

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. 7495



Introduced by **HON. FRANCISCO G. DATOL, JR.**

EXPLANATORY NOTE

This bill aims to provide for the annual automatic adjustment of the pensions of retirees from the Philippine Government who are members of the GSIS, by linking their pensions to the annual inflation rate or movement of the CPI issued by the Philippine Statistics Authority (PSA).

It is a known fact that the monthly retirement pensions of member of the Government Service Insurance System (GSIS) are lifetime benefits computed as of the date of their retirement. The real value of the pensions, as reflected in the actual goods and services that their recipients are able to purchase, however, shrinks as the cost of living rises over the years. As the rise in living costs continues, the purchasing power of the pensions on which large numbers of persons depend for their basic needs is progressively and ultimately severely eroded.

Adjustments in pensions of retirees may be made by the GSIS upon approval by the President in accordance with Republic Act No. 9291 (GSIS Charter). Such adjustments included those made in 2010, amounting to 1.5%; then in 2013, amounting to P 5,000.00 for those receiving a monthly pension of less than P 5,000.00, and P 200.00 for those getting a monthly pension of more than P 5,000.00 but less than P 8,000.00; and lastly, in 2015, amounting to a one-time benefit equivalent to a one-month month pension but not exceeding P 12,600.00 for those whose 2014 cash gift was more than P 10,000.00, and a one-month pension but not exceeding P 10,000.00 for those whose 2014 cash gift was more than P 5,000.00 but less than P 8,000.00.

While these adjustments alleviated the plight of the pensioners, they are not regular and predictable, being subject to the approval of the GSIS Board. But even if this would be approved, still the rates of these adjustment lag far behind the actual rates of inflation, which averaged 4 percent per year over the last 15 years. Further, the adjusted pensions of the retirees are much less than the monthly compensation of active employees occupying comparable positions in government service.

To illustrate, a typical public-school teacher who retired fifteen (15) years ago received a monthly pension of less than P 9,000.00, which is barely enough to cover the minimum family income required for basic sustenance of the P 8,800.00 per month. The pension of that teacher is only about 49% of the P 18, 549 monthly salary of an incumbent teacher.

In the United States of America, the Federal Government and several State Governments grant their retired public employees Cost of Living Adjustments (COLA) which are usually linked to Consumer Price Indices (CPIs) or are fixed percentages of the monthly pensions. Eight (8) European Countries – Denmark, Luxembourg, France, Belgium, Finland, the Netherlands, and Sweden - including Israel and Chile, have similar schemes of automatic adjustments of age old pensions.

The bill will greatly help the retirees make their hard-earned pensions cope with the increasing cost of living for the remaining years of their life. About 280,000 GSIS pensioners, as well as many more in the future, together with their families, stand to benefit from the enactment of this bill. With the total amount of GSIS pensions estimated at about P 50 Billion for the year 2017, the incremental amount needed to cover the adjustments under this bill is initially about P 2 Billion a year. Funds to cover the adjustments of the retirement pensions will be derived from the GSIS, given its robust financial standing.

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



FRANCISCO G. DATOL, JR.

Representative

Senior Citizens Party-List

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AN ACT
PROVIDING FOR THE AUTOMATIC ANNUAL ADJUSTMENT OF
THE PENSIONS OF RETIREES FROM THE GOVERNMENT
WHO ARE MEMBERS OF THE GOVERNMENT SERVICE
INSURANCE SYSTEM

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

Section 1. *Coverage* – This Act shall apply to all living retirees from the National Government whose pensions are paid by the Government Service Insurance System (GSIS) as of the effectivity date of this Act.

Section 2. *Annual Adjustment of Pension* - The monthly pension of a retiree shall be automatically adjusted at every annual anniversary of this retirement date by using the following formula:

$$MP_n = MP_o \times K$$

$$K = CPI_n / CPI_o$$

Where:

MP_n = new monthly pension of the retiree,

MP_o = original monthly pension of the retiree at the time of this retirement,

K = adjustment factor to be applied to the original monthly

pension,

CPI_n = Consumer Price Index (CPI) issued by the Philippine Statistics Authority (PSA) for the retirement anniversary month when the new monthly pension will take effect, and

CPI_o = Consumer Price Index (CPI) issued by the PSA for the month of the year when the original monthly pension took effect.

Section 3. *Source of Funds and Payments.* – The amounts needed to pay to each concerned retiree the difference between the original and current monthly pensions, as a result of the application of the formulae in Section 2 hereof, shall be provided from funds of the GSIS. The GSIS shall pay the retiree the said difference, as computed yearly, until the death of the retiree.

Section 4. *Separability Clause* - If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to in full force and effect.

Section 5. *Repealing Clause* - All laws, decrees, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

Section 6. *Effectivity.* - This Act shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation.

Approved,