER MAY LIKEWISE APPLY FOR GROUP INSURANCE COVERAGE FOR ITS EMPLOYEES. THE payment of the premiums/INSTALLMENTS FOR OPTIONAL INSURANCE AND PRE-NEED PRODUCTS [therefor] may be made by the insured or his employer and/or any person acceptable to the System.

“SEC. 27. *REINSURANCE.* - THE SYSTEM MAY REINSURE ANY OF ITS INTERESTS OR PART THEREOF WITH ANY PRIVATE COMPANY OR REINSURER WHETHER DOMESTIC OR FOREIGN, *PROVIDED*, THAT THE SYSTEM SHALL SUBMIT AN ANNUAL REPORT ON ITS REINSURANCE OPERATIONS TO THE INSURANCE COMMISSION.

“E. ADJUDICATION OF CLAIMS AND DISPUTES

“SEC. 28. *PRESCRIPTION.* - CLAIMS FOR BENEFITS UNDER THIS ACT EXCEPT FOR LIFE AND RETIREMENT SHALL PRESCRIBE AFTER THREE (3) YEARS FROM THE DATE OF CONTINGENCY.

“SEC. [23] 29. *Facility of Payment.* - The System shall prescribe [such] rules and regulations to facilitate

payment of benefits, proceeds, and claims under this Act and any other laws administered by the System. Payments made by the System prior to its receipt of an adverse claim, to a beneficiary or claimant subsequently found not entitled thereto, shall [free the system from any liability to the person or persons legally entitled to such payment] NOT BAR THE LEGAL AND ELIGIBLE RECIPIENT TO HIS RIGHT TO DEMAND THE PAYMENT OF BENEFITS, PROCEEDS, AND CLAIMS FROM THE SYSTEM, who shall, however, have a right to institute the appropriate action in a court of law against the ineligible recipient [of the benefits, proceeds, or claims].

"SEC. [24] 30. *Settlement of Disputes.* - The System shall have original and exclusive jurisdiction to settle any dispute arising under this Act and any other laws administered by the System.

[In case of conflicting claims for benefits payable under this Act or Commonwealth Act No. 186, as amended, the claims shall be paid in accordance with this Act.]

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

"SEC. [25] 31. *Appeals.* - [Within fifteen (15) days from receipt of notice, decision or award, the aggrieved party may appeal the same to the Court of Appeals on questions of law and facts following the procedures for appeals from the Court of First Instance to the Court of Appeals as far as practicable and consistent with the purposes of this Act. If the appeal is only questions of law, the same shall be brought directly to the Supreme Court on certiorari. No appeal bond shall be required.] APPEALS FROM ANY DECISION OR AWARD OF THE BOARD SHALL BE GOVERNED BY ADMINISTRATIVE

CIRCULAR NO. 1-90 PROMULGATED BY THE SUPREME COURT EFFECTIVE ON JUNE 1, 1995 AS WELL AS ANY AMENDATORY OR SUPPLEMENTARY RULE OR LAW AND THE RELEVANT PROVISIONS OF THE RULES OF COURT, PROVIDED THAT the appeal shall take precedence over all other cases except criminal cases [wherein] WHEN the penalty of life imprisonment or death [has been imposed by the trial court] OR RECLUSION PERPETUA IS IMPOSABLE.

THE [A] appeal shall not stay the EXECUTION OF THE [decision of the Board] ORDER OR AWARD unless [so] ordered by the Board, by the Court of Appeals or by the Supreme Court; AND THE APPEAL SHALL BE WITHOUT PREJUDICE TO THE SPECIAL CIVIL ACTION OF CERTIORARI WHEN PROPER.

"SEC. [26] 32. *Execution of Decision.* - When [an] NO appeal is perfected and there is no order to stay by the Board, by the Court of Appeals or by the Supreme Court, any decision or award of the Board shall be enforced and executed in the same manner as decisions of the [Court of First Instance] REGIONAL TRIAL COURT. For this purpose, the Board shall have the power to issue to the city or provincial sheriff or its appointed sheriff such writs of execution as may be necessary for the enforcement of such decision or award, and any person who shall fail or refuse to comply with such decision, award, writ or process after being required to do so, shall, upon application by the System, be punished for contempt.

"SEC. [27] 33. *Oaths, Witnesses, and Production of Records.* - When authorized by the Board, an official or employee of the System shall have the power to administer oath and affirmation, take depositions, certify to official acts, and issue *subpoena adtestificandum* 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 in accordance with the provisions of Section [five hundred eighty] 580 of the Revised Administrative Code.

"F. FUNDS OF THE SYSTEM

"SEC. [28] 34. *Funds.* - [The funds administered by the System shall consist of old age, disability,

survivorship, health insurance, state insurance, life insurance and general insurance funds. The reserves and/or networth of said F[f]unds shall be used to finance the benefits administered by the System. For purposes of effective administration of said benefits, any amount in excess of the required reserves in any F[f]unds, as determined by the Actuary of the System, may be subject to interfund borrowing at an imputed interest to be determined by the Board.] ALL CONTRIBUTIONS PAYABLE UNDER SECTION 5 OF THIS ACT TOGETHER WITH THE EARNINGS AND ACCRUALS THEREON SHALL CONSTITUTE THE GSIS SOCIAL INSURANCE FUND. THE SAID FUND SHALL BE USED TO FINANCE THE BENEFITS ADMINISTERED BY THE SYSTEM UNDER THIS ACT. IN ADDITION, THE SYSTEM SHALL ADMINISTER THE OPTIONAL INSURANCE FUND FOR THE INSURANCE COVERAGE DESCRIBED IN SECTION 26 HEREOF, THE EMPLOYEES COMPENSATION INSURANCE FUND CREATED UNDER P.D. 626, AS AMENDED, THE GENERAL INSURANCE FUND CREATED UNDER ACT NO. 656, AS AMENDED, AND SUCH OTHER SPECIAL FUNDS EXISTING OR THAT MAY BE CREATED FOR SPECIAL GROUPS OR PERSONS RENDERING SERVICES TO THE GOVERNMENT. THE SYSTEM SHALL MAINTAIN THE REQUIRED RESERVES TO GUARANTEE THE FULFILLMENT OF ITS OBLIGATIONS UNDER THIS ACT.

THE FUNDS OF THE SYSTEM SHALL NOT BE USED FOR PURPOSES OTHER THAN WHAT ARE PROVIDED FOR UNDER THIS ACT. MOREOVER, NO PORTION OF THE FUNDS OF THE SYSTEM OR INCOME THEREOF SHALL ACCRUE TO THE GENERAL FUND OF THE NATIONAL GOVERNMENT AND ITS POLITICAL SUBDIVISIONS, INSTRUMENTALITIES AND OTHER AGENCIES INCLUDING GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS EXCEPT AS MAY BE ALLOWED UNDER THIS ACT.

"SEC. [29] 35. *Deposits and Disbursements.* - All [revenues] FUNDS collected and all accruals thereto shall be deposited, administered and disbursed in accordance with the law. A maximum expense loading of twelve percent (12%) of the yearly revenues from all sources may be disbursed for administrative and operational expenses except as may be otherwise approved by the President of the Philippines on the

basis of actuarial and management studies.

"SEC. [30] 36. *Investment of Funds.* - THE F[f]unds of the System WHICH ARE not needed to meet the current obligations may be invested under such terms and conditions AND RULES AND REGULATIONS as may be [determined] PRESCRIBED by the Board: *PROVIDED*, THAT INVESTMENTS SHALL SATISFY THE REQUIREMENTS OF LIQUIDITY, SAFETY/ SECURITY AND YIELD IN ORDER TO ENSURE THE ACTUARIAL SOLVENCY OF THE FUNDS OF THE SYSTEM; *PROVIDED, FURTHER*, THAT THE SYSTEM SHALL SUBMIT AN ANNUAL REPORT ON ALL INVESTMENTS MADE TO THE OFFICE OF THE INSURANCE COMMISSIONER, TO WIT:

(A) IN INTEREST-BEARING BONDS OR SECURITIES OR OTHER EVIDENCE OF INDEBTEDNESS OF THE GOVERNMENT OF THE PHILIPPINES;

(B) IN INTEREST-BEARING DEPOSITS OR SECURITIES IN ANY DOMESTIC BANK DOING BUSINESS IN THE PHILIPPINES: *PROVIDED*, THAT IN THE CASE OF SUCH DEPOSITS, THESE SHALL NOT EXCEED AT ANY TIME THE UNIMPAIRED CAPITAL AND SURPLUS OR TOTAL PRIVATE DEPOSITS OF THE DEPOSITORY BANK, WHICHEVER IS SMALLER: *PROVIDED, FURTHER*, THAT SAID BANK FIRST HAS BEEN DESIGNATED AS A DEPOSITORY FOR THE PURPOSE BY THE MONETARY BOARD OF THE CENTRAL MONETARY AUTHORITY;

(C) IN DIRECT HOUSING LOANS TO MEMBERS AND GROUP HOUSING PROJECTS SECURED BY FIRST MORTGAGE, GIVING PRIORITY TO THE LOW INCOME GROUPS AND IN SHORT-AND MEDIUM-TERM LOANS TO MEMBERS SUCH AS SALARY, POLICY, EDUCATIONAL, EMERGENCY, STOCK PURCHASE PLAN AND OTHER SIMILAR LOANS: *PROVIDED*, THAT NO LESS THAN FORTY PERCENT (40%) OF THE INVESTIBLE FUND OF THE GSIS SOCIAL INSURANCE FUND SHALL BE INVESTED FOR THESE PURPOSES;

(D) IN REAL ESTATE OTHER THAN HOUSING LOANS AND OTHER INCOME GENERATING PROJECTS AND INVESTMENTS SECURED BY FIRST MORTGAGE ON REAL ESTATE;

(E) IN DEBT INSTRUMENTS AND OTHER SECURITIES TRADED IN THE SECONDARY MARKETS;

(F) IN LOANS TO, OR IN BONDS, DEBENTURES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF ANY SOLVENT CORPORATION, INCLUDING COOPERATIVES, CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES;

(G) IN COMMON AND PREFERRED STOCKS OF ANY SOLVENT CORPORATION OR FINANCIAL INSTITUTION CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES, LISTED OR UNLISTED IN THE STOCK EXCHANGE WITH PROVEN TRACK RECORD OF PROFITABILITY OVER THE LAST THREE (3) YEARS, AND PAYMENT OF DIVIDENDS AT LEAST ONCE OVER THE SAME PERIOD;

(H) IN SUBSIDIARIES OWNED, FORMED, ESTABLISHED OR MAINTAINED BY THE SYSTEM IN THE PHILIPPINES OR ABROAD;

(I) IN FOREIGN MUTUAL FUNDS INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS AND IN FOREIGN CURRENCY DEPOSITS OR FOREIGN CURRENCY-DENOMINATED DEBTS, NON-SPECULATIVE EQUITIES AND OTHER FINANCIAL INSTRUMENTS OR OTHER ASSETS ISSUED IN ACCORDANCE WITH EXISTING LAWS OF THE COUNTRIES WHERE SUCH FINANCIAL INSTRUMENTS ARE ISSUED: *PROVIDED*, THAT THESE INSTRUMENTS OR ASSETS ARE 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; AND

(J) IN SUCH OTHER INVESTMENTS WHICH IN THE DETERMINATION OF THE BOARD SHALL REDOUND TO THE BENEFIT OF THE SYSTEM AND ITS MEMBERS WHETHER IN THE PHILIPPINES OR ABROAD: *PROVIDED*, THAT ANY SUCH INVESTMENT SHALL BE MADE WITH DUE DILIGENCE AND PRUDENCE TO EARN THE HIGHEST POSSIBLE RATE OF RETURN ON INVESTMENTS CONSISTENT WITH SAFETY.

"SEC. [31] 37. *Records and Reports.* - The System shall keep and cause to keep such records as may be necessary for the purpose of making actuarial studies, calculations and valuations of the Funds of the System including such data needed in the computation of rates of disability, mortality, morbidity, separation and retirement among the members and any other information useful for the adjustment of the benefits of the members. [Separate and distinct records of the operation of each branch of social security and insurance shall be maintained.] The System shall [also] maintain appropriate books of accounts to record its assets, liabilities, income, expenses, receipts and disbursements of funds and other financial transactions and operations.

"SEC. [32] 38. *Examination and Valuation of the Funds.* - The System shall make a periodic actuarial examination and valuation of [the] ITS Funds [of the System] in accordance with accepted actuarial principles.

"SEC. [33] 39. *Exemption from Tax, Legal Process and Lien.* - It is hereby declared to be the policy of the State that the actuarial solvency of the Funds of the System shall be preserved and maintained at all times and that [the] contribution rates necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members of the System and their employers. Taxes imposed on the System tend to impair the actuarial solvency of its Funds and increase the contribution rate necessary to sustain the benefits [under] OF this Act. Accordingly, notwithstanding any laws to the contrary, the System, its assets, revenues including all accruals thereto, and benefits paid, shall be exempt from all taxes, assessments, fees, charges or duties of all kinds. These exemptions shall continue unless expressly and specifically revoked and any assessment against the System as of the approval of this Act are hereby considered paid. CONSEQUENTLY, ALL LAWS, ORDINANCES, REGULATIONS, ISSUANCES, OPINIONS OR JURISPRUDENCE CONTRARY TO OR IN DEROGATION OF THIS PROVISION ARE HEREBY DEEMED REPEALED, SUPERSEDED AND RENDERED INEFFECTIVE AND WITHOUT LEGAL FORCE AND EFFECT.

Moreover, these exemptions shall not be affected by subsequent laws to the contrary [such as the provisions of Presidential Decree No. 1931 and other similar laws that have been or will be enacted,] unless this Section

is expressly, SPECIFICALLY and categorically REVOKED OR repealed by law and a provision is enacted to substitute OR REPLACE the [declared policy or] exemption [from any and all taxes] REFERRED TO HEREIN as an essential factor TO MAINTAIN OR PROTECT the solvency of the Fund, NOTWITHSTANDING AND INDEPENDENTLY OF THE GUARANTY OF THE NATIONAL GOVERNMENT TO SECURE SUCH SOLVENCY OR LIABILITY.

The FUNDS AND/OR THE PROPERTIES REFERRED TO HEREIN AS WELL AS THE benefits [granted], SUMS OR MONEYS CORRESPONDING TO THE BENEFITS under this Act shall [not] be [subject among others, to] EXEMPT FROM attachment, garnishment, EXECUTION, levy or other processes ISSUED BY THE COURTS, QUASI-JUDICIAL AGENCIES OR ADMINISTRATIVE BODIES INCLUDING COMMISSION ON AUDIT (COA) DISALLOWANCES AND FROM ALL FINANCIAL OBLIGATIONS OF THE MEMBERS, INCLUDING HIS PECUNIARY ACCOUNTABILITY ARISING FROM OR CAUSED OR OCCASIONED BY HIS EXERCISE OR PERFORMANCE OF HIS OFFICIAL FUNCTIONS OR DUTIES, OR INCURRED RELATIVE TO OR IN CONNECTION WITH HIS POSITION OR WORK EXCEPT WHEN HIS MONETARY LIABILITY, CONTRACTUAL OR OTHERWISE, IS IN FAVOR OF THE SYSTEM. [This, however, shall not apply to obligations of the members to the System, or to the employer, or when the benefits granted herein are assigned by the member with the authority of the System.]

"G. ADMINISTRATION

"SEC. [34] 40. *Implementing Body.* - The Government Service Insurance System as created and established under Commonwealth Act No. 186 shall implement the provisions of this Act.

THE SYSTEM SHALL MAINTAIN A FIELD OPERATIONS NETWORK WHERE EACH PROVINCE OR CITY SHALL BE SERVICED BY EITHER A FULL FLEDGED BRANCH OFFICE OR A SATELLITE AGENCY.

"SEC. [35] 41. *Powers and Functions of the System.* - The System shall[, have the following powers and functions specified in this Act and the usual general corporate powers] EXERCISE THE FOLLOWING

POWERS AND FUNCTIONS:

(a) To FORMULATE, adopt, amend, and/or rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act[;], AS WELL AS THE EFFECTIVE EXERCISE OF THE POWERS AND FUNCTIONS, AND THE DISCHARGE OF DUTIES AND RESPONSIBILITIES OF THE SYSTEM, ITS OFFICERS AND EMPLOYEES;

(b) To adopt OR APPROVE from time to time [a] THE ANNUAL AND SUPPLEMENTAL budget for the administration and operation of the System AND TO AUTHORIZE SUCH OPERATING AND CAPITAL EXPENDITURES AND DISBURSEMENTS OF THE SYSTEM AS MAY BE NECESSARY OR PROPER FOR THE EFFECTIVE MANAGEMENT, OPERATION, AND ADMINISTRATION OF THE SYSTEM;

(c) To invest [its] THE F[unds] OF THE SYSTEM, directly or indirectly, in accordance with THE PROVISIONS OF this Act;

(d) To acquire, utilize or dispose of, in any manner recognized by law, real or personal properties in the Philippines or elsewhere necessary to carry out the purposes of this Act;

(e) To conduct continuing actuarial and statistical studies and valuations to determine the financial condition of the System and taking into consideration such studies and valuations and the limitations herein provided, re-adjust the benefits, contributions, premium rates, interest rates or the allocation of the re-allocation of the Funds to the contingencies covered;

(f) To have the power of succession;

(g) To sue and be sued;

(h) To enter into, make, perform and carry out contracts of every kind and description with any person, firm or association or corporation, domestic or foreign;

(i) To carry out on any other lawful business whatsoever in pursuance of, or in connection with the provisions of this Act;

(j) To have one or more offices in and outside of the Philippines, and to conduct its business and exercise

its powers throughout and in any part of the Republic of the Philippines and/or in any or all foreign countries, states and territories;

(k) To borrow funds from any source, private or government, foreign or domestic, ONLY AS AN INCIDENT IN THE SECURITIZATION OF HOUSING MORTGAGES OF THE SYSTEM AND ITS RECEIVABLES FROM ANY GOVERNMENT OR PRIVATE ENTITY;

(l) To invest, own or otherwise participate in equity in any establishment, firm or entity, to form, organize, invest in, establish and maintain subsidiary or subsidiaries;

(m) TO APPROVE APPOINTMENTS IN THE SYSTEM EXCEPT APPOINTMENTS TO POSITIONS WHICH ARE POLICY DETERMINING, PRIMARILY CONFIDENTIAL OR HIGHLY TECHNICAL IN NATURE ACCORDING TO THE CIVIL SERVICE RULES AND REGULATIONS: *PROVIDED, FURTHER*, THAT ALL POSITIONS IN THE SYSTEM SHALL BE GOVERNED BY A COMPENSATION AND POSITION CLASSIFICATION SYSTEM AND QUALIFICATIONS STANDARDS APPROVED BY THE GSIS BOARD OF TRUSTEES BASED ON A COMPREHENSIVE JOB ANALYSIS AND AUDIT OF ACTUAL DUTIES AND RESPONSIBILITIES: *PROVIDED*, THAT, THE COMPENSATION PLAN SHALL BE COMPARABLE WITH THE PREVAILING COMPENSATION PLANS IN THE PRIVATE SECTOR AND SHALL BE SUBJECT TO THE PERIODIC REVIEW BY THE BOARD NO MORE THAN ONCE EVERY FOUR YEARS WITHOUT PREJUDICE TO YEARLY MERIT REVIEWS OR INCREASES BASED ON PRODUCTIVITY AND PROFITABILITY: *PROVIDED, HOWEVER*, THAT THE SYSTEM SHALL ENDEAVOR TO CONFORM CLOSELY AS POSSIBLE TO THE PRINCIPLES AND MODES PROVIDED FOR IN R.A. 6758.

(n) TO DESIGN AND ADOPT AN EARLY RETIREMENT INCENTIVE PLAN (ERIP) AND/OR FINANCIAL ASSISTANCE FOR THE PURPOSE OF RETIREMENT FOR ITS OWN PERSONNEL;

(o) TO FIX AND PERIODICALLY REVIEW AND ADJUST THE RATES OF INTEREST AND OTHER TERMS AND CONDITIONS FOR LOANS AND CREDITS EXTENDED TO MEMBERS OR

OTHER PERSONS, WHETHER NATURAL OR JURIDICAL;

(p) TO ENTER INTO AGREEMENT WITH THE SOCIAL SECURITY SYSTEM OR ANY OTHER ENTITY, ENTERPRISE, CORPORATION, PARTNERSHIP OR OWNERSHIP FOR THE BENEFIT OF MEMBERS TRANSFERRING FROM ONE TO ANOTHER;

(q) TO BE ABLE TO FLOAT PROPER INSTRUMENT TO LIQUEFY LONG-TERM MATURITIES BY POOLING FUNDS FOR SHORT-TERM SECONDARY MARKET;

(r) TO COMPROMISE OR RELEASE, IN WHOLE OR IN PART, PENALTIES AND SURCHARGES ACCRUING TO THE SYSTEM, REGARDLESS OF THE AMOUNT INVOLVED UNDER SUCH TERMS AND CONDITIONS AS IT MAY IMPOSE TO THE BEST INTEREST OF THE SYSTEM;

(s) TO APPROVE AND ADOPT GUIDELINES AFFECTING INVESTMENTS, INSURANCE COVERAGE OF GOVERNMENT PROPERTIES, SETTLEMENT OF CLAIMS, DISPOSITION OF ACQUIRED ASSETS, PRIVATIZATION OR EXPANSION OR SUBSIDIARIES, DEVELOPMENT OF HOUSING PROJECTS, INCREASED BENEFIT AND LOAN PACKAGES TO MEMBERS, AND THE ENFORCEMENT OF THE PROVISIONS OF THIS ACT;

(t) ANY PROVISION OF LAW TO THE CONTRARY NOTWITHSTANDING, TO AUTHORIZE THE PAYMENT OF EXTRA REMUNERATION TO THE OFFICIALS AND EMPLOYEES DIRECTLY INVOLVED IN THE COLLECTION AND/OR REMITTANCE OF CONTRIBUTIONS, LOAN REPAYMENTS, AND OTHER MONIES DUE TO THE SYSTEM AT SUCH RATES AND UNDER SUCH CONDITIONS AS IT MAY ADOPT: *PROVIDED*, THAT THE BEST INTEREST OF THE SYSTEM SHALL BE OBSERVED THEREBY;

(u) TO DETERMINE, FIX AND IMPOSE INTEREST UPON UNPAID PREMIUMS DUE FROM EMPLOYEES AND EMPLOYERS;

(v) TO ENSURE THE COLLECTION OR

RECOVERY OF ALL INDEBTEDNESS, LIABILITIES AND/OR ACCOUNTABILITIES, INCLUDING UNPAID PREMIUMS OR CONTRIBUTIONS IN FAVOR OF THE SYSTEM ARISING FROM ANY CAUSE OR SOURCE WHATSOEVER, DUE FROM ALL OBLIGORS WHETHER PUBLIC OR PRIVATE, THE BOARD SHALL DEMAND PAYMENT OR SETTLEMENT OF THE OBLIGATIONS REFERRED TO HEREIN WITHIN THIRTY (30) DAYS FROM THE DATE THE OBLIGATION BECOMES DUE, AND IN THE EVENT OF FAILURE OR REFUSAL OF THE OBLIGOR OR DEBTOR TO COMPLY WITH THE DEMAND, TO INITIATE OR INSTITUTE THE NECESSARY OR PROPER ACTIONS OR SUITS, TRIBUNALS, COMMISSIONS, BOARDS, OR BODIES OF PROPER JURISDICTION WITHIN THIRTY (30) DAYS RECKONED FROM THE EXPIRY DATE OF THE PERIOD FIXED IN THE DEMAND WITHIN WHICH TO PAY OR SETTLE THE ACCOUNT;

(w) TO DESIGN AND IMPLEMENT PROGRAMS THAT WILL PROMOTE AND MOBILIZE SAVINGS AND PROVIDE ADDITIONAL RESOURCES FOR SOCIAL SECURITY EXPANSION AND AT THE SAME TIME AFFORD INDIVIDUAL MEMBERS APPROPRIATE RETURNS ON THEIR SAVINGS/INVESTMENTS. THE PROGRAMS SHALL BE SO DESIGNED AS TO SPUR SOCIO-ECONOMIC TAKE-OFF AND MAINTAIN CONTINUED GROWTH; AND

(X)(m) To exercise such powers and perform such OTHER acts as may necessary, useful, incidental or auxiliary to carry out the provisions of this Act, OR TO ATTAIN THE PURPOSES AND OBJECTIVES OF THIS ACT.

"SEC. [36] 42. *The Board of Trustees; Its Composition; Tenure and Compensation.* - The corporate powers and functions of the System shall be vested in, and exercised by the Board of Trustees composed of the President AND GENERAL MANAGER of the System and eight (8) other members to be appointed by the President of the Philippines, ONE (1) OF WHOM SHALL BE THE PRESIDENT OF THE PHILIPPINE PUBLIC SCHOOL TEACHERS ASSOCIATION (PPSTA), ANOTHER [three] TWO (2) [of whom] shall represent THE [three] TWO (2) leading organizations or associations of government employees, AND ANOTHER THREE (3) SHALL

COME FROM THE BANKING, FINANCE AND INVESTMENT SECTORS. THE CHAIRMAN OF THE CIVIL SERVICE COMMISSION SHALL BE AN EX-OFFICIO MEMBER. The Trustees shall elect among themselves a Chairman [and a Vice-Chairman] WHILE THE PRESIDENT AND GENERAL MANAGER OF THE SYSTEM SHALL AUTOMATICALLY BE THE VICE-CHAIRMAN.

The Trustees, except the President AND GENERAL MANAGER [of the System] who shall cease as trustees upon his separation, shall hold office for [three] SIX (6) years or until their successors are duly appointed and qualified. Vacancy, other than through the expiration of the term, shall be filled for the unexpired term only. The members of the Board shall be entitled to a *per diem* of [Five Hundred] TWO THOUSAND FIVE HUNDRED Pesos (P2,500.00) for each board Meeting actually attended by them, but not to exceed [two thousand] TEN THOUSAND pesos (P10,000.00) a month and reasonable transportation and representation allowances as [shall] MAY be fixed by the Board, PROVIDED, THAT THE SAME SHALL NOT EXCEED TEN THOUSAND PESOS (P10,000.00) A MONTH.

[The Board of Trustees as presently constituted shall continue to hold office until their successors shall have been appointed and duly qualified.]

"SEC. 43. *POWERS AND FUNCTIONS OF THE BOARD OF TRUSTEES.* - The Board of Trustees [has] SHALL HAVE the following powers and functions[, among others]:

(a) To formulate the policies, guidelines and programs to effectively carry out the purposes [and objectives] of this Act;

(b) TO promulgate such rules and regulations as may be necessary or proper for the effective exercise of the powers and functions as well as the discharge of the duties and responsibilities of the system, its officers and employees;

(c) Upon the recommendation of the President and General Manager, to approve the annual and supplemental budget of receipts and expenditures of the System, and to authorize such operating and capital expenditures and disbursements of the System as may be necessary or proper for the effective management, operation and administration of the system;

(d) Upon the recommendation of the President and General Manager, to approve the System's organizational and administrative structure and staffing pattern, and to establish, fix, review, revise and adjust the appropriate compensation package for the officers and employees of the System, with reasonable allowances, incentives, bonuses, privileges and other benefits as may be necessary or proper for the effective management operation and administration of the System;

(e) To fix and periodically review and adjust the rates of interest and other terms and conditions for loans and credits extended to its Members or other persons, whether natural or juridical;

(f) The provisions of any law to the contrary notwithstanding, to compromise or release, in whole or in part, PENALTIES AND SURCHARGES ACCRUING [any claim or settled liability] to the System, regardless of the amount involved under such terms and conditions as it may impose for the best interest of the System; and

(g) To do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of this Act.

"SEC. [37] 44. *Appointment, Qualifications, and Compensation of the President and General Manager and of Other Personnel.* - The President and General Manager of the System shall be [the] ITS Chief Executive Officer [of the System who] AND shall be appointed by the President of the Philippines. He shall be a person [experienced in technical and administrative fields related to the purposes of this Act] WITH MANAGEMENT AND INVESTMENTS FIELDS EXPERTISE NECESSARY FOR THE EFFECTIVE PERFORMANCE OF HIS DUTIES AND FUNCTIONS UNDER THIS ACT.

The President and General Manager of the System shall be assisted by one or more executive vice-presidents, senior vice-presidents, [and] vice-presidents AND MANAGERS IN ADDITION TO THE USUAL SUPERVISORY AND RANK AND FILE POSITIONS who shall be appointed and removed by the President and General Manager of the System with the approval of the Board, IN ACCORDANCE WITH THE EXISTING CIVIL SERVICE RULES AND REGULATIONS.

[The position classification and compensation

rates of the President and General Manager, and of the officers and employees of the System shall be subject to approval of the President of the Philippines under the Provisions of P.D. No. 985.]

"SEC. [38] 45. *Powers and Duties of the President and General Manager.* - The President and General Manager of the System shall among others, execute and administer the policies and resolutions approved by the Board and direct and supervise the administration and operations of the System. The President and General Manager [of the System], subject to the approval of the Board, shall appoint the personnel of the System, remove, suspend or otherwise discipline them for cause, IN ACCORDANCE WITH EXISTING CIVIL SERVICE RULES AND REGULATIONS; and prescribe their duties and qualification to the end that only competent persons may be employed.

"SEC. [39] 46. *Auditor.* - (a) The Chairman of the Commission on Audit shall be the ex-officio auditor of the System. For this purpose, he may appoint a representative who shall be the auditor of the System, and the necessary personnel to assist said representative in the performance of his duties. The number [of] AND salaries of [the auditor and] said personnel shall be determined by the Chairman of the Commission on Audit, subject to the appropriation by the GSIS Board[; in case of disagreement, the matter shall be submitted to the President of the Philippines whose decision shall be final]. Said salaries and all other expenses of maintaining the auditor's office shall be paid by the System.

(b) The Chairman of the Commission on Audit or his authorized representative, shall submit to the Board soon after the close of each calendar year, an audited statement showing the financial condition and progress of the System for the calendar year just ended.

[(c) In order that the System can best achieve the purpose and objectives of this Act, the insurance and investment operations of the System shall be under its full and sole responsibility, notwithstanding the provisions of Section 246 of the Insurance Code, as amended.]

"SEC. [40] 47. *Legal Counsel.* - The Government Corporate Counsel shall be the legal [counsel of the System. For the performance of his duties and the services of the Legal Staff of the Office of the Government Corporate Counsel, the Board shall appropriate, and

the President and General Manager of the System shall remit, such amount as shall be determined by the Government Corporate Counsel with the approval of the Secretary of Justice.] ADVISER AND CONSULTANT OF THE SYSTEM BUT THE SYSTEM MAY ASSIGN TO THE OFFICE OF THE GOVERNMENT CORPORATE COUNSEL (OGCC), CASES FOR LEGAL ACTION OR TRIAL, ISSUES FOR LEGAL OPINIONS AND AGREEMENTS FOR THE DRAFTING/ PREPARATION OF THE CORRESPONDING WRITTEN CONTRACTS, AND OTHERS, AS THE SYSTEM MAY DECIDE OR DETERMINE FROM TIME TO TIME. HOWEVER, THE PRESENT LEGAL SERVICES GROUP IN THE SYSTEM SHALL BE ITS LEGAL COUNSEL.

THE SYSTEM MAY, SUBJECT TO APPROVAL BY THE PROPER COURT, DEPUTIZE ANY PERSONNEL OF THE LEGAL SERVICE GROUP TO ACT AS SPECIAL SHERIFF IN THE ENFORCEMENT OF WRITS AND PROCESSES ISSUED BY THE COURT, QUASI-JUDICIAL AGENCIES OR ADMINISTRATIVE BODIES IN CASES INVOLVING THE SYSTEM.

"SEC. 48. *POWERS OF THE INSURANCE COMMISSION.* - THE INSURANCE COMMISSIONER OR HIS AUTHORIZED REPRESENTATIVES SHALL MAKE AN EXAMINATION OF THE FINANCIAL CONDITION AND METHODS OF TRANSACTING BUSINESS OF THE SYSTEM AT LEAST ONCE EVERY TWO YEARS AND THE REPORT OF SAID EXAMINATION SHALL BE SUBMITTED TO THE BOARD OF TRUSTEES AND COPIES THEREOF BE FURNISHED THE CONGRESS AND THE OFFICE OF THE PRESIDENT WITHIN FIVE (5) DAYS AFTER THE CLOSE OF EXAMINATION; *PROVIDED, HOWEVER,* THAT FOR EACH EXAMINATION THE SYSTEM SHALL PAY THE OFFICE OF THE INSURANCE COMMISSIONER AN AMOUNT EQUAL TO THE ACTUAL EXPENSES OF SAID OFFICE IN THE CONDUCT OF THE EXAMINATION, INCLUDING THE SALARIES OF THE EXAMINERS AND OF THE ACTUARY OF SUCH EXAMINATION FOR THE ACTUAL TIME SPENT.

"H. GENERAL [AND PENAL] PROVISIONS

"SEC. 49. *DISPENSATION OF SOCIAL*

INSURANCE BENEFITS. - (A) THE SYSTEM SHALL PAY THE RETIREMENT BENEFITS TO THE EMPLOYEE ON HIS LAST DAY OF SERVICE IN THE GOVERNMENT: PROVIDED. ALL REQUIREMENTS ARE SUBMITTED TO THE SYSTEM WITHIN A REASONABLE PERIOD PRIOR TO THE EFFECTIVE DATE OF THE RETIREMENT;

(B) THE SYSTEM SHALL DISCONTINUE THE PROCESSING AND ADJUDICATION OF RETIREMENT CLAIMS UNDER R.A. NO. 1616 EXCEPT REFUND OF RETIREMENT PREMIUM, AND R.A. NO. 910. INSTEAD, ALL AGENCIES CONCERNED SHALL PROCESS AND PAY THE GRATUITIES OF THEIR EMPLOYEES. THE BOARD SHALL ADOPT THE PROPER RULES AND PROCEDURES FOR THE IMPLEMENTATION OF THIS PROVISION.

"SEC. 50. *DEVELOPMENT AND DISPOSITION OF ACQUIRED ASSETS.* - THE SYSTEM SHALL HAVE THE RIGHT TO DEVELOP AND DISPOSE OF ITS ACQUIRED ASSETS OBTAINED IN THE ORDINARY COURSE OF ITS BUSINESS, TO ADD VALUE TO, IMPROVE PROFITABILITY ON, AND/OR ENHANCE THE MARKETABILITY OF AN ACQUIRED ASSET. THE SYSTEM MAY FURTHER DEVELOP/RENOVATE THE SAME EITHER WITH ITS OWN CAPITAL OR THROUGH A JOINT VENTURE ARRANGEMENT WITH PRIVATE COMPANIES OR INDIVIDUALS.

THE SYSTEM MAY SELL ITS ACQUIRED ASSETS IN ACCORDANCE WITH EXISTING COA RULES AND REGULATIONS FOR AN AMOUNT NOT LOWER THAN THE CURRENT MARKET VALUE OF THE PROPERTY. FOR THIS PURPOSE, THE SYSTEM SHALL CONDUCT AN ANNUAL APPRAISAL OF ITS PROPERTY OR ACQUIRED ASSETS TO DETERMINE ITS CURRENT MARKET VALUE, ALL NOTICES OF SALE SHALL BE PUBLISHED IN NEWSPAPERS OF GENERAL CIRCULATION.

NO INJUNCTION OF RESTRAINING ORDER ISSUED BY ANY COURT, COMMISSION, TRIBUNAL OR OFFICE SHALL BAR, IMPEDE OR DELAY THE SALE AND DISPOSITION BY THE SYSTEM OF ITS ACQUIRED ASSETS EXCEPT ON QUESTIONS OF OWNERSHIP AND NATIONAL OR PUBLIC INTEREST.

"SEC. [41] 51. *Government Assistance to the System.* - The System may call upon any employer for such assistance as may be necessary in the discharge of its duties and functions.

"I. [GENERAL AND] PENAL PROVISIONS

"SEC. [42] 52. *Penalty.* - (a) Any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the System whether for him or for some other persons, shall suffer the penalties provided for in Article [one hundred seventy two] 172 of the Revised Penal Code.

(b) Whoever shall obtain or receive any money or check invoking any provision of this Act or any agreement thereunder, without being entitled thereto with the intent to defraud any member, any employer, the System, or any third party, shall be punished by a fine of not less than Five hundred pesos (P500.00) not more than Five thousand pesos (P5,000.00) or by imprisonment of not less than six (6) months nor more than one (1) year, or both, at the discretion of the court.

(c) Whoever fails or refuses to comply with the provision of this Act or with the rules and regulations adopted by the System 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 by imprisonment of not less than six (6) months nor more than one (1) year, or both, at the discretion of the court.

[(d) The treasurer, finance officer, cashier, disbursing officer, or other employee who fails or refuses or delays by more than three months, to deduct the contributions of the employee shall be punished by a fine of not less than One thousand pesos nor more than Five thousand pesos, or by imprisonment of not less than one year nor more than five years, or both, at the discretion of the court and shall, moreover, be disqualified from holding public office and from practicing any profession or calling licensed by the Government.]

{e} (D) Any employee or member who receives or keeps fund or property belonging, payable or deliverable to the System and appropriate the same, or takes or misappropriates or uses the same to any purpose other than that authorized by this Act, or permits another person to take, misappropriate or use said fund or property by expressly consenting thereto, or through

abandonment or negligence, or is otherwise guilty of the misappropriation of said Fund or property, in whole or in part, shall suffer the penalties provided in Article [two hundred seventeen] 217 of the Revised Penal Code.

[(f) (E) Any employees, who, after deducting the monthly contribution or loan amortization from a member's compensation, fails to remit the same to the System within thirty (3) days from the date they should have been remitted under Section 6 (a) shall be presumed to have misappropriated such contribution or loan amortization and shall suffer the penalties provided in Article [three hundred fifteen] 315 of the Revised Penal Code.

(F) ANY OFFICIAL EXERCISING THE FUNCTIONS OF HIS OFFICE EITHER IN AN ACTING CAPACITY OR AS AN OFFICER-IN-CHARGE, WHO FAILS, REFUSES OR DELAYS THE PAYMENT, TURNOVER, REMITTANCE OR DELIVERY OF ALL GOVERNMENT SHARES ON PREMIUM CONTRIBUTIONS TO THE SYSTEM WITHIN THIRTY (30) DAYS FROM THE TIME SUCH ACCOUNTS ARE OR HAVE BECOME DUE AND DEMANDABLE SHALL BE PUNISHED WITH AN IMPRISONMENT OF NOT LESS THAN ONE (1) YEAR NOR MORE THEN FIVE (5) YEARS AND A FINE OF NOT LESS THAN TEN THOUSAND PESOS (P10,000.00) NOR MORE THAN TWENTY THOUSAND PESOS (P20,000.00) AND SHALL, MOREOVER, BE DISQUALIFIED FROM HOLDING PUBLIC OFFICE AND FROM PRACTICING ANY PROFESSION OR CALLING LICENSED BY THE GOVERNMENT.

(G) THE PRESIDENT, GENERAL MANAGER, ADMINISTRATOR, CHAIRMAN OR ANY OFFICER EXERCISING THE FUNCTION OF THEIR OFFICE IN AN ACTING CAPACITY OR AS AN OFFICER-IN-CHARGE AS WELL AS THE MEMBERS OF THE BOARD OF TRUSTEES OR DIRECTORS OF ANY GOVERNMENT OWNED OR CONTROLLED CORPORATIONS, WHO FAILS, REFUSES OR DELAYS THE PAYMENT, TURNOVER, REMITTANCES, DELIVERY TO THE SYSTEM OF THE EMPLOYEE SHARE OR CONTRIBUTION DEDUCTED AS WELL AS THE EMPLOYER SHARE OR CONTRIBUTION WITHIN THIRTY (30) DAYS FROM THE TIME THE SAID SHARES OR CONTRIBUTIONS ARE OR HAVE BECOME DUE AND DEMANDABLE, SHALL BE PUNISHED WITH

AN IMPRISONMENT OF NOT LESS THAN ONE (1) YEAR NOR MORE THAN FIVE (5) YEARS AND A FINE OF NOT LESS THAN TEN THOUSAND PESOS (P10,000.00) NOR MORE THAN TWENTY THOUSAND PESOS (P20,000.00) AND SHALL, MOREOVER, BE DISQUALIFIED FROM HOLDING PUBLIC OFFICE AND FROM PRACTICING ANY PROFESSION OR CALLING LICENSED BY THE GOVERNMENT.

(H) THE GOVERNOR, MAYOR OF ANY PROVINCE, TOWN OR ANY POLITICAL DIVISION OR SUBDIVISION OF THE GOVERNMENT OR HEADS OF OTHER BRANCHES OF THE GOVERNMENT WHO FAILS, REFUSES OR DELAYS THE PAYMENT, TURNOVER, REMITTANCE OR DELIVERY OF ALL ACCOUNTS DUE THE SYSTEM, I.E., CONTRIBUTIONS, LOAN REPAYMENTS, AND OTHERS, WITHIN THIRTY (3) DAYS FROM THE TIME SUCH ACCOUNTS ARE OR HAVE BECOME DUE AND DEMANDABLE SHALL BE PUNISHED WITH AN IMPRISONMENT OF NOT LESS THAN ONE (1) YEAR NOR MORE THAN FIVE (5) YEARS AND A FINE OF NOT LESS THAN TEN THOUSAND PESOS (P10,000.00) NOR MORE THAN TWENTY THOUSAND PESOS (P20,000.00) AND SHALL, MOREOVER, BE DISQUALIFIED FROM HOLDING PUBLIC OFFICE AND FROM PRACTICING ANY PROFESSION OR CALLING LICENSED BY THE GOVERNMENT.

(I) THE OFFICE AND/OR EMPLOYEE MENTIONED IN PARAGRAPHS (F), (G) AND (H) OF THIS SECTION SHALL BE LIABLE NOT ONLY CRIMINALLY BUT ALSO CIVILLY AND PERSONALLY TO THE SYSTEM OR TO THE EMPLOYEE OR MEMBER CONCERNED IN THE FORM OF DAMAGES, INCLUDING SURCHARGES AND INTERESTS.

(J) FOR THE CHARGES OR COMPLAINTS REFERRED TO IN PARAGRAPHS (F), (G) AND (H) OF THIS SECTION, THE LIABILITIES HEREIN SET FORTH SHALL BE CONSTRUED AS CONSENT BY THE GOVERNMENT TO BE SUED. HENCE, THE OFFICIALS MENTIONED IN PARAGRAPHS (F), (G), (H) AND (I) OF THIS SECTION MAY NOT INVOKE THE DEFENSE OF NON-SUABILITY OF THE STATE.

(K) FAILURE OF THE MEMBERS OF THE

GSIS BOARD, INCLUDING THE CHAIRMAN AND THE VICE-CHAIRMAN, TO COMPLY WITH THE PROVISIONS OF PARAGRAPH (V) OF SECTION 41 HEREOF, SHALL SUBJECT THEM TO IMPRISONMENT OF NOT LESS THAN SIX (6) MONTHS NOR MORE THAN ONE (1) YEAR OR A FINE OF NOT LESS THAN FIVE THOUSAND PESOS (P5,000.00) NOR MORE THAN TEN THOUSAND PESOS (P10,000.00) WITHOUT PREJUDICE TO ANY CIVIL OR ADMINISTRATIVE LIABILITY WHICH MAY ALSO ARISE THEREFROM.

(L) THE TREASURER, BUDGET OFFICER, ADMINISTRATIVE OFFICER, HEAD OF OFFICE OR ANY OFFICIAL RESPONSIBLE FOR THE INCLUSION OF APPROPRIATION FOR CONTRIBUTIONS TO THE SYSTEM WHO FAILS TO INCLUDE IN HIS BUDGET SUCH APPROPRIATION/ AMOUNT FOR GSIS' CONTRIBUTION IN ANY ONE BUDGET YEAR SHALL BE PENALIZED WITH THE FINE OF NOT LESS THAN ONE THOUSAND PESOS (P1,000.00) BUT NOT MORE THAN FIVE THOUSAND PESOS (P5,000.00) OR IMPRISONMENT OF NOT MORE THAN ONE (1) YEAR.

[(g)] Criminal actions arising from violations of the provisions of this Act may be commenced by the System or by the aggrieved member, either under this Act or, in appropriate cases, under the Revised Penal Code.

"SEC. [43] 53. *Implementing Rules and Regulations.* - The implementing rules and regulations to carry out the provisions of this Act shall be adopted and promulgated by the System not later than ninety (90) days after the approval of this Act.

"SEC. [44] 54. *Non-impairment of Benefits, Powers, Jurisdiction, Rights, Privileges, Functions and Activities.* - Nothing in this Act shall be construed to repeal, amend or limit any provision of existing laws, presidential decrees and letters of instruction, not otherwise specifically inconsistent with the provisions of this Act.

"SEC. [45] 55. *Exclusiveness of Benefits.* - Whenever other laws provide similar benefits for the same contingencies covered by this Act, the member who qualifies [for] TO the benefits shall have the option to choose which benefits will be paid to him.

However, if the benefits provided by the law chosen are less than the benefits provided under this Act, the System shall pay only the difference. [Provided, however, That when the disability or death of an employee or member is work-connected as defined in Presidential Decree No. 626, as amended, he shall be entitled to the benefits therefor as provided herein, chargeable against the State Insurance Fund.]

"SEC. [46] 56. *Appropriations.* - There is hereby appropriated for the current fiscal year, and annually thereafter, out of any fund in the National Treasury or other depository not otherwise appropriated, such sums as may be necessary to pay the contributions or premiums and interests payable by each employer under this Act, as well as obligations which the Republic of the Philippines assumes or guarantees to pay under this Act.

"SEC. [47] 57. [Saving] *SEPARABILITY Clause* - Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the valid ones, shall remain in force AND EFFECT.

"SEC. [48] 58. *Repealing Clause.* - All laws AND ANY OTHER LAW or part of law[s] specifically inconsistent herewith [shall be considered amended or] ARE HEREBY repealed OR MODIFIED accordingly: *PROVIDED, THAT THE RIGHTS UNDER EXISTING LAWS, RULES AND REGULATIONS VESTED UPON OR ACQUIRED BY AN EMPLOYEE WHO IS ALREADY IN THE SERVICE AS OF THE EFFECTIVITY OF THIS ACT SHALL REMAIN IN FORCE AND EFFECT: PROVIDED, FINALLY, THAT SUBSEQUENT TO THE EFFECTIVITY OF THIS ACT, A NEW EMPLOYEE OR AN EMPLOYEE WHO HAS PREVIOUSLY RETIRED OR SEPARATED AND IS REEMPLOYED IN THE SERVICE, SHALL BE COVERED BY THE PROVISIONS OF THIS ACT.*

"SEC. [49] 59. *Effectivity.* - This Act shall take effect [upon its approval] FIFTEEN (15) DAYS AFTER ITS PUBLICATION IN THE *OFFICIAL GAZETTE* OR IN AT LEAST TWO (2) NEWSPAPERS OF GENERAL CIRCULATION.

Approved,"

Senator Tatad. Mr. President, on July 3, 1995, a similar

bill was filed by the distinguished President Pro Tempore, the gentleman from Bulacan, Sen. Blas F. Ople. This was referred to the Committees on Civil Service and Government Reorganization; National Defense and Security; Ways and Means; and Finance on August 3, 1995.

However, in the consideration of the bills before us by the Committee on Government Corporations and Public Enterprises, the said bill was not included among those studied by the committee through no fault of the committee. For some reason or another, it was simply not included.

In the light of that, I move that Senator Ople be made the principal author of this measure.

The President. May the Chair be informed what is the number of the Senate bill of the Ople measure?

Senator Tatad. Senate Bill No. 644.

Senator Drilon. Mr. President.

The President. The gentleman from Iloilo, Sen. Franklin M. Drilon, is recognized.

Senator Drilon. Mr. President, we also want to place on record that on December 4, 1995, we filed a similar bill, Senate Bill No. 1296, which is also not considered. I wonder what is the status of this bill that we filed.

Senator Tatad. This was referred to what committee, Mr. President?

Senator Drilon. I am informed that it was referred to the Committee on Civil Service and Government Reorganization.

Senator Tatad. In that case, it appears that that bill, although similar to the Ople Bill and the other bills that were referred to the Committee on Government Corporations and Public Enterprises, was also not one of the documents that came into consideration in the preparation of the committee report.

I have here a copy of a letter from the chairman of the Committee on Government Corporations and Public Enterprises dated 21 January 1997, to the Chair of the Committee on Civil Service and Government Reorganization. It reads:

Pursuant to the *Rules of the Senate*, Rule 11, Sections 25 and 26, the Committee on Government Corporations and Public Enterprises would like to refer to the Committee on Civil Service and Government Reorganization the attached committee report on Senate

Bill Nos. 1544 and 1572 regarding the proposed amendments on the GSIS Charter for your perusal and comments.

An immediate response on this matter shall be highly appreciated.

Unfortunately, we do not have a record of the answer from the Committee on Civil Service and Government Reorganization.

So at this point, Mr. President, I would like to move that Senator Drilon be included as one of the principal authors.

The President. The gentleman from Iloilo, Sen. Franklin M. Drilon, is recognized.

Senator Drilon. That is fine, Mr. President. But our inquiry is, what happened to Senate Bill No. 1296 that we filed?

SUSPENSION OF SESSION

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

It was 3:35 p.m.

RESUMPTION OF SESSION

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

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

Senator Tatad. Mr. President, I ask that the chairperson of the Committee on Civil Service and Government Reorganization be recognized.

The President. The distinguished chairperson of the Committee on Civil Service and Government Reorganization is recognized.

MANIFESTATION OF SENATOR COSETENG (Similar Bills on the GSIS Considered by the Civil Service and Government Reorganization Committee)

Senator Coseteng. Thank you, Mr. President.

The Senate bills referred to in the earlier statement were Senate Bill No. 644 filed by Senator Ople and Senate Bill No. 1296 filed by Senator Drilon. These two bills have been referred to the Committee on Civil Service and Government Reorganiza-

tion and were taken up during the committee hearings together with the other bills on the GSIS.

Mr. President, in view of the fact that the Committee on Government Corporations has already come up with Committee Report No. 362, the chairperson of the Committee on Civil Service would like to mention that the committee itself supports the report of the Committee on Government Corporations under Senator Enrile.

The other bills, Senate Bill No. 644 and Senate Bill No. 1296, since these concern the same matter would also be considered together with that report.

The President. Let the manifestation of the chairman of the Committee on Civil Service form part of the records of this bill as reported out by the Committee on Government Corporations.

Senator Romulo. Mr. President.

The President. The Assistant Minority Leader is recognized.

Senator Romulo. Mr. President, what I have just heard is that the chairman of the Committee on Civil Service has no objection to the Committee on Government Corporations taking up this bill. But is there a motion that such a bill be transferred to the Committee on Government Corporations? All that I have heard is that she has no objection.

Senator Tatad. Mr. President, we were about to make the appropriate motion.

The President. The Majority Leader may continue.

MOTION OF SENATOR TATAD (Transfer of S. Nos. 644 and 1296 to the Committee on Government Corporations and Public Enterprises)

Senator Tatad. Mr. President, in the light of the manifestation made by the chairperson of the Committee on Civil Service and the Government Reorganization, I move that Senate Bill No. 644 and Senate Bill No. 1296 be transferred to the Committee on Government Corporations and Public Enterprises.

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

Senator Romulo. Mr. President, may I ask, since Senate Bill No. 644 and Senate Bill No. 1296 are now in the Committee on Government Corporations, what is the next step now?

MOTION OF SENATOR TATAD
(Adoption of Committee Report No. 362)

Senator Tatad. Mr. President, in the light again of the manifestation of the chairperson of the Committee on Civil Service and Government Reorganization, I move that the committee report be adopted.

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

MOTION OF SENATOR TATAD
(Authors of S. No. 2013)

Senator Tatad. I move that Senator Ople as author of the first bill filed, Senate Bill No. 644, be made the first principal author; the author of Senate Bill No. 1296, Senator Drilon, be made the second author; and the other authors would be as mentioned in the original committee report.

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

Senator Romulo. Mr. President.

The President. The Assistant Minority Leader is recognized.

Senator Romulo. Mr. President, in the order of precedence, I would have no objection to Senate Bill No. 644. That is the first bill filed. But Senate Bill No. 822 by the Senate President comes in the order of precedence.

Senator Tatad. I am sorry. The Assistant Minority Leader is correct. That is an oversight. Senate Bill No. 822 follows Senate Bill No. 644, and then Senate Bill No. 1296 follows Senate Bill No. 822.

Senator Gonzales. Mr. President.

The President. The Minority Leader is recognized.

Senator Gonzales. Mr. President, I think all of this is very well except that if there is any manifestation to be made into the record, it should not be by the Majority Leader, but by the chairman of the Committee on Government Corporations and Public Enterprises, to whose committee these two bills have been transferred, and which will now consider and manifest to the floor whether or not the same shall have been considered by the committee in the preparation of its committee report.

Therefore, it should be the said chairman who would make

such a manifestation and thereafter, we can rearrange the order of principal author and coauthors in accordance with the *Rules*.

Senator Tatad. Mr. President, we welcome this intervention from the Minority Leader.

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

Senator Enrile. Mr. President.

The President. The gentleman from Cagayan is recognized.

Senator Enrile. Mr. President, with the indulgence of the Majority Leader and the members of the Senate, I would like to state for the record that the reason why the Committee on Government Corporations and Public Enterprises did not consider Senate Bill Nos. 644 and 1296 in the committee report submitted in connection with Senate Bill No. 1544 was due to the fact that these were not referred to the Committee on Government Corporations and Public Enterprises.

Nevertheless, in the preparation of the committee report now before the Senate, we took pains in referring the committee report to the proper committees involved in the consideration of the bill on the table. It was not because of any oversight or any desire to disregard these other pending measures on the same subject matter that we did not include them.

Nevertheless, since these two bills now, Senate Bill Nos. 644 and 1296, have been transferred by authority of the Chamber to the Committee on Government Corporations and Public Enterprises, I would like to state for the record, Mr. President, that the Committee on Government Corporations and Public Enterprises would have considered these bills as part of the committee report had they been referred to us earlier.

Nonetheless, since they touch on the same subject matter and are almost substantially identical in form and in wording with Senate Bill No. 1544 and the other bills bearing on the same subject matter referred to the Committee, I would consider these two bills as already having been referred to us and be treated as a part of the record of these proceedings.

Be that as it may, Mr. President, in order not to delay the consideration of the measure before us, if I may suggest, propose and move, that we now consider this measure, and the Committee on Government Corporations and Public Enterprises will submit a supplemental committee report to embody these two other bills that were not considered in the original report.

Thank you, Mr. President.

The President. The Assistant Minority Leader is recognized.

Senator Romulo. Mr. President, we have always been cooperative on this matter. I would have no objection to the statement and to the request of the Chairman of the Committee on Government Corporations and Public Enterprises that the sponsorship be made now subject to what he said would be the supplemental report where all of these things will be taken into account. I personally would have no objection to that.

The President. The Minority Leader.

**MANIFESTATION OF SENATOR GONZALES
(Committee Report No. 362 on S. No. 2013
Considered Amended)**

Senator Gonzales. So that without prejudice to the formal submission of an amended or a supplemental committee report, then I think it is the understanding of the Body that with this manifestation of the chairman of the Committee on Government Corporations and Public Enterprises, Committee Report No. 362 is deemed amended.

The President. Is there any objection? [Silence] There being none, it is so amended.

Senator Tatad. Mr. President, for the sponsorship of Senate Bill No. 2013 under Committee Report No. 362, I ask that the distinguished chairman of the Committee on Government Corporations and Public Enterprises, Senator Enrile, be recognized.

The President. The distinguished gentleman from Cagayan is recognized.

**SPONSORSHIP SPEECH OF SENATOR ENRILE
(A GSIS Charter for a New Century)**

Senator Enrile. Thank you, Mr. President.

Mr. President, Ladies and Gentlemen of the Senate:

On behalf of your Committee on Government Corporations and Public Enterprises, I have the honor to submit today for consideration by this Body, the committee's report on Senate Bill No. 2013 which tends to amend the charter of the Government Service Insurance System or GSIS, for short.

As we all know, this is a measure long awaited by our civil servants and vitally needed by the GSIS. When this bill finally becomes a law—and hopefully it will soon—it will substantially

increase and improve the social security benefits of our 1.4 million government workers and enhance the System's capacity to respond to new challenges and opportunities.

After our review and deliberations over Senate Bill No. 1544, the amended GSIS charter will embody the following significant changes and features:

First, it provides for the full coverage by the GSIS of temporary and casual employees who, up to now, do not enjoy protection. Under the proposed Act, the mandatory and full protection by the GSIS of civil servants against old age, disability, incapacitation, invalidism and death will be extended to all temporary and casual employees of the government. This will benefit about 172,000 employees and their families.

Second, the amended GSIS Charter will exclude the uniformed personnel of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP). This provision is not designed to discriminate or to be unfair against the personnel of these two organizations but to eliminate the double coverage and overlapping benefits for this group of government employees inasmuch as the AFP has its own life insurance coverage and the PNP envisions its own under its retirement and separation benefits system.

Third, the proposed measure provides for a 270 percent increase in the average monthly compensation limit and the maximum monthly pension for GSIS members. Since the enactment of Presidential Decree No. 1146 on June 1, 1977, which is the current charter of the Government Service Insurance System, the P3,000-average monthly compensation or, for short, AMC limit has not been increased.

As of January 1, 1997, as we all know, Mr. President and members of this Chamber, the minimum monthly salary of government employees stood at P4,000, which is nearly 50 percent above the AMC limit. Moreover, the current average monthly salary of government workers is P7,404, which is more than double the existing average monthly compensation limit. Therefore, common sense dictates, and it is imperative, that the limit be raised to P10,000. This will cover about 94 percent of the entire government personnel.

Based on the maximum replacement ratio of 90 percent, the maximum basic monthly pension will be effectively increased from P2,700 to P9,000 and this sum, in our opinion, Mr. President, will enable retirees to keep pace with the cost of living.

Fourth, the amended charter provides for a greater increase in the pension of low-salaried employees. To achieve this, the

formula of the revalued average monthly pension was improved by increasing the supplement to the average monthly compensation of P140 to P700.

Fifth, the amended charter provides for full enjoyment of the five-year lump sum. Currently, the five-year guaranteed pension can be converted into a five-year lump sum, withdrawable by the pensioner or retiree at the time of retirement, subject to discounting at 6 percent per annum. This means that the retiree receives only effectively 52.17 times his basic monthly pension (BMP) at the time of his retirement. Under Senate Bill No. 1544, the discounting is removed and the retiree will thence forward receive the full 60-month pension, an increase equivalent to almost eight months' pension, compared to the present system.

Sixth, the amended charter provides for additional separation benefit. A cash payment of 18 times the basic monthly pension at the time of separation and a life pension to start at age 60 will be given to those who separate from the service with at least 15 years of service. Under the current law, the separated member will have to wait, if he is lucky, until he reaches the age of 60 years to receive any separation benefit.

Seventh, the amended charter provides and introduces an unemployment benefit. The unemployment benefit will range up to a maximum of six months of monthly cash payments. Each payment is equivalent to 50 percent of the average monthly compensation. This benefit will be given to those who will be involuntarily separated from the service due to reorganization, merger or privatization.

Eighth, the proposed law will liberalize the eligibility requirements for death and disability benefits. The existing contribution requirements in case of disability and death is at least 36 monthly contributions within the last five years immediately preceding death or disability. Under the amended charter, once an employee becomes a member of the System, there is no longer any minimum contribution requirement.

Ninth, the amended charter will empower the Government Service Insurance Board to improve or adjust, based on actuarial studies, the formula for computing the basic monthly pension as well as the salary basis when economic and other factors, including solvency of the funds, may warrant it. Currently, only Congress through the legislative process can amend the formula as well as the salary basis, a procedure that tends to be tedious, long-drawn and would be to the detriment of the employees of the government.

Tenth, the amended charter mandates the GSIS to allocate 40% of the investable funds of the Social Insurance Fund (SIF)

to loans by members. Member loans will include salary, policy, educational, emergency, stock purchase, housing and other similar loans. This is not provided for in the current charter of the Government Service Insurance System, P.D. No. 1146.

To be sure, all these envisioned improvements and increases in benefits will not be without some cost to both GSIS members and the government. But I would hasten to add that the cost is not really that much. They assume an increase in the contribution rate of 3 percent from the current 18 percent to 21 Percent. This means an increase of .50 percent in the employees share, from 8.5 percent to 9 percent. Meaning, as far as our government employees are concerned, there is a half a percent increase in their present contribution, and yet, they are getting a much higher coverage, social security and other benefits.

As far as the government is concerned, there is an increase of 2.5 percent employer's share, from 9.5 percent to 12 percent. This will ensure the continuing viability and stability of the Social Insurance Fund.

In addition to changes in the benefit package, Mr. President, the proposed law provides for other amendments to the GSIS charter that are designed to improve the administration and operational capability of the System. Senate Bill No. 1544 will ensure a responsive and dynamic social security structure and an administratively strong institution fully capable and ready in serving the welfare of Filipino civil servants and managing the retirement fund of members.

Throughout its history, the GSIS has made a difference in the lives of civil servants and the nation as a whole, not only by providing a working system for social security, but also by making prudent adjustments in security benefits as changes have visited our national life. Today, ladies and gentlemen of the Senate, it is time once again for us to revisit the charter of this government agency and to effect some changes.

On the eve of a new century, with the country needing more than ever a strong civil service and the economy moving forward, this is a good time, in our opinion, for the GSIS to expand and improve its services, and for Congress to pave the way and to approve it.

On behalf, therefore, of the Committee on Government Corporations and Public Enterprises and the distinguished authors of Senate Bill No. 1544, I request the approval by the Senate of Committee Report No. 362 and the attendant bill.

Thank you very much, Mr. President.

Senator Tatad. Mr. President, I would like to congratulate our distinguished colleague for that sponsorship speech.

For the second sponsorship speech, I ask that the distinguished Minority Leader be recognized.

The President. The distinguished Minority Leader is recognized.

SPONSORSHIP SPEECH OF SENATOR GONZALES

Senator Gonzales. Mr. President, my distinguished colleagues: I owe the distinguished chairmen of the Committee on Government Corporations and Public Enterprises, the Committee on Civil Service and Government Reorganization, and the Committee on Finance a debt of gratitude for allowing me to cosponsor Senate Bill No. 2013 covered by Committee Report No. 362. Probably I was given this honor because on the record, I am the principal author of Senate Bill No. 1544, one of the bills considered by the Committee in the preparation and filing of Senate Bill No. 2013.

My office has received 2,448 telegrams, mostly from clubs and organizations of teachers and government employees and one resolution from the Sangguniang Bayan of Biliran, Biliran, urging my support for this particular bill.

Mr. President, on November 14, 1936, the Government Service Insurance System was created and established to promote the efficiency and welfare of government employees through the enactment of Commonwealth Act No. 186. Six months later, on May 31, 1937, the GSIS started its operations with an appropriation of P200,000 and a workforce of 58 to serve its initial membership of 100,000 state workers. Today, the GSIS is a P102-billion corporation whose workforce of 3,473 is spread all over its 27 branch offices and 92 service desks around the country and at its new headquarters at the Financial Center, Pasay City, right in this building we are renting from them:

After about almost 60 years, its membership has grown to 1.4 million. From a single life insurance fund which it was mandated to administer upon its creation, the GSIS has, throughout the years and in response to the growing requirements of the times and its members, slowly evolved into a more complete social security organization. Thus, in addition to its original mandate, it now administers a retirement insurance fund, a health insurance fund, an optional life insurance fund, a general insurance fund, and a barangay officials insurance fund.

The periodic expansion of operations and functions of the GSIS and the enhancement of the benefits it extends to its

members were authorized through a series of amendments to its charter by congressional legislation and presidential decrees. The last charter amendment was on May 31, 1977. That was good 20 years ago.

But the economic demands of the times have far outpaced the benefits presently offered by the GSIS to its members. For indeed, benefit levels 20 years ago appropriate and adequate to the conditions then prevailing are now pitifully inadequate and sorely wanting because of a changed economic environment.

The sad thing is, Mr. President, while the GSIS is in a good financial position to dramatically improve the levels of its benefits, given its newfound robust financial growth, it cannot do so unless its charter is amended.

That is why I stand proud before this Body today as the principal author of Senate Bill No. 1544, together with my other fellow authors Senators Enrile, Ople, Drilon, Shahani, Romulo, Coseteng, Roco, Mercado, Sotto III, Flavier, Webb, Alvarez, Osmeña III, Macapagal-Arroyo and Senate President Maceda, urging this Body for the approval of Senate Bill No. 2013 per Committee Report No. 362, amending or revising Presidential Decree No. 1146, that is the charter of the GSIS.

The proposed amendment to the charter has never been so timely, and we, as representatives of the people, are now given the opportunity to champion the economic upliftment of government employees by putting our signatures to this particular amendment to the GSIS charter.

Since we are talking of the same bill, Mr. President, then it is possible that there might be a repetition of some of the issues and arguments that had been raised by the distinguished sponsor of the Committee on Government Corporations and Public Enterprises—and these are not intended to supplant or even modify or clarify them—but I beg the indulgence of the members of this Body to consider them as being done only for purposes of emphasis.

Now, let me present and discuss briefly some of these new social security benefits under this bill:

First: *The compulsory coverage of all workers of government regardless of employment status as called for under Section 3 of Senate Bill No. 2013.* - Today, Mr. President, thousands of employees whose position and work status are temporary, casual or contractual are employed in the government. While this number varies from the count of one government agency to another, it is generally considered that this group of nonpermanent employees numbers no less than 150,000 at any given time.

These people who work from eight o'clock in the morning to five o'clock in the afternoon everyday and do the same functions of permanent employees, but despite having worked with the government for five, 10 or 15 years, do not receive any retirement pay when they are forced to leave their posts in government either by nonrenewal of their contracts because of lack of funds and separation due to reorganization or abolition of their offices.

These are people who do not have social security protection from the government and the GSIS. Their plight is being addressed by Section 3 of Senate Bill No. 2013 which provides that all government employees, regardless of status of employment, will compulsorily be covered by the GSIS.

Second: *Increase in the maximum monthly pension from P2,700 to P9,000.* - Retirees today regardless of how lofty their ranks were in the organization or how high their salaries have become throughout the years, receive a maximum of P2,700 as basic monthly retirement pension under the present GSIS charter. Senate Bill No. 2013 aims to correct this very meager monthly pension level so that the retiring employee who has devoted the best days of his life in government service can afford to live decently in his golden years of retirement.

A person with 35 years of service and receiving a basic salary of P10,000 a month while in active service will be receiving the paltry sum of P2,700 as basic monthly pension as a retiree. Under the present law, this person will experience a drastic change in his lifestyle since his monthly pension is a staggering P6,300 or 73 percent less than what he was previously receiving as basic monthly salary while at work. And at 65 years old, this reduction in income is indeed a very debilitating prospect that will pull the retiree closer to the grave.

The proposed measure will elevate the stock of the retiree pensioner for it seeks to peg his monthly pension to 90% of his basic salary.

Thus, if the retiree is receiving P10,000 as his basic monthly salary, he will be entitled to P9,000 basic monthly pension or merely P1,000 less than what he was actually getting before he retired.

And because a provision of the GSIS charter also authorizes the GSIS Board of Trustees to upwardly adjust the pension of the GSIS retirees in two or three years' time after retirement, the pension of the employee who retires under Senate Bill No. 2013 could be much more than what he was earning as his basic monthly salary while he was in active service.

This provision will preserve the dignity of a retiree since he

will be considered as a burden to his family in his old age, but as a vital contributor to the family coffers.

Third: *The relaxation of disability and sickness income benefit requirements.* - Under the present charter of the GSIS, one must contribute at least 36 monthly premiums before he can be covered by the System's disability and sickness income programs. This means that even if a member has made, let us say, 20 contributions, all these will be for naught and he will forfeit this if he will not be able to fully comply with the required number of contributions before the contingency leading to disability occurs.

The passage of the new bill will correct this aberration since the Act mandates that a new employee need not even pay a single contribution to be qualified for disability or sickness income benefits.

Therefore, if a person who is hired today reports to work at eight o'clock tomorrow morning and meets an accident one hour later, he can already avail of the benefits under the now relaxed disability requirements.

Hand in glove with the Carer's Allowance implemented last year by the GSIS, the disability benefit given the retired employee will ensure that his welfare and well-being will not be compromised by physical and medical neglect.

Fourth: *The provision of retirement options other than Republic Act No. 660, Republic Act No. 1616, and P.D. No. 1146.* - Under the present charter of the GSIS, a government employee has three options by which to retire: Republic Act No. 660, where the retiring employee who has attained the required age and length of service receives a five-year lump sum and monthly pension after five years; Republic Act No. 1616, where the retiring employee is paid his gratuity and refund of premiums regardless of age, provided he has rendered at least 20 years of service; and P.D. No. 1146, where the retiring employee is given a five-year lump sum at age 60 and monthly pension after five years provided he has rendered at least 15 years of service.

Senate Bill No. 2013 gives the employee another retirement option which will maximize his retirement proceeds and allow him to retire earlier than any of the existing age requirement for retirement purposes and still receive a tidy sum from the GSIS to enable him to start a business or a new life.

I refer to a new retirement mode which is a big improvement over that provided for under R.A. No. 660.

Allow me to explain this, Mr. President.

When an employee retires under Republic Act No. 660, he receives a lump sum equivalent to his guaranteed five years' pension. However, because he receives this amount in advance and not on a monthly basis for 60 months, the GSIS actually deducts 7.83 months from his lump sum proceeds. This deduction is embodied under Presidential Decree No. 1146 and is therefore allowed. But while this deduction is legal, the retiree suffers a big diminution in retirement proceeds.

Under Senate Bill No. 2013, this onerous deduction from the five-year lump sum will no longer be authorized. The whole 60 months lump sum will be given to the retiree for him to fully use and enjoy.

Likewise, under the present GSIS charter, when an employee who has rendered at least 15 years of service but has not reached the age of 60 retires, he can only enjoy the fruits of his GSIS contribution at age 60 by way of monthly pension. Senate Bill No. 2013 will change this for the better since it stipulates that when an employee of government with the above circumstances will retire, he will immediately receive an amount equivalent to 18 times his monthly pension and will still receive his monthly pension for life at age 60.

In other words, the retiree will have a tidy sum to lean back on while he is starting his new life as a simple retiree or start a business as a private entrepreneur. The retiree can even choose another option and, that is, to receive 18 times his basic monthly pension immediately and likewise receive his monthly pension for life immediately, getting both 18 months lump sum payment and monthly pension at the same time.

Fifth: Introduction of Unemployment Benefit. - For the first time, the unemployment benefit which has long been part and parcel of social security programs in all progressive countries in Europe, the Scandinavian countries, and the United States will be introduced in the Philippines.

Through Senate Bill No. 2013, this benefit, which is one-half the average monthly salary of the displaced employee will be given for a period not exceeding six months to government employees who are separated in office by reason of reorganization, abolition of office or position. This new unemployment benefit will cushion the impact of the abrupt loss of steady income while the separated employee is looking for another gainful employment.

Sixth: Introduction of Separation Benefit. - This is a new benefit available to the employee who voluntarily separates from the service. It is equivalent to 18 times the basic monthly pension which he will start to enjoy for life beginning age 60 provided that when he retires, he meets all the requirements that would

make him eligible to receive monthly pension.

These are six specific benefits that will favor government workers, benefits that will improve their way of living and enhance their quality of life. But Senate Bill No. 2013 goes beyond helping the GSIS members. It also has a provision which will help ensure the continuing viability and financial stability of the System. This provision is a penalty levied against an erring official who fails to collect and/or remit moneys due the System.

It is a matter of public record—and we have investigated this when I was then Chairman of the Committee on Finance—that the Department of Budget and Management (DBM) has not been remitting to the GSIS the government's share of the contributions of the employees of the national government. It is also a matter of public knowledge that DBM has adamantly refused to remit the same despite legal efforts adopted by GSIS to compel them to do this.

And how much is this unremitted government share contributions? Mr. President, it is more than P10 billion. Ten billion pesos which the GSIS could have invested to further propel its financial growth had it received this as legally scheduled; P10 billion which the GSIS could have used to finance the construction of 10,000 houses for 10,000 homeless Filipino families; P10 billion which the GSIS could have used to fund its satellite office in every provincial capital of the land. But the GSIS cannot collect this P10 billion that the DBM owes it. Not yet, anyway.

The passage of Senate Bill No. 2013 will change this, for the GSIS will now have enough legal leverage to collect its P10 billion. The bill sees to it that it is the erring government official who will be penalized for the nonremittance, not merely the agency, as provided for under the present GSIS Charter. And because it is now the person or the official, not the agency, that will bear the onus of the penalty, then I can foresee that no rational-thinking official will hold on or continue to refuse to remit moneys legally due the GSIS.

There is also a provision in Senate Bill No. 2013 which seeks to exempt the GSIS from the coverage of the Salary Standardization Law. At first, this would appear to be self-serving to the GSIS and its employees. But a careful examination of the System's employment records show that its work force has been constantly declining—from 3,870 in 1994 to 3,529 in 1995 and 3,452 in 1996.

The reason for this gradual decline is that the GSIS wants to build a lean but high quality workforce. The problem is, the GSIS has not been able to attract the professionals it needs

because of the low salary compensation dictated by the Salary Standardization Law.

The rationale behind the proposed provision which will exempt the GSIS from the Salary Standardization Law is to put the GSIS compensation structure in equal footing with or at least as competitive as those being offered by private offices and multinationals, or by government offices like Napocor, Bangko Sentral ng Pilipinas and the Land Bank of the Philippines which have already been exempted from the Salary Standardization Law. Ditto for the SSS.

Once the GSIS is freed from the compensation restrictions of the Salary Standardization Law, then it can attract employees who can give the expertise it needs and the special brand of service its members deserve.

Yes, we can say that Senate Bill No. 2013 has programs revolutionary in its dimension. It has provisions which raises far-reaching aspirations. But these programs and these provisions focus on one central theme: that of helping the long suffering government employee.

Mr. President, as aptly put by the distinguished sponsor of this measure, this will not come without any cost. This will not be painless because there will be an appropriate increase in the contributions of its members. The distinguished sponsor said in his sponsorship speech, "to be sure, all these envisioned improvements and increases in benefits will not be without some cost to both GSIS members and the government. They assume an increase in the contribution rate of 3% from the current 18% to 21% of their average monthly compensation (AMC). This means an increase of .50% in the employees' share from 8.5% to 9%, and an increase of 2.5% in the employers' share from 9.5% to 12%. This will ensure the continuing viability of the social insurance fund."

I am aware, Mr. President, that an abrupt increase in this amount of contribution might be drastically felt by the members of the System. That is why in the period of amendments, I would want to incorporate into this bill a particular proviso, which is now found in House Bill No. 8561, and I quote: "Provided, however, That initially the monthly contributions payable by the GSIS members shall be equal to 7% of the monthly compensation covered by the average monthly compensation limit and below, effective January 1997 to be increased by 1% every year thereafter until it shall have reached 9% by the year 1999, plus 2% of the monthly compensation above the average monthly compensation limit." In short, the increase in the members' contribution will be phased on a gradual increase over a three-year period, starting from 1997 to 1999.

Mr. President, in closing, let me recall the words of Francis Bacon, when he said: "Hope is a good breakfast, but a lean supper." To which one great American, Attorney General Robert F. Kennedy, added his own thoughts, and I quote: "We have asked the people to the breakfast of hope, but the supper of fulfillment, we eat without them. Breakfast has long been eaten, and hunger walks the street. It is time to make room at the table."

We have asked our people in the government service to bear with us in the dark days of the dictatorship, for forbearance in these trying years that we nurse our economy back from the red. They have complied. They have been our friends in adversity.

By approving Senate Bill No. 2013, then we can prove that we are partners with them in prosperity. Indeed, the time for small and idle talk is passed. Let us move from words to action. In this effort, none of us can remain unaligned. To this goal, none can remain noncommitted.

On behalf of the tens of thousands of casual, temporary and contractual employees of the government, for the 1.5 million members of the GSIS, as our gift of appreciation, to the entire workforce of bureaucracy, I plead to my distinguished colleagues, let us pass Senate Bill No. 2013.

We cannot shirk to do so little when so much is at stake for so many.

I would like to thank the Chair and my distinguished colleagues, Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, may we congratulate the distinguished Minority Leader on that eloquent sponsorship speech.

For the next sponsorship speech, I ask that the distinguished lady Senator from Pampanga, Pangasinan and Negros Occidental be recognized.

The President. The distinguished Senator from Pampanga, Pangasinan, Negros Occidental and the Philippines is recognized. Senator Macapagal. Thank you, Mr. President.

SPONSORSHIP SPEECH OF SENATOR MACAPAGAL

Mr. President, as author of Senate Bill No. 1572, one of the three Senate bills combined in order to come up with Senate Bill No. 2013, as reported out under Committee Report No. 362, I rise in support of Senate Bill No. 2013.

Since the principal sponsor and author of Senate Bill No. 1544 have already expounded on the provisions of the proposed measure, allow me to try to place the bill we are discussing and sponsoring in the context of a fundamental goal that we are all seeking to accomplish. This fundamental goal is the struggle for prosperity which was continuously taken into account, that the end of the struggle prosperity is to promote the well-being of the people at large.

Moreover, the Medium-Term Development Plan which the administration and even our Congress are seeking to implement and popularly known as "Philippines 2000" must be accompanied by a coordinated social welfare program.

Our path to steer the nation together as public servants along the path of progress should be, first, through the dynamic development of our resources, and second, by the implementation of a social program for the masses under the direction of the government. The government should assume the full responsibility for implementing the social and public welfare program.

There should be a clear division of labor between the private sector and the government under the principle of people empowerment and along the guidepost generally provided by Philippines 2000, the business community and the citizenry are allotted the task of producing the wealth of our nation. The government, however, and its institutions are given the task of safeguarding the social welfare of the greatest number.

This is the philosophy behind what is known as the Social Reform Agenda to which most of us in this Chamber adhere, some components of which separately seemed disjointed from and inconsistent with the economic program to promote production but which, together with that program, really comprise the totality of the goal that we now call "Philippines 2000".

May this representation then suggest that the People's Welfare Program for the greatest number, the Social Reform Agenda, should include the following:

1. Rice at prices affordable to the masses;
2. A living minimum wage;
3. An employment program;
4. The promotion of micro-enterprises;
5. Food security in sugar and other prime commodities;
6. Housing for the poor;

7. Strengthening the National Housing Authority and converting it into a Department of Housing; and
8. Strengthening the SSS and the GSIS to be able to afford an expanded social assistance to their members.

Mr. President, we have already worked on the SSS. Today, we begin to work on the GSIS. These two institutions make up the core of our social welfare program. These elements of a synchronized social welfare program must be continuously expanded and become integrated as the needed financial support becomes increasingly justifiable and made available by the progress that we are attaining under the Medium-Term Philippine Development Plan.

While the country aspires to ideal prosperity with full employment, it must concurrently and progressively build a system of social welfare that the economy can sustain. Because we have achieved great progress under the economic reforms of the current administration, working hand-in-hand with the Senate and the House, truly we are now beginning to be able to afford expanded social welfare services for our private sector employees and our government employees even as now they are able to contribute more to the investments in their blessings.

With this context in mind, Mr. President, and again as author of Senate Bill No. 1572, it is with great pleasure that, with the permission of Senator Enrile, the chairman of the committee and the principal sponsor of the bill, I once again ask all our colleagues to support Senate Bill No. 2013.

Thank you, Mr. President. *[Applause]*

Senator Tatad. Mr. President.

The President. The Majority Leader is recognized.

SUSPENSION OF SESSION

Senator Tatad. May I ask 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 5:10 p.m.

RESUMPTION OF SESSION

At 3:16 p.m., the session was resumed.

The President. The session is resumed.

being none, the motion is approved.

Senator Tatad. Mr. President.

ADJOURNMENT OF SESSION

The President. The Majority Leader is recognized.

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

SUSPENSION OF CONSIDERATION OF S. NO. 2013

Senator Tatad. Mr. President, I move that we suspend consideration of Senate Bill No. 2013.

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

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

It was 5:17 p.m.



Wednesday, May 7, 1997

RECORD OF THE SENATE *Suspension of Consideration of S. No. 1817*

private hospitals where we have that problem because we have also stringent conditions for the transfer here. The conditions are as follows: One, there must be the consent of the patient. Is it not, Mr. President?

Senator Webb. Yes, Mr. President.

Senator Gonzales. It says, "consent of the patient or his immediate relatives and also consent on the part of the receiving hospital or medical clinic."

Senator Webb. That is right, Mr. President.

Senator Gonzales. But then, it says that, "the strict compliance with the foregoing procedure"—that is the last proviso—"on transfer shall not be construed as a refusal made punishable by this Act." Can the gentleman further elaborate on that, Mr. President?

Senator Webb. Mr. President, the idea is, first of all, if we transfer a patient, the possibility will be that full house iyan—meaning, puno iyong ospital. There is a possibility that doon sa ospital na pinaglipatan has the same capability as the other hospital. In short, they are trying to duck the issue of taking care of the patient. Parang pinipingpong iyong pasyente.

Somehow, we just cannot say that once a patient is transferred, then the receiving party will just accept him. If he does not accept him, then he will have to be punished. That should not be the case, Mr. President.

Senator Gonzales. *Ang nangyayari*, the transfer cannot be made. Meantime, how about the patient?

Senator Webb. That is the other thing, Mr. President.

Senator Gonzales. Will the patient be in a state of limbo, Mr. President?

Senator Webb. That is the purpose of getting, first of all, his approval, if the patient is conscious, or the next of kin's approval. If he says that he would rather stay there, then the hospital has no other choice but to let him stay there and give him its utmost care.

Senator Gonzales. There is nothing in this bill which is amendatory in character to deal with that situation?

Senator Webb. Yes, Mr. President. It will be on a case-to-case basis. No matter what we do, we will always be caught in a bind of how to make sure that the patient is given the proper care. As I said, the receiving party will have a right to refuse also

on legitimate reasons. Kagaya ng sinabi ko, maaaring puno na iyong ospital o dili kaya ay may kakayahan din ito tulad ng ibang ospital. Bakit kailangan pang ilipat ng ibang ospital ang pasyente? Dahil ba walang ibabayad itong tao kung kaya nila ginagawa iyon?

Senator Gonzales. Hindi po ako masyadong concerned o nababahala doon sa problema ng dalawang ospital. Ang concern o iniisip ko po ay iyong problema ng pasyente. Ano po ang mangyayari sa pasyente sa ganitong sitwasyon?

Senator Webb. Kaya nga po sinisiguro natin na may ibinigay na pahintulot o consent iyong pasyente. Nasisiyahan nga siya sa ospital na kung saan siya ay ginagamot, pero napupuna naman niya na gusto siyang ilipat para makailag sa gastos iyong ospital, sa palagay ko ay walang karapatan iyong ospital na siya ay ilipat. Karapatan ng pasyenteng manatili sa ospital na iyon.

Senator Gonzales. I still think this is another thing that we have to focus on during the period of amendments.

I think I have said enough on this particular bill. I want to thank the gentleman for his time.

Senator Tatad. Mr. President.

The President. The Majority Leader is recognized.

SUSPENSION OF CONSIDERATION OF S. NO. 1817

Senator Tatad. Mr. President, at this point, I would like to move that we suspend consideration of Senate Bill No. 1817.

The President. Is there any objection? *[Silence]* There being no objection, the motion is approved.

BILL ON SECOND READING
S. No. 2013 - The GSIS Act of 1997
(Continuation)

Senator Tatad. Mr. President, I move that we resume consideration of Senate Bill No. 2013 as reported out under Committee Report No. 362.

The President. Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 2013 is now in order.

Senator Tatad. Mr. President, we are now in the period of interpellations. I ask that the distinguished sponsor, the chairman of the Committee on Government Corporations and Public

Enterprises, be recognized, and the lady senator from Iloilo to interpellate.

The President. The distinguished gentleman from Cagayan and the lady senator from Iloilo are recognized.

Senator Santiago. Thank you. Mr. President, will the gentleman yield to interpellations?

Senator Enrile. Of course, Mr. President.

Senator Santiago. Please allow me to commence with a statement that I am fully in support of this bill. These questions therefore are clarificatory in nature and intended in the spirit of improvement.

This is the first question as I shall explain. What is the effective date of coverage of the GSIS bill? If the government employee is appointed, is it from the date of appointment or upon reaching permanent status? If elected, is it from the date of assumption to office or the date of election?

Should it not be made clear in the bill itself what the date of the coverage is, considering that the absence of a definite date could open the floodgates for conflicting interpretations?

Senator Enrile. Mr. President, I think the bill itself has already indicated that the date of coverage will be on the date of appointment. Of course, in the case of elected officials or elected members, on the date they take their oath of office. Those are officially specified dates. Whenever one is appointed in a government position, he has to get an appointment from some authority, and that appointment paper carries with it a date.

Senator Santiago. Good. I simply wanted to place it in the record.

The second question is: Section 42 indicates that there shall be eight members of the Board of Trustees other than the President and General Manager of the System. This section, however, fails to indicate what the general qualifications of the eight members are?

This could mean that the appointing authority will be free to appoint whoever he wants to the position without consideration of any qualification because the law does not specify any. Would this be a correct reflection of the bill in its present form?

SUSPENSION OF SESSION

Senator Enrile. 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 4:45 p.m.

RESUMPTION OF SESSION

At 4:46 p.m., the session was resumed.

The President. The session is resumed.

Senator Enrile. Mr. President, may I just read for the record the provision of Section 42, and it says:

SEC. 42. The Board of Trustees; Its Composition; Tenure and Compensation.-The corporate powers and functions of the System shall be vested in, and exercised by the Board of Trustees composed of the President and General Manager of the System and eight (8) other members to be appointed by the President of the Philippines, one (1) of whom shall be the President of the Philippine Public School Teachers Association (PPSTA), another two (2) shall represent the two (2) leading organizations or associations of government employees, and another three (3) shall come from the banking, finance and investment sectors. The Chairman of the Civil Service Commission shall be an *ex-officio* member. The Trustees shall elect among themselves a Chairman while the President and General Manager of the System shall automatically be the Vice-Chairman.

Mr. President, I think we cannot anticipate the qualifications of those who will be chosen by the organizations mentioned in the law that will be represented in the board. But surely, three others are expected to come from the banking, finance and investment sectors. The degree of skills of these three ought to be left to the appointing power for that is the responsibility of the Chief Executive.

Senator Santiago. Would there be no danger that the legislature might be accused in this case of undue delegation of the power to lay down qualifications for a given position?

Senator Enrile. I do not think so, Mr. President. We have already established sufficient standard here by saying that three others shall come from the banking, finance and investment sectors. All can come from the banking sector, all can come from the finance sector, or all can come from the investment sector. That is left to the discretion of the President in selecting the persons that bear these qualifications.

Senator Santiago. Thank you, Mr. President.

The third question. Section 52 imposes the penalty for failure or refusal to comply with the provisions or rules and regulations—"a fine of not less than Five hundred pesos (P500) nor more than five thousand pesos (P5,000) or by imprisonment of not less than six (6) months nor more than one (1) year, or both, at the discretion of the court."

The equivalent of this penalty under the Penal Code is classified under Article 26 of the Penal Code as a mere correctional penalty. For the same offense, the SSSF, Section 28, paragraph (b) provides for 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." Such a penalty is considered as an afflictive penalty.

My question is: Is the penalty under the present GSIS bill not too light a penalty and might not, therefore, serve the purpose of dissuading would-be offenders?

Senator Enrile. We have no objection to any proposed amendment to this penalty, Mr. President. This is just a carry-over of the provisions of the existing charter.

Senator Santiago. Thank you, Mr. President.

Now the last question. Members of the Armed Forces of the Philippines and the Philippine National Police are allowed to consider membership in the GSIS as optional. In other words, for them, membership is not compulsory.

Would it also be possible to extend to other sectors the same kind of optional discretion if they are interested in obtaining the services of other systems other than their own?

Senator Enrile. I see no problem about that, Mr. President. I would go along if there is a proposal to that effect. As long as they pay the premium, I think the System will not object to membership if we provide that in the law.

Senator Santiago. Thank you. That is all, Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, I ask that the gentleman from Quezon City and Leyte, Sen. Orlando S. Mercado, be recognized.

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

Senator Mercado. If the sponsor would yield, Mr. Pres-

ident, I would like to focus on one particular issue, and this is the matter of the Armed Forces of the Philippines.

The AFP has its own retirement system, does it not?

Senator Enrile. That is correct, Mr. President.

Senator Mercado. That is also true with the Philippine National Police as provided by Republic Act No. 6975.

Senator Enrile. I do not know whether they have established their own pension system. I will accept the information given by the chairman of the National Defense Committee.

Senator Mercado. The authority is there in the law. However, members of the AFP and the PNP are contributing to the System, if I am not mistaken.

Senator Enrile. Yes, Mr. President. They are still contributing but their contribution, if I remember the text of the law, is about 5 percent only for life insurance.

Senator Mercado. For compulsory life insurance, they are contributing 5 percent.

Senator Enrile. But I would like to add that the proposed measure now wishes to exclude the members of the Armed Forces of the Philippines and the Philippine National Police because of this double coverage. The System will be confined to the civilian components of the bureaucracy without indicating any discriminatory intent against the police and the soldiery but rather to recognize the fact that they have their own pension system.

In the case of the AFP, they have the RSBS, the Retirement Separation Benefit System, and as has already been indicated, the Philippine National Police members will have the authority to establish their own pension system.

I suppose that in due time, if this law is passed and the system of the police will be established, then the GSIS and the corresponding systems affecting the two organizations will then sit down and work out a plan of separation and deal with the financial aspect of that separation.

Senator Mercado. That is fine, Mr. President, because we are aware of questions raised by the Armed Forces and we are familiar with certain complaints as regards what has been deducted. We are happy that the sponsor of the measure—maybe because he had been Secretary and Minister of National Defense for a long time and he is familiar with the problems of the men in uniform—has seen to it that this particular problem is addressed. But I just want to put this on record that this

particular issue as regards what is being deducted in the AFP is taken care of in this measure.

Senator Enrile. This will be settled in due course because we have provided the System with a recognition of the problem in this proposed law.

Senator Mercado. Thank you very much, Mr. President. That is all.

The President. Are there other interpellators of this measure?

Senator Tatad. There are no further interpellations for the moment. I move that we close the period of interpellations.

Senator Webb. Mr. President.

The President. The gentleman from Parañaque, Sen. Freddie N. Webb, is recognized.

Senator Webb. Mr. President, just one question, if the gentleman will allow me because I am the chairman of the Committee on Health. In the GSIS Bill, is there any acceleration as far as the benefits of health services are concerned for the employees of the GSIS?

Senator Enrile. I do not recall any provision providing for health care in this particular measure. This deals with old-age pension, disabilities, retirement and unemployment. I understand the health care benefits of the members are covered by another law.

Senator Webb. Is that covered by the contribution in the social dimension of the GSIS members? There is a package in the GSIS members' contribution that has a social dimension and it takes care of the health package.

Senator Enrile. Mr. President, it is not covered by the contribution.

Senator Webb. I know, Mr. President. What I am asking is on health care particularly for the pensioners. Do they get a particular health care package here?

Senator Enrile. It is not in this particular proposed measure, Mr. President. I understand that it is covered by another law. That is the Free Medicare Law.

The President. The gentleman from Parañaque may present an appropriate amendment during the period of amendments.

Senator Webb. That is what I am trying to say, Mr. President. At the appropriate time, maybe during the period of amendments, I can present something to that effect.

Senator Enrile. We are open to any suggested amendments but I will add that this will depend upon whether the actuarial computation of the contribution would allow the cost of that amendment because it is already provided by law anyway.

Senator Webb. I will, at the proper time, Mr. President, because I already have a proposed amendment here. I will show it to the distinguished gentleman at the proper time.

Thank you, Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, I reiterate my motion. I move that we close the period of interpellations.

The President. Is there any objection? *[Silence]* There being none, the period of interpellations is closed.

SUSPENSION OF CONSIDERATION OF S. NO. 2013

Senator Tatad. Mr. President, I move that we suspend consideration of Senate Bill No. 2013.

The President. Is there any objection? *[Silence]* There being none, consideration of Senate Bill No. 2013 is suspended.

BILL ON SECOND READING

S. No. 1996—Amending Section 13 of RA No. 3019, Anti-Graft and Corrupt Practices Act

Senator Tatad. Mr. President, I move that we consider Senate Bill No. 1996 as reported out under Committee Report No. 344.

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

Consideration of Senate Bill No. 1996 is now in order. With the permission of the Body, the Acting Secretary will read only the title of the bill, without prejudice to inserting in the *Record* the whole text thereof.

The Acting Secretary [Atty. Raval]. Senate Bill No. 1996, entitled

AN ACT AMENDING REPUBLIC ACT NO. 3019, ALSO KNOWN AS THE ANTI-GRAFT AND

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

Senator Mercado. We are now in the period of amendments. I believe there are no amendments from the committee.

Senator Ople. There are no committee amendments, Mr. President.

Senator Mercado. I move that we close the period of committee amendments.

The President. Is there any objection? *[Silence]* There being no objection, the motion is approved.

Senator Mercado. Unless there are individual amendments, Mr. President, I move that we close the period of individual amendments.

The President. Is there any objection? *[Silence]* There being no objection, the motion is approved.

APPROVAL OF P. S. RES. NO. 766 ON
SECOND READING

Senator Mercado. Mr. President, I move that we vote on Second Reading on Proposed Senate Resolution No. 766 as embodied in Committee Report No. 282.

The President. Is there any objection? *[Silence]* There being none, we shall now vote on Second Reading on Proposed Senate Resolution No. 766.

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

Several Members. *Aye*.

The President. As many as are against the resolution, say *no*. *[Silence]*

The *ayes* have it; Proposed Senate Resolution No. 766 is approved on Second Reading.

SUSPENSION OF SESSION

Senator Mercado. Mr. President, I move for the suspension of the session.

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

It was 11:10 a.m.

RESUMPTION OF SESSION

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

The President. The session is resumed.

BILL ON SECOND READING
S. No. 2013 - The GSIS Act of 1997
(Continuation)

Senator Mercado. Mr. President, I move that we resume consideration of Senate Bill No. 2013 as reported out under Committee Report No. 362.

The President. Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 2013 is now in order.

Senator Mercado. Mr. President, we have closed the period of debate on this particular measure. We are now in the period of committee amendments.

Senator Enrile. Mr. President, there are no committee amendments.

Senator Mercado. Mr. President, I move that we close the period of committee amendments.

The President. There being no committee amendments, the period of committee amendments is closed.

SUSPENSION OF CONSIDERATION OF S. NO. 2013

Senator Mercado. Mr. President, there are a number of senators who have made reservations and signed the committee report with amendments. In view of this fact, we shall tackle the individual amendments in our next session.

I move that we suspend consideration of Senate Bill No. 2013.

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

SUSPENSION OF SESSION

Senator Mercado. Mr. President, may I move for the suspension of the session.

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

It was 11:12 a.m.

Senator Mercado. Mr. President, I ask that we recognize the Assistant Minority Leader, Sen. Alberto G. Romulo.

The President. The Assistant Minority Leader is recognized.

**MANIFESTATION OF SENATOR ROMULO
(Senators Ople, Enrile, Sotto III and Maceda as Coauthors
of S. No. 2039)**

Senator Romulo. Thank you, Mr. President. May I just manifest that for Senate Bill No. 2039, Senators Blas F. Ople, Juan Ponce Enrile, and Vicente C. Sotto III are coauthors.

The President. And also the Senate President. It is so recorded.

**BILL ON SECOND READING
S. No. 2013— The GSIS Act of 1997
(Continuation)**

Senator Mercado. Mr. President, I move that we resume consideration of Senate Bill No. 2013 as reported out under Committee Report No. 362.

The President. Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 2013 is now in order.

**MOTION OF SENATOR MERCADO
(Reconsideration of the Termination of the Periods of
Interpellations and Committee Amendments)**

Senator Mercado. Mr. President, we have closed the period of interpellations on this measure. However, the Assistant Minority Leader, Senator Romulo, wishes to interpellate the sponsor of this measure.

May I move for the reconsideration of our motion to close the period of interpellations.

The President. And also, the period of committee amendments.

Senator Mercado. Yes, Mr. President, I would like to so move.

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

Senator Mercado. I ask that we recognize the sponsor, Sen. Juan Ponce Enrile, and the Assistant Minority Leader, Sen. Alberto G. Romulo.

The President. The gentleman from Cagayan and the gentleman from Quezon City, Tarlac, and Bulacan are recognized.

Senator Romulo. Mr. President, if our distinguished colleague, the chairman of the Committee on Government Corporations and Public Enterprises, Senator Enrile, would yield to some clarificatory questions.

Senator Enrile. Gladly, Mr. President.

Senator Romulo. Mr. President, the coverage of this bill would be extended to all government employees excluding members of the Armed Forces of the Philippines and the PNP, if they so desire. Is that correct?

Senator Enrile. Not if they so desire, Mr. President. I think if I understand the thrust of this bill, they are going to be excluded simply because in the case of the members of the Armed Forces of the Philippines, they have their own system, and in the case of the Philippine National Police, there is a law which authorizes the creation of a system peculiar to the police organization of the country. I think even the members of the judiciary are equally excepted from this measure other than their life insurance coverage.

Senator Romulo. That is right. On the other hand, as I have stated, all government employees including elected and appointive officials are all included under this bill.

Senator Enrile. That is correct, Mr. President, the idea being that all employees of the government, whether appointive or elected, provided they are receiving compensation from the government—when I say government, the national, provincial, city, municipal or barangay for that matter—will have to be covered.

Senator Romulo. Under this bill, they are covered starting from the day they are appointed or elected to their respective public offices. Is that correct, Mr. President?

Senator Enrile. In the case of elective officials, from the date of their oath of office. In the case of appointive officials, from the date of their appointments to the office.

Senator Romulo. As I understand it, Mr. President, after they have served in their respective offices for three years, or after they have paid their contributions within a period of three years, they are entitled to benefits under this proposed measure.

Senator Enrile. Yes, Mr. President, with certain limitations.

My understanding is that there must be at least three years of service, which means three years of contributions to the System.

Senator Romulo. So that once a public employee or government personnel has served for a minimum of 10 years, then he or she is entitled to the full benefits under this proposed measure. Is that correct, Mr. President?

Senator Enrile. It is 15 years, Mr. President.

Senator Romulo. Fifteen years.

Senator Enrile. Meaning, to be able to get the benefit, one has to pay a total of 180 months of contribution, if I recall correctly. If we divide 180 months by 12, I think that is about 15 years.

Senator Romulo. So that between three years and before 15 years, they are entitled to the benefits but under certain limitations, as the gentleman has previously mentioned.

Senator Enrile. Yes, Mr. President. Under the provision on benefits, it says here: "The basic monthly pension is equal to 37.5 percent of the revalued average monthly compensation for the first 15 years."

If one opts to retire and he wants to get the benefits, he is entitled to 37.5 percent of his average monthly compensation. Now, if he has served beyond 15 years, then there is an additional 2.5 percent for that portion in excess of 15 years.

Senator Romulo. So that the full benefit, if he has served for at least 15 years, is 40 percent of the average monthly compensation.

Senator Enrile. It is 37.5 percent.

Senator Romulo. Plus 2.5 percent...

Senator Enrile. If, let us say, he has served for exactly 15 years, he is entitled to 37.5 percent of his basic monthly pension.

Senator Romulo. That is right. But beyond 15 years, if he has served for 15 years and one month...

Senator Enrile. There is an additional. He will be entitled to 40 percent.

Senator Romulo. Would that 40 percent increase be, under any circumstances, like if he has served 20 or 25 years or thereabouts?

Senator Enrile. No, Mr. President. The caveat is that, the total pension must not be more than 90 percent of his average monthly compensation for the last three years preceding his retirement. I think, if I remember correctly the provision, the cash payment is not less than P12,000.

Senator Romulo. So that under this bill, if one has served for more than 15 years, then he is entitled to a maximum of 90 percent of his average monthly pay for the last three years.

Senator Enrile. That is correct.

Senator Romulo. Payable to him in lump sum for five years and thereafter every month. Is that correct?

Senator Enrile. He can get his pension in a 60-month lump sum or equivalent to five years. At the end of the five-year period, he can start getting his pension, that is, if he survives for life.

Senator Romulo. For life, yes. What makes this bill different at least from the previous law is the additional benefit. I understand that within a certain period, the GSIS, through its board, may adjust or increase the monthly payment to the pensioner, unlike in the past—and this was the complaint of many of those who took their retirement under the past years—where the pension are limited to the amount that they were receiving when they retired. But under this bill, those who retire at a certain point can expect that their pension could be adjusted in future years. Is that correct?

Senator Enrile. Their pension can be revalued. There are several features of this measure, Mr. President, that were not in the old law. For instance, under the old law, the average monthly compensation limit was P3,000, meaning, the measurement of his future pension should not exceed a magnitude of P3,000. Here, we adjusted it and made it P10,000. That is one feature of the measure.

There is an increase in the computation of the revalued average monthly compensation. Under the old law, it was P140; under this present law, it is plus P700.

The five-year lump sum under the old law must be discounted. I think it was at 6 percent. There is no such discount. One gets the full amount of his 60-month basic monthly pension.

Then we have here an unemployment benefit under the present law, which was not available under the existing law, under PD No. 1146. There is an enhancement of the separation feature of this. Under PD No. 1146, those separated with at least 15 years of service get their pension at age 60. Under the present

proposal, those with at least 15 years of service get a cash payment at the time of separation equivalent to 18 months of the basic monthly pension and the monthly pension for life at age 60.

Then we have the introduction of the unemployment benefit or the involuntary separation benefit, liberalization of the eligibility requirements. The contribution requirement, in case of disability, and death, is 36 monthly contributions. With the proposal, a member only has to be in the active service to qualify for pension benefits.

Senator Romulo. Just to go over some of them for my clearer understanding. There is an unemployment benefit under this bill which was not existing in the law at present.

Senator Enrile. That is correct, Mr. President.

Senator Romulo. These employment benefits would be prior to the time that the government personnel is eligible to retirement; otherwise, it would be retirement?

Senator Enrile. That is correct, Mr. President.

Senator Romulo. What is this unemployment benefit? For how long will it be given to the government personnel? What happens if he is reemployed in another government service?

Senator Enrile. I will read the provision, Mr. President. It says here:

SEC. 12. UNEMPLOYMENT OR INVOLUNTARY SEPARATION BENEFITS. - UNEMPLOYMENT BENEFITS IN THE FORM OF MONTHLY CASH PAYMENTS EQUIVALENT TO FIFTY PERCENT (50%) OF THE AVERAGE MONTHLY COMPENSATION SHALL BE PAID TO A PERMANENT EMPLOYEE WHO IS INVOLUNTARILY SEPARATED FROM THE SERVICE DUE TO THE ABOLITION OF HIS OFFICE OR POSITION USUALLY RESULTING FROM REORGANIZATION PROVIDED HE HAS BEEN PAYING INTEGRATED CONTRIBUTIONS FOR AT LEAST ONE (1) YEAR PRIOR TO SEPARATION. UNEMPLOYMENT BENEFITS SHALL BE PAID IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

CONTRIBUTIONS MADE	BENEFIT DURATION
MORE THAN 1 YEAR BUT LESS THAN 3 YEARS	2 MONTHS

3 OR MORE YEARS BUT LESS THAN 6 YEARS 3 MONTHS

By that time, it is expected that one shall find employment.

6 OR MORE YEARS BUT LESS THAN 9 YEARS 4 MONTHS

9 OR MORE YEARS BUT LESS THAN 11 YEARS 5 MONTHS

One can be sustained for five months without work.

11 OR MORE YEARS BUT LESS THAN 15 YEARS 6 MONTHS

This means that if one attained 15 years, he would be entitled to separation or retirement benefits; he will be entitled to a six-month support at 50 percent of average monthly compensation.

Senator Romulo. I think this is a very progressive provision. It ensures that those who are separated within the periods enumerated here would get some benefits from two months to six months.

Would this apply, Mr. President, if the government personnel is just a casual employee?

Senator Enrile. I understand it includes also casuals as long as he is a member of the System.

Senator Romulo. As long as he is paying the contributions enumerated here. Even if he is classified as casual, he benefits from this.

My other question, Mr. President, is that, if he retires at the age of 60 and he is entitled to five years lump sum without any discount, this time, it is five years lump sum. However, if he is separated under the enhancement of PD No. 1146, he is also entitled to some lump sum. But I understand, is it only 18 months?

Senator Enrile. Eighteen months cash payment, equivalent to 18 months of basic monthly pension, plus monthly pension for life payable immediately with no five-year guarantee.

Senator Romulo. Mr. President, obviously, the retirement portion has been discussed and answered. But what other benefits are given as regards disability benefits, survivorship benefits?

Senator Enrile. If the member, Mr. President, meets an

accident and suffers a permanent disability, then there are rules governing that. These are actually provided in Section 17 of the proposed measure.

In Section 16, *Permanent Total Disability Benefits*, it states:

If the permanent disability is total, he shall receive a monthly income benefit for life equal to the basic monthly pension effective from the date of disability: *Provided, That:*

- (1) he is in the service at the time of the disability; or
- (2) if separated from the service, he has paid at least thirty six (36) monthly contributions within the five (5) year period immediately preceding his disability, or has paid a total of at least one hundred eighty (180) monthly contributions, prior to his disability.

Senator Romulo. Does this mean, Mr. President, that a government personnel who has total disability and who has served, let us say, for five years is entitled under Section 16 to all these benefits for life?

Senator Enrile. That is correct, Mr. President.

Senator Romulo. What if the government personnel has served only for three years? Is it also the same?

Senator Enrile. Mr. President, according to the officials of the System, yes.

Senator Romulo. What if he has served for only one year just to extend the example, Mr. President?

Senator Enrile. I guess so, as long as he is a member.

Senator Romulo. As long as he is a member. To exaggerate, Mr. President, what if he has just served for three months?

Senator Enrile. Even for one day if he is a member.

Senator Romulo. This is again very progressive; this is not in the old law.

Senator Enrile. This is not in the old law, but I think that is actually possible, given the fact that the contributions here are precisely computed on the basis of an actuarial experience. The officials project the possibilities of incurring this obligation over time so they calculate that they can afford these benefits to be

extended to the members based on the contributions that are being required under the law to be made by the members and the employer.

Senator Romulo. Do I also understand that disability benefit is also subject to adjustment by the GSIS and the board?

Senator Enrile. All the benefits here are subject to revaluation except, maybe, for unemployment because that is pegged at 50 percent of the monthly pay of the unemployed government member.

Senator Romulo. How about, Mr. President, if the disability is not total, just partial?

Senator Enrile. That is also covered, Mr. President, under Section 17, which states:

If the disability is partial, he shall receive a cash payment in accordance with a schedule of disabilities to be prescribed by the System: *Provided, That* he satisfies either conditions (1) or (2) of Section 16(A):

This is what we have already discussed.

(b) The following disabilities shall be deemed permanent partial:

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

- (I) any finger
- (II) any toe
- (III) one arm
- (IV) one hand
- (V) one foot
- (VI) one leg
- (VII) one or both ears
- (VIII) hearing of one or both ears
- (IX) sight of one eye

2) Such other cases as may be determined by the System.

Senator Romulo. The amount of benefits, however, as pointed out by our distinguished colleague, is not prescribed here but it is prescribed in a schedule.

Senator Enrile. That will be addressed to the sound judgment of the governing board of the System.

Senator Romulo. I suppose that temporary disabilities will also be covered.

Senator Enrile. These are covered, Mr. President, under Sec. 18. *Temporary Total Disability Benefit*. It provides:

A member who suffers temporary total disability for reasons not due to any of the conditions enumerated in Section 15 hereof shall be entitled to seventy-five percent (75%) of his current daily compensation for each day or fraction thereof of temporary disability benefit not exceeding one hundred twenty days (120) in one calendar year after exhausting all his sick leave credits and collective bargaining agreement sick leave benefits, if any, but not earlier than the fourth day of his temporary total disability: *Provided, That*, (1) he is in the service at the time of his disability; or (2) if separated, he has rendered at least three (3) years of service and has paid at least six (6) monthly contributions in the twelve-month period immediately preceding his disability.

Senator Romulo. Thank you, Mr. President.

I understand that the next benefit is survivorship. Is it limited to the wife?

Senator Enrile. To the children also, Mr. President. The surviving spouse and the surviving children.

Senator Romulo. The surviving spouse will be entitled to the full benefit that the government employee or retiree is receiving. Is that correct?

Senator Enrile. The survivor is provided in Section 20, Mr. President.

At any rate, may I just preface this by stating that there is also Section 19—this is a new feature—which provides for “non-scheduled disability.”

For injuries or illnesses resulting in a disability not listed in the schedule of partial/total disability as provided herein, the System shall determine the nature of the disability and the corresponding benefits therefor.

Sec. 20. Survivorship Benefits.—When a member or pensioner dies, the beneficiaries shall be entitled to survivorship benefits provided in Sections 21 and 22 hereunder subject to the conditions therein provided for. The survivorship pension shall consist of:

- (1) the basic survivorship pension which is fifty percent (50%) of the basic monthly pension; and

- (2) the dependent’s children’s pension not exceeding fifty percent (50%) of the basic monthly pension.

Senator Romulo. Mr. President, is the age of the dependent children up to 18 or 21 years?

Senator Enrile. Twenty-one, Mr. President.

Senator Romulo. How about in terms of loans, Mr. President? Every member of the GSIS is entitled to avail himself of loans provided he meets the credit standards of the GSIS. Is that correct, Mr. President?

Senator Enrile. That is also provided in the proposed measure, Mr. President. I think, if I remember correctly, the total limit allowable to a member is not exceeding an amount equivalent to a three-month salary or compensation.

Senator Romulo. Mr. President, that therefore cancels real estate loans to build a house.

Senator Enrile. That is salary loan. But I think in the case of building homes, that is provided for. That will be based on the ability to pay.

Senator Romulo. That is right, Mr. President, but it is only limited to one house. In other words, he cannot be borrowing for the second or third house.

Senator Enrile. One member, one residence. Kung may several families *ay hindi na problema ng System* iyon; *mababangkarote iyong System*.

Senator Romulo. I think the last benefit—probably, this is the last—would be dividends that the members receive. Is that correct, Mr. President?

Senator Enrile. As members of the System, I think they are entitled to some dividends. I cannot remember the amount. I think that is addressed to the discretion of the System based on its financial condition—what is available for distribution without impairing the financial stability of the System. Incidentally, there is also a burial benefit for the members.

Senator Romulo. How much is the burial benefit?

Senator Enrile. Not less than P12,000, if I remember correctly, Mr. President.

Senator Romulo. In the case of dividends which I mentioned already, what was the total amount of dividends issued to all the members in 1996? Just the total amount.

SUSPENSION OF SESSION

Senator Enrile. May I ask for a one-minute suspension of the session.

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

It was 3:56 p.m.

RESUMPTION OF SESSION

At 3:57 p.m., the session was resumed.

The President. The session is resumed.

The sponsor, Senator Enrile, may proceed.

Senator Enrile. Mr. President, for last year, the total dividends paid out to the members is P421 million. The year before could not be more than this.

Senator Romulo. I would like to thank the sponsor for that. I know that it is in the records but I just want to ask it. Perhaps, the GSIS can give me the figures later on.

How many members received this P421 million worth of dividends, and on the average, how much did they get?

Senator Enrile. All members of the GSIS, Mr. President.

Senator Romulo. Which is, I understand, 1,400,000 members?

Senator Enrile. It is 1.4 million members.

Senator Romulo. As I said, perhaps, that is the last benefit. Is there not also an insurance benefit and hospitalization benefit, or is this taken up in other laws?

Senator Enrile. All members are covered with a life insurance policy.

Senator Romulo. If a government pensioner who has received the five years lump sum and is starting to receive the monthly pension dies, what kind of death insurance or life insurance does he get?

Senator Enrile. All members of the System are given a life insurance coverage.

Just a minute, Mr. President. I just would like to confer with the GSIS people.

Senator Enrile. Mr. President, I understand that the life insurance system adopted by the GSIS is what we call in insurance business as endowment system. Meaning, that the life policy matures when the insured reaches the age of 65, at which time he would get the full nominal face value of the policy. If he dies before that time, then he also gets the full face value of the policy.

On the other hand, if the member retires before reaching the age of 65, or for one reason or another gets separated, then he gets only the cash surrender value at the time of separation or retirement.

Senator Romulo. Is the insurance benefit uniform for all employees?

Senator Enrile. I think so, Mr. President.

Senator Romulo. What is the amount at face value? At 65, how much would it be?

Senator Enrile. It depends upon the contribution which is based on salary.

Senator Romulo. Just to stress the point. A teacher who qualifies, receiving P10,000 per month, reaches the age of 65 and dies. What would be the face value and how much would he receive?

Senator Enrile. The contribution of the member at that point is 9 percent. I do not know the nominal amount of the policy that would be issued for a member with a P10,000 monthly salary.

Mr. President, this is already the actuarial data available. At age 45, if the monthly salary is, let us say, P3,000, the total coverage will be about P32,140. If that same man reaches the age of 65, his policy at maturity will have a value of P51,127.39.

Senator Romulo. Thank you, Mr. President. Perhaps, I can ask the individual range from the GSIS at a later date.

May I now go to the next item here in my checklist. The contributions to the GSIS comes, of course, from the employee and the government.

Senator Enrile. That is correct, Mr. President.

Senator Romulo. What would be the percentage of the contribution of an employee? What percentage of his salary, and what is the corresponding contribution from the government under this bill?

Senator Enrile. Under the old law, it was 8.5 percent and the government was paying 9.5 percent. Under the existing law, this is being increased. On the part of the member, it is going to be increased by 0.5 percent. So that if this measure is approved, the contribution of the member will be 9 percent and the employer will increase its contribution by 2.5 percent which makes it 12 percent.

Now, if a member wants to have an additional coverage beyond the limit here, then there is an additional contribution of 2 percent on the part of the member. I think the government will also contribute 12 percent.

Senator Romulo. This is not included in the old law. So, if this bill is passed, government personnel will be reminded of this provision, that if they want to get additional coverage, they must apply or opt to do so.

Senator Enrile. There was a provision in the existing charter of the GSIS, that the amounts were less because the contributions were less.

With the increased contribution, the System can afford to add to the benefits that will be enjoyed by the members without burdening the members too much. But on the part of the government, it will have to increase its financial contributions in order to meet these additional benefits to its employees.

Senator Romulo. Mr. President, under this new range, does the GSIS have an estimate of the total amount of contribution per year? I was going to say 1997 but, obviously, we are already in May. So, for a year, to be paid by the government personnel and the government, what would be the total proceeds of these new rates that the GSIS would receive?

Senator Enrile. All we have to do, Mr. President, is increase the present level of contributions of the members by 0.5 percent and for the government total outlay contribution to the System by 2.5 percent and add these two together. That will be our magnitude.

Senator Romulo. Of course, the GSIS, perhaps later on, can give us the figure.

Let me move on. Obviously, the contribution of the government personnel will be deducted from their monthly or half-a-month pay or whatever the mode of payment is. The government, of course, has to provide that in the budget. May I ask if the government has any backlog, any unpaid contribution in previous years, and if so, how much is this?

Senator Enrile. Incidentally, Mr. President, to obviate all

of these issues, in this present proposal, it will be mandatory and, in fact, with a penalty for the government agencies to provide the money for their contribution to the System. As far as backlog is concerned, I understand the System has a receivable of P13 billion.

Senator Romulo. I suppose that goes over a number of years, Mr. President?

Senator Enrile. I suppose so, Mr. President.

Senator Romulo. Therefore, under this bill, it becomes mandatory for the government to provide these funds?

Senator Enrile. That is correct. If any government functionary who heads an agency of the government, be it a part of the bureaucracy or a government-owned or -controlled corporation or any other agency, whether provincial, local, municipal or city, does not comply with the requirement to pay the contribution to the System, certain penalties will be incurred.

Senator Romulo. Mr. President, I understand that like the debt service, the government contributions or the premiums are also automatically appropriated. That is under PD No. 1177. How come we are up-to-date in all our debt service but there is P13 billion that is not being paid, even if there is an automatic appropriation clause under PD No. 1177? I am at a loss to explain this, Mr. President.

Senator Enrile. Mr. President, perhaps, this is due to the fact that the Department of Budget and Management was given a discretion to make a choice between paying first our debts, national debt, and paying the obligation to the GSIS later on. But under this proposal, there will be no such discretion to choose because it is now mandatory for them to allocate funds for this purpose.

Senator Romulo. Mr. President, that may be so. Perhaps, also, that could be taken care of in the Budget Impoundment Control Act of 1997 that Senator Herrera is sponsoring. These are precisely the kinds of expenditures that must be released without any discretion on the part of the Executive, such as the Department of Budget and Management.

With this P13 billion, Mr. President, in 1997, there would perhaps be at least P1 billion that would have to be added. In 1998, perhaps, even P1.5 billion because of the added percentage of contribution.

Where are the funds of the GSIS invested, Mr. President? Or are there any restrictions to the investment of these funds?

Senator Enrile. Mr. President, the investment of the System is, I suppose, addressed to the discretion of the board, given its actuarial obligation under its charter, subject to the limitations that we provide in this law.

Section 36 covers the investment of funds of the System. And if I may read this for the benefit of the distinguished senator, it says:

THE Funds of the System WHICH ARE not needed to meet the current obligations may be invested under such terms and conditions AND RULES AND REGULATIONS as may be PRESCRIBED by the Board: *PROVIDED*, THAT INVESTMENTS SHALL SATISFY THE REQUIREMENTS OF LIQUIDITY, SAFETY/SECURITY AND YIELD IN ORDER TO ENSURE THE ACTUARIAL SOLVENCY OF THE FUNDS OF THE SYSTEM: *PROVIDED, FURTHER*, THAT THE SYSTEM SHALL SUBMIT AN ANNUAL REPORT ON ALL INVESTMENTS MADE TO THE OFFICE OF THE INSURANCE COMMISSIONER, TO WIT:

(A) IN INTEREST-BEARING BONDS OR SECURITIES OR OTHER EVIDENCE OF INDEBTEDNESS OF THE GOVERNMENT OF THE PHILIPPINES;

(B) IN INTEREST-BEARING DEPOSITS OR SECURITIES IN ANY DOMESTIC BANK DOING BUSINESS IN THE PHILIPPINES: *PROVIDED*, THAT IN THE CASE OF SUCH DEPOSITS, THESE SHALL NOT EXCEED AT ANY TIME THE UNIMPAIRED CAPITAL AND SURPLUS OR TOTAL PRIVATE DEPOSITS OF THE DEPOSITORY BANK, WHICHEVER IS SMALLER: *PROVIDED, FURTHER*, THAT SAID BANK FIRST HAS BEEN DESIGNATED AS A DEPOSITORY FOR THE PURPOSE BY THE MONETARY BOARD OF THE CENTRAL MONETARY AUTHORITY;

(C) IN DIRECT HOUSING LOANS TO MEMBERS AND GROUP HOUSING PROJECTS SECURED BY FIRST MORTGAGE, GIVING PRIORITY TO THE LOW INCOME GROUPS AND IN SHORT-AND MEDIUM-TERM LOANS TO MEMBERS SUCH AS SALARY, POLICY, EDUCATIONAL, EMERGENCY, STOCK PURCHASE PLAN AND OTHER SIMILAR LOANS: *PROVIDED*, THAT NO LESS THAN FORTY PERCENT (40%) OF THE INVESTIBLE FUND OF THE GSIS SOCIAL INSURANCE FUND SHALL BE

INVESTED FOR THESE PURPOSES;

(D) IN REAL ESTATE OTHER THAN HOUSING LOANS AND OTHER INCOME GENERATING PROJECTS AND INVESTMENTS SECURED BY FIRST MORTGAGE ON REAL ESTATE;

(E) IN DEBT INSTRUMENTS AND OTHER SECURITIES TRADED IN THE SECONDARY MARKETS;

(F) IN LOANS TO, OR IN BONDS, DEBENTURES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF ANY SOLVENT CORPORATION, INCLUDING COOPERATIVES, CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES;

(G) IN COMMON AND PREFERRED STOCKS OF ANY SOLVENT CORPORATION OR FINANCIAL INSTITUTION CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES, LISTED OR UNLISTED IN THE STOCK EXCHANGE WITH PROVEN TRACK RECORD OF PROFITABILITY OVER THE LAST THREE (3) YEARS, AND PAYMENT OF DIVIDENDS AT LEAST ONCE OVER THE SAME PERIOD;

(H) IN SUBSIDIARIES OWNED, FORMED, ESTABLISHED OR MAINTAINED BY THE SYSTEM IN THE PHILIPPINES OR ABROAD;

(I) IN FOREIGN MUTUAL FUNDS INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS AND IN FOREIGN CURRENCY DEPOSITS OR FOREIGN CURRENCY-DENOMINATED DEBTS, NON-SPECULATIVE EQUITIES AND OTHER FINANCIAL INSTRUMENTS OR OTHER ASSETS ISSUED IN ACCORDANCE WITH EXISTING LAWS OF THE COUNTRIES WHERE SUCH FINANCIAL INSTRUMENTS ARE ISSUED: *PROVIDED*, THAT THESE INSTRUMENTS OR ASSETS ARE 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; AND

(J) IN SUCH OTHER INVESTMENTS WHICH

IN THE DETERMINATION OF THE BOARD SHALL REDOUND TO THE BENEFIT OF THE SYSTEM AND ITS MEMBERS WHETHER IN THE PHILIPPINES OR ABROAD: *PROVIDED*, THAT ANY SUCH INVESTMENT SHALL BE MADE WITH DUE DILIGENCE AND PRUDENCE TO EARN THE HIGHEST POSSIBLE RATE OF RETURN ON INVESTMENTS CONSISTENT WITH SAFETY.

Senator Romulo. Mr. President, it seems from the enumeration that it is only in items (I), (J) or (H) where foreign investments may be resorted to. But under item (H), it must be by the GSIS in the Philippines or abroad.

Senator Enrile. That is correct, Mr. President.

Senator Romulo. But the other two items, (I) and (J), can refer to other investments abroad as enumerated here.

Senator Enrile. Yes, Mr. President. If I may recall, when we considered the SSS charter, we discussed the investments of the Social Security System in foreign mutual funds, and we authorized it. I think the same policy ought to be adopted in the case of the GSIS.

Senator Romulo. It is good our distinguished colleague has already cited the SSS Law. So, in his view, we can adopt most, if not all, of the investment provisions in the SSS Law to the proposed GSIS Bill.

Senator Enrile. I think so, Mr. President, because they are in the same category. The Government Service Insurance System covers our government workers while the Social Security System covers the workers of the private sector.

Senator Romulo. Mr. President, we already discussed the budget referring to the premium. Is it only in the matter of premium which is the share of the government where this amount should be provided in the General Appropriations Act? Or are there items of expenditure that are also included or to be included in the General Appropriations Act?

Senator Enrile. Mr. President, as far as I can gather from the proposal of the Government Service Insurance System, its only concern is the allocation of funds in the budget for the contribution of the government to the System. As far as the budget of the GSIS is concerned, this is not provided by the government. It is provided by its internally generated income.

Senator Romulo. There are certain government corporations where the budget must be submitted to Congress.

Senator Enrile. That is correct, Mr. President. But GSIS is not one of them.

Senator Romulo. In the gentleman's view, the GSIS should not be included among such corporations.

Senator Enrile. I think so, Mr. President, since it operates as a corporate enterprise with trust function. It gets its own financial support for its own employees and its operation out of the investment of the funds under its trust.

Senator Romulo. Mr. President, under the present system, it is the Commission on Audit that audits the GSIS.

Senator Enrile. That is correct, Mr. President. Like all other government corporations, it has a resident auditor.

Senator Romulo. Mr. President, I would like to thank our distinguished colleague for going over the entire ground with this representation.

Many of our own personnel and employees in the Senate are waiting for this bill, not to speak, of course, of the thousands or hundreds of thousands of other government personnel, national and local. So I would not tarry one minute longer here except to thank our distinguished colleague, our colleagues and the GSIS officials for giving me this opportunity to interpellate and clarify the various issues that I have raised.

Thank you, Mr. President.

The President. The Majority Leader is recognized.

Senator Mercado. Mr. President, I move that we close the period of interpellations.

The President. Is there any objection? *[Silence]* There being none, the period of interpellations is closed.

Senator Enrile. Mr. President, we have no committee amendments.

Senator Mercado. There being none, Mr. President, I move that we close the period of committee amendments.

The President. Is there any objection? *[Silence]* There being none, the period of committee amendments is closed.

Senator Mercado. Mr. President, we are now in the period of individual amendments.

Senator Gonzales. Mr. President.

The President. The Minority Leader is recognized.

Senator Gonzales. Thank you, Mr. President.

Before I offer my individual amendments, may we just put into the record the copy of the bill we shall use for this purpose because heretofore we have been using the copy of the bill as attached to the committee report that has become the basis of the sponsorship speeches.

Just a few minutes ago, I received a new copy without any indication as of what date it is. It is more convenient because the lines are indicated therein. On the other hand, the bill attached to the committee report does not have the lines.

Is it my understanding then that heretofore we shall use this new copy with the lines indicated on every page?

Senator Enrile. Yes, Mr. President. At any rate, the copy of the bill attached to the committee report is identical in words and substance to this Senate Bill No. 2013 with numbered lines.

Senator Gonzales. Thank you then. May we proceed now, Mr. President?

The President. Please proceed.

GONZALES AMENDMENTS

Senator Gonzales. On page 6, line 4, delete the word "he" between the words "and" and "shall." It is really nothing but grammatical.

So the line will now read as follows: "the service shall continue to be a member, and shall be entitled..." because we deleted the word "he."

Senator Enrile. The amendment is accepted, Mr. President.

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

Senator Gonzales. On the same page, again, for purposes of form, lines 24 to 28 should be indented.

Senator Enrile. The amendment is accepted, Mr. President.

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

Senator Gonzales. If the gentleman will recall, in my

sponsorship speech, I had indicated that I was considering introducing an individual amendment so that the contributions provided for in Section 5 hereof, page 6, should be staggered from 7 percent, 8 percent and 9 percent starting the years 1997, 1998 and 1999, respectively, starting at 7 percent so that by 1999, it will reach 9 percent. The idea is to prevent an abrupt increase in the contribution on the part of the members.

This is as approved also in the House of Representatives. However, after the sponsorship speech I have delivered, I made consultations with the GSIS and I was informed that this may adversely affect the benefits that would be immediately available to the members upon the approval of this Act.

Senator Enrile. It will upset the actuarial computation and projection of the System.

Senator Gonzales. Yes, Mr. President. I clearly understand that, so I will no longer propose this amendment and leave it as a disagreeing provision of the two versions of the bill between the Senate and the House, and leave it to the Bicameral Conference Committee.

On page 14, line 8, replace paragraph (a) with SEC 13-A, Mr. President.

Senator Enrile. May we ask for an explanation, Mr. President?

At this juncture, the Senate President relinquished the Chair to Sen. Gregorio B. Honasan.

SUSPENSION OF SESSION

Senator Gonzales. Mr. President, may I request a minute suspension of the session.

The Presiding Officer [Sen. Honasan]. The session is suspended for one minute, if there is no objection. *[There was none.]*

It was 4:28 p.m.

RESUMPTION OF SESSION

At 4:29 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

Senator Gonzales. On consultation with the sponsor, and having been informed that there has been some misinterpretation

of this section, I withdraw this offer of individual amendment.

Senator Enrile. Thank you.

Senator Gonzales. On page 16, lines 4 to 6, I propose to replace the phrase "MONTHLY INCOME BENEFIT FOR PERMANENT DISABILITY AND THE OLD AGE RETIREMENT" with the following phrase: PERMANENT DISABILITY BENEFIT AND THE RETIREMENT BENEFIT.

Senator Enrile. May I have that again, Mr. President?

Senator Gonzales. In lines 4 to 6, Mr. President, on page 16, we replace the phrase "MONTHLY INCOME BENEFIT FOR PERMANENT DISABILITY AND THE OLD AGE RETIREMENT" with the following phrase: PERMANENT DISABILITY BENEFIT AND THE RETIREMENT BENEFIT.

Senator Enrile. May I request a repetition of the proposal?

Senator Gonzales. Mr. President, the proposal is:

Senator Enrile. *PROVIDED, FINALLY, THAT A MEMBER CANNOT ENJOY...*

Senator Gonzales. So, what would appear is... CANNOT ENJOY THE PERMANENT DISABILITY BENEFIT AND THE RETIREMENT BENEFIT SIMULTANEOUSLY.

Senator Enrile. Do we remove the words "OLD AGE"?

Senator Gonzales. Yes, Mr. President.

Senator Enrile. But, Mr. President, the retirement benefit can also refer to a person who has 15 years of service and retires, but not necessarily an old age retirement benefit which is available at age 60. If we are going to follow that wording, it will mean that we will foreclose a person who retires at the age of 50 and who had more than 15 years of service. He cannot enjoy his retirement benefits.

Senator Gonzales. Since it might be restrictive in effect, I withdraw this proposed amendment.

The Presiding Officer [Sen. Honasan]. The proposed amendment is withdrawn.

Senator Gonzales. On page 23, line 7, after the word, insert the phrase THE EFFECTIVITY OF.

Senator Enrile. FOR THOSE EMPLOYED AFTER THIS ACT.

Senator Gonzales. OF THE EFFECTIVITY OF THIS ACT. So, we will just insert the phrase THE EFFECTIVITY OF.

Senator Enrile. It is accepted, Mr. President.

Senator Gonzales. Then on page 25, line 12, Mr. President,...

Senator Enrile. Just a minute, Mr. President. May we request the Chair to rule on our acceptance of that previous amendment.

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

Senator Gonzales. On page 25, line 12, replace I-90 with I-95, Mr. President.

Senator Enrile. It is accepted, Mr. President.

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

Senator Gonzales. On page 28, line 14, may we propose that between the words "and" and "real estate", insert the words SCHOOLS, HOSPITALS AND.

Senator Enrile. Where do we insert that, Mr. President?

Senator Gonzales. In line 14.

Senator Enrile. Line 14 (D).

Senator Gonzales. So that it will be "IN SCHOOLS, HOSPITALS AND REAL ESTATE OTHER THAN HOUSING LOANS."

Senator Enrile. It is accepted, Mr. President.

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

Senator Gonzales. Mr. President, on page 33, lines 18 to 20, I propose that we delete the following phrase after the semicolon (;)— "*PROVIDED, HOWEVER, THAT THE SYSTEM SHALL ENDEAVOR TO CONFORM CLOSELY AS POSSIBLE TO THE PRINCIPLES AND MODES PROVIDED FOR IN R.A. 6758.*"

It is in anticipation of an amendment I am going to propose on page...

Senator Enrile. Point of clarification, Mr. President.

Senator Gonzales. Yes, Mr. President.

Senator Enrile. Is it proposed that we delete the proviso and substitute the colon (:) with a semicolon (;)?

Senator Gonzales. That is right, Mr. President, because on page 37 I will propose an amendment which would expressly exempt the GSIS from the provisions of the Salary Standardization Law and the Attrition Law.

Senator Enrile. For purposes of information, RA No. 6758 deals with Salary Standardization Law.

Senator Gonzales. Republic Act No. 6758 is the Salary Standardization Law. Republic Act No. 7430 is the Attrition Law.

Senator Enrile. I accept the proposal, Mr. President. But may we know the amendment that will be introduced in lieu of that?

Senator Gonzales. Yes, Mr. President. It would be on page 37, line 9.

Senator Enrile. Mr. President, in line 18, the colon (:) will be replaced by a period (.) or a semicolon (;)?

Senator Gonzales. Semicolon (;), Mr. President, because there are other powers here.

Senator Enrile. It is accepted, Mr. President, subject to style.

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

Senator Gonzales. On page 37, line 9, replace the semicolon (;) after the word "System" with a comma (,) and add the following phrase: AND TO BE EXEMPTED FROM RA NO. 6758, THE SALARY STANDARDIZATION LAW, AND RA NO. 7430, THE ATTRITION LAW.

Senator Enrile. Subject to style, it is accepted, Mr. President.

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

Senator Gonzales. Then on the title of the bill, after "1146", insert the following words: AS AMENDED.

Senator Enrile. It is accepted, Mr. President.

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

Senator Gonzales. That will be all for my own amendments, Mr. President.

Senator Enrile. Subject to style, Mr. President.

Senator Gonzales. Thank you, Mr. President.

Senator Enrile. Thank you, Mr. President.

The Presiding Officer [Sen. Honasan]. The Majority Leader is recognized.

Senator Mercado. I ask that Sen. Miriam Defensor Santiago be recognized.

The Presiding Officer [Sen. Honasan]. The lady senator from Iloilo is recognized.

Senator Santiago. Mr. President, I would like to refer to Section 3 which provides for compulsory membership. It provides: "Membership in the System shall be compulsory for all xxx", and then it enumerates the requirements for membership in the GSIS.

Consonant to my previous interpellation, I would like to propose an amendment in Section 3 so as to insert this phrase.

Senator Enrile. What line, Mr. President?

Senator Santiago. Line 22, Section 3, page 5, which says: "PHILIPPINE NATIONAL POLICE SUBJECT TO THE CONDITION THAT..." I propose to amend line 22 to read as follows: NATIONAL POLICE, INCLUDING SECTORS WHICH AVAIL OF THE SERVICES OF ANY OTHER SYSTEM GRANTING SUBSTANTIALLY SIMILAR BENEFITS AS THE GSIS.

I am making this proposal because during my interpellation, I brought up the information provided to me that there are some employees of the government who are members of other systems other than the GSIS, yet will still like to avail of membership in GSIS. In other words, to have double protection. This kind of an amendment would make that kind of double protection available to those who are willing.

Senator Enrile. I would like to consult first the authorities of the System because this will affect the actuarial plans of the System, Mr. President.

SUSPENSION OF SESSION

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

The Presiding Officer [Sen. Honasan]. Is there any objection? [Silence] There being none, the session is suspended.

It was 4:43 p.m.

RESUMPTION OF SESSION

At 4:47 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

Senator Santiago. Mr. President, I would like to withdraw the proposed amendment. Until we are able to come up with a superior set of realities, it will remain withdrawn.

I will therefore move on to Section 52, paragraph b, which deals with criminal penalties.

Senator Enrile. Page 41, Mr. President.

SANTIAGO AMENDMENTS

Senator Santiago. Page 41, Section 52, paragraph (b) imposes a penalty of a fine of not less than P500 nor more than P5,000 or an imprisonment of not less than six months nor more than one year, or both, at the discretion of the court.

During the period of interpellations, we expressed the opinion that this penalty is so light that it would not be able to deter would-be offenders.

Accordingly, we propose this afternoon to amend Section 52, paragraph (b), so that it will read, starting on line 24: "xxx punished by a fine of not less than FIVE THOUSAND PESOS (P5,000.00) nor more than TWENTY THOUSAND PESOS (P20,000.00) or by imprisonment of not less than six (6) years and one (1) day to TWELVE (12) years, or both, at the discretion of the court." In other words, the penalty becomes non-probationable.

Senator Enrile. The amendment is acceptable, Mr. President, subject to style.

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

Senator Santiago. Section 52, paragraph (c) also imposes the same set of penalties since we have already amended paragraph (b). Then paragraph (c) will have to be amended accordingly.

Senator Enrile. The same set of penalties, Mr. President.

Senator Santiago. Yes, please.

Senator Enrile. The P5,000 to P20,000 and six years and one day to 12 years.

It is accepted, Mr. President, subject to style.

Senator Santiago. Thank you, Mr. President.

The Presiding Officer [Sen. Honasan]. Are there any objections? [Silence] There being none, the amendments are approved.

Senator Santiago. Finally, I would like to refer to our draft bill on page 35 starting with line 25. I would like to talk about the broad concept of this provision, that is, to give the President the power to appoint all eight members of the Board of Trustees.

I notice from the terminology of the present provision that the President's power of appointment is delimited to seven of the eight members.

For example, one member shall be the president of the Philippine Public School Teachers Association. So the President's discretion is limited in that manner.

Two members shall represent the leading organizations or associations of government employees, et cetera.

I am intrigued by the fact that the eighth member of the eight-person Board of Trustees is not qualified in any manner whatsoever. Whereas, since there are eight trustees, the first seven trustee candidates are indicated by the law according to certain qualifications.

The eighth position is not mentioned whatsoever. I wonder if this is an oversight. If so, if the oversight is purposive, if the intent there is to give the President a completely free hand, or if that is not the intent, then I propose that in the same manner that all the seven have certain qualifications attached to the vacancy,

the eighth member should be, for example, qualified by such phrase as ANOTHER ONE SHALL BE A RECOGNIZED MEMBER OF THE LEGAL PROFESSION WHO AT THE TIME OF APPOINTMENT IS ALSO A MEMBER OF THE SYSTEM. That is my proposed amendment.

Senator Enrile. The lady senator is talking of the three other members, Mr. President.

Senator Santiago. No, the eighth.

Senator Enrile. In what line?

Senator Santiago. There is no line because this person is just not mentioned at all.

Senator Enrile. There are actually nine members of the board. The president and general manager is, by law, a member of the board. Eight others will be appointed by the President.

Senator Santiago. Yes, Mr. President.

Senator Enrile. One of the eight shall be the president of the Philippine Public School Teachers' Association. I think that is proper because the schoolteachers of the country represent one of the biggest blocs of employees in the government service.

Another two shall represent the two leading organizations.

Senator Santiago. So that makes three.

Senator Enrile. Then, another three shall come from the banking, finance and investment sectors.

Senator Santiago. So that makes six.

Senator Enrile. The chairman of the Civil Service Commission shall be an *ex officio* member.

Senator Santiago. That is seven.

Senator Enrile. The trustee shall elect among.... The lady senator is correct, Mr. President. There is one member missing.

Senator Santiago. My proposed amendment is that this member shall be qualified to be a recognized member of the legal profession who at the time of appointment is also a member of the System.

Senator Enrile. It is accepted, Mr. President, subject to style.

Senator Santiago. Thank you.

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

Senator Santiago. That is all, Mr. President. Thank you.

Senator Enrile. Thank you, Mr. President.

Senator Romulo. Mr. President.

The Presiding Officer [Sen. Honasan]. The senator from Tarlac is recognized.

Senator Romulo. Mr. President, this refers to the matters that were discussed during the interpellation with reference to the investment where our distinguished colleague had stated that perhaps we can adopt the provisions in the SSS Law.

My question is: Are the provisions in this bill now the same as the one that we approved in the SSS Law?

Senator Enrile. I think the authorization granted by the Congress to the Social Security System, if I remember correctly, is more detailed and, perhaps, broader.

So, if there is a proposal to insert a provision that the investments allowed under the SSS Law will be also allowed to the GSIS Bill, that will be an acceptable amendment.

Senator Romulo. Yes, subject to style, Mr. President.

Senator Enrile. Subject to style, Mr. President.

Senator Romulo. The second point that I would like to propose is the fact that under the proposed bill, the increase in the premium for government employees is said to be just a half percentage point, from 8.5 percent to 9 percent.

Senator Enrile. That is correct, Mr. President.

Senator Romulo. But my staff has looked at the bill and they have told me that the 8.5 percent is chargeable in the old law to the first P3,000 while under the proposed bill, the 9 percent is chargeable to the first P10,000.

Senator Enrile. That is correct, Mr. President, because we also increased the compensation limit in order to enable the System to increase the amount of pension. The nominal amount will naturally increase.

Senator Romulo. Mr. President, because of the additional commitments under this new bill, it is the sense of our distinguished colleague that this is a reasonable adjustment.

Meaning to say that instead of making the 9 percent just applicable to the first P3,000 as in the old law, he feels that the application of this to the first P10,000 is reasonable.

Senator Enrile. We are not talking of the first P3,000, Mr. President. The compensation limit upon which the actuarial computation is made with respect to the obligation and benefits that will be granted by the System is based on a compensation limit of P3,000 under the old law.

Now, this is adjusted upwards to P10,000 to be able to give the member a P9,000 monthly pension which is 90 percent of P10,000. Under the old law that is P2,700.

Senator Romulo. All these mean, Mr. President, that based on the figures that are now proposed in the new bill, the increase is not only half percentage point but 2.8 percent.

That is all, Mr. President.

Senator Enrile. Not really, Mr. President. The salary level of employees of the government now is much more than P3,000. But I think under the current law, the compensation limit is P3,000. They compute the contribution on the basis of P3,000 which does not make the System viable if we will maintain that base for computing the contribution of the members and yet the benefits will be increased.

Senator Romulo. I understand that, Mr. President. But all I am pointing out is that it seems the application of the 8.5 percent is on P3,000 and the application of the 9 percent is on P10,000. Then, in effect, it is not only a one-half percent of this.

Senator Enrile. In terms of pesos and centavos, it will increase.

Senator Romulo. It is the sense of our colleague that we should leave the present formulation of the bill as it is in order to meet the commitments and requirements of the increased benefits under the proposed law?

Senator Enrile. That is correct, Mr. President, unless we want to shift the burden to the employer which I think could not be done unless we raise taxes because that will mean an increased financial outlay by the government.

Senator Romulo. Mr. President, I am not going to insist on proposing an amendment here.

May I just state that, perhaps, subject to style, I would like to present this to our distinguished colleague. If in the compu-

tation there is a way of bringing this down, then that is the amendment that I am proposing, subject to style.

Senator Enrile. We can leave that to the discretion of the System. After all, there is a provision where the System can adjust the benefits as well as the contributions depending upon the financial condition of the System.

Senator Romulo. So that under the proposed bill, it is not only the benefits that can be adjusted upward but even the contribution?

Senator Enrile. I think so, yes.

Senator Romulo. With that, Mr. President, I have no further amendment. Thank you, Mr. President.

The Presiding Officer [Sen. Honasan]. The Assistant Majority Leader is recognized.

Senator Mercado. Mr. President, before I propose an amendment, I would like to make an inquiry.

This proposed amendment is supposed to be on page 3, line 18. Under the provision of this particular section, the initial average monthly compensation shall not exceed P10,000.

There are some representations made to us, Mr. President, some petition for an increase of the same, considering that there are employees who would reach a level of compensation and have to maintain expenses afterwards if they retire, and P10,000 is said to be a little low.

Would the GSIS still be capable, in its computation, to provide an increase, let us say, of about P15,000?

Senator Enrile. Mr. President, this P10,000 applies to everyone.

Senator Mercado. Yes, Mr. President.

Senator Enrile. But if a member feels that that is not enough and he is receiving a higher salary, there is nothing in the law which prohibits him. In fact, there is a provision which allows him to increase his pension by adding 2 percent more for the additional coverage that he wants and the government will match that.

The reason for this P10,000 limit is in order not to burden the low-salaried members, Mr. President.

Senator Mercado. How about the mechanism by which this is going to be increased?

Senator Enrile. It is in the law.

Senator Mercado. Is that going to be a simple mechanism?

Senator Enrile. The board will make the decision on that.

Senator Mercado. That is precisely the point, Mr. President. There are some people who feel that going through the board for a decision on the same may be a burden. So, there is this particular request that the same be increased to about P15,000.

SUSPENSION OF SESSION

Senator Mercado. May I ask for a one-minute suspension, Mr. President.

The Presiding Officer [Sen. Honasan]. The session is suspended for one minute, if there is no objection. *[There was none.]*

It was 5:04 p.m.

RESUMPTION OF SESSION

At 5:06 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

Senator Mercado. Mr. President, the explanation as regards this P10,000 limit for the average monthly compensation is that it covers already 98 percent.

Senator Enrile. Of the entire workforce of the government.

Senator Mercado. We have been given assurance that there is a mechanism to increase the same.

Senator Enrile. Yes. In the law, that is addressed to the decision of the board based on the financial condition of the System. If we are going to put in the law that the average monthly compensation should be raised to P15,000 and the System could afford that, it has no flexibility to adjust it downward, it might affect everybody.

Senator Mercado. For those who are in a higher bracket and who, after they retire, would like to maintain a particular lifestyle or live with a higher level of monthly compensation, can this be addressed?

Senator Enrile. Yes, Mr. President. We got the assurance

of the leaders and governing authorities of the System that they will adjust this limit periodically, depending upon the capability of the System to assume a bigger future obligation to the members.

Senator Mercado. With that assurance, Mr. President, we will no longer insist on our proposed amendment. We would like to thank the sponsor for answering our questions.

The Senate President has indicated that he would like to propose some amendments.

The Presiding Officer [Sen. Honasan]. The Senate President is recognized.

Senator Maceda. Mr. President, I think the sponsor and I are always in the receiving end of very loud complaints, let us say, from the veterans. I use that as a starting point.

When they say, "What can we do with a P1,000 pension?" So, they have been pushing for P2,000—the gentleman from Tarlac has been pushing. Now, they are pushing for P3,000.

If we read this, it is very difficult, although it is really the minimum, for a government employee to see—"PROVIDED, however, that the basic monthly pension will not be less than ONE THOUSAND THREE HUNDRED PESOS (P1,300)."

Senator Enrile. What page is that, Mr. President?

Senator Maceda. That is on page 9, Section 9, under Benefits.

This provision here, therefore, foresees the fact that there will be cases where some people will be receiving only P1,300 a month. Certainly, under the present cost of living, even the poverty level is at P6,000 now. That is why the House is even talking about P186,000 exemption a year.

Senator Enrile. That is line number?

Senator Maceda. Starting in line 25, page 10. "PROVIDED, however, that the basic monthly pension shall not be less than ONE THOUSAND THREE HUNDRED PESOS (P1,300)..."

Anybody who sees that will immediately say, "My God, how can we live on P1,300 a month?"

If the gentleman will recall, in the SSS Bill, I presented an amendment which he accepted, upon consultation with the administrator, that we increase it to P2,400 provided that the

member has at least 20 years of service. Can we imagine somebody who has served 20 years receiving a monthly pension of P2,400? Even P2,400 is not too much for somebody who has served 20 years.

To begin with, I am suggesting the same proviso: *PROVIDED, THAT THE BASIC MONTHLY PENSION SHALL BE INCREASED TO A MINIMUM OF TWO THOUSAND FOUR HUNDRED PESOS (P2,400)—or whatever is the wording—FOR THOSE WHO HAVE SERVED AT LEAST TWENTY (20) YEARS OF SERVICE.*

Senator Enrile. The officials feel that the System might not be able to carry that amount. But P1,800, according to them, is safe.

Senator Maceda. My answer there, Mr. President, even with the point that the Assistant Majority Leader and I are raising now, is that it is not the way to solve the problem. If the problem is that the System cannot do it actuarially, then if we have to increase the government share from 12 percent to 12.5 percent, then let us do it to be able to give a bigger pension. But let us not peg the pension at something that really is not going to support anybody.

SUSPENSION OF SESSION

Senator Enrile. May I ask for a one-minute suspension of the session.

The Presiding Officer [Sen. Honasan]. The session is suspended for one minute, if there is no objection. [*There was none.*]

It was 5:12 p.m.

RESUMPTION OF SESSION

At 5:13 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

MACEDA AMENDMENT

Senator Maceda. If I may reiterate the amendment, and with the understanding that it is prospective in application and not to existing retirees.

On page 10, line 2, remove the period (.) and add *PROVIDED, THAT THE BASIC MONTHLY PENSION FOR PROSPECTIVE OR FUTURE RETIREES SHALL NOT BE LESS*

THAN TWO THOUSAND FOUR HUNDRED PESOS (P2,400) A MONTH FOR THOSE WHO HAVE RENDERED AT LEAST TWENTY (20) YEARS OF SERVICE.

Senator Enrile. It is accepted, subject to style, Mr. President.

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

Senator Gonzales. Mr. President.

The Presiding Officer [Sen. Honasan]. The distinguished gentleman from Mandaluyong, Sen. Neptali A. Gonzales, is recognized.

GONZALES AMENDMENT

Senator Gonzales. The word "prospective" will always remain in the statute. We can be more specific and say *WHO SHALL RETIRE AFTER THE EFFECTIVITY OF THIS ACT.*

Senator Enrile. With that amendment, we accept also. Subject to style.

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

Senator Maceda. I am happy about the provision here, but I wonder if I should point it out unless somebody stands up to question it.

For the record, I have always disagreed—and it is in the SSS Law. I am referring to page 20, line 25. As I said, I agree with this. The wording is "FOR EVERY DEPENDENT CHILD NOT EXCEEDING FIVE (5)". Because in the SSS Law, it is not exceeding four. There has always been this debate. I mention this and I accept this because this is going to be one of my proposed amendments also in the CTRP measure that the gentleman will be sponsoring.

Senator Enrile. So the gentleman is accepting that.

Senator Maceda. I am happy about this. I am just pointing it out because in the formula that I was proposing for the CTRP, we can accommodate part of the House's proposal by increasing the number of dependents from four to a higher number.

Senator Enrile. Yes.

Senator Maceda. All right. I just wanted to point that out.

Senator Enrile. Right now, they are proposing four. Maybe we can be more liberal by accepting a family of seven rather than a family of six.

Senator Maceda. Yes. On page 22, line 17—I am talking about the P12,000 funeral benefit. The gentleman and I, of course, know that even for the cheapest of funerals, they still come to us and we see P20,000, P25,000, P30,000.

Senator Enrile. What is the pleasure of the distinguished Senate President?

Senator Maceda. I was wondering what the basis for the P12,000 is.

Senator Enrile. This is the initial amount, Mr. President. The System, depending upon its capability, can augment this. This is a threshold amount.

MACEDA AMENDMENTS

Senator Maceda. May we then put in this amendment in line 17, subject to style: WHICH SHALL BE INCREASED TO AT LEAST EIGHTEEN THOUSAND PESOS (P18,000.00) AFTER FIVE (5) YEARS?

Senator Enrile. It is accepted, Mr. President.

The Presiding Officer [Sen. Honasan]. Are there any objections to the amendment? *[Silence]* There being none, the amendment is approved.

Senator Maceda. Page 24, lines 7, 8, and 9, on prescription, may I know why the three years prescriptive period was the one adopted? What is the rationale?

Senator Enrile. I understand that under the current charter, the prescriptive period is one year, Mr. President. So, they liberalized it by adding two more years, making it longer.

Senator Maceda. I am glad to hear that, Mr. President. That is precisely the point. When a member has been a member for so long and has paid so much, and simply because for one reason or another, he has not been able to claim his benefits, it does not seem fair that after one year, he cannot claim it anymore. Maybe, he went to the Middle East first to work after retirement and he just came back and made a claim.

Senator Enrile. I think three years is a reasonable time, Mr. President.

Senator Maceda. What benefits can they claim other than

life and retirement? And what is the meaning? Does it mean to say that for life and retirement, there is a longer prescriptive period?

Senator Enrile. All the benefits provided in the Act—old-age pension, separation, disability, survivorship, unemployment.

Senator Maceda. What is the rule for life and retirement because it says "EXCEPT"?

Senator Enrile. *Walang* prescription ito.

Senator Maceda. *Walang* prescription doon. So, we are now going into an evaluation of life and retirement that is so important and so basic that there is no prescription. We are saying that all the other benefits are not as important as life or retirement and therefore in three years, they should prescribe.

Senator Enrile. Mr. President, when one reaches the age of 65, that is mandatory, he retires. He earns all the credit that he is entitled to. There should be no prescription of the time to claim it.

Senator Maceda. I agree, Mr. President. But precisely why should the other benefits be subjected to a more rigorous standard, if they have already earned that through the years?

Senator Enrile. I would like to ask the System about this. My understanding is that in the case of permanent disability, the assumption is that the need is there. Therefore, there is an imperativeness on the part of the party concerned to make a claim. If he does not claim within a certain time, that means *hindi na niya talaga kailangan*.

Senator Maceda. My feeling here is that, this is an administrative matter for the benefit of the System. It does not want to be saddled with this for some time. But still, it concedes that the previous practice of one year was too short and too restrictive.

Senator Enrile. What is the pleasure of the distinguished President of the Senate?

Senator Maceda. About five years.

Senator Enrile. It is accepted, Mr. President.

The Presiding Officer [Sen. Honasan]. Are there any objections? *[Silence]* There being none, the amendment is approved.

Senator Maceda. I have two amendments on page 35,

and they refer to the membership of the board of trustees.

My original Senate Bill No. 822 called for the *ex officio* membership of both the president of the Philippine Public School Teachers Association and the president of the Philippine Association of School Superintendents. The committee has accommodated one, and I am not going to insist on two.

Would the committee, therefore—and probably to give the President also a choice—accept an amendment that it should be "either"?

ONE OF WHOM SHALL BE EITHER THE PRESIDENT OF THE PHILIPPINE PUBLIC SCHOOL TEACHERS ASSOCIATION OR THE PRESIDENT OF THE PHILIPPINE ASSOCIATION OF SCHOOL SUPERINTENDENTS.

Senator Enrile. It is accepted, Mr. President.

The Presiding Officer [Sen. Honasan]. Are there any objections? [Silence] There being none, the amendment is approved.

Senator Maceda. On page 36, lines 2 to 4, I propose to delete the *ex officio* membership of the chairman of the Civil Service Commission. I think in principle we should not be giving *ex officio* memberships to members of constitutional commissions. They are supposed to be in a separate class by themselves protected by the Constitution. When we start giving them *ex officio* memberships, we may be setting a bad precedent.

Senator Enrile. I accept the amendment, if that is an amendment.

Senator Maceda. I propose the deletion, Mr. President.

The Presiding Officer [Sen. Honasan]. Are there any objections? [Silence] There being none, the amendment is approved.

Senator Maceda. On the matter of the term of the board of trustees which is now being increased to six, are there no term limits here?

Senator Enrile. Right now, it is coterminous.

Senator Maceda. That is not clear, Mr. President, if they are coterminous. Are they coterminous with the President of the Philippines or the president and general manager of the System?

Senator Enrile. The President of the Philippines,

Mr. President. If the term is six years, this will go beyond the term of the appointing power.

Senator Maceda. Precisely. My thinking here is either they are coterminous or they may not be reappointed. Six years is fine provided that they may not be reappointed.

Senator Enrile. I will accept the proposed amendment to that effect, Mr. President.

Senator Maceda. Then we will just put here somewhere WITHOUT REAPPOINTMENT, subject to style.

Senator Enrile. It is accepted, Mr. President, subject to style.

The Presiding Officer [Sen. Honasan]. Are there any objections? [Silence] There being none, the amendment is approved.

Senator Maceda. Just one more amendment, Mr. President. Let us go back to page 11, line 5. Between the word "compensation" and the colon (:), I propose to insert the following: AND PERIODS OF SERVICE OF ELECTED OR APPOINTIVE OFFICIALS PAID ON A PER DIEM BASIS.

Senator Enrile. The concept of this measure, Mr. President, is that the benefits, the contributions, must be based on all items of compensation that are integrated as a part of the basic compensation so that they can actually compute the financial requirements to support the benefits.

Senator Maceda. Yes. The thrust of this new law is to try to cover everybody. Part of the problem in the past has been that there are a certain number of elected officials as well as appointive—those who are members of Boards—who do not have any basic salary but are paid on a per diem basis. We are just saying that they should be clearly covered by this section.

SUSPENSION OF SESSION

Senator Enrile. May I request a one-minute suspension of the session, Mr. President?

The Presiding Officer [Sen. Honasan]. The session is suspended for one minute, if there is no objection. [There was none.]

It was 5:27 p.m.

RESUMPTION OF SESSION

At 5:34 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

Senator Maceda. Subject to style, Mr. President, on page 11, line 5, between the word "compensation" and the colon (:), insert the following phrase: AND PERIODS OF SERVICE OF ELECTED OR APPOINTIVE OFFICIALS PAID ON A PER DIEM BASIS: *PROVIDED, HOWEVER, THAT THEIR PREMIUMS SHALL BE COMPUTED ON THE BASIS OF A MINIMUM OF FOUR THOUSAND EIGHT HUNDRED PESOS (P4,800.00) A MONTH.*

Senator Enrile. It is accepted, subject to style, Mr. President.

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

Senator Maceda. In the matter of the purchase of shares of stock, would it cost the System any great inconvenience if we just limited it to shares listed in the stock market and not to unlisted shares or private shares? Because that opens up to abuses.

Senator Enrile. Mr. President, there are unlisted shares that are more valuable than those listed ones.

Senator Maceda. That is also true.

I am referring to page 28, line 25—"LISTED OR UNLISTED". I was thinking of proposing to delete "OR UNLISTED."

In actual practice now, because GSIS has been in this for the last 20 years, what amount of unlisted stocks has the GSIS bought anyway? Or do they not limit themselves only to listed stocks?

Senator Enrile. We accept the deletion of "UNLISTED", Mr. President.

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

Senator Maceda. I thank the gentleman, Mr. President, for his generosity in accepting my amendments even if some of them are a little....

Senator Enrile. The deleted portion will refer to the phrase "OR UNLISTED".

Senator Maceda. That is correct.

Senator Enrile. So that this line 25 will read: THE LAWS OF THE PHILIPPINES, LISTED IN THE STOCK EXCHANGE....

Senator Maceda. That is correct.

Senator Enrile. Thank you.

Senator Maceda. Thank you very much, Mr. President.

Senator Webb. Mr. President.

The Presiding Officer [Sen. Honasan]. The gentleman from Parañaque, Sen. Freddie N. Webb, is recognized.

Senator Webb. Mr. President, I will ask for, hopefully, a reconsideration on page 2 and this is in lines 11 and 17.

But before I propose my amendment, Mr. President, I had to go to the office and get a copy of the bicameral committee report on the SSS Law.

I was wondering, if the gentleman would agree just for the purpose of uniformity and at the same time to simplify matters, whether we should have a uniform standard in our social security laws because this is the purpose of these amendments.

Senator Enrile. I cannot give an assurance. I would like to hear the amendment first, Mr. President.

Senator Webb. That is right, Mr. President. May I now propose my amendments:

On page 2, lines 11 to 17, may I propose that we redefine the term "Dependent" in the bill by adopting *in toto* the definition of the SSS Law so that letter (f) of the definition will now read as follows:

(f) DependentS - THE DEPENDENT SHALL BE THE FOLLOWING:

(1) THE LEGAL SPOUSE ENTITLED BY LAW TO RECEIVE SUPPORT FROM THE MEMBERS;

(2) THE LEGITIMATE, LEGITIMATED OR LEGALLY ADOPTED, AND ILLEGITIMATE CHILD WHO IS UNMARRIED, NOT GAINFULLY EMPLOYED AND HAS NOT REACHED TWENTY-ONE (21) YEARS 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.

SUSPENSION OF SESSION

Senator Enrile. May I consult the authorities of the System. I ask for a one-minute suspension of the session.

The Presiding Officer [Sen. Honasan]. The session is suspended for one minute, if there is no objection. [There was none.]

It is 5:39 p.m.

RESUMPTION OF SESSION

At 5:40 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed. Senator Enrile is recognized.

Senator Enrile. Mr. President, I would not want to disturb the wording of the present charter of the System that much. I would rather that we leave the definition as it is, and so I cannot accept the amendment.

Senator Webb. May I just explain, for reasons of clarity, with the indulgence of the sponsor, the reason I have proposed this amendment.

The SSS Law, based on the bicameral report which I have in my hand, and which has become a law, does not require the spouse to be dependent. Although the definition of the beneficiaries under the SSS Law specifies the term "dependent spouse," the same should not be interpreted in the light of the term "dependent."

This means that the dependent spouse is one who is entitled under the law for support. This law, Mr. President, is the Family Code. Article 195 of the Family Code provides: "Subject to the provisions of the succeeding articles, the following are obliged to support each other at the whole extent set forth in the preceding Article." Hence, under the existing law, the spouse is *ipso facto* entitled to support.

In the commentaries of Rufus Rodriguez about this provision, he said that "The right to support is not lost even if a spouse is gainfully employed as long as he or she needs support."

Mr. President, with this explanation, if the gentleman will still insist, then I will yield. As I said, I would certainly not want to disrupt these proceedings. I just want to put that on record.

Senator Enrile. What is the pleasure of the distinguished gentleman with respect to the legal spouse? Is it his proposal that the legal spouse will enjoy the benefits under this measure even if he or she is gainfully employed without giving any support?

Senator Webb. Yes, Mr. President.

Senator Enrile. I understand that is actually the legal norm under which the System now operates, Mr. President. Therefore, since that is the case, there is no need to disturb the definition.

Senator Webb. I will accept that, Mr. President, for clarity as the sponsor has mentioned. But on the last definition, let me just pursue the particular definition.

Senator Enrile. May I point out, with the permission of the distinguished gentleman, the reason I do not want to disturb this particular definition. There is a distinction between the dependents and primary beneficiaries. I do not think this exists in the SSS Law. I would not hazard a situation where we are going to disturb the traditional interpretation of these terms.

Senator Webb. Mr. President, going back to my point as far as dependents are concerned. I would like to pose a question before I propose my amendment. Do the legitimate and illegitimate children get the same benefits?

Senator Enrile. There appears to be no distinction in the law, Mr. President, unlike in the case of the SSS Law, if I remember correctly, where there is a difference between the benefits that would go to the legitimate, legitimated or adopted child as against the illegitimate child.

Senator Webb. That is true. That was my point. Because if we do not interweave the two provisions, then what will happen here is, if one works for the government, then the illegitimate child gets a 100 percent of the share, while if one works with a private institution—because this is now the bicameral conference committee report that I am talking about—it talks of only 50 percent. So there is a big difference here. That is why I am trying to consolidate it, Mr. President.

Senator Enrile. I am not willing to give up the benefits of the illegitimate child that is now embodied in this proposal, Mr. President.

Senator Webb. So the issue here, Mr. President, is if one works for the government, then the illegitimate child gets a 100 percent of the share but if one works for a private entity like the SSS, then the illegitimate child gets 50 percent.

Senator Enrile. That is the import of this distinction. There is a valid basis to distinguish the manner of employment. If one is employed by government, the law is more generous; in that respect, if the other one is employed in the private sector, the law is less generous.

Senator Webb. Then that brings me to my second amendment which I will not pursue anymore because the gentleman has already answered my next amendment. So I will not propose it anymore but instead yield to the gentleman's decision.

Thank you, Mr. President.

Senator Enrile. Thank you, Mr. President.

Senator Angara. Mr. President.

The Presiding Officer [Sen. Honasan]. The gentleman from Aurora, Sen. Edgardo J. Angara, is recognized.

Senator Angara. Thank you, Mr. President.

Mr. President, may I put a question first before I propose my amendment?

Senator Enrile. Gladly, Mr. President.

Senator Angara. The main investment criteria of funds of the GSIS, are liquidity, safety and yield. But I notice, Mr. President, that there are some investment areas here where there seem to be no liquidity. We do not comply with the liquidity requirement. There are also some investment areas here where, perhaps, safety may not be assured. The Senate President has already raised that point about unlisted stock and I would have raised that too.

For instance, Mr. President, in investment in real estate other than housing, would this not, based on the experience of the GSIS, make the investible funds of the GSIS illiquid, just saying that the GSIS can invest in any and all real estate outside housing?

Senator Enrile. Well, this investment will be governed by the general standard of safety, liquidity and yield.

Senator Angara. Yes, Mr. President.

Senator Enrile. The investment of the GSIS, in any investment for that matter, will have to be measured on the basis of these three factors. Will this real estate investment affect the liquidity of the System? Will it safeguard the interest of the System? And will it give the System a yield greater than

investment in shares of stocks or in interest-bearing securities or anything of the sort?

So, the mere mention of a type of investment does not necessarily mean that the System will invest in this particular area. It will do so only if the three measures will be satisfied.

ANGARA AMENDMENTS

Senator Angara. That is correct, Mr. President. That is exactly my point. Because when we authorize the GSIS to invest generally in real estate, I think we may be ignoring the criteria that we are precisely setting. For instance, I would like to see that the real estate investment is in urban, commercial properties, because I do not want the GSIS to invest in some seaside development in some far-off places which, I think, happens. I would like the investment of the GSIS in real estate to be easily converted into cash, if in case it needs cash. So, I would qualify the real estate investment into, say—URBAN, COMMERCIAL REAL ESTATES.

Senator Enrile. It is accepted, Mr. President, subject to style.

The Presiding Officer [Sen. Honasan]. Is there any objection? *[Silence]* There being none, the amendment is approved subject to style.

Senator Angara. Again, talking of liquidity and safety, would it not be quite safe to invest in loans, bonds or debentures of cooperatives, Mr. President?

Senator Enrile. Loans or in bonds...

Senator Angara. ... or debentures of cooperatives as provided for under investment (F). That is on page 28, line 21.

Senator Enrile. So what is the question, Mr. President?

Senator Angara. My question, Mr. President, is that, is it all right to invest in loans, receivables, bonds, debentures of ongoing financial corporations or other nonfinancial corporations? But I raise the question whether it is going to be prudent to invest in notes or bonds issued by cooperatives.

Senator Enrile. If the cooperative is a financially sound cooperative, and if it is a profitable cooperative, I see no reason why we should foreclose the GSIS from investing in that cooperative. In fact, it is in line with the policy of the government to encourage cooperativism in the country.

Anyway, apart from safety, liquidity and yield, there is also

the standard of prudence. That is written in this law as a measure of the responsibility, diligence, and prudence of the GSIS in making its investments.

Senator Angara. There is a wide universal market of financial instruments that the GSIS can buy, Mr. President. There is a whole array of corporations and institutions issuing these financial instruments. I am just wondering why we have to include cooperatives here.

Support of cooperatives is specifically assigned to some other agencies like the Landbank and other financial institutions. I was wondering why we are risking to venture into cooperatives, because there is a greater risk in investing in cooperatives than in other institutions.

Senator Enrile. What is the pleasure of the distinguished gentleman from Aurora?

Senator Angara. I would exclude "cooperatives" in this enumeration.

Senator Enrile. Is it the gentleman's proposal to delete "cooperatives"?

Senator Angara. Yes. In line 21, delete the words "INCLUDING COOPERATIVES."

Senator Enrile. The proposed amendment is accepted, Mr. President. So that letter (F) will read: "IN LOANS TO, OR IN BONDS, DEBENTURES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF ANY SOLVENT CORPORATION, CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES;". We remove the comma (,) and the phrase "INCLUDING COOPERATIVES;".

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

Senator Angara. Thank you, Mr. President.

On page 29, letter (H), lines 1 to 2, this indicates to me, Mr. President, that we are now authorizing the GSIS to set up subsidiaries here as well as abroad.

My question is: Why are we authorizing the people's money, the trust funds of government employees to be used almost like a venture capital in authorizing the GSIS to set up subsidiaries? What kind of subsidiaries and what line of business will these subsidiaries pursue, Mr. President?

Senator Enrile. I can see the problem that is bothering the distinguished gentleman from Aurora. I also had some problem with this. But I was assured that this will not involve venture capital. Maybe buying the controlling interest in an existing profitable enterprise was meant here. But, of course, the wording "own, form, establish or maintain by the System in the Philippines or abroad is so broad". What is the pleasure of the distinguished gentleman?

Senator Angara. I propose very strongly, Mr. President, that we delete this wide-ranging authority to create corporations and, perhaps, pursue different lines of business.

SUSPENSION OF SESSION

Senator Enrile. May I ask for a one-minute suspension of the session.

The Presiding Officer [Sen. Honasan]. The session is suspended, if there is no objection. *[There was none.]*

It was 5:55 p.m.

RESUMPTION OF SESSION

At 5:56 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

Senator Angara. Mr. President, if I may propose to delete lines 1 and 2, letter (H) of this proposal. Anyway, the GSIS is authorized to invest in corporations. I think this kind of power is quite unnecessary and, perhaps, even dangerous.

Senator Enrile. Under letter (g), Section 23, the System is authorized to invest in common and preferred stocks of any solvent corporation, commercial or financial, created or existing under the laws of the Philippines, listed in the stock exchange with proven track record.

ANGARA-ENRILE AMENDMENT

Mr. President, I would accept the deletion of this paragraph but in lieu thereof, if I may suggest, we provide that THE SYSTEM COULD INVEST IN OTHER CORPORATIONS ESTABLISHED OR ORGANIZED UNDER THE LAWS OF THE PHILIPPINES. Subject to style.

Senator Angara. The amendment is accepted, Mr. President.

The Presiding Officer [Sen. Honasan] Is there any objection?

[Silence] There being none, the amendment is approved.

ANGARA AMENDMENTS

Senator Angara. Mr. President, in lines 3 and 4 on page 29, there is a phrase here "investment IN FOREIGN MUTUAL FUNDS INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS." Do I understand that this is an authorization for the GSIS to go into the mutual fund business?

Senator Enrile. I am not sure what the meaning of the phrase "including investments related to the operations of mutual funds" is. These are in foreign mutual funds.

Senator Angara. That I understand, Mr. President. But this phrase "INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS," to me, indicates that—although not expressly—there seems to be a suggestion that the GSIS can go into the mutual fund business.

Senator Enrile. Is the distinguished gentleman proposing a deletion of this phrase?

Senator Angara. Yes, Mr. President.

Senator Enrile. I accept the amendment, Mr. President.

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

Senator Angara. Going to line 13, Mr. President, to this general catchall authorization that it can invest in such other investments which in the judgment or in the determination of the Board shall redound to the benefit of the System, et cetera.

Should we not tighten up this general authorization, Mr. President? Because this language, to me, seems very clearly to imply that they can go into any kind of investment provided it is in the best judgment of the Board.

Senator Enrile. We are open to suggestion, Mr. President.

Senator Angara. My suggestion, Mr. President, is to delete this catchall inclusive area because it nullifies the specificity that we went into in the previous recitation or listing.

Senator Enrile. It is accepted, Mr. President.

The Presiding Officer [Sen. Honasan]. Is there any objection? [Silence] The Chair hears none; the motion is approved.

Senator Angara. On page 31, Mr. President, lines 17 to 19, may I know what will be the estimated cost of setting up field offices in every province and in every city in this country as called for in this provision?

Senator Enrile. The amount involved, I understand, is not quantified, but the leadership of the System assures that this is not going to be a very elaborate network. It will simply involve maybe one, two or three employees to service the needs of the members of the System in each locality, bearing in mind that we are broadening the coverage of the System to include elective officials and employees of provincial, city and municipal governments.

Senator Angara. I can understand that, Mr. President, but what I cannot understand is that the agency wants to establish a full-fledged branch or a satellite agency in each of these provinces and cities. I think that provinces or cities can be put in a cluster and can be serviced by a common branch rather than this requirement of having a branch in every province and city which, to me, smacks of featherbedding.

Senator Enrile. Actually, the wording, Mr. President, is: "THE SYSTEM SHALL MAINTAIN A FIELD OPERATIONS NETWORK WHERE EACH PROVINCE OR CITY SHALL BE SERVICED BY EITHER A FULL-FLEDGED BRANCH OFFICE OR A SATELLITE AGENCY."

Senator Angara. Yes. So, an office in every province or city.

Senator Enrile. Yes. There will be at least a presence in every province or city to service the needs of the members in the province or city.

Senator Angara. I am questioning the wisdom of that, Mr. President, in terms of cost because, again, we are looking at people's money, and we want to reduce the expense as much as possible.

So, would it not be better to have the provinces and cities in a cluster and have them serviced by a branch or an agency in a cluster rather than putting up an office in each province?

For instance, Mr. President, Siquijor and Dumaguete can very well be in a cluster. The office in Dumaguete can service Siquijor. The office in many of the island regions can be serviced by....

Senator Enrile. Mr. President, this is already a matter of administrative and management function which is difficult to translate into law. I think we should leave it to the System to exercise prudence in this respect.

I, for one, am not averse to this provision but we are open to a rewording if the distinguished member would care to submit to us a rewording of this provision.

Senator Angara. Yes, Mr. President. I think it would be better not to flesh this into law because then, on the contrary, we are trying up the flexibility of the GSIS system. Perhaps, we can say, subject to style, **THE SYSTEM SHALL MAINTAIN SUCH OFFICE OR AGENCY TO SERVE SEVERAL PROVINCES OR CITIES AS THE NEED ARISES.**

ANGARA-ENRILE AMENDMENT

Senator Enrile. With the permission of the distinguished gentleman. Suppose we say: **THE SYSTEM SHALL MAINTAIN A FIELD OPERATIONS NETWORK THROUGHOUT THE COUNTRY SUFFICIENT TO SERVICE ITS MEMBERS.** Something to that effect.

Senator Angara. Yes, I think that is a more flexible provision.

Senator Enrile. Yes, subject to style.

Senator Angara. Yes, I think that is more acceptable rather than this rigid provision.

Senator Enrile. Instead of mentioning that we will put in every province or city, because it might connote that the System is going to put a network across the land, in every province, and they will become a major factor in politics.

Senator Angara. I can see some electoral purpose in this, Mr. President, and we do not want that.

Senator Enrile. I can see the fears. So, subject to style, we will reword this as suggested, in order to achieve the purpose.

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

Senator Angara. Mr. President, on page 34, on the power of the board, beginning on line 8: "To compromise or release penalties and surcharges owing to the System regardless of the amount involved."

Senator Enrile. I think this is similar to what we authorized in the SSS charter, where we grant power to the board of the SSS and now to the board of the GSIS to compromise or release any part or the whole of the penalties and surcharges accruing to the System, regardless of the amount of

these penalties and surcharges. These are penalties and surcharges.

Senator Angara. I agree with the gentleman, Mr. President. I remember that in the SSS Bill because I raised a similar question. But I just want to make clear that this does not involve the principal amount.

Senator Enrile. No, only the penalties and surcharges because the owing party might be ready to pay for the principal amount and the interest, but he could not afford to pay the surcharge and the penalties.

Senator Angara. Thank you, Mr. President.

Mr. President, I hope that the amendments would improve the performance of the GSIS and optimize its yield, at the same time reduce its overhead.

Senator Enrile. Thank you, Mr. President. For all we know, when the gentleman becomes president, the GSIS will establish these offices and these will help him.

Senator Angara. No. I would like the GSIS fund, Mr. President, husbanded very carefully because the principal complaint of GSIS pensioners is that they are not getting enough from the GSIS.

Senator Enrile. Thank you, Mr. President.

The Presiding Officer [Sen. Honasan]. The Assistant Majority Leader is recognized.

Senator Mercado. Mr. President, if I may, I have one more proposed amendment and this is on page 27, in line 13.

I propose that after the word "expenses" we put a comma (,), and in line 15, we change the period to a comma (,). After the comma, we insert the following phrase: **WHICH ADJUSTMENT SHALL NOT BE MADE MORE THAN ONCE EVERY FIVE (5) YEARS AND NOT MORE THAN FIVE PERCENT (5%) OVER THE PREVIOUS RATE.**

It is simply to put a limit to the adjustment of funds for administrative and operational expenses. If we fix the adjustment to a period not oftener than once every five years, we feel that this could be a safety measure against such adjustments.

Senator Enrile. There is no adjustment here. May I clarify this, Mr. President. Are we dealing with Section 35?

Senator Mercado. Yes.

Senator Enrile. SEC. 35. *Reports and Disbursements* - All FUNDS collected and all accruals thereto shall be deposited, administered and disbursed in accordance with law. A maximum expense loading of twelve percent (12%) of the yearly revenues from all sources may be disbursed for administrative and operational expenses, except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.

Senator Mercado. We are speaking of the limit to the adjustment of the funds for administrative and operational expenses, Mr. President.

Senator Enrile. There is no adjustment of this, Mr. President. It says: "A maximum expense loading of twelve percent (12%) of the yearly revenues from all sources may be disbursed for administrative and operational expenses, except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies."

Is that the one that the gentleman wishes to....

Senator Mercado. Yes. To put a safety measure against.

Senator Enrile. Yes.

SUSPENSION OF SESSION

Senator Mercado. May we ask for a suspension of the session, Mr. President?

The Presiding Officer [Sen. Honasan]. Is there any objection? [Silence] There being none, the session is suspended for one minute.

It was 6:12 p.m.

RESUMPTION OF SESSION

At 6:13 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

MERCADO AMENDMENT

Senator Mercado. Mr. President, I would like to repeat the proposal. After the word "studies," we put a comma (,), and then add the phrase WHICH ADJUSTMENTS SHALL NOT BE MADE MORE THAN ONCE EVERY FIVE YEARS AND NOT MORE THAN FIVE PERCENT (5%) OVER THE PREVIOUS RATE, subject to style.

Senator Enrile. Subject to style and rewording, we accept the amendment, Mr. President.

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

Senator Mercado. Mr. President, I ask that we recognize Senator Herrera.

The Presiding Officer [Sen. Honasan]. The gentleman from Bohol and Cebu, Sen. Ernesto F. Herrera, is recognized.

HERRERA AMENDMENT

Senator Herrera. Just a small amendment, Mr. President. This is on page 34, line 4. After the word "another," maybe we should insert the phrase SUBJECT TO THE PROVISION OF THE PORTABILITY LAW.

Senator Enrile. In what line?

Senator Herrera. In line 4, after the word "another," we insert the phrase SUBJECT TO THE PROVISION OF REPUBLIC ACT....

I am referring to the Portability Law. Maybe the Secretariat can provide us the number.

Senator Enrile. It is accepted, Mr. President, subject to style.

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

Senator Herrera. Thank you, Mr. President.

Mr. President, may we have a clean draft before we close the period of amendments?

Senator Enrile. Yes, Mr. President.

The Presiding Officer [Sen. Honasan]. The Majority leader is recognized.

Senator Mercado. Mr. President, subject to the request that we have a clean draft before we approve this on Second Reading, may I move that we close the period of individual amendments.

I withdraw the motion. There is a request that we have a clean draft before we close the period of individual amendments.

The Presiding Officer [Sen. Honasan]. The motion is withdrawn.

SUSPENSION OF CONSIDERATION OF S. NO. 2013

Senator Mercado. Mr. President, I move that we suspend consideration of Senate Bill No. 2013.

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

SUSPENSION OF SESSION

Senator Mercado. Mr. President, I move that we suspend the session for one minute.

The Presiding Officer [Sen. Honasan]. Is there any objection? [Silence] There being none, the session is suspended for one minute.

It was 6:15 p.m.

RESUMPTION OF SESSION

At 6:19 p.m., the session was resumed.

The Presiding Officer [Sen. Honasan]. The session is resumed.

SUSPENSION OF SESSION

Senator Mercado. Mr. President, I move that we suspend the session until 10 o'clock tomorrow morning.

The Presiding Officer [Sen. Honasan]. Is there any objection? [Silence] There being none, the session is suspended until 10 o'clock tomorrow morning.

It was 6:20 p.m.



5-15-97
Thursday, May 15, 1997

RECORD OF THE SENATE

Individual Amendments - S. No. 2013

that there is so much potential in this industry because, to date, less than 5 percent of our population is subscribing to radio paging system or wireless cellular telephones.

The committee, therefore, recommends that this substitute bill of House Bill No. 6089 be approved.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, if there are no interpellations, I move that the period of interpellations be closed.

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

Senator Tatad. Since there are no committee amendments, I move that the period of committee amendments be closed.

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

Senator Tatad. If there are no individual amendments, I move that the period of individual amendments be closed.

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

APPROVAL OF H. NO. 6089 ON SECOND READING

Senator Tatad. Mr. President, I move that we vote on Second Reading on House Bill No. 6089.

The President. Is there any objection? *[Silence]* There being none, we shall now vote on Second Reading on House Bill No. 6089.

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]

House Bill No. 6089 is approved on Second Reading.

SUSPENSION OF SESSION

Senator Tatad. May I ask that we suspend the session for a few minutes, Mr. President.

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

It was 10:22 a.m.

RESUMPTION OF SESSION

At 10:28 a.m., the session was resumed.

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

BILL ON SECOND READING
S. No. 2013—The GSIS Act of 1997
(Continuation)

Senator Tatad. Mr. President, I move that we resume consideration of Senate Bill No. 2013 as reported out under Committee Report No. 362.

The President. Is there any objection? *[Silence]* There being none, resumption of consideration of Senate Bill No. 2013 is now in order.

Senator Tatad. Mr. President, we are in the period of amendments. I ask that the distinguished sponsor of the bill, Sen. Juan Ponce Enrile, along with the distinguished Minority Leader, Sen. Neptali A. Gonzales, be recognized.

The President. Senator Gonzales and Senator Enrile are recognized.

Senator Enrile. Thank you, Mr. President.

GONZALES AMENDMENT

Senator Gonzales. Thank you, Mr. President.

On page 2, line 27, after the semicolon (;), add the following paragraph: NOTWITHSTANDING THIS DEFINITION OF COMPENSATION, PER DIEMS RECEIVED BY ELECTED OR APPOINTED OFFICIALS WHO DO NOT RECEIVE ANY BASIC PAY OR SALARY SHALL BE TREATED AS COMPENSATION FOR PURPOSES OF THIS ACT.

Senator Enrile. It is accepted, Mr. President.

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

MANIFESTATION OF SENATOR ENRILE
(Reference to SSS Amended Charter Not Needed)

Senator Enrile. Mr. President, may I make a manifestation regarding the proposal made yesterday by the distinguished

senator from Tarlac, Quezon City, and Bulacan, Sen. Alberto G. Romulo, that the provisions of the SSS Amended Charter bearing on the investments to be authorized to the GSIS be incorporated by reference into this law.

I would like to state into the *Record* that while that is a very meritorious proposal, there is no need for it in view of the already accepted proposed amendments by the Senate President and by Sen. Edgardo J. Angara of Aurora, Quezon, done in this Chamber yesterday.

With that manifestation, I rest the case of the GSIS proposed amendment to its charter.

The President. The manifestation is noted.

The Majority Leader is recognized.

SUSPENSION OF CONSIDERATION OF S. NO. 2013

Senator Tatad. Mr. President, I move that we suspend consideration of Senate Bill No. 2013.

The President. Is there any objection? *[Silence]* There being no objection, the motion is approved.

SUSPENSION OF SESSION

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

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

It was 10:31 a.m.

RESUMPTION OF SESSION

At 10:35 a.m., the session was resumed.

The President. The session is resumed. 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. 3312 as reported out under Committee Report No. 368, entitled

AN ACT RENEWING THE FRANCHISE GRANTED TO AMADO L. OLA UNDER REPUBLIC ACT NO. 6001 TO CONSTRUCT, INSTALL,

MAINTAIN AND OPERATE PUBLIC RADIO TELEPHONE AND RADIOTELEGRAPH COASTAL STATIONS, AERONAUTICAL AND PUBLIC FIXED AND PUBLIC BASED AND LAND-MOBILE STATIONS FOR THE RECEPTION AND TRANSMISSION OF RADIO COMMUNICATIONS WITHIN THE PHILIPPINES.

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

BILL ON SECOND READING

H. No. 3312—Renewal of Amado L. Ola's Franchise

Senator Tatad. Mr. President, I move that we consider Committee Report No. 368 on House Bill No. 3312 as reported out by the Committee on Public Services.

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

Consideration of House Bill No. 3312 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. House Bill No. 3312, entitled

AN ACT RENEWING THE FRANCHISE GRANTED TO AMADO L. OLA UNDER REPUBLIC ACT NO. 6001 TO CONSTRUCT, INSTALL, MAINTAIN AND OPERATE PUBLIC RADIO TELEPHONE AND RADIOTELEGRAPH COASTAL STATIONS, AERONAUTICAL AND PUBLIC FIXED AND PUBLIC BASED AND LAND-MOBILE STATIONS, FOR THE RECEPTION AND TRANSMISSION OF RADIO COMMUNICATIONS WITHIN THE PHILIPPINES

The following is the whole text of the bill:

House Bill No. 3312

AN ACT RENEWING THE FRANCHISE GRANTED TO AMADO L. OLA UNDER REPUBLIC ACT NO. 6001 TO CONSTRUCT, INSTALL, MAINTAIN AND OPERATE PUBLIC RADIO TELEPHONE AND RADIOTELEGRAPH COASTAL STATIONS, AERONAUTICAL AND PUBLIC FIXED AND PUBLIC BASED AND

being none, we shall now vote on Second Reading on Senate Bill No. 1817, 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. 1817, as amended, is approved on Second Reading.

SUSPENSION OF SESSION

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

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

It was 3:54 p.m.

RESUMPTION OF SESSION

At 4:01 p.m., the session was resumed.

The President. The session is resumed.

Senator Tatad. Mr. President.

The President. The Majority Leader is recognized.

BILL ON SECOND READING
S. No. 2013 - The GSIS Act of 1997
(Continuation)

Senator Tatad. Mr. President, I move that we resume consideration of Senate Bill No. 2013 as reported out under Committee Report No. 362.

The President. Is there any objection? [Silence] There being none, resumption of consideration of Senate Bill No. 2013 is now in order.

Senator Tatad. We were in the period of amendments. The last amendment has been introduced, and we now have before us a clean copy of the bill incorporating all the amendments. This is the amended copy as of May 19, 1997.

I move that we now formally close the period of amendments.

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

APPROVAL OF S. NO. 2013 ON SECOND READING

Senator Tatad. Mr. President, I move that we vote on Second Reading on Senate Bill No. 2013, as amended.

The President. Is there any objection? [Silence] There being none, we shall now vote on Second Reading on Senate Bill No. 2013, 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. 2013, as amended, is approved on Second Reading.

SUSPENSION OF SESSION

Senator Tatad. Mr. President, may I ask for a few minutes suspension.

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

It was 4:02 p.m.

RESUMPTION OF SESSION

At 4:28 p.m., the session was resumed.

The President. The session is resumed. 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 the following measures:

House Bill No. 5186 as reported out under Committee Report No. 370, entitled

AN ACT GRANTING THE SAN CARLOS TELEPHONE COMPANY INCORPORATED A FRANCHISE TO CONSTRUCT, INSTALL, MAINTAIN, ESTABLISH AND OPERATE

of the immediate enactment of Senate Bill No. 2013, entitled

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1146, EXPANDING AND INCREASING THE COVERAGE AND BENEFITS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM, INSTITUTING REFORMS THEREIN AND FOR OTHER PURPOSES,

to meet the urgent need of expanding the coverage of the Government Service Insurance System and make them at par with the benefits received by SSS members to promote the socio-economic well-being and welfare of the workers concerned.

With best wishes.

(Sgd.) FIDEL V. RAMOS

cc: Hon. JOSE DE VENECIA Speaker House of Representatives Batasan Pambansa Complex Quezon City

The Presiding Officer [Sen. Flavier]. Referred to the Committee on Rules

Senator Tatad. Mr. President, in view of that certification, I move that we now consider on Third Reading Senate Bill No. 2013.

BILL ON THIRD READING S. No. 2013 - The GSIS Act of 1997

Senator Tatad. Mr. President, I move that we vote on Third Reading on Senate Bill No. 2013. Copies of the bill have been distributed to the members.

The Presiding Officer [Sen. Flavier]. Is there any objection? [Silence] There being none, voting on Third Reading on Senate Bill No. 2013 is now in order.

The Secretary will please read only the title of the bill.

The Secretary. Senate Bill No. 2013, entitled

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1146 EXPANDING AND INCREASING THE COVERAGE AND BENEFITS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM AND INSTITUTING REFORMS THEREIN AND FOR OTHER PURPOSES

The Presiding Officer [Sen. Flavier]. We shall now vote on the bill and the Secretary will call the roll.

The Secretary. Senators

- Alvarez
Angara Yes
Coseteng
Drilon
Enrile Yes
Fernan Yes
Flavier Yes
Gonzales Yes
Herrera Yes
Honasan
Macapagal Yes
Magsaysay Jr.
Mercado Yes
Ople Yes
Osmeña III
Revilla
Roco Yes
Romulo Yes
Santiago Yes
Shahani Yes
Sotto III
Tatad Yes
Webb
The President

APPROVAL OF S. NO. 2013 ON THIRD READING

The Presiding Officer [Sen. Flavier]. With 14 affirmative votes, no negative vote, and no abstention, Senate Bill No. 2013 is approved on Third Reading.

BILL ON SECOND READING S. No. 1093 - Amending Article 245 of the Revised Penal Code

Senator Tatad. Mr. President, I move that we consider Committee Report No. 366 on Senate Bill No. 1093 as reported out by the Committee on Constitutional Amendments, Revision of Codes and Laws and the Committee of Civil Service and Government Corporations.

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

Consideration of Senate Bill No. 1093 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.

But let me just point out that in the case of Grand Air, as well as the Air Philippines and the Cebu Pacific Airlines, they are already in operation for at least two years. They were granted a temporary permit by the CAB. In fact, in the case of Grand Air, it got a new temporary permit for five years. So it is already in operation even before this franchise was enacted by us.

Thank you, Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, 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 motion is approved.

Senator Tatad. Mr. President, if there are no amendments, I move that the period of amendments be closed.

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

APPROVAL OF H. NO. 4603 ON
SECOND READING

Senator Tatad. Mr. President, I move that we vote on Second Reading on House Bill No. 4603.

The President. Is there any objection? *[Silence]* There being none, we shall now vote on Second Reading on House Bill No. 4603.

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]*

House Bill No. 4603 is approved on Second Reading.

SUSPENSION OF SESSION

Senator Tatad. Mr. President, 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 10:48 a.m.

RESUMPTION OF SESSION

At 10:50 a.m., the session was resumed.

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

CONFERENCE COMMITTEE REPORT ON
S. NO. 2013/H. NO. 8561
(GSIS Act of 1997)

Senator Tatad. Mr. President, I move that we now consider the Bicameral Conference Committee Report on the disagreeing provisions of Senate Bill No. 2013 and House Bill No. 8561. This is the GSIS bill.

I ask that the distinguished Chairman of the Committee on Government Corporations and Public Enterprise be recognized.

The President. The gentleman from Cagayan is recognized.

REPORT OF SENATOR ENRILE

Senator Enrile. Thank you, Mr. President.

Mr. President, I am happy to report that a conference committee on the disagreeing provisions of Senate Bill No. 2013 and House Bill No. 8561, both seeking to revise the Charter of the Government Service Insurance System, namely Presidential Decree No. 1146, met and after discussing fully the subject matter, the conference in the evening of May 27, 1997 agreed on the final version of the bill.

I would like to report now the following agreements and changes that have been made and incorporated in the present version of the final measure:

1. The inclusion of all government-owned and -controlled corporations and financial institutions with original charters, as well as constitutional commissions and the Judiciary in the term "employers" as used in the proposed law.

2. The inclusion of elected officials, including barangay and sangguniang officials as members.

Temporary and casual employees will now enjoy GSIS coverage benefits. This will benefit 172,000 employees and their families.

3. The exclusion from the compulsory membership coverage of contractals who have no employer-employee

relationship with any institution of government or agency thereof, including the members of the Philippine National Police and the members of the Armed Forces of the Philippines.

4) All members of the GSIS shall be entitled to life insurance, retirement, disability survivorship and funeral benefits, plus two more new benefits—these are separation and unemployment benefits. But such will not cover members of the Judiciary and members of Constitutional Commissions.

5) The initial monthly compensation limit was provided not to exceed P10,000 and the premium therefore shall be 9 percent for the employee and 12 percent for the employer. An additional 2 percent for the employee and 12 percent for the employer will be imposed in excess of the average monthly compensation limit should the member-employee opt to increase his future benefits.

The added cost to the GSIS members and the government is an increase in the contribution rate of 3 percent from the current 18 percent, and as far as government workers are concerned, there is a 0.5 percent increase in their contribution but they will get much higher coverage and greater or higher social security benefits.

6) The basic monthly pension for retirement shall not be less than P1,300. But those who have rendered at least 20 years of service after the effectivity of this Act, shall receive no less than P2,400 per month. If I remember correctly, this was an amendment which was suggested by the Senate President.

Thus, the final bill provides for a 270 percent increase in the average monthly compensation limit and the maximum monthly pension for GSIS members. The increase in the average monthly compensation limit will cover 94 percent of the entire government bureaucracy or government personnel. The maximum basic monthly pension will be increased from P2,700 to P9,000. This sum will enable our retirees to keep pace with the present living standards.

7) The amount of funeral benefit shall not be less than P12,000 provided it will be increased to at least P18,000 after five years. I think this was also suggested by the Senate President.

8) A new section was added providing for a prescription of four years instead of the five years that was proposed. This was a compromise, from the date of contingency for benefit claim except for life and retirement which is imprescriptible.

9) In investing its funds, the Government Service Insurance System is required to satisfy the requirements of liquidity, safety, security and yield to preserve its actuarial solvency; and to submit an annual report to both Houses of Congress of the Philippines about this.

The Government Service Insurance System is now mandated to allocate 40 percent of its investible funds to housing and other loans to members. This is not discretionary on the part of the Board.

10) All positions in the Government Service Insurance System shall be governed by a compensation and position classification system and qualification standards approved by the Government Service Insurance System Board subject to its review once every four years.

11) The Board of Trustees shall be composed of:

1. The President and General Manager of the GSIS;

2. The President of the Philippine Public School Teachers Association or, (as added by the President of the Senate,) the Philippine Association of School Superintendents;

3. Two representatives from the two organizations of employees/retirees;

4. Another four from the banking, finance, investment and insurance sectors; and

5. One recognized member of the legal profession.

This was suggested by the distinguished lady senator from Iloilo.

The Trustees shall serve for six (6) years without reappointment.

12). The Office of Government Corporate Counsel shall be the legal adviser and consultant of the GSIS, and the present legal services group of the GSIS shall serve as its in-house legal counsel.

13). A new section was provided for the GSIS to reinsure any of its present interest or partner with any private or foreign reinsurance company.

14). A new section was also added restoring the oversight functions of the Office of the Insurance Commissioner over the GSIS financial conditions and its methods of transacting business.

If the Chair will recall, the proposed provision, as suggested by the Senate, was for the Insurance Commission to examine the

financial condition of the GSIS every two years. A compromise was agreed upon that this will be made every three years.

15). It shall be mandatory and compulsory for all employers to include the payment of contributions in their annual appropriations, otherwise higher penal sanctions are provided to be imposed. The penalty imposed includes an absolute perpetual disqualification to hold public office.

16). Higher penalties are also to be imposed for violation of the provisions of the GSIS Charter, one of which is an absolute perpetual disqualification to hold public office.

These are the changes that we have included in the draft of the final version of this measure as crafted by the Senate Bicameral Conference Committee.

I would now move that the result of that Bicameral Conference Committee be approved.

APPROVAL OF CONFERENCE COMMITTEE REPORT
ON S. NO. 2013/H. NO. 8561

Senator Tatad. I move for the formal approval of the Bicameral Conference Committee Report, Mr. President.

The President. Is there any objection? [Silence] There being none, the Conference Committee Report is approved.

The following is the whole text of the Conference Committee Report on S. No. 2013/H. No. 8561:

CONFERENCE COMMITTEE REPORT

The Conference Committee on the disagreeing provisions of Senate Bill No. 2013, entitled

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1146, AS AMENDED, EXPANDING AND INCREASING THE COVERAGE AND BENEFITS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM, INSTITUTING REFORMS THEREIN AND FOR OTHER PURPOSES

and House Bill No. 8561, entitled

AN ACT PROVIDING FOR A NEW GOVERNMENT SERVICE INSURANCE PROGRAM, EXPANDING THE COVERAGE AND BENEFITS OF

THE GOVERNMENT SERVICE INSURANCE SYSTEM, INSTITUTING REFORMS THEREIN, AND FOR OTHER PURPOSES,

having met, after full and free conference, have agreed to recommend, and do hereby recommend, to their respective Houses that Senate Bill No. 2013 in consolidation with House Bill No. 8561, be approved in accordance with the attached copy of the bill as reconciled and approved by the conferees.

CONFEREES ON THE PART OF THE
HOUSE OF REPRESENTATIVES:

(Sgd.) HON. WILFRIDO L. ENVERGA

(Sgd.) HON. ERICO B. AUMENTADO

HON. AMADO S. BAGATSING

(Sgd.) HON. RODOLFO T. TUAZON

(Sgd.) HON. CARLOS M. PADILLA

HON. ELIAS B. LOPEZ

CONFEREES ON THE PART OF THE
SENATE:

(Sgd.) HON. JUAN PONCE ENRILE

HON. BLAS F. OPLE

(Sgd.) HON. ORLANDO S. MERCADO

(Sgd.) HON. MARCELO B. FERNAN

(Sgd.) HON. NEPTALI A. GONZALES

(Sgd.) HON. RAMON B. MAGSAYSAY JR.

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1146, AS AMENDED, EXPANDING AND INCREASING THE COVERAGE AND BENEFITS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM, INSTITUTING REFORMS THEREIN AND FOR OTHER PURPOSES

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

SECTION 1. Presidential Decree No. 1146, as amended, otherwise known as the "Revised Government Service Insurance Act of 1977", is hereby further amended to read as follows:

"Section 1. *Title.* - The short title of this Act shall be: "The Government Service Insurance System Act of 1997."

A. DEFINITIONS

"Sec. 2. *Definition of Terms.* - Unless the context otherwise indicates, the following terms shall mean:

(a) GSIS - The Government Service Insurance System created by Commonwealth Act No. 186;

(b) Board - The Board of Trustees of the Government Service Insurance System;

(c) Employer - The national government, its political subdivisions, branches, agencies or instrumentalities, INCLUDING GOVERNMENT-owned or controlled CORPORATIONS, AND FINANCIAL INSTITUTIONS WITH ORIGINAL CHARTERS, THE CONSTITUTIONAL COMMISSIONS AND THE JUDICIARY;

(d) Employee or MEMBER - Any person RECEIVING COMPENSATION WHILE in the service of an employer AS DEFINED HEREIN, WHETHER BY ELECTION OR APPOINTMENT, IRRESPECTIVE OF STATUS OF APPOINTMENT, INCLUDING BARANGAY AND SANGGUNIAN OFFICIALS;

(e) Active Member - A member who is not separated from the service;

(f) Dependents - DEPENDENTS SHALL BE THE FOLLOWING: (A) THE LEGITIMATE SPOUSE DEPENDENT FOR SUPPORT UPON THE MEMBER OR PENSIONER; (B) THE LEGITIMATE, LEGITIMATED LEGALLY ADOPTED CHILD, INCLUDING THE ILLEGITIMATE CHILD, WHO IS UNMARRIED, NOT GAINFULLY EMPLOYED, NOT OVER THE AGE OF MAJORITY, OR IS OVER THE AGE OF MAJORITY BUT INCAPACITATED AND INCAPABLE OF SELF-SUPPORT DUE TO A MENTAL OR PHYSICAL DEFECT ACQUIRED PRIOR TO AGE OF MAJORITY; AND (C) THE PARENTS DEPENDENT UPON THE MEMBER FOR SUPPORT;

(g) Primary beneficiaries - The LEGAL dependent spouse until he/SHE remarries and the dependent children;

(h) Secondary beneficiaries - The dependent parents and, SUBJECT TO THE RESTRICTIONS ON DEPENDENT CHILDREN, the legitimate descendants;

(i) Compensation - The basic pay or salary received by an employee, pursuant to his ELECTION/ appointment, excluding per diems, bonuses, overtime pay, HONORARIA, allowances and ANY OTHER EMOLUMENTS RECEIVED IN ADDITION TO THE BASIC PAY WHICH ARE NOT INTEGRATED INTO THE BASIC PAY UNDER EXISTING LAWS;

(j) Contribution - The amount payable to the GSIS by the member and the employer in accordance with Section 5 of this Act;

(K) CURRENT DAILY COMPENSATION - THE ACTUAL DAILY COMPENSATION OR THE ACTUAL MONTHLY COMPENSATION DIVIDED BY THE NUMBER OF WORKING DAYS IN THE MONTH OF CONTINGENCY BUT NOT TO EXCEED TWENTY-TWO (22) DAYS;

(L) Average Monthly Compensation (AMC) - The quotient ARRIVED AT after dividing the aggregate compensation received by the member DURING HIS last THIRTY-SIX (36) MONTHS OF SERVICE preceding his separation/retirement/disability/death BY THIRTY-SIX (36), OR by the number of months he received SUCH compensation IF HE HAS LESS THAN THIRTY-SIX (36) MONTHS OF SERVICE: PROVIDED, THAT THE AVERAGE MONTHLY COMPENSATION SHALL IN NO CASE EXCEED THE AMOUNT AND RATE AS MAY BE RESPECTIVELY SET BY THE BOARD UNDER THE RULES AND REGULATIONS IMPLEMENTING THIS ACT AS DETERMINED BY THE ACTUARY OF THE GSIS: PROVIDED, FURTHER, THAT INITIALLY THE AVERAGE MONTHLY COMPENSATION SHALL NOT EXCEED TEN THOUSAND PESOS (P10,000.00), AND PREMIUM SHALL BE NINE PERCENT (9%) AND TWELVE PERCENT (12%) FOR EMPLOYEE AND EMPLOYER COVERING THE AMC LIMIT AND BELOW: AND TWO PERCENT (2%) AND TWELVE PERCENT (12%) FOR EMPLOYEE AND EMPLOYER COVERING COMPENSATION ABOVE THE AMC LIMIT;

(M) Revalued average monthly compensation - An amount equal to one hundred seventy percent (170%) of the first One thousand pesos (P1,000) of the average monthly compensation plus one hundred percent (100%) of the average monthly compensation in excess of One thousand pesos (P1,000);

(N) Lump sum - The basic monthly pension MULTIPLIED BY SIXTY (60);

(O) Pensioner - Any person RECEIVING old-age or PERMANENT TOTAL disability pension OR ANY PERSON WHO HAS RECEIVED THE LUMP SUM EXCLUDING ONE RECEIVING SURVIVORSHIP PENSION BENEFITS AS DEFINED IN SECTION 20 OF THIS ACT;

(P) GAINFUL OCCUPATION - ANY PRODUCTIVE ACTIVITY THAT PROVIDED THE MEMBER WITH INCOME AT LEAST EQUAL TO THE MINIMUM COMPENSATION OF GOVERNMENT EMPLOYEES;

(Q) Disability - Any loss or impairment of the normal functions of the physical and/or mental FACULTY OF A MEMBER which reduces OR ELIMINATES HIS/HER CAPACITY TO CONTINUE WITH HIS/HER CURRENT GAINFUL OCCUPATION OR engage in any OTHER gainful occupation;

(R) Total Disability - COMPLETE INCAPACITY TO CONTINUE WITH HIS PRESENT EMPLOYMENT OR ENGAGE IN ANY GAINFUL OCCUPATION DUE TO THE LOSS OR IMPAIRMENT OF THE NORMAL FUNCTIONS OF THE PHYSICAL AND/OR MENTAL FACULTIES OF THE MEMBER;

(S) Permanent Total Disability - Accrues or arises when recovery from the impairment mentioned in Section 2(Q) is medically remote;

(T) Temporary Total Disability - Accrues or arises when the impaired physical and/or mental faculties can be rehabilitated and/or restored to their normal functions;

(U) Permanent Partial Disability - Accrues or arises UPON THE IRREVOCABLE LOSS OR IMPAIRMENT OF CERTAIN PORTION/S OF THE PHYSICAL FACULTIES, DESPITE WHICH THE MEMBER IS ABLE TO PURSUE A GAINFUL OCCUPATION.

B. MEMBERSHIP IN THE GSIS

"Section 3. *Compulsory MEMBERSHIP.* - Membership in the GSIS shall be compulsory for all employees RECEIVING COMPENSATION WHO HAVE NOT REACHED THE COMPULSORY RETIREMENT AGE, IRRESPECTIVE OF EMPLOYMENT STATUS, EXCEPT MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES AND THE PHILIPPINE NATIONAL POLICE, SUBJECT TO THE CONDITION THAT THEY MUST SETTLE FIRST THEIR FINANCIAL OBLIGATION WITH THE GSIS, AND CONTRACTUALS WHO HAVE NO EMPLOYER AND EMPLOYEE RELATIONSHIP WITH THE AGENCIES THEY SERVE.

"EXCEPT FOR THE MEMBERS OF THE JUDICIARY AND CONSTITUTIONAL COMMISSIONS WHO SHALL HAVE LIFE INSURANCE ONLY, ALL MEMBERS OF THE GSIS SHALL HAVE LIFE INSURANCE, RETIREMENT, AND ALL OTHER SOCIAL SECURITY PROTECTION SUCH AS DISABILITY, SURVIVORSHIP, SEPARATION, AND UNEMPLOYMENT BENEFITS.

"Section 4. *Effect of Separation from the Service.* - A member separated from the service shall continue to be a member, and shall be entitled to whatever benefits he has qualified to in the event of any contingency compensable under this Act .

C. SOURCES OF FUNDS

"Section 5. *Contributions.* - (a) It shall be mandatory for the MEMBER AND THE EMPLOYER to pay the monthly contributions specified in the following schedule:

Monthly Compensation	Percentage of Monthly Compensation Payable by MEMBER Employer	
I. MAXIMUM AVERAGE MONTHLY COMPENSATION (AMC) LIMIT AND BELOW	9.00%	12.00%
II. OVER THE MAXIMUM AMC LIMIT UP TO THE MAXIMUM AMC LIMIT	9.00%	12.00%
- IN EXCESS OF THE AMC LIMIT	2.00%	12.00%

"MEMBERS OF THE JUDICIARY AND CONSTITUTIONAL COMMISSIONERS SHALL PAY THREE PERCENT (3%) OF THEIR MONTHLY COMPENSATION AS PERSONAL SHARE, AND THEIR EMPLOYERS A CORRESPONDING THREE PERCENT (3%) SHARE FOR THEIR LIFE INSURANCE COVERAGE.

(b) The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above, plus any ADDITIONAL premiums that may be required on account of the hazards or risks of its employees' occupation.

(c) IT SHALL BE MANDATORY AND COMPULSORY FOR ALL EMPLOYERS TO INCLUDE THE PAYMENT OF CONTRIBUTIONS IN THEIR ANNUAL APPROPRIATIONS. PENAL SANCTIONS SHALL BE IMPOSED UPON EMPLOYERS WHO FAIL TO INCLUDE THE PAYMENT OF CONTRIBUTIONS IN THEIR ANNUAL APPROPRIATIONS OR OTHERWISE FAIL TO REMIT THE ACCURATE/EXACT AMOUNT OF CONTRIBUTIONS ON TIME, OR DELAY THE REMITTANCE OF PREMIUM CONTRIBUTIONS TO THE GSIS. THE HEADS OF OFFICES AND AGENCIES SHALL BE ADMINISTRATIVELY LIABLE FOR NON-REMITTANCE OR DELAYED REMITTANCE OF PREMIUM CONTRIBUTIONS TO THE GSIS.

"Section 6. *Collection and Remittance of Contributions.* - (a) THE EMPLOYER SHALL REPORT TO THE GSIS THE NAMES OF ALL ITS EMPLOYEES, THEIR CORRESPONDING EMPLOYMENT STATUS, POSITIONS, SALARIES AND SUCH OTHER PERTINENT INFORMATION, INCLUDING SUBSEQUENT CHANGES THEREIN, IF ANY, AS MAY BE REQUIRED BY THE GSIS; THE EMPLOYER SHALL DEDUCT EACH MONTH FROM THE MONTHLY SALARY OR COMPENSATION OF EACH EMPLOYEE THE CONTRIBUTION PAYABLE BY HIM IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED IN THE RULES AND REGULATIONS IMPLEMENTING THIS ACT.

(b) EACH EMPLOYER SHALL REMIT DIRECTLY TO THE GSIS THE EMPLOYEES' AND EMPLOYERS' CONTRIBUTIONS WITHIN THE FIRST TEN (10) DAYS OF THE CALENDAR MONTH FOLLOWING THE MONTH TO WHICH

THE CONTRIBUTIONS APPLY. THE REMITTANCE BY THE EMPLOYER OF THE CONTRIBUTIONS TO THE GSIS SHALL TAKE PRIORITY OVER AND ABOVE THE PAYMENT OF ANY AND ALL OBLIGATIONS, EXCEPT SALARIES AND WAGES OF ITS EMPLOYEES.

"Section 7. *Interests on Delayed Remittances.* - AGENCIES WHICH DELAY THE REMITTANCE OF ANY AND ALL MONIES DUE THE GSIS SHALL BE CHARGED INTERESTS AS MAY BE PRESCRIBED BY THE BOARD BUT NOT LESS THAN TWO PERCENT (2%) SIMPLE INTEREST PER MONTH. SUCH INTEREST SHALL BE PAID BY THE EMPLOYERS CONCERNED.

"Section 8. *Government Guarantee.* - The government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the GSIS to its members as and when they fall due.

D. BENEFITS

"Section 9. *Computation of the Basic Monthly Pension.* - (a) The basic monthly pension is equal to:

1) thirty seven and one half percent (37.5%) of the revalued average monthly compensation; plus

2) two and one half percent (2.5%) of said revalued average monthly compensation for each year of service in excess of fifteen (15) years: Provided, That, the basic monthly pension shall not exceed ninety percent (90%) of the average monthly compensation.

(b) The basic monthly pension may be adjusted upon the recommendation of the President and General Manager of the GSIS and approved by the President of the Philippines in accordance with the rules and regulations prescribed by the GSIS, PROVIDED, HOWEVER, THAT THE BASIC MONTHLY PENSION SHALL NOT BE LESS THAN ONE THOUSAND AND THREE HUNDRED PESOS (P1,300.00); PROVIDED, FURTHER, THAT THE BASIC MONTHLY PENSION FOR THOSE WHO HAVE RENDERED AT LEAST TWENTY (20) YEARS OF SERVICE AFTER THE EFFECTIVITY OF THIS ACT SHALL NOT BE LESS THAN TWO THOUSAND FOUR HUNDRED PESOS (P2,400.00) A MONTH.

"Section 10. *Computation of Service.* - (a) The

computation of service for THE PURPOSE OF DETERMINING THE AMOUNT OF BENEFITS PAYABLE UNDER THIS ACT shall be from the date of original APPOINTMENT/ELECTION, including PERIODS OF SERVICE AT DIFFERENT TIMES UNDER ONE OR MORE EMPLOYERS, THOSE PERFORMED OVERSEAS UNDER THE AUTHORITY OF THE REPUBLIC OF THE PHILIPPINES, AND THOSE THAT MAY BE PRESCRIBED BY THE G SIS IN COORDINATION WITH THE CIVIL SERVICE COMMISSION.

(B) ALL SERVICE CREDITED FOR RETIREMENT, RESIGNATION OR SEPARATION FOR WHICH CORRESPONDING BENEFITS HAVE BEEN AWARDED UNDER THIS ACT OR OTHER LAWS SHALL BE EXCLUDED IN THE COMPUTATION OF SERVICE IN CASE OF REINSTATEMENT IN THE SERVICE OF AN EMPLOYER AND SUBSEQUENT RETIREMENT OR SEPARATION WHICH IS COMPENSABLE UNDER THIS ACT.

For the purpose of this section the term service shall include full time service with compensation: *Provided*, That part time and other services with compensation may be included under such rules and regulations AS MAY BE prescribed by the G SIS.

SEPARATION BENEFITS

"SECTION 11. SEPARATION BENEFITS. - THE SEPARATION BENEFIT SHALL CONSIST OF: (A) A CASH PAYMENT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000) PAYABLE UPON REACHING SIXTY (60) YEARS OF AGE OR UPON SEPARATION, WHICHEVER COMES LATER: PROVIDED, THAT THE MEMBER RESIGNS OR SEPARATES FROM THE SERVICE AFTER HE HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE BUT LESS THAN FIFTEEN (15) YEARS; OR

(b) A CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) TIMES HIS BASIC MONTHLY PENSION PAYABLE AT THE TIME OF RESIGNATION OR SEPARATION, PLUS AN OLD-AGE PENSION BENEFIT EQUAL TO THE BASIC MONTHLY PENSION PAYABLE MONTHLY FOR

LIFE UPON REACHING THE AGE OF SIXTY (60): PROVIDED, THAT THE MEMBER RESIGNS OR SEPARATES FROM THE SERVICE AFTER HE HAS RENDERED AT LEAST FIFTEEN (15) YEARS OF SERVICE AND IS BELOW SIXTY (60) YEARS OF AGE AT THE TIME OF RESIGNATION OR SEPARATION.

"SECTION 12. UNEMPLOYMENT OR INVOLUNTARY SEPARATION BENEFITS. - UNEMPLOYMENT BENEFITS IN THE FORM OF MONTHLY CASH PAYMENTS EQUIVALENT TO FIFTY PERCENT (50%) OF THE AVERAGE MONTHLY COMPENSATION SHALL BE PAID TO A PERMANENT EMPLOYEE WHO IS INVOLUNTARILY SEPARATED FROM THE SERVICE DUE TO THE ABOLITION OF HIS OFFICE OR POSITION USUALLY RESULTING FROM REORGANIZATION: *PROVIDED*, THAT HE HAS BEEN PAYING INTEGRATED CONTRIBUTIONS FOR AT LEAST ONE (1) YEAR PRIOR TO SEPARATION. UNEMPLOYMENT BENEFITS SHALL BE PAID IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

CONTRIBUTIONS MADE	BENEFIT DURATION
1 YEAR BUT LESS THAN 3 YEARS	2 MONTHS
3 OR MORE YEARS BUT LESS THAN 6 YEARS	3 MONTHS
6 OR MORE YEARS BUT LESS THAN 9 YEARS	4 MONTHS
9 OR MORE YEARS BUT LESS THAN 11 YEARS	5 MONTHS
11 OR MORE YEARS BUT LESS THAN 15 YEARS	6 MONTHS

THE FIRST PAYMENT SHALL BE EQUIVALENT TO TWO (2) MONTHLY BENEFITS. A SEVEN-DAY (7) WAITING PERIOD SHALL BE IMPOSED ON SUCCEEDING MONTHLY PAYMENTS.

ALL ACCUMULATED UNEMPLOYMENT BENEFITS PAID TO THE EMPLOYEE DURING HIS ENTIRE MEMBERSHIP WITH THE G SIS SHALL BE DEDUCTED FROM

VOLUNTARY SEPARATION BENEFITS.

THE GSIS SHALL PRESCRIBE THE DETAILED GUIDELINES IN THE OPERATIONALIZATION OF THIS SECTION IN THE RULES AND REGULATIONS IMPLEMENTING THIS ACT.

RETIREMENT BENEFITS

"SECTION. 13. *RETIREMENT BENEFITS.* - (a) RETIREMENT BENEFIT SHALL BE:

(1) THE LUMP SUM PAYMENT AS DEFINED IN THIS ACT PAYABLE AT THE TIME OF RETIREMENT PLUS AN OLD-AGE PENSION BENEFIT EQUAL TO THE BASIC MONTHLY PENSION PAYABLE MONTHLY FOR LIFE, STARTING UPON EXPIRATION OF THE FIVE (5) YEAR GUARANTEED PERIOD COVERED BY THE LUMP SUM; OR

(2) CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) MONTHS OF HIS BASIC MONTHLY PENSION PLUS MONTHLY PENSION FOR LIFE PAYABLE IMMEDIATELY WITH NO FIVE-YEAR (5) GUARANTEE.

(b) Unless the service is extended by appropriate authorities, retirement shall be compulsory for an employee at sixty-five (65) years of age with at least fifteen (15) years of service: Provided, That if he has less than fifteen (15) years of service, he MAY be allowed to continue in the service IN ACCORDANCE WITH EXISTING CIVIL SERVICE RULES AND REGULATIONS.

"Section. 13.-A. *Conditions for ENTITLEMENT.* - A MEMBER WHO RETIRES FROM THE SERVICE SHALL BE ENTITLED TO THE RETIREMENT BENEFITS ENUMERATED IN PARAGRAPH (A) OF SECTION 13 HEREOF: PROVIDED, THAT:

(1) HE has RENDERED at least fifteen (15) years of service;

(2) HE is at least sixty (60) years of age AT THE TIME OF RETIREMENT; and

(3) HE IS NOT RECEIVING A MONTHLY PENSION BENEFIT FROM PERMANENT TOTAL DISABILITY.

"SECTION 14. *PERIODIC PENSION ADJUSTMENT.* - THE MONTHLY PENSION OF ALL PENSIONERS INCLUDING ALL THOSE RECEIVING SURVIVORSHIP PENSION BENEFITS SHALL BE PERIODICALLY ADJUSTED AS MAY BE RECOMMENDED BY THE GSIS' ACTUARY AND APPROVED BY THE BOARD IN ACCORDANCE WITH THE RULES AND REGULATIONS PRESCRIBED BY THE GSIS.

PERMANENT DISABILITY BENEFITS

"Section 15. *GENERAL Conditions FOR ENTITLEMENT.* - A member WHO SUFFERS PERMANENT DISABILITY FOR REASONS NOT DUE TO HIS GRAVE MISCONDUCT, NOTORIOUS NEGLIGENCE, HABITUAL INTOXICATION, OR WILLFUL INTENTION TO KILL HIMSELF OR ANOTHER, shall be entitled to the benefits PROVIDED FOR UNDER SECTIONS 16 AND 17 IMMEDIATELY FOLLOWING, SUBJECT TO THE CORRESPONDING CONDITIONS THEREFOR.

"Section 16. *Permanent TOTAL Disability Benefits.* - (a) IF THE PERMANENT DISABILITY IS TOTAL, HE SHALL RECEIVE A MONTHLY INCOME BENEFIT FOR LIFE EQUAL TO THE BASIC MONTHLY PENSION EFFECTIVE FROM THE DATE OF DISABILITY: PROVIDED, THAT:

(1) HE IS IN THE SERVICE AT THE TIME OF DISABILITY; OR

(2) IF SEPARATED FROM THE SERVICE, HE HAS PAID AT LEAST THIRTY-SIX (36) MONTHLY CONTRIBUTIONS WITHIN THE FIVE (5) YEAR PERIOD IMMEDIATELY PRECEDING HIS DISABILITY, OR HAS PAID A TOTAL OF AT LEAST ONE HUNDREDEIGHTY (180) MONTHLY CONTRIBUTIONS, PRIOR TO HIS DISABILITY: PROVIDED, FURTHER, THAT IF AT THE TIME OF DISABILITY, HE WAS IN THE SERVICE AND HAS PAID A TOTAL OF AT LEAST ONE HUNDRED EIGHTY (180) MONTHLY CONTRIBUTIONS, IN ADDITION TO THE MONTHLY INCOME BENEFIT, HE SHALL RECEIVE A CASH PAYMENT EQUIVALENT TO EIGHTEEN (18) TIMES HIS BASIC MONTHLY PENSION: PROVIDED, FINALLY, THAT A MEMBER CANNOT ENJOY THE MONTHLY INCOME BENEFIT FOR PERMANENT DISABILITY AND THE OLD-AGE RETIREMENT SIMULTANEOUSLY.

“(B) IF A MEMBER WHO SUFFERS PERMANENT TOTAL DISABILITY DOES NOT SATISFY CONDITIONS (1) AND (2) IN PARAGRAPH (A) OF THIS SECTION BUT HAS RENDERED AT LEAST THREE (3) YEARS SERVICE AT THE TIME OF HIS DISABILITY, HE SHALL BE ADVANCED THE cash payment equivalent to one hundred percent (100%) of his average monthly compensation for each year of service he paid contributions, but not less than TWELVETHOUSAND PESOS (P12,000) WHICH SHOULD HAVE BEEN HIS SEPARATION BENEFIT.

“(c) UNLESS THE MEMBER HAS REACHED THE MINIMUM RETIREMENT AGE, DISABILITY BENEFIT shall be suspended when:

- (1) he is reemployed; or
- (2) he recovers from his disability as determined by the GSIS, whose decision shall be final and binding; or
- (3) he fails to present himself for medical examination when required by the GSIS.

(D) THE FOLLOWING DISABILITIES SHALL BE DEEMED TOTAL AND PERMANENT:

- (1) COMPLETE LOSS OF SIGHT OF BOTH EYES;
- (2) LOSS OF TWO (2) LIMBS AT OR ABOVE THE ANKLE OR WRIST;
- (3) PERMANENT COMPLETE PARALYSIS OF TWO (2) LIMBS;
- (4) BRAIN INJURY RESULTING IN INCURABLE IMBECILITY OR INSANITY; AND
- (5) SUCH OTHER CASES AS MAY BE DETERMINED BY THE GSIS.

“SECTION 17. PERMANENT PARTIAL DISABILITY BENEFITS. - (a) IF THE DISABILITY IS PARTIAL, HE SHALL RECEIVE A CASH PAYMENT IN ACCORDANCE WITH A SCHEDULE OF DISABILITIES TO BE PRESCRIBED BY THE GSIS: PROVIDED, THAT HE SATISFIES EITHER CONDITIONS (1) OR (2) OF SECTION 16(a);

(b) THE FOLLOWING DISABILITIES SHALL

BE DEEMED PERMANENT PARTIAL:

(1) COMPLETE AND PERMANENT LOSS OF THE USE OF:

- (I) ANY FINGER
- (II) ANY TOE
- (III) ONE ARM
- (IV) ONE HAND
- (V) ONE FOOT
- (VI) ONE LEG
- (VII) ONE OR BOTH EARS
- (VIII) HEARING OF ONE OR BOTH EARS
- (IX) SIGHT OF ONE EYE

(2) SUCH OTHER CASES AS MAY BE DETERMINED BY THE GSIS.

TEMPORARY DISABILITY BENEFITS

“Section 18. TEMPORARY TOTAL DISABILITY Benefit. - (a) A member who suffers temporary total disability FOR REASONS NOT DUE TO ANY OF THE CONDITIONS ENUMERATED IN SECTION 15 HEREOF shall be entitled to SEVENTY-FIVE percent (75%) of his current daily compensation for each day or fraction thereof of TEMPORARY DISABILITY BENEFIT not exceeding ONE HUNDRED TWENTY (120) days in one calendar year after exhausting all his sick leave credits AND COLLECTIVE BARGAINING AGREEMENT SICK LEAVE BENEFITS, IF ANY, but not earlier than the fourth day of HIS TEMPORARY TOTAL DISABILITY: Provided, That:

(1) HE IS IN THE SERVICE AT THE TIME OF HIS DISABILITY; OR

(2) IF SEPARATED, HE HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE AND has paid at least six (6) monthly contributions in the twelve-month period immediately preceding his DISABILITY.

Provided, however, That a member cannot enjoy the TEMPORARY TOTAL DISABILITY benefit and sick leave pay simultaneously: PROVIDED, FURTHER, THAT IF THE DISABILITY REQUIRES MORE EXTENSIVE TREATMENT THAT LASTS BEYOND ONE HUNDRED TWENTY (120) DAYS, THE PAYMENT OF THE TEMPORARY TOTAL DISABILITY BENEFIT MAY BE EXTENDED BY

THE GSIS BUT NOT TO EXCEED A TOTAL OF TWO HUNDRED FORTY (240) DAYS.

(b) The TEMPORARY TOTAL DISABILITY benefit shall IN NO CASE be less than SEVENTY pesos (P70.00) a day.

(c) The notices required of the member and the employer, the mode of payment, and the other requirements for entitlement to TEMPORARY TOTAL DISABILITY benefits shall be provided in the rules and regulations to be prescribed by the GSIS.

"SECTION 19. *NON-SCHEDULED DISABILITY.* - FOR INJURIES OR ILLNESSES RESULTING IN A DISABILITY NOT LISTED IN THE SCHEDULE OF PARTIAL/TOTAL DISABILITY, AS PROVIDED HEREIN, THE GSIS SHALL DETERMINE THE NATURE OF THE DISABILITY AND THE CORRESPONDING BENEFITS THEREFOR.

SURVIVORSHIP BENEFITS

"Section 20. *Survivorship Benefits.* - When a member or pensioner dies, the beneficiaries shall be entitled to survivorship benefits provided in Sections 21 and 22 hereunder SUBJECT TO THE CONDITIONS THEREIN PROVIDED FOR. The survivorship pension shall consist of:

(1) the basic survivorship pension which is fifty percent (50%) of the basic monthly pension; and

(2) the dependent CHILDREN'S pension not exceeding fifty percent (50%) of the basic monthly pension.

"Section 21. *Death of a Member.* - (a) Upon the death of a member, the primary beneficiaries shall be entitled to:

(1) SURVIVORSHIP PENSION: *PROVIDED*, THAT THE DECEASED:

(i) WAS IN THE SERVICE AT THE TIME OF HIS DEATH; OR

(ii) IF SEPARATED FROM THE SERVICE, HAS AT LEAST THREE (3) YEARS OF SERVICE AT THE TIME OF HIS DEATH AND HAS PAID thirty-six (36) monthly contributions within the five-year period immediately preceding his death; or HAS

PAID a total of at least one hundred eighty (180) monthly contributions prior to his death; or

(2) THE SURVIVORSHIP PENSION PLUS A CASH PAYMENT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EVERY YEAR OF SERVICE: *PROVIDED*, THAT THE DECEASED WAS IN THE SERVICE AT THE TIME OF HIS DEATH WITH AT LEAST THREE (3) YEARS OF SERVICE; OR

(3) A CASH PAYMENT EQUIVALENT TO ONE HUNDRED PERCENT (100%) OF HIS AVERAGE MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000.00): *PROVIDED*, THAT THE DECEASED HAS RENDERED AT LEAST THREE (3) YEARS OF SERVICE PRIOR TO HIS DEATH BUT DOES NOT QUALIFY FOR THE BENEFITS UNDER ITEM (1) OR (2) OF THIS PARAGRAPH.

(b) The survivorship pension shall be paid as follows:

(1) when the dependent spouse is the only survivor, he/she shall receive the basic survivorship pension for life or until he/she remarries;

(2) when only dependent children are the survivors, they shall be entitled to the basic survivorship pension for as long as they are qualified, plus the dependent children's pension equivalent to ten percent (10%) of the BASIC monthly pension for every dependent child not exceeding five (5), counted from the youngest and without substitution;

(3) when the survivors are the dependent spouse and the dependent children, the dependent spouse shall receive the basic survivorship pension for life or until he/she remarries, AND THE DEPENDENT CHILDREN SHALL RECEIVE THE DEPENDENT CHILDREN'S PENSION MENTIONED IN THE IMMEDIATELY PRECEDING PARAGRAPH (2) HEREOF.

(c) In the absence of primary beneficiaries, the secondary beneficiaries shall be entitled to:

(1) THE cash payment equivalent to ONE HUNDRED PERCENT (100%) OF HIS AVERAGE

MONTHLY COMPENSATION FOR EACH YEAR OF SERVICE HE PAID CONTRIBUTIONS, BUT NOT LESS THAN TWELVE THOUSAND PESOS (P12,000): *PROVIDED*, THAT THE MEMBER IS IN THE SERVICE AT THE TIME OF HIS DEATH AND HAS AT LEAST THREE (3) YEARS OF SERVICE; or

- (2) IN THE ABSENCE OF SECONDARY BENEFICIARIES, THE BENEFITS UNDER THIS PARAGRAPH SHALL BE PAID TO HIS LEGAL HEIRS.

(d) FOR PURPOSES OF THE SURVIVORSHIP BENEFITS, LEGITIMATE CHILDREN SHALL INCLUDE LEGALLY ADOPTED AND LEGITIMATED CHILDREN.

"Section 22. Death of a Pensioner. - Upon the death of an OLD-AGE pensioner OR A MEMBER RECEIVING THE MONTHLY INCOME BENEFIT FOR PERMANENT DISABILITY, the QUALIFIED beneficiaries shall BE ENTITLED TO the SURVIVORSHIP pension DEFINED IN SECTION 20 of this Act, SUBJECT TO THE PROVISIONS OF PARAGRAPH (B) OF SECTION 21 HEREOF. When the pensioner dies within the period covered by the lump sum, the survivorship pension shall be paid only after the expiration of the said period.

FUNERAL BENEFITS

"Section 23. Funeral Benefit. - THE AMOUNT OF FUNERAL BENEFIT SHALL BE DETERMINED AND SPECIFIED BY THE GSIS IN THE RULES AND REGULATIONS BUT SHALL NOT BE LESS THAN TWELVE THOUSAND PESOS (P12,000.00): *PROVIDED*, THAT IT SHALL BE INCREASED TO AT LEAST EIGHTEEN THOUSAND PESOS (P18,000.00) AFTER FIVE (5) YEARS AND SHALL BE PAID UPON THE DEATH OF:

(A) AN ACTIVE MEMBER AS DEFINED UNDER SECTION 2(E) OF THIS ACT; OR

(B) A MEMBER WHO HAS BEEN SEPARATED FROM THE SERVICE, BUT WHO MAY BE ENTITLED TO FUTURE BENEFIT PURSUANT TO SECTION 4 OF THIS ACT; OR

(C) A PENSIONER, AS DEFINED IN SECTION 2(O) OF THIS ACT; OR

(D) A RETIREE WHO AT THE TIME OF HIS RETIREMENT WAS OF PENSIONABLE AGE UNDER THIS ACT BUT WHO OPTED TO RETIRE UNDER REPUBLIC ACT NO. 1616.

LIFE INSURANCE BENEFITS

"Section 24. Compulsory Life Insurance. - ALL employees EXCEPT FOR MEMBERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP) shall, UNDER SUCH TERMS AND CONDITIONS AS MAY BE PROMULGATED BY THE GSIS, be compulsorily covered with life insurance, which shall automatically take effect as follows:

(1) for those employed after THE EFFECTIVITY of this Act, their insurance shall take effect on the date of their employment;

(2) for those whose insurance will mature after THE EFFECTIVITY of this Act, their insurance shall be deemed renewed on the day following the maturity or expiry date of their insurance; and

(3) for those without any life insurance as of the effectivity of this Act, their insurance shall take effect following said effectivity.

"SECTION 25. DIVIDENDS. - AN ANNUAL DIVIDEND MAY BE GRANTED TO ALL MEMBERS OF THE GSIS WHOSE LIFE INSURANCE IS IN FORCE FOR AT LEAST ONE (1) YEAR IN ACCORDANCE WITH A DIVIDEND ALLOCATION FORMULA TO BE DETERMINED BY THE GSIS.

"Section 26. Optional Insurance. - Subject to the rules and regulations prescribed by the GSIS, a member may apply for insurance AND/OR PRE-NEED COVERAGE EMBRACING LIFE, HEALTH, HOSPITALIZATION, EDUCATION, MEMORIAL PLANS, AND SUCH OTHER PLANS AS MAY BE DESIGNED BY THE GSIS, for himself and/or his dependents. ANY EMPLOYER MAY LIKEWISE APPLY FOR GROUP INSURANCE COVERAGE FOR ITS EMPLOYEES. THE payment of the premiums/INSTALLMENTS FOR OPTIONAL INSURANCE AND PRE-NEED PRODUCTS may be made by the insured or his employer and/or any person acceptable to the GSIS.

"SECTION 27. REINSURANCE. - THE GSIS MAY REINSURE ANY OF ITS INTERESTS OR PART THEREOF WITH ANY PRIVATE COMPANY OR REINSURER WHETHER DOMESTIC OR FOREIGN: PROVIDED, THAT THE GSIS SHALL SUBMIT AN ANNUAL REPORT ON ITS REINSURANCE OPERATIONS TO THE INSURANCE COMMISSION.

E. ADJUDICATION OF CLAIMS AND DISPUTES

"SECTION 28. PRESCRIPTION. - CLAIMS FOR BENEFITS UNDER THIS ACT EXCEPT FOR LIFE AND RETIREMENT SHALL PRESCRIBE AFTER FOUR (4) YEARS FROM THE DATE OF CONTINGENCY.

"Section 29. *Facility of Payment.* - The GSIS shall prescribe rules and regulations to facilitate payment of benefits, proceeds, and claims under this Act and any other laws administered by the GSIS. Payments made by the GSIS prior to its receipt of an adverse claim, to a beneficiary or claimant subsequently found not entitled thereto, shall NOT BAR THE LEGAL AND ELIGIBLE RECIPIENT TO HIS RIGHT TO DEMAND THE PAYMENT OF BENEFITS, PROCEEDS, AND CLAIMS FROM THE GSIS, who shall, however, have a right to institute the appropriate action in a court of law against the ineligible recipient.

"Section 30. *Settlement of Disputes.* - The GSIS shall have original and exclusive jurisdiction to settle any dispute arising under this Act and any other laws administered by the GSIS.

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

"Section 31. *Appeals.* - APPEALS FROM ANY DECISION OR AWARD OF THE BOARD SHALL

BE GOVERNED BY RULES 43 AND 45 OF THE 1997 RULES OF CIVIL PROCEDURE ADOPTED BY THE SUPREME COURT ON APRIL 8, 1997 WHICH WILL TAKE EFFECT ON JULY 1, 1997: PROVIDED, THAT, PENDING CASES AND THOSE FILED PRIOR TO JULY 1, 1997 SHALL BE GOVERNED BY THE APPLICABLE RULES OF PROCEDURE: PROVIDED, FURTHER, THAT, the appeal shall take precedence over all other cases except criminal cases WHEN the penalty of life imprisonment or death OR RECLUSION PERPETUA IS IMPOSABLE.

THE appeal shall not stay the EXECUTION OF THE ORDER OR AWARD unless ordered by the Board, by the Court of Appeals or by the Supreme Court AND THE APPEAL SHALL BE WITHOUT PREJUDICE TO THE SPECIAL CIVIL ACTION OF CERTIORARI WHEN PROPER.

"Section 32. *Execution of Decision.* - When NO appeal is perfected and there is no order to stay by the Board, by the Court of Appeals or by the Supreme Court, any decision or award of the Board shall be enforced and executed in the same manner as decisions of the REGIONAL TRIAL COURT. For this purpose, the Board shall have the power to issue to the city or provincial sheriff or its appointed sheriff such writs of execution as may be necessary for the enforcement of such decision or award, and any person who shall fail or refuse to comply with such decision, award, writ or process after being required to do so, shall, upon application by the GSIS, be punished for contempt.

"Section 33. *Oaths, Witnesses, and Production of Records.* - When authorized by the Board, an official or employee of the GSIS shall have the power to administer oath and affirmation, take dispositions, certify to official acts, and issue *subpoena ad testificandum* and *subpoena duces tecum* to compel the attendance of witnesses and the production of books, papers, correspondences, and other records deemed necessary as evidence in connection with any question arising under this Act. Any case of contumacy shall be dealt with in accordance with the provisions of Section 580 of the Revised Administrative Code.

F. FUNDS OF THE GSIS

"Section 34. *Funds.* - ALL CONTRIBUTIONS PAYABLE UNDER SECTION 5 OF THIS ACT TOGETHER WITH THE EARNINGS AND

ACCRUALS THEREON SHALL CONSTITUTE THE GSIS SOCIAL INSURANCE FUND. THE SAID FUND SHALL BE USED TO FINANCE THE BENEFITS ADMINISTERED BY THE GSIS UNDER THIS ACT. IN ADDITION, THE GSIS SHALL ADMINISTER THE OPTIONAL INSURANCE FUND FOR THE INSURANCE COVERAGE DESCRIBED IN SECTION 26 HEREOF, THE EMPLOYEES' COMPENSATION INSURANCE FUND CREATED UNDER P.D. 626, AS AMENDED, THE GENERAL INSURANCE FUND CREATED UNDER ACT NO. 656, AS AMENDED, AND SUCH OTHER SPECIAL FUNDS EXISTING OR THAT MAY BE CREATED FOR SPECIAL GROUPS OR PERSONS RENDERING SERVICES TO THE GOVERNMENT. THE GSIS SHALL MAINTAIN THE REQUIRED RESERVES TO GUARANTEE THE FULFILLMENT OF ITS OBLIGATIONS UNDER THIS ACT.

THE FUNDS OF THE GSIS SHALL NOT BE USED FOR PURPOSES OTHER THAN WHAT ARE PROVIDED FOR UNDER THIS ACT. MOREOVER, NO PORTION OF THE FUNDS OF THE GSIS OR INCOME THEREOF SHALL ACCRUE TO THE GENERAL FUND OF THE NATIONAL GOVERNMENT AND ITS POLITICAL SUBDIVISIONS, INSTRUMENTALITIES AND OTHER AGENCIES INCLUDING GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS EXCEPT AS MAY BE ALLOWED UNDER THIS ACT.

"Section 35. *Deposits and Disbursements.* - All revenues collected and all accruals thereto shall be deposited, administered and disbursed in accordance with the law. A maximum expense loading of twelve percent (12%) of the yearly revenues from all sources may be disbursed for administrative and operational expenses except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.

"Section 36. *Investment of Funds.* - The funds of the GSIS WHICH ARE not needed to meet the current obligations may be invested under such terms and conditions AND RULES AND REGULATIONS as may be PRESCRIBED by the Board: *PROVIDED*, THAT INVESTMENTS SHALL SATISFY THE REQUIREMENTS OF LIQUIDITY, SAFETY/ SECURITY AND YIELD IN ORDER TO ENSURE THE ACTUARIAL SOLVENCY OF THE FUNDS OF THE GSIS: *PROVIDED, FURTHER*, THAT THE

GSIS SHALL SUBMIT AN ANNUAL REPORT ON ALL INVESTMENTS MADE TO BOTH HOUSES OF CONGRESS OF THE PHILIPPINES, TO WIT:

(A) IN INTEREST-BEARING BONDS OR SECURITIES OR OTHER EVIDENCE OF INDEBTEDNESS OF THE GOVERNMENT OF THE PHILIPPINES;

(B) IN INTEREST-BEARING DEPOSITS OR SECURITIES IN ANY DOMESTIC BANK DOING BUSINESS IN THE PHILIPPINES: *PROVIDED*, THAT IN THE CASE OF SUCH DEPOSITS, THESE SHALL NOT EXCEED AT ANY TIME THE UNIMPAIRED CAPITAL AND SURPLUS OR TOTAL PRIVATE DEPOSITS OF THE DEPOSITORY BANK, WHICHEVER IS SMALLER: *PROVIDED*, FURTHER, THAT SAID BANK HAS PRIOR DESIGNATION AS A DEPOSITORY FOR THE PURPOSE BY THE MONETARY BOARD OF THE CENTRAL MONETARY AUTHORITY;

(C) IN DIRECT HOUSING LOANS TO MEMBERS AND GROUP HOUSING PROJECTS SECURED BY FIRST MORTGAGE, GIVING PRIORITY TO THE LOW INCOME GROUPS AND IN SHORT- AND MEDIUM-TERM LOANS TO MEMBERS SUCH AS SALARY, POLICY, EDUCATIONAL, EMERGENCY, STOCK PURCHASE PLAN AND OTHER SIMILAR LOANS: *PROVIDED*, THAT NO LESS THAN FORTY PERCENT (40%) OF THE INVESTIBLE FUND OF THE GSIS SOCIAL INSURANCE FUND SHALL BE INVESTED FOR THESE PURPOSES;

(D) 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;

(E) 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 GSIS: *PROVIDED*, THAT SUCH INVESTMENTS SHALL, IN THE DETERMINATION OF THE BOARD, REDOUND TO THE BENEFIT OF THE GSIS, ITS MEMBERS, AS WELL AS THE GENERAL PUBLIC;

(F) IN DEBT INSTRUMENTS AND OTHER SECURITIES TRADED IN THE SECONDARY MARKETS;

(G) IN LOANS TO, OR IN BONDS, DEBENTURES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF ANY SOLVENT CORPORATION CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES;

(H) IN COMMON AND PREFERRED STOCKS OF ANY SOLVENT CORPORATION OR FINANCIAL INSTITUTION CREATED OR EXISTING UNDER THE LAWS OF THE PHILIPPINES LISTED IN THE STOCK EXCHANGE WITH PROVEN TRACK RECORD OF PROFITABILITY OVER THE LAST THREE (3) YEARS AND PAYMENT OF DIVIDENDS AT LEAST ONCE OVER THE SAME PERIOD;

(I) IN DOMESTIC MUTUAL FUNDS INCLUDING INVESTMENTS RELATED TO THE OPERATIONS OF MUTUAL FUNDS; AND

(J) IN FOREIGN MUTUAL FUNDS AND IN FOREIGN CURRENCY DEPOSITS OR FOREIGN CURRENCY-DENOMINATED DEBTS, NON-SPECULATIVE EQUITIES AND OTHER FINANCIAL INSTRUMENTS OR OTHER ASSETS ISSUED IN ACCORDANCE WITH EXISTING LAWS OF THE COUNTRIES WHERE SUCH FINANCIAL INSTRUMENTS ARE ISSUED: *PROVIDED*, THAT THESE INSTRUMENTS OR ASSETS ARE 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 PAYMENT OF DIVIDENDS AT LEAST ONCE OVER THE SAME PERIOD.

"Section 37. *Records and Reports.* - The GSIS shall keep and cause to keep such records as may be necessary for the purpose of making actuarial studies, calculations and valuations of the Funds of the GSIS including such data needed in the computation of rates of disability, mortality, morbidity, separation and retirement among the members and any other information useful for the adjustment of the benefits of the members. The GSIS shall maintain appropriate books of accounts to record its assets, liabilities, income,

expenses, receipts and disbursements of funds and other financial transactions and operations.

"Section 38. *Examination and Valuation of the Funds.* - The GSIS shall make a periodic actuarial examination and valuation of ITS funds in accordance with accepted actuarial principles.

"Section 39. *Exemption from Tax, Legal Process and Lien.* - It is hereby declared to be the policy of the State that the actuarial solvency of the funds of the GSIS shall be preserved and maintained at all times and that contribution rate necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members of the GSIS and their employers. Taxes imposed on the GSIS tend to impair the actuarial solvency of its funds and increase the contribution rate necessary to sustain the benefits OF this Act. Accordingly, notwithstanding any laws to the contrary, the GSIS, its assets, revenues including all accruals thereto, and benefits paid, shall be exempt from all taxes, assessments, fees, charges or duties of all kinds. These exemptions shall continue unless expressly and specifically revoked and any assessment against the GSIS as of the approval of this Act are hereby considered paid. CONSEQUENTLY, ALL LAWS, ORDINANCES, REGULATIONS, ISSUANCES, OPINIONS OR JURISPRUDENCE CONTRARY TO OR IN DEROGATION OF THIS PROVISION ARE HEREBY DEEMED REPEALED, SUPERSEDED AND RENDERED INEFFECTIVE AND WITHOUT LEGAL FORCE AND EFFECT.

Moreover, these exemptions shall not be affected by subsequent laws to the contrary unless this section is expressly, SPECIFICALLY and categorically REVOKED OR repealed by law and a provision is enacted to substitute OR REPLACE the exemption REFERRED TO HEREIN as an essential factor to MAINTAIN OR PROTECT the solvency of the fund, NOTWITHSTANDING AND INDEPENDENTLY OF THE GUARANTY OF THE NATIONAL GOVERNMENT TO SECURE SUCH SOLVENCY OR LIABILITY.

The FUNDS AND/OR THE PROPERTIES REFERRED TO HEREIN AS WELL AS THE benefits, SUMS OR MONIES CORRESPONDING TO THE BENEFITS under this Act shall be EXEMPT FROM attachment, garnishment, EXECUTION, levy or other processes ISSUED BY THE COURTS,

QUASI-JUDICIAL AGENCIES OR ADMINISTRATIVE BODIES INCLUDING COMMISSION ON AUDIT(COA)DISALLOWANCES AND FROM ALL FINANCIAL OBLIGATIONS OF THE MEMBERS, INCLUDING HIS PECUNIARY ACCOUNTABILITY ARISING FROM OR CAUSED OR OCCASIONED BY HIS EXERCISE OR PERFORMANCE OF HIS OFFICIAL FUNCTIONS OR DUTIES, OR INCURRED RELATIVE TO OR IN CONNECTION WITH HIS POSITION OR WORK EXCEPT WHEN HIS MONETARY LIABILITY, CONTRACTUAL OR OTHERWISE, IS IN FAVOR OF THE GSIS.

G. ADMINISTRATION

"Section 40. *Implementing Body.* - The Government Service Insurance System as created under Commonwealth Act No. 186 shall implement the provisions of this Act.

"Section 41. *Powers and Functions of the GSIS.* - The GSIS shall EXERCISE THE FOLLOWING POWERS AND FUNCTIONS:

(a) To FORMULATE, adopt, amend and/OR rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act, AS WELL AS THE EFFECTIVE EXERCISE OF THE POWERS AND FUNCTIONS, AND THE DISCHARGE OF DUTIES AND RESPONSIBILITIES OF THE GSIS, ITS OFFICERS AND EMPLOYEES;

(b) To adopt OR APPROVE THE ANNUAL AND SUPPLEMENTAL budget OF RECEIPTS AND EXPENDITURES INCLUDING SALARIES AND ALLOWANCES OF THE GSIS PERSONNEL; TO AUTHORIZE SUCH CAPITAL AND OPERATING EXPENDITURES AND DISBURSEMENTS OF THE GSIS AS MAY BE NECESSARY AND PROPER for the EFFECTIVE MANAGEMENT and operation of the GSIS;

(c) To invest THE Funds OF THE GSIS, directly or indirectly, in accordance with THE PROVISIONS OF this Act;

(d) To acquire, utilize or dispose of, in any manner recognized by law, real or personal property in the Philippines or elsewhere necessary to carry out the purposes of this Act;

(e) To conduct continuing actuarial and statistical

studies and valuations to determine the financial condition of the GSIS and taking into consideration such studies and valuations and the limitations herein provided, re-adjust the benefits, contributions, premium rates, interest rates or the allocation or re-allocation of the Funds to the contingencies covered;

(f) To have the power of succession;

(g) To sue and be sued;

(h) To enter into, make, perform and carry out contracts of every kind and description with any person, firm or association or corporation, domestic or foreign;

(i) To carry on any other lawful business whatsoever in pursuance of, or in connection with the provisions of this Act;

(j) To have one or more offices in and outside of the Philippines, and to conduct its business and exercise its powers throughout and in any part of the Republic of the Philippines and/or in any or all foreign countries, states and territories: *PROVIDED, THAT THE GSIS SHALL MAINTAIN A BRANCH OFFICE IN EVERY PROVINCE WHERE THERE EXISTS A MINIMUM OF FIFTEEN THOUSAND (15,000) MEMBERSHIP;*

(k) To borrow funds from any source, private or government, foreign or domestic, ONLY AS AN INCIDENT IN THE SECURITIZATION OF HOUSING MORTGAGES OF THE GSIS AND ON ACCOUNT OF ITS RECEIVABLES FROM ANY GOVERNMENT OR PRIVATE ENTITY;

(l) TO invest, own or otherwise participate in equity in any establishment, firm or entity;

(m) TO APPROVE APPOINTMENTS IN THE GSIS EXCEPT APPOINTMENTS TO POSITIONS WHICH ARE POLICY DETERMINING, PRIMARILY CONFIDENTIAL OR HIGHLY TECHNICAL IN NATURE ACCORDING TO THE CIVIL SERVICE RULES AND REGULATIONS: *PROVIDED, THAT ALL POSITIONS IN THE GSIS SHALL BE GOVERNED BY A COMPENSATION AND POSITION CLASSIFICATION SYSTEM AND QUALIFICATIONS STANDARDS APPROVED BY THE GSIS BOARD OF TRUSTEES BASED ON A COMPREHENSIVE JOB ANALYSIS AND AUDIT OF ACTUAL DUTIES AND RESPONSIBILITIES: PROVIDED, FURTHER, THAT THE*

COMPENSATION PLAN SHALL BE COMPARABLE WITH THE PREVAILING COMPENSATION PLANS IN THE PRIVATE SECTOR AND SHALL BE SUBJECT TO THE PERIODIC REVIEW BY THE BOARD NO MORE THAN ONCE EVERY FOUR (4) YEARS WITHOUT PREJUDICE TO YEARLY MERIT REVIEWS OR INCREASES BASED ON PRODUCTIVITY AND PROFITABILITY;

(N) TO DESIGN AND ADOPT AN EARLY RETIREMENT INCENTIVE PLAN (ERIP) AND/OR FINANCIAL ASSISTANCE FOR THE PURPOSE OF RETIREMENT FOR ITS OWN PERSONNEL;

(O) TO FIX AND PERIODICALLY REVIEW AND ADJUST THE RATES OF INTEREST AND OTHER TERMS AND CONDITIONS FOR LOANS AND CREDITS EXTENDED TO MEMBERS OR OTHER PERSONS, WHETHER NATURAL OR JURIDICAL;

(P) TO ENTER INTO AGREEMENT WITH THE SOCIAL SECURITY SYSTEM OR ANY OTHER ENTITY, ENTERPRISE, CORPORATION OR PARTNERSHIP FOR THE BENEFIT OF MEMBERS TRANSFERRING FROM ONE SYSTEM TO ANOTHER SUBJECT TO THE PROVISION OF REPUBLIC ACT NO. 7699, OTHERWISE KNOWN AS THE PORTABILITY LAW;

(Q) TO BE ABLE TO FLOAT PROPER INSTRUMENT TO LIQUEFY LONG-TERM MATURITY BY POOLING FUNDS FOR SHORT-TERM SECONDARY MARKET;

(R) TO SUBMIT ANNUALLY, NOT LATER THAN JUNE 30, A PUBLIC REPORT TO THE PRESIDENT OF THE PHILIPPINES AND THE CONGRESS OF THE PHILIPPINES REGARDING ITS ACTIVITIES IN THE ADMINISTRATION AND ENFORCEMENT OF THIS ACT DURING THE PRECEDING YEAR INCLUDING INFORMATION AND RECOMMENDATIONS ON BROAD POLICIES FOR THE DEVELOPMENT AND PERFECTION OF THE PROGRAMS OF THE G SIS;

(S) TO MAINTAIN A PROVIDENT FUND, WHICH CONSISTS OF CONTRIBUTIONS MADE BY BOTH THE G SIS AND ITS OFFICIALS AND EMPLOYEES AND THEIR EARNINGS, FOR THE PAYMENT OF BENEFITS TO SUCH OFFICIALS

AND EMPLOYEES OR THEIR HEIRS UNDER SUCH TERMS AND CONDITIONS AS IT MAY PRESCRIBE;

(T) TO APPROVE AND ADOPT GUIDELINES AFFECTING INVESTMENTS, INSURANCE COVERAGE OF GOVERNMENT PROPERTIES, SETTLEMENT OF CLAIMS, DISPOSITION OF ACQUIRED ASSETS, PRIVATIZATION OR EXPANSION OF SUBSIDIARIES, DEVELOPMENT OF HOUSING PROJECTS, INCREASED BENEFIT AND LOAN PACKAGES TO MEMBERS, AND THE ENFORCEMENT OF THE PROVISIONS OF THIS ACT;

(U) ANY PROVISION OF LAW TO THE CONTRARY NOTWITHSTANDING, TO AUTHORIZE THE PAYMENT OF EXTRA REMUNERATION TO THE OFFICIALS AND EMPLOYEES DIRECTLY INVOLVED IN THE COLLECTION AND/OR REMITTANCE OF CONTRIBUTIONS, LOAN REPAYMENTS, AND OTHER MONIES DUE TO THE G SIS AT SUCH RATES AND UNDER SUCH CONDITIONS AS IT MAY ADOPT: *PROVIDED*, THAT THE BEST INTEREST OF THE G SIS SHALL BE OBSERVED THEREBY;

(V) TO DETERMINE, FIX AND IMPOSE INTEREST UPON UNPAID PREMIUMS DUE FROM EMPLOYERS AND EMPLOYEES;

(W) TO ENSURE THE COLLECTION OR RECOVERY OF ALL INDEBTEDNESS, LIABILITIES AND/OR ACCOUNTABILITIES, INCLUDING UNPAID PREMIUMS OR CONTRIBUTIONS IN FAVOR OF THE G SIS ARISING FROM ANY CAUSE OR SOURCE WHATSOEVER, DUE FROM ALL OBLIGORS, WHETHER PUBLIC OR PRIVATE. THE BOARD SHALL DEMAND PAYMENT OR SETTLEMENT OF THE OBLIGATIONS REFERRED TO HEREIN WITHIN THIRTY (30) DAYS FROM THE DATE THE OBLIGATION BECOMES DUE, AND IN THE EVENT OF FAILURE OR REFUSAL OF THE OBLIGOR OR DEBTOR TO COMPLY WITH THE DEMAND, TO INITIATE OR INSTITUTE THE NECESSARY OR PROPER ACTIONS OR SUITS, CRIMINAL, CIVIL OR ADMINISTRATIVE OR OTHERWISE, BEFORE THE COURTS, TRIBUNALS, COMMISSIONS, BOARDS, OR BODIES OF PROPER JURISDICTION WITHIN

THIRTY (30) DAYS RECKONED FROM THE EXPIRY DATE OF THE PERIOD FIXED IN THE DEMAND WITHIN WHICH TO PAY OR SETTLE THE ACCOUNT;

(X) TO DESIGN AND IMPLEMENT PROGRAMS THAT WILL PROMOTE AND MOBILIZE SAVINGS AND PROVIDE ADDITIONAL RESOURCES FOR SOCIAL SECURITY EXPANSION AND AT THE SAME TIME AFFORD INDIVIDUAL MEMBERS APPROPRIATE RETURNS ON THEIR SAVINGS/INVESTMENTS. THE PROGRAMS SHALL BE SO DESIGNED AS TO SPUR SOCIO-ECONOMIC TAKE-OFF AND MAINTAIN CONTINUED GROWTH; AND

(Y) To exercise such powers and perform such OTHER acts as may be necessary, useful, incidental or auxiliary to carry out the provisions of this Act, OR TO ATTAIN THE PURPOSES AND OBJECTIVES OF THIS ACT.

"Section 42. *The Board of Trustees; Its Composition; Tenure and Compensation.* - The corporate powers and functions of the GSIS shall be vested in and exercised by the Board of Trustees composed of the President and GENERAL MANAGER of the GSIS and eight (8) other members to be appointed by the President of the Philippines, ONE (1) OF WHOM SHALL BE EITHER THE PRESIDENT OF THE PHILIPPINE PUBLIC SCHOOL TEACHERS ASSOCIATION (PPSTA) OR THE PRESIDENT OF THE PHILIPPINE ASSOCIATION OF SCHOOL SUPERINTENDENTS (PASS), ANOTHER TWO (2) shall represent THE leading organizations or associations of government employees/RETIREES, ANOTHER FOUR (4) FROM THE BANKING, FINANCE, INVESTMENT, AND INSURANCE SECTORS, AND ONE (1) RECOGNIZED MEMBER OF THE LEGAL PROFESSION WHO AT THE TIME OF APPOINTMENT IS ALSO A MEMBER OF THE GSIS. The Trustees shall elect from among themselves a Chairman WHILE THE PRESIDENT AND GENERAL MANAGER OF THE GSIS SHALL AUTOMATICALLY BE THE VICE-CHAIRMAN.

The Trustees, except the President AND GENERAL MANAGER who shall cease as trustee upon his separation, shall hold office for six (6) years WITHOUT REAPPOINTMENT, or until their successors are duly appointed and qualified. Vacancy, other than through the expiration of the term, shall be filled for the

unexpired term only. The members of the Board shall be entitled to a per diem of TWO THOUSAND FIVE HUNDRED pesos (P2,500.00) for each board meeting actually attended by them, but not to exceed TEN THOUSAND pesos (P10,000.00) a month and reasonable transportation and representation allowances as may be fixed by the Board.

"SECTION 43. *POWERS AND FUNCTIONS OF THE BOARD OF TRUSTEES.* - THE BOARD OF TRUSTEES SHALL HAVE THE FOLLOWING POWERS AND FUNCTIONS:

(A) TO FORMULATE THE POLICIES, GUIDELINES AND PROGRAMS TO EFFECTIVELY CARRY OUT THE PURPOSES OF THIS ACT;

(B) TO PROMULGATE SUCH RULES AND REGULATIONS AS MAY BE NECESSARY OR PROPER FOR THE EFFECTIVE EXERCISE OF THE POWERS AND FUNCTIONS AS WELL AS THE DISCHARGE OF THE DUTIES AND RESPONSIBILITIES OF THE GSIS, ITS OFFICERS AND EMPLOYEES;

(C) UPON THE RECOMMENDATION OF THE PRESIDENT AND GENERAL MANAGER, TO APPROVE THE ANNUAL AND SUPPLEMENTAL BUDGET OF RECEIPTS AND EXPENDITURES OF THE GSIS, AND TO AUTHORIZE SUCH OPERATING AND CAPITAL EXPENDITURES AND DISBURSEMENTS OF THE GSIS AS MAY BE NECESSARY OR PROPER FOR THE EFFECTIVE MANAGEMENT, OPERATION AND ADMINISTRATION OF THE GSIS;

(D) UPON THE RECOMMENDATION OF THE PRESIDENT AND GENERAL MANAGER, TO APPROVE THE GSIS' ORGANIZATIONAL AND ADMINISTRATIVE STRUCTURES AND STAFFING PATTERN, AND TO ESTABLISH, FIX, REVIEW, REVISE AND ADJUST THE APPROPRIATE COMPENSATION PACKAGE FOR THE OFFICERS AND EMPLOYEES OF THE GSIS WITH REASONABLE ALLOWANCES, INCENTIVES, BONUSES, PRIVILEGES AND OTHER BENEFITS AS MAY BE NECESSARY OR PROPER FOR THE EFFECTIVE MANAGEMENT, OPERATION AND ADMINISTRATION OF THE GSIS, WHICH SHALL BE EXEMPT FROM REPUBLIC ACT NO. 6758, OTHERWISE KNOWN AS THE SALARY STANDARDIZATION LAW AND

REPUBLIC ACT NO. 7430, OTHERWISE KNOWN AS THE ATTRITION LAW;

(E) TO FIX AND PERIODICALLY REVIEW AND ADJUST THE RATES OF INTEREST AND OTHER TERMS AND CONDITIONS FOR LOANS AND CREDITS EXTENDED TO ITS MEMBERS OR OTHER PERSONS, WHETHER NATURAL OR JURIDICAL;

(F) THE PROVISION OF ANY LAW TO THE CONTRARY NOTWITHSTANDING, TO COMPROMISE OR RELEASE, IN WHOLE OR IN PART, ANY CLAIM OR SETTLE LIABILITY TO THE GSIS, REGARDLESS OF THE AMOUNT INVOLVED, UNDER SUCH TERMS AND CONDITIONS AS IT MAY IMPOSE FOR THE BEST INTEREST OF THE GSIS;

(G) TO APPROVE AND ADOPT GUIDELINES AFFECTING INVESTMENTS, INSURANCE COVERAGE OF GOVERNMENT PROPERTIES, SETTLEMENT OF CLAIMS, DISPOSITION OF ACQUIRED ASSETS, DEVELOPMENT OF HOUSING PROJECTS, INCREASED BENEFIT AND LOAN PACKAGES TO MEMBERS, AND THE ENFORCEMENT OF THE PROVISIONS OF THIS ACT;

(H) TO DETERMINE, FIX AND IMPOSE INTEREST UPON UNPAID OR UNREMITTED PREMIUMS AND/OR CONTRIBUTIONS; AND

(I) TO DO AND PERFORM ANY AND ALL ACTS NECESSARY, PROPER OR INCIDENTAL TO THE ATTAINMENT OF THE PURPOSES AND OBJECTIVES OF THIS ACT.

“Section 44. Appointment, Qualifications, and Compensation of the President and General Manager and of Other Personnel. - The President and General Manager of the GSIS shall be ITS Chief Executive Officer AND shall be appointed by the President of the Philippines. He shall be a person WITH MANAGEMENT AND INVESTMENTS EXPERTISE NECESSARY FOR THE EFFECTIVE PERFORMANCE OF HIS DUTIES AND FUNCTIONS UNDER THIS ACT.

The GSIS President and General Manager shall be assisted by one or more executive vice-presidents, senior vice-presidents, vice-presidents AND

MANAGERS IN ADDITION TO THE USUAL SUPERVISORY AND RANK AND FILE POSITIONS who shall be appointed and removed by the President and General Manager with the approval of the Board, IN ACCORDANCE WITH THE EXISTING CIVIL SERVICE RULES AND REGULATIONS.

“Section 45. Powers and Duties of the President and General Manager. - The President and General Manager of the GSIS shall among others, execute and administer the policies and resolutions approved by the board and direct and supervise the administration and operations of the GSIS. The President and General Manager, subject to the approval of the Board, shall appoint the personnel of the GSIS, remove, suspend or otherwise discipline them for cause, IN ACCORDANCE WITH EXISTING CIVIL SERVICE RULES AND REGULATIONS, and prescribe their duties and qualifications to the end that only competent persons may be employed.

“Section 46. Auditor. - (a) The Chairman of the Commission on Audit shall be the ex officio auditor of the GSIS. For this purpose, he may appoint a representative who shall be the auditor of the GSIS, and the necessary personnel to assist said representative in the performance of his duties.

(b) The Chairman of the Commission on Audit or his authorized representative, shall submit to the Board soon after the close of each calendar year, an audited statement showing the financial condition and progress of the GSIS for the calendar year just ended.

“Section 47. Legal Counsel. - The Government Corporate Counsel shall be the legal ADVISER AND CONSULTANT OF THE GSIS, BUT THE GSIS MAY ASSIGN TO THE OFFICE OF THE GOVERNMENT CORPORATE COUNSEL (OGCC) CASES FOR LEGAL ACTION OR TRIAL, ISSUES FOR LEGAL OPINIONS, PREPARATION AND REVIEW OF CONTRACTS/AGREEMENTS AND OTHERS, AS THE GSIS MAY DECIDE OR DETERMINE FROM TIME TO TIME: PROVIDED, HOWEVER, THAT THE PRESENT LEGAL SERVICES GROUP IN THE GSIS SHALL SERVE AS ITS IN-HOUSE LEGAL COUNSEL.

THE GSIS MAY, SUBJECT TO APPROVAL BY THE PROPER COURT, DEPUTIZE ANY PERSONNEL OF THE LEGAL SERVICE GROUP TO ACT AS SPECIAL SHERIFF IN THE

ENFORCEMENT OF WRITS AND PROCESSES ISSUED BY THE COURT, QUASI-JUDICIAL AGENCIES OR ADMINISTRATIVE BODIES IN CASES INVOLVING THE GSIS.

"SECTION 48. *POWERS OF THE INSURANCE COMMISSION.* - THE INSURANCE COMMISSIONER OR HIS AUTHORIZED REPRESENTATIVES SHALL MAKE AN EXAMINATION OF THE FINANCIAL CONDITION AND METHODS OF TRANSACTING BUSINESS OF THE GSIS AT LEAST ONCE EVERY THREE (3) YEARS AND THE REPORT OF SAID EXAMINATION SHALL BE SUBMITTED TO THE BOARD OF TRUSTEES AND COPIES THEREOF BE FURNISHED THE OFFICE OF THE PRESIDENT OF THE PHILIPPINES AND THE TWO HOUSES OF THE CONGRESS OF THE PHILIPPINES WITHIN FIVE (5) DAYS AFTER THE CLOSE OF EXAMINATION: *PROVIDED, HOWEVER,* THAT FOR EACH EXAMINATION THE GSIS SHALL PAY THE OFFICE OF THE INSURANCE COMMISSIONER AN AMOUNT EQUAL TO THE ACTUAL EXPENSES INCURRED BY THE SAID OFFICE IN THE CONDUCT OF THE EXAMINATION, INCLUDING THE SALARIES OF THE EXAMINERS AND OF THE ACTUARY OF SUCH EXAMINATION FOR THE ACTUAL TIME SPENT.

H. GENERAL PROVISIONS

"SECTION 49. *DISPENSATION OF SOCIAL INSURANCE BENEFITS.* - (A) THE GSIS SHALL PAY THE RETIREMENT BENEFITS TO THE EMPLOYEE ON HIS LAST DAY OF SERVICE IN THE GOVERNMENT: *PROVIDED,* THAT ALL REQUIREMENTS ARE SUBMITTED TO THE GSIS WITHIN A REASONABLE PERIOD PRIOR TO THE EFFECTIVE DATE OF THE RETIREMENT;

(B) THE GSIS SHALL DISCONTINUE THE PROCESSING AND ADJUDICATION OF RETIREMENT CLAIMS UNDER R. A. NO. 1616 EXCEPT REFUND OF RETIREMENT PREMIUM AND R.A. NO. 910. INSTEAD, ALL AGENCIES CONCERNED SHALL PROCESS AND PAY THE GRATUITIES OF THEIR EMPLOYEES. THE BOARD SHALL ADOPT THE PROPER RULES AND PROCEDURES FOR THE IMPLEMENTATION OF THIS PROVISION.

"SECTION 50. *DEVELOPMENT AND DISPOSITION*

OF ACQUIRED ASSETS. - THE GSIS SHALL HAVE THE RIGHT TO DEVELOP AND DISPOSE OF ITS ACQUIRED ASSETS OBTAINED IN THE ORDINARY COURSE OF ITS BUSINESS. TO ADD VALUE TO, IMPROVE PROFITABILITY ON, AND/OR ENHANCE THE MARKETABILITY OF AN ACQUIRED ASSET, THE GSIS MAY FURTHER DEVELOP/RENOVATE THE SAME EITHER WITH ITS OWN CAPITAL OR THROUGH A JOINT VENTURE ARRANGEMENT WITH PRIVATE COMPANIES OR INDIVIDUALS.

THE GSIS MAY SELL ITS ACQUIRED ASSETS IN ACCORDANCE WITH EXISTING COMMISSION ON AUDIT (COA) RULES AND REGULATIONS FOR AN AMOUNT NOT LOWER THAN THE CURRENT MARKET VALUE OF THE PROPERTY. FOR THIS PURPOSE, THE GSIS SHALL CONDUCT AN ANNUAL APPRAISAL OF ITS PROPERTY OR ACQUIRED ASSETS TO DETERMINE ITS CURRENT MARKET VALUE. ALL NOTICES OF SALE SHALL BE PUBLISHED IN NEWSPAPERS OF GENERAL CIRCULATION.

NO INJUNCTION OR RESTRAINING ORDER ISSUED BY ANY COURT, COMMISSION, TRIBUNAL OR OFFICE SHALL BAR, IMPEDE OR DELAY THE SALE AND DISPOSITION BY THE GSIS OF ITS ACQUIRED ASSETS EXCEPT ON QUESTIONS OF OWNERSHIP AND NATIONAL OR PUBLIC INTEREST.

"Section 51. *Government Assistance to the GSIS.* - The GSIS may call upon any employer for such assistance as may be necessary in the discharge of its duties and functions.

I. PENAL PROVISIONS

"Section 52. *Penalty.* - (a) Any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the GSIS whether for him or for some other persons, shall suffer the penalties provided for in Article 172 of the Revised Penal Code.

(b) Whoever shall obtain or receive any money or check invoking any provision of this Act or any agreement thereunder, without being entitled thereto with the intent to defraud any member, any employer, the GSIS, or any third party, shall be punished by a fine of not less than five THOUSAND pesos (P5,000.00)

nor more than TWENTY thousand pesos (P20,000.00) or by imprisonment of not less than six (6) YEARS AND ONE (1) DAY TO TWELVE (12) yearS, or both, at the discretion of the Court.

(c) Whoever fails or refuses to comply with the provisions of this Act or with the rules and regulations adopted by the GSIS shall be punished by a fine of not less than Five THOUSAND pesos (P5,000.00) nor more than TWENTY thousand pesos (P20,000.00), or by imprisonment of not less than six (6) YEARS AND ONE (1) DAY TO TWELVE (12) yearS, or both, at the discretion of the Court.

(d) The treasurer, finance officer, cashier, disbursing officer, BUDGET OFFICER or other OFFICIAL OR employee who fails TO INCLUDE IN THE ANNUAL BUDGET THE AMOUNT CORRESPONDING TO THE EMPLOYER AND EMPLOYEE CONTRIBUTIONS, OR WHO FAILS or refuses or delays by more than THIRTY (30) DAYS FROM THE TIME SUCH AMOUNT BECOMES DUE AND DEMANDABLE, OR to deduct the MONTHLY contributions of the employee shall, UPON CONVICTION BY FINAL JUDGEMENT, SUFFER THE PENALTIES OF IMPRISONMENT FROM SIX (6) MONTHS AND ONE (1) DAY TO SIX (6) YEARS, AND a fine of not less than THREE thousand pesos (P3,000.00) BUT NOT more than SIX thousand pesos (P6,000.00), AND IN ADDITION SHALL SUFFER ABSOLUTE PERPETUAL DISQUALIFICATION FROM holding public office and from practicing any profession or calling licensed by the Government.

(e) Any employee or member who receives or keeps fund or property belonging, payable or deliverable to the GSIS and appropriates the same, or takes or misappropriates or uses the same to any purpose other than that authorized by this Act, or permits another person to take, misappropriate or use said fund or property by expressly consenting thereto, or through abandonment or negligence, or is otherwise guilty of the misappropriation of said fund or property, in whole or in part, shall suffer the penalties provided in Article 217 of the Revised Penal Code, AND IN ADDITION SHALL SUFFER ABSOLUTE PERPETUAL DISQUALIFICATION FROM holding public office and from practicing any profession or calling licensed by the government.

(f) Any employee, who after deducting the monthly contribution or loan amortization from a member's

compensation, fails to remit the same to the GSIS within thirty (30) days from the date they should have been remitted under Section 6(a) shall be presumed to have misappropriated such contribution or loan amortization and shall suffer the penalties provided in Article 315 of the Revised Penal Code, AND IN ADDITION SHALL SUFFER ABSOLUTE PERPETUAL DISQUALIFICATION FROM HOLDING PUBLIC OFFICE AND FROM PRACTICING ANY PROFESSION OR CALLING LICENSED BY THE GOVERNMENT.

(G) THE HEADS OF THE OFFICES OF THE NATIONAL GOVERNMENT, ITS POLITICAL SUBDIVISIONS, BRANCHES, AGENCIES AND INSTRUMENTALITIES, INCLUDING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS AND GOVERNMENT FINANCIAL INSTITUTIONS, AND THE PERSONNEL OF SUCH OFFICES WHO ARE INVOLVED IN THE COLLECTION OF PREMIUM CONTRIBUTIONS, LOAN AMORTIZATION AND OTHER ACCOUNTS DUE THE GSIS WHO SHALL FAIL, REFUSE OR DELAY THE PAYMENT, TURNOVER, REMITTANCE OR DELIVERY OF SUCH ACCOUNTS TO THE GSIS WITHIN THIRTY (30) DAYS FROM THE TIME THAT THE SAME SHALL HAVE BEEN DUE AND DEMANDABLE SHALL, UPON CONVICTION BY FINAL JUDGMENT, SUFFER THE PENALTIES OF IMPRISONMENT OF NOT LESS THAN ONE (1) YEAR NOR MORE THAN FIVE (5) YEARS AND A FINE OF NOT LESS THAN TEN THOUSAND PESOS (P10,000.00) NOR MORE THAN TWENTY THOUSAND PESOS (P20,000.00), AND IN ADDITION SHALL SUFFER ABSOLUTE PERPETUAL DISQUALIFICATION FROM HOLDING PUBLIC OFFICE AND FROM PRACTICING ANY PROFESSION OR CALLING LICENSED BY THE GOVERNMENT.

(H) THE OFFICERS AND/OR PERSONNEL REFERRED TO IN PARAGRAPH (G) OF THIS SECTION SHALL BE LIABLE NOT ONLY CRIMINALLY BUT ALSO CIVILLY TO THE GSIS OR TO THE EMPLOYEE OR MEMBER CONCERNED IN THE FORM OF DAMAGES, INCLUDING SURCHARGES AND INTERESTS.

(I) FOR THE CHARGES OR COMPLAINTS REFERRED TO IN PARAGRAPH (G) OF THIS SECTION, THE LIABILITIES THEREIN SET FORTH SHALL BE CONSTRUED AS WAIVER OF THE

STATE OF ITS IMMUNITY FROM SUIT, HENCE, THE ABOVE-MENTIONED OFFICIALS AND/OR PERSONNEL MAY NOT INVOKE THE DEFENSE OF NON-SUABILITY OF THE STATE.

(J) FAILURE OF THE MEMBERS OF THE GSIS BOARD, INCLUDING THE CHAIRMAN AND THE VICE-CHAIRMAN, TO COMPLY WITH THE PROVISIONS OF PARAGRAPH (W) OF SECTION 41 HEREOF, SHALL SUBJECT THEM TO IMPRISONMENT OF NOT LESS THAN SIX (6) MONTHS NOR MORE THAN ONE (1) YEAR OR A FINE OF NOT LESS THAN FIVE THOUSAND PESOS (P5,000.00) NOR MORE THAN TEN THOUSAND PESOS (P10,000.00) WITHOUT PREJUDICE TO ANY CIVIL OR ADMINISTRATIVE LIABILITY WHICH MAY ALSO ARISE THEREFROM.

Criminal actions arising from violations of the provisions of this Act may be commenced by the GSIS or by the aggrieved member, either under this Act or, in appropriate cases, under the Revised Penal Code.

“Section 53. Implementing Rules and Regulations.

- The implementing rules and regulations to carry out the provisions of this Act shall be adopted and promulgated by the GSIS not later than ninety (90) days after the approval of this Act.

“Section 54. Non-impairment of Benefits, Powers, Jurisdiction, Rights, Privileges, Functions and Activities. - Nothing in this Act shall be construed to repeal, amend or limit any provision of existing laws, Presidential Decrees and Letters of Instructions, not otherwise specifically inconsistent with the provisions of this Act.

“Section 55. Exclusiveness of Benefits. - Whenever other laws provide similar benefits for the same contingencies covered by this Act, the member who qualifies to the benefits shall have the option to choose which benefits will be paid to him. However, if the benefits provided by the law chosen are less than the benefits provided under this Act, the GSIS shall pay only the difference.

“Section 56. Appropriations. - THE AMOUNT NECESSARY TO CARRY OUT THE PROVISIONS OF THIS ACT SHALL BE INCLUDED IN THE RESPECTIVE BUDGETS OF THE AGENCIES IN THE NATIONAL GOVERNMENT OBLIGATION

PROGRAM OF THE YEAR FOLLOWING ITS ENACTMENT INTO LAW AND THEREAFTER.”

SEC. 2. *Separability Clause.* — Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the invalid ones, shall remain in force and effect.

SEC. 3. *Repealing Clause.* — All laws and any other law or parts of law specifically inconsistent herewith are hereby repealed or modified accordingly: *Provided*, That the rights under existing laws, rules and regulations vested upon or acquired by an employee who is already in the service as of the effectivity of this Act shall remain in force and effect: *Provided, further*, That subsequent to the effectivity of this Act, a new employee or an employee who has previously retired or separated and is reemployed in the service shall be covered by the provisions of this Act.

SEC. 4. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,

Senator Gonzales. Mr. President.

The President. The Minority Leader is recognized.

PARLIAMENTARY INQUIRY OF SENATOR GONZALES
(Scheduling of H. No. 6450 and S. No. 1520
Before June 5, 1997)

Senator Gonzales. Mr. President, House Bill No. 6450 and Senate Bill No. 1520, both of which seek to convert the Rizal Technological Colleges into a state university to be known as the Rizal State University, was called and sponsored during the session of May 22, 1997 and subjected to interpellations. Its consideration was suspended because there was a reservation on the part of Senator Angara to interpellate. I had expected that the interpellation will continue today. However, the Majority Leader informed me that Senator Angara cannot come and, therefore, these bills cannot be called.

I understand, Mr. President, that we, as members of this Body, have some important commitments which we cannot forego.

Unfortunately, there is a great concern on our part and also