



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Eighteenth Congress
Second Regular Session



COMMITTEE REPORT NO. 1061

Submitted by the *Ad Hoc* Committee on the Military and Uniformed Personnel (MUP) Pension System on June 29, 2021

Re : House Bill No. 9654

Recommending its approval in substitution of House Bills No. 701, 704, 1210, 1734, 3421, 3650, 3831, 4534, 4706, 5233, 6823, 7158, 7461, 8061, 8593, 9271 and House Resolution No. 430

Sponsors: Representatives Joey Sarte Salceda and Isidro T. Ungab

Mr. Speaker:

The *Ad Hoc* Committee on the Military and Uniformed Personnel (MUP) Pension System to which were referred:

House Bill No. 701 introduced by Representative Rozzano Rufino B. Biazon, entitled:

“AN ACT FURTHER AMENDING SECTIONS 3 AND 17 OF PRESIDENTIAL DECREE NO. 1638 ENTITLED 'AN ACT ESTABLISHING A NEW SYSTEM OF RETIREMENT AND SEPARATION FOR MILITARY PERSONNEL OF THE ARMED FORCES OF THE PHILIPPINES', AS AMENDED BY PRESIDENTIAL DECREE NO. 1650, AND FOR OTHER PURPOSES”;

House Bill No. 704 introduced by Representative Rozzano Rufino B. Biazon, entitled:

“AN ACT DEFINING THE TERM 'UNIFORMED PERSONNEL”;

House Bill No. 1210 introduced by Representative Manuel D. Cabochan III, entitled:

“AN ACT AMENDING PERTINENT LAWS ON THE RETIREMENT BENEFITS AND PENSION OF THE UNIFORMED PERSONNEL OF THE UNIFORMED SERVICES AND PROVIDING FUNDS THEREFOR”;

House Bill No. 1734 introduced by Representative Luis Raymund “LRay” F. Villafuerte, Jr., entitled:

“AN ACT ADJUSTING THE COMPULSORY RETIREMENT AGE FOR OFFICERS AND ENLISTED MEN OF THE ARMED FORCES OF THE PHILIPPINES TO SIXTYFIVE (65), AMENDING FOR THE PURPOSE SECTION 5 OF PRESIDENTIAL DECREE NO. 1638 ENTITLED 'ESTABLISHING A NEW SYSTEM OF RETIREMENT AND SEPARATION FOR MILITARY PERSONNEL OF THE ARMED FORCES OF THE PHILIPPINES AND FOR OTHER PURPOSES' AS AMENDED”;

House Bill No. 3421 introduced by Representative Francisco Jose F. Matugas II, entitled:

“AN ACT AMENDING PERTINENT LAWS ON THE RETIREMENT BENEFITS AND PENSION OF UNIFORMED PERSONNEL OF THE UNIFORMED SERVICES AND PROVIDING FUNDS THEREFOR”;

House Bill No. 3650 introduced by Representative Joseph Stephen S. Paduano, entitled:

“AN ACT AMENDING THE PERTINENT LAWS ON THE RETIREMENT BENEFITS AND PENSION OF UNIFORMED PERSONNEL OF THE UNIFORMED SERVICES AND PROVIDING FUNDS THEREFOR”;

House Bill No. 3831 introduced by Representative Rufus B. Rodriguez, entitled:

“AN ACT AMENDING SECTION 25 OF PRESIDENTIAL DECREE NO. 1638 'ESTABLISHING A NEW SYSTEM OF RETIREMENT AND SEPARATION FOR MILITARY PERSONNEL OF THE ARMED FORCES OF THE PHILIPPINES AND FOR OTHER PURPOSES”;

House Bill No. 4534 introduced by Representative Vilma Santos-Recto, entitled:

“AN ACT STRENGTHENING THE MILITARY AND UNIFORMED PERSONNEL PENSION SYSTEM, CREATING THE MILITARY AND UNIFORMED PERSONNEL INSURANCE FUND, AMENDING SECTIONS 3 AND 24 OF REPUBLIC ACT NUMBER 8291, AND FOR OTHER PURPOSES”;

House Bill No. 4706 introduced by Representative Joy Myra S. Tambunting, entitled:

“AN ACT ESTABLISHING A SUSTAINABLE RETIREMENT AND PENSION SYSTEM BY AMENDING PERTINENT LAWS ON THE RETIREMENT BENEFITS AND PENSION OF THE UNIFORMED PERSONNEL OF THE UNIFORMED SERVICES AND PROVIDING FUNDS THEREFOR”;

House Bill No. 5233 introduced by Representative Prospero A. Pichay, Jr., entitled:

“AN ACT ADJUSTING THE RETIREMENT AGE OF THE MILITARY AND UNIFORMED SERVICES PERSONNEL OF THE REPUBLIC OF THE PHILIPPINES ACCORDING TO RANK, AMENDING FOR THE PURPOSE SECTION 5 OF PRESIDENTIAL DECREE NO. 1638, ENTITLED "ESTABLISHING A NEW SYSTEM OF RETIREMENT AND SEPARATION FOR MILITARY PERSONNEL OF THE ARMED FORCES OF THE PHILIPPINES AND FOR OTHER PURPOSES", AS AMENDED, SECTION 39 OF REPUBLIC ACT NO. 6975, OTHERWISE KNOWN AS THE "DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT ACT OF 1990", AND SECTION 17 OF REPUBLIC ACT NO. 9993, OTHERWISE KNOWN AS THE "PHILIPPINE COASTGUARD LAW OF 2009”;

House Bill No. 6823 introduced by Representative David “Jay-Jay” C. Suarez, entitled:

“AN ACT PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT, AND PENSION OF THE MILITARY AND UNIFORMED PERSONNEL (MUP) SERVICES OF THE REPUBLIC OF THE PHILIPPINES, CREATING THE MILITARY AND UNIFORM PERSONNEL RETIREMENT FUND AUTHORITY, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES”;

House Bill No. 7158 introduced by Representative Alfred D. Vargas, entitled:

“AN ACT PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT, AND PENSION OF THE MILITARY AND UNIFORMED PERSONNEL (MUP) SERVICES OF THE REPUBLIC OF THE PHILIPPINES, CREATING THE MILITARY AND UNIFORM PERSONNEL RETIREMENT FUND AUTHORITY, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES”;

House Bill No. 7461 introduced by Representatives Horacio P. Suansing, Jr. and Estrellita B. Suansing, entitled:

“AN ACT PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT, AND PENSION OF THE MILITARY AND UNIFORMED PERSONNEL (MUP) SERVICES OF THE REPUBLIC OF THE PHILIPPINES, PROVIDING FUNDS THEREFOR”;

House Bill No. 8061 introduced by Representatives Jorge Antonio P. Bustos, Presley C. De Jesus and Michael Odyon L. Romero entitled:

“AN ACT PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT, AND PENSION OF THE MILITARY AND UNIFORMED PERSONNEL (MUP) SERVICES OF THE REPUBLIC OF THE PHILIPPINES, CREATING THE MILITARY AND UNIFORMED PERSONNEL RETIREMENT FUND, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES”;

House Bill No. 8593 introduced by Representative Joey Sarte Salceda, entitled:

“AN ACT PROVIDING FOR A UNIFIED SYSTEM FOR SEPARATION, RETIREMENT AND PENSION OF THE MILITARY AND UNIFORMED SERVICES PERSONNEL OF THE REPUBLIC OF THE PHILIPPINES, CREATING THE MILITARY AND UNIFORM PERSONNEL RETIREMENT FUND AUTHORITY FOR THIS PURPOSE, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES”;

House Bill No. 9271 introduced by Representative Joey Sarte Salceda, entitled:

“AN ACT CREATING A SUSTAINABLE FISCAL FRAMEWORK FOR THE SEPARATION, RETIREMENT, AND PENSION BENEFITS OF THE MILITARY AND UNIFORMED SERVICES PERSONNEL, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES”;
and

House Resolution No. 430 introduced by Representatives David "Jay-Jay" C. Suarez, Anna Marie Villaraza-Suarez and Aleta C. Suarez, entitled:

“A RESOLUTION TO CONDUCT AN INQUIRY IN AID OF LEGISLATION FOR THE ADJUSTMENT OF THE COMPULSORY RETIREMENT AGE FOR OFFICERS OF THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATIONAL POLICE (PNP)”

has considered the same and recommends that the attached House Bill No. 9654, entitled:

“AN ACT CREATING A SUSTAINABLE FISCAL FRAMEWORK FOR THE PENSION SYSTEM OF THE MILITARY AND UNIFORMED PERSONNEL, PROVIDING MECHANISMS FOR THE DISPOSITION OF GOVERNMENT ASSETS FOR THE PURPOSE, AND APPROPRIATING FUNDS THEREFOR”

be approved in substitution of House Bills No. 701, 704, 1210, 1734, 3421, 3650, 3831, 4534, 4706, 5233, 6823, 7158, 7461, 8061, 8593, 9271 and House Resolution No. 430, with Representatives Joey Sarte Salceda, Rozzano Rufino B. Biazon, Manuel DG. Cabochan III, Luis Raymund “LRay” F. Villafuerte, Jr., Francisco Jose “Bingo” F. Matugas II, Joseph Stephen “Caraps” S. Paduano, Rufus B. Rodriguez, Vilma Santos-Recto, Joy Myra S. Tambunting, Prospero A. Pichay, Jr., David “Jay-Jay” C. Suarez, Alfred D. Vargas, Horacio P. Suansing, Jr., Estrellita B. Suansing, Jorge “PATROL” Bustos, Presley C. De Jesus, Anna Marie Villaraza-Suarez, Aleta C. Suarez, Michael L. Romero, Ph.D., Eric Go Yap, Isidro T. Ungab, Raul “Boboy” C. Tupas, Eric L. Olivarez, Narciso Recio Bravo Jr., Stella Luz A. Quimbo, Divina Grace C. Yu, Manuel Jose “Mannix” M. Dalipe, Sandro L. Gonzalez, Macnell M. Lusotan, and Sonny L. Lagon, as authors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joey Sarte Salceda', written over a horizontal line.

JOEY SARTE SALCEDA

Chairperson

Ad Hoc Committee on the
Military and Uniformed Personnel
(MUP) Pension System

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 9654

(In substitution of House Bills Numbered 701, 704, 1210, 1734, 3421, 3650, 3831, 4534, 4706, 5233, 6823, 7158, 7461, 8061, 8593, 9271 and House Resolution Numbered 430)

Introduced by Representatives Joey Sarte Salceda, Rozzano Rufino B. Biazon, Manuel DG. Cabochan III, Luis Raymund “LRay” F. Villafuerte, Jr., Francisco Jose “Bingo” F. Matugas II, Joseph Stephen “Caraps” S. Paduano, Rufus B. Rodriguez, Vilma Santos-Recto, Joy Myra S. Tambunting, Prospero A. Pichay, Jr., David “Jay-Jay” C. Suarez, Alfred D. Vargas, Horacio P. Suansing, Jr., Estrellita B. Suansing, Jorge “PATROL” Bustos, Presley C. De Jesus, Anna Marie Villaraza-Suarez, Aleta C. Suarez, Michael L. Romero, Ph.D., Eric Go Yap, Isidro T. Ungab, Raul “Boboy” C. Tupas, Eric L. Olivarez, Narciso Recio Bravo Jr., Stella Luz A. Quimbo, Divina Grace C. Yu, Manuel Jose “Mannix” M. Dalipe, Sandro L. Gonzalez, Macnell M. Lusotan, and Sonny L. Lagon

AN ACT
CREATING A SUSTAINABLE FISCAL FRAMEWORK FOR THE
PENSION SYSTEM OF THE MILITARY AND UNIFORMED PERSONNEL,
PROVIDING MECHANISMS FOR THE DISPOSITION OF GOVERNMENT
ASSETS FOR THE PURPOSE, AND APPROPRIATING FUNDS THEREFOR

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

TITLE I
General Provisions

SECTION 1. *Short Title.* – This Act shall be known as the “*Military and Uniformed Personnel Pension Act*”.

SEC. 2. *Declaration of Policy.* – The State duly recognizes the vital role of the military and uniformed personnel in providing internal and external security, promoting peace and order, and ensuring public safety.

1 The State also recognizes its obligation to secure the pension system for the
2 military and uniformed personnel given the distinctive personal risks in their role in
3 nation building and national security.

4 To protect the military and uniformed personnel against the extraordinary
5 hazards, risks, and dangers that they encounter in the performance of their duties, the
6 State shall ensure that there shall be an adequate, robust, and a well-managed insurance
7 system that shall adequately and sustainably support their needs and that of their
8 dependents.

9 Towards these ends, the State shall guarantee the sustainability of the pension and
10 other benefits of the military and uniformed personnel by creating a fiscal framework
11 that fully supports their funding requirements.
12

13 **SEC. 3. *Definition of Terms.*** – As used in this Act:

14 (a) *Military and Uniformed Personnel* refers to all employees of the government
15 who wear uniforms, with ranks, may be armed or unarmed, primarily involved in
16 national defense, enforcement of laws, and in the maintenance of peace, order, and
17 security and who belong to any of the following services: Armed Forces of the Philippines,
18 Philippine National Police, Philippine Coast Guard, Bureau of Fire Protection, Bureau
19 of Jail Management and Penology, Bureau of Corrections, and the employees of the
20 Hydrography Branch of the National Mapping and Resource Information Authority who
21 were transferred from the Bureau of Coast and Geodetic Survey;

22 (b) *Pension* refers to the sum of money representing the monthly retirement pay
23 or the monthly life annuity of a military and uniformed personnel;

24 (c) *Survivorship Pension* refers to the monthly benefit or the monthly life annuity
25 of the beneficiaries of a military and uniformed personnel who is retired or separated
26 under the provisions of existing laws.
27

28 **TITLE II**

29 **Fiscal Sustainability of Pension Benefits**
30

31 **SEC. 4. *Fiscal Risk Management.*** – To ensure that fiscal risks related to the
32 military and uniformed personnel pension system are managed and addressed, the
33 Secretary of Finance, as Chairperson of the Military and Uniformed Personnel Trust
34 Fund Committee created under Section 9 of this Act, shall:

35 (a) Formulate policies, consistent with law, to ensure the fiscal sustainability of the
36 pension of military and uniformed personnel;

37 (b) Assess possible risks to the fiscal sustainability of the pension of military and
38 uniformed personnel and propose appropriate policy interventions;

39 (c) Identify, manage, and control risks that the pension of military and uniformed
40 personnel may pose to the national government’s fiscal position;

41 (d) Inform Congress of such risks through the annual Fiscal Risk Statement and
42 propose legislative reforms to address such risks; and

43 (e) Obtain information from any officer or office of local governments and
44 agencies and instrumentalities of the national government, as may be necessary.

1 **SEC. 5. *Maturity Benefit from the Insurance Plan.*** —A military and uniformed
2 personnel who is retired or separated under the provisions of existing laws, or the
3 qualified survivors in the case of death before retirement or separation, shall receive the
4 maturity benefit from the life insurance plan funded by mandatory contributions paid by
5 the military and uniformed personnel under Section 14 of this Act. The Military and
6 Uniformed Personnel Trust Fund Committee as created under Section 9 of this Act, shall
7 provide mechanisms to allow the enjoyment of this benefit either as a lump sum or in
8 annuitized payments.

9
10 **SEC. 6. *Disability Pension.*** – In lieu of disability benefits provided under existing
11 laws, a military and uniformed personnel who is retired by reasons of disability, which is
12 the proximate result of wounds or injuries sustained or sickness or disease acquired in
13 the line of duty shall receive a monthly disability pension corresponding to the disability
14 incurred at the time of separation:

15 (a) If and while the disability is rated twenty-five percent (25%) –Five thousand
16 pesos (P5,000.00);

17 (b) If and while the disability is rated fifty percent (50%) - Ten thousand pesos
18
19 (P10,000.00);

20 (c) If and while the disability is rated seventy five percent (75%) - Fifteen thousand
21 pesos (P15,000.00); and

22 (d) If and while the disability is rated one hundred percent (100%) - Twenty
23 thousand pesos (P20,000.00).

24
25 **SEC. 7. *Capped Automatic Indexation to Adjustments in Active Personnel Pay.*** – The
26 adjustment in pension of retired or separated military and uniformed personnel and
27 survivorship pension of qualified survivors shall be automatically indexed to adjustments
28 in the salary of military and uniformed personnel in active service holding the same rank:
29 *Provided, That within ten (10) years from the effectivity of this Act, the adjustment in the*
30 *salary of active military and uniformed personnel shall not exceed five percent (5%) at*
31 *any given year and the adjustment in the pension and survivorship pension shall not*
32 *exceed five percent (5%) during the same year.*

33 The President of the Philippines is hereby authorized, upon the recommendation
34 of the Military and Uniformed Personnel Trust Fund Committee as created under Section
35 9 of this Act, and subject to consultation with the President of the Senate and the Speaker
36 of the House of Representatives, to increase the pension and survivorship pension at a
37 rate lower than the adjustment in the salary of active military and uniformed personnel
38 of the same rank if the national government incurs an unmanageable public sector deficit.

39 40 **TITLE III**

41 **Military and Uniformed Personnel Trust Fund**

42
43 **SEC. 8. *Military and Uniformed Personnel Trust Fund.*** – The Military and
44 Uniformed Personnel Trust Fund, hereinafter referred to as the *MUP Trust Fund*, is

1 hereby created for the budgetary support of the military and uniformed services,
2 including the payment of pension and survivorship pension under existing laws and the
3 disability pension and other benefits under this Act.
4

5 **SEC. 9. *Military and Uniformed Personnel Trust Fund Committee.*** – To carry out
6 the declared policy of this Act, the Military and Uniformed Personnel Trust Fund
7 Committee, hereinafter referred to as the Committee, is hereby created. The Committee
8 shall be organized within ninety (90) days from the effectivity of this Act. The Committee
9 is composed of the following members:

- 10 (a) Secretary of Finance, as Chairperson;
 - 11 (b) Secretary of Budget and Management;
 - 12 (c) Secretary of National Defense;
 - 13 (d) Secretary of the Interior and Local Government;
 - 14 (e) Secretary of Justice;
 - 15 (f) Executive Secretary of the Office of the President; and
 - 16 (g) President and General Manager of the Government Service Insurance System.
- 17

18 The Bureau of the Treasury shall serve as the Secretariat of the Committee and
19 maintain the records and accounts of all investments, receipts, disbursements, and other
20 transactions relating to the management, administration, and utilization of the MUP
21 Trust Fund: *Provided*, That these records and accounts are maintained in accordance
22 with the existing accounting and auditing laws, rules, and regulations and audited by the
23 Commission on Audit.
24

25 **SEC. 10. *Powers and Functions of the Committee.*** – The Committee shall exercise
26 the following powers and functions:

- 27 (a) Act as Trustee of the MUP Trust Fund and such other assets as may be
28 assigned to the pension system of the military and uniformed personnel and direct how
29 the assets of the MUP Trust Fund are managed;
- 30 (b) Manage the MUP Trust Fund, through the fund manager designated under
31 Section 11 herein, and ensure that the fund is actuarially and financially optimal and
32 sustainable;
- 33 (c) Authorize the necessary expenses to manage and administer the MUP Trust
34 Fund;
- 35 (d) Authorize and direct the creation of a life insurance system for military and
36 uniformed personnel which shall cover death and disability benefits in addition to those
37 provided under this Act, to account for the significant risks involved in military and
38 uniformed service and indemnify personnel who suffer such risks, and set reasonable
39 mandatory insurance premiums therefor;

40 *Provided*, That the insurance system shall be administered by the Government
41 Service Insurance System and supervised by the Insurance Commission: *Provided*,
42 *further*, That the insurance system shall be managed separately from the pension system:
43 *Provided, finally*, That, subject to the authorization of the Committee, the insurance

1 system may undertake investments in debt and equity securities and in the money market,
2 real estate investments, and other viable investments;

3 (e) Authorize and direct the creation of a provident fund or a mutual fund;

4 (f) Implement and execute functions related to the disposition of assets identified
5 under this Act;

6 (g) Create, manage, and utilize separate trust fund accounts for the budgetary
7 support of the military and uniformed services, retirement and survivorship benefits of
8 military and uniformed personnel, provident or mutual fund and insurance provisions;
9 and

10 (h) Cause the undertaking of a survey or consultation to assess the preferences of
11 military and uniformed personnel on the features of the pension system, including
12 willingness to pay for contributions and interest in various benefit and investment
13 schemes;

14 (i) Commission an actuarial evaluation of the fiscal sustainability of the pension
15 scheme, including specific recommendations on the rates for contributions and
16 investment options for the MUP Trust Fund, as applicable; and

17 (j) Perform other necessary functions for the effective management of the MUP
18 Trust Fund.

19 *Provided*, That within one (1) year from the effectivity of this Act, the fund
20 manager shall conduct the studies stated in Subsections (h) and (i) herein: *Provided*,
21 *further*, That the findings and recommendations obtained from the studies shall be
22 submitted to the Committee which shall promulgate implementing rules and regulations
23 with respect to the mandatory contribution scheme, and other features of the pension
24 scheme as applicable: *Provided, furthermore*, That an amount not exceeding Thirty
25 million pesos (P30,000,000.00) is hereby appropriated for the conduct of the studies:
26 *Provided, finally*, That the fund manager may engage the private sector, as needed, to
27 ensure quality and timeliness in the implementation of the survey, consultation, and
28 actuarial evaluation.

29
30 **SEC. 11. *MUP Trust Fund Manager.*** – The Government Service Insurance System
31 is designated as the fund manager and benefits administrator of the MUP Trust Fund,
32 and shall:

33 (a) Implement an investment management and benefits administration strategy as
34 directed by the Committee;

35 (b) Monitor market and economic trends and track securities to make informed
36 investment decisions;

37 (c) Recommend its portfolio strategy to the Committee;

38 (d) Track financial results of companies in the portfolio and its various metrics,
39 including price-to-earnings ratios, inflation-adjusted return, sales, earnings, and
40 dividends; and

41 (e) Perform other acts necessary to fulfill its mandate under this Act, or such Acts
42 that may be delegated by the Committee.

43

1 **SEC. 12. *Structure, Staffing Pattern, and Operating Budget.*** - The organizational
2 structure and staffing pattern for the management of the MUP Trust Fund within the
3 Government Service Insurance System and for the creation of the MUP Trust Fund
4 Secretariat within the Bureau of the Treasury shall be approved by the Committee within
5 ninety (90) days from the enactment of this Act: *Provided*, That appointees to various
6 positions shall comply with the qualification standards approved by the Civil Service
7 Commission: *Provided, further*, That the Government Service Insurance System shall be
8 entitled to a management fee, to be charged against the MUP Trust Fund and its
9 derivative incomes, including budgetary requirement commensurate to the expertise and
10 services rendered for the salaries and benefits of officials and employees assigned to the
11 Committee.

12 **SEC. 13. *Joint Responsibility.*** – For the purpose of ensuring that only qualified
13 military and uniformed personnel retirees and beneficiaries shall receive the retirement
14 pension or separation benefits, the respective services or mother units shall assist and
15 share, jointly or separately, the duty and obligation with the Committee in monitoring
16 proof of life or life events that will affect the qualification of pensioners and beneficiaries
17 to receive the pension or benefit. The initial computation of pension and benefits accruing
18 to each retiree or beneficiary shall be jointly undertaken and agreed upon by the
19 concerned mother unit and the Committee.

20
21 **SEC. 14. *Funding Sources.*** – The MUP Trust Fund shall be funded through the
22 following:

23 **(a) *Capitalization.*** – The amount of One hundred thirty billion pesos
24 (P130,000,000,000.00) shall be appropriated to the MUP Trust Fund to cover the pension
25 requirement of the Fiscal Year for which the fund was appropriated. Such sums as may
26 be necessary for the sustainability of the fund as determined by the Committee shall be
27 automatically appropriated and be automatically released to the MUP Trust Fund.

28 **(b) *Mandatory Contributions.*** – It shall be mandatory for military and uniformed
29 personnel to contribute a percentage of their monthly compensation as their personal
30 share to the MUP Trust Fund. There shall also be a National Government share which
31 shall be automatically appropriated and used exclusively to fund pension benefits of the
32 military and uniformed personnel. The mandatory contributions shall be allocated as
33 follows:

34 i. For the first three (3) years after the effectivity of this Act, military
35 and uniformed personnel shall contribute five percent (5%) of their monthly
36 compensation as personal share, while the National Government shall provide an
37 equivalent of sixteen percent (16%) as its share;

38 ii. Thereafter, for the next three (3) years, military and uniformed
39 personnel shall contribute seven percent (7%), while the National Government
40 shall provide fourteen percent (14%); and

41 iii. For every year thereafter, military and uniformed personnel shall
42 contribute nine percent (9%) and the National Government shall provide twelve
43 percent (12%).
44

1 ***Provided***, That contribution rates may be adjusted by the fund manager, subject
2 to actuarial validation: ***Provided, further***, That forty-five percent (45%) of mandatory
3 contributions of the military and uniformed personnel shall be used for the establishment
4 of a life insurance plan as authorized under this Act, with death, accident, and disability
5 benefits in addition to those mandated under this Act; forty-five percent (45%) shall be
6 used to establish the Provident Fund; and ten percent (10%) shall be used for the payment
7 of disability pension granted under this Act: ***Provided, furthermore***, That such allocations
8 may be periodically adjusted by the Committee based on actual need and actuarial
9 soundness: ***Provided, finally***, That the life insurance plan shall include a cash benefit that
10 shall be due and collectible at the plan's maturity date, which shall be the date of
11 separation from service.

12 ***(c) Additional Sources of Funding.*** – The MUP Trust Fund may be augmented
13 from the unprogrammed appropriations and proceeds derived from the lease, joint
14 development, auction of development rights, or disposition of government properties
15 identified for the purpose, investment income from the MUP Trust Fund identified and
16 overseen by the fund manager subject to actuarial validation, and savings of the National
17 Government.
18

19 **SEC 15. Government Guarantee.** — The government of the Republic of the
20 Philippines hereby guarantees the fulfillment of the obligations of the MUP Trust Fund
21 to its members when they fall due.
22

23 **SEC. 16. Disposition of Military and Uniformed Services Assets.** – Within thirty (30)
24 days from the effectivity of this Act, the concerned military and uniformed services shall
25 submit a complete list of their real assets in the manner prescribed by the Committee to
26 identify additional sources of funding for budgetary support of their services, and
27 augment the financing of the separation, retirement, and pension benefits of their military
28 and uniformed personnel under existing laws and this Act.

29 Thereafter, the Committee shall conduct a complete accounting and inventory of
30 the assets of military and uniformed services that may be used to support the MUP Trust
31 Fund, including the amount, value, description and nature of such funds, properties,
32 assets, records, choses in action, and other rights, claims, or causes of action pertaining
33 thereto, and submit a report to the Office of the President, Congress, and the Commission
34 on Audit.

35 Within thirty (30) days from the receipt of the inventory by the Committee, the
36 Commission on Audit shall audit the accounting and inventory of the assets of concerned
37 military and uniformed services to determine the completeness of the inventory and
38 establish the reasonableness of the asset valuation.

39 Within one (1) year from the submission of the accounting and inventory of the
40 assets of concerned military and uniformed services, the Commission on Audit shall
41 submit to the Committee the audit report, including the complete list of the assets of
42 concerned military and uniformed services and their valuation, and the empirical basis
43 and the methodologies employed for the valuation.

1 The Committee shall, within fifteen (15) days from the receipt of audit report,
2 publish the audit report in at least two (2) newspapers of general circulation. Nothing
3 herein shall be construed as preventing the designated disposition entity from procuring
4 a third-party appraisal of any of the assets of concerned military and uniformed services
5 prior to or while preparing the privatization or disposition plans of the assets.

6 The Committee shall coordinate with the Office of the President, Philippine
7 Reclamation Agency, and other disposition entities to be identified by the Committee in
8 the execution and delivery of this mandate.

9 The Committee shall prioritize the disposition modes that may generate income
10 from these assets without undertaking the sale thereof except when the Committee
11 determines that selling a specific asset is the most optimal financial option: *Provided*, That
12 the Committee may sell only portions thereof to meet the financial requirements.

13 To optimize revenues from the assets of the concerned military and uniformed
14 personnel services, the Committee may seek the services of the Privatization Group of the
15 Department of Finance which shall recommend to the Committee the most financially
16 advantageous manner of disposition of the assets.

17 Unless otherwise directed by the President of the Philippines as the Commander-
18 in-Chief and upon the recommendation of the Secretary of Finance, the proceeds from
19 the disposition of assets of the concerned military and uniformed services shall be
20 earmarked for the budgetary support of the military and uniformed services for capital
21 outlay and maintenance and other operating expenditures. The Committee shall allocate
22 the proceeds from the disposition of assets based on the funding requirements of the
23 specific purposes. The proceeds from the disposition of asset of the military and
24 uniformed services shall inure to the benefit of, or as budget support to, the service to
25 which the asset belongs if used towards budgetary support for capital outlays, pension
26 fund, and maintenance and other operating expenses.

27 Within one (1) year from the effectivity of this Act, the military and uniformed
28 services may add to the list such real assets required for identification and submission
29 under this Section and which belonged to the military and uniformed services prior to
30 the effectivity of this Act. Any real asset that is required by this Act to be included in the
31 submitted lists and which are not included in actual submissions by the military and
32 uniformed services may be disposed by the MUP Trust Fund Committee in the manner
33 it deems appropriate.

34
35 **SEC. 17. *Tax Treatment of the MUP Trust Fund.*** – Notwithstanding any law to the
36 contrary, the MUP Trust Fund, its assets, revenues, including all accruals thereto, and
37 benefits paid, are exempt from all taxes, assessments, fees, charges, or duties of all kinds.
38 These exemptions shall continue unless expressly and specifically revoked.

39 Subject to Section 20 of this Act, the MUP Trust Fund, the properties of the
40 military and uniformed services identified by the Committee to be disposed and sums or
41 monies for the payment of the benefits under this Act are exempt from attachment,
42 garnishment, execution, levy or other processes issued by the courts, quasi-judicial
43 agencies or administrative bodies and from all financial obligations of the members,
44 including pecuniary accountability arising from or caused or occasioned by the members’

1 exercise or performance of official functions or duties, or incurred relative to or in
2 connection with the members' position or work except when the monetary liability,
3 contractual or otherwise, is in favor of the MUP Trust Fund.

4 All other applicable tax exemptions granted to the Government Service Insurance
5 System shall also apply to the MUP Trust Fund.

6
7 **TITLE IV**
8 **Transitory Provisions**

9
10 **SEC. 18. *Transfer of Power and Functions.*** - For purposes of administration of
11 military and uniformed personnel pension and retirement benefits, the powers and
12 functions of units or instrumentalities of agencies that employ military and uniformed
13 personnel and administer their pension system or parts thereof are hereby transferred to
14 the MUP Trust Fund Committee.

15
16 **SEC. 19. *Period of Transfer.*** - There shall be a transition period of five (5) months
17 from the effectivity of this Act to implement the transfer of powers and functions, rights,
18 assets, and liabilities mentioned in this Title: *Provided*, That the same transition period
19 shall be provided to allow the units or instrumentalities of agencies administering the
20 military and uniformed personnel pension system to restructure: *Provided, further*, That
21 all civilian personnel in the units or instrumentalities administering the military and
22 uniformed personnel pension system affected by the transfer of powers and functions
23 provided in this Title shall continue in office without need of reappointment: *Provided,*
24 *finally*, That civilian employees in the units or instrumentalities of agencies administering
25 the military and uniformed personnel pension system who opt to retire or resign as a
26 result hereof, if qualified, shall be allowed and be entitled to retirement and separation
27 benefits under existing laws to officials and employees affected by an approved
28 reorganization program.

29
30 **TITLE VI**
31 **Final Provisions**

32
33 **SEC. 20. *Non-encumbrance of Benefits.*** – The benefits authorized under this Act,
34 except as provided herein, are not subject to attachment, garnishment, levy, execution or
35 any tax whatsoever, and may not be assigned, ceded, or conveyed to any third person:
36 *Provided*, That if a retired or separated military and uniformed personnel who is entitled
37 to any benefit under this Act has unsettled money or property accountabilities incurred
38 while in the active service, an amount not exceeding fifty percent (50%) of the pension
39 gratuity or other payment due to the military and uniformed personnel or their survivors
40 under this Act may be withheld and be applied to settle such accountabilities.

41
42 **SEC. 21. *Financial Literacy and Career Transition Training.*** – The *Bangko Sentral*
43 *ng Pilipinas*, in coordination with the military and uniformed services, shall provide
44 mandatory, periodic financial literacy training for active personnel. The military and

1 uniformed services shall formulate skills workshops for active personnel who plan to
2 transition to other careers outside of the uniformed service.

3
4 **SEC. 22. *Penal Clause.*** – Any person who participates directly or indirectly in the
5 commission of fraud, falsification, misrepresentation of facts, collusion or any similar
6 anomaly in the issuance of any certificate or document for any purpose connected with
7 this Act shall upon conviction be punished by a fine of not less than the amount defrauded
8 but not more than threefold of such amount or imprisonment of not less than six (6)
9 months and one (1) day to six (6) years and perpetual disqualification from holding public
10 office and from practicing any profession licensed by the government.

11
12 **SEC. 23. *Implementing Rules and Regulations.*** – Within sixty (60) days from the
13 effectivity of this Act, the Secretary of Finance shall, in consultation with the Secretaries
14 of National Defense, Interior and Local Government, Justice, Transportation,
15 Environment and Natural Resources, Budget and Management, and the Head of the
16 Government Service and Insurance System, promulgate the necessary rules and
17 regulations for the effective implementation of this Act.

18 Supplemental rules and regulations governing the management and
19 administration of the pension system of the military and uniformed personnel may be
20 issued within one (1) year from the effectivity of this Act.

21
22 **SEC. 24. *Repealing Clause.*** – The pertinent provisions of these laws are hereby
23 repealed:

24 (a) Presidential Decree No. 361, entitled “*Providing for an Armed Forces*
25 *Retirement and Separation Benefits System,*” as amended by Presidential Decree No. 1656
26 and Presidential Decree No. 1909;

27 (b) Sections 23, 24, 26, and 31 of Presidential Decree No. 1638, entitled
28 “*Establishing a New System of Retirement and Separation for Military Personnel of the*
29 *Armed Forces of the Philippines and for Other Purposes,*” as amended by Presidential
30 Decree No. 1650;

31 (c) Section 11 of Republic Act No. 340, as amended, entitled “*An Act to Establish a*
32 *Uniform Retirement System for the Armed Forces of the Philippines, to Provide for*
33 *Separation Therefrom, and for Other Purposes*”, as amended;

34 (d) Sections 16, 17, 18, 19, 20 and 22 of Republic Act No. 5976, otherwise known
35 as the “*Coast Survey Officers Retirement and Separation Act of 1969*”;

36 (e) Section 77 of Republic Act No. 6975, otherwise known as the “*Department of*
37 *Interior and Local Government Act of 1990*”, as amended; and

38 (f) Sections 4 and 5 of Republic Act No. 9040, otherwise known as the “*AFP Tax*
39 *Exemption for Pay and Allowances Act of 2001.*”

40 All other laws, rules and regulations, and other issuances or parts thereof, which
41 are inconsistent with the provisions of this Act, are hereby repealed, amended, or
42 modified accordingly.

1 **SEC. 25. *Separability Clause.*** – If any provision or part of this Act is declared
2 **invalid or unconstitutional, the remaining parts or provisions not affected shall remain**
3 **in full force and effect.**

4
5 **SEC. 26. *Effectivity*** – This Act shall take effect fifteen (15) days after its publication
6 **in the *Official Gazette* or in a newspaper of general circulation.**

7
8 *Approved,*

House of Representatives
Committee Affairs Department

FACT SHEET

House Bill No. 9654

(in substitution of House Bills No. 701, 704, 1210, 1734, 3421, 3650, 3831, 4534, 4706, 5233, 6823, 7158, 7461, 8061, 8593, 9271 and House Resolution No. 430)

“AN ACT CREATING A SUSTAINABLE FISCAL FRAMEWORK FOR THE PENSION SYSTEM OF THE MILITARY AND UNIFORMED PERSONNEL, PROVIDING MECHANISMS FOR THE DISPOSITION OF GOVERNMENT ASSETS FOR THE PURPOSE, AND APPROPRIATING FUNDS THEREFOR”

Introduced by: Representatives Joey Sarte Salceda, Rozzano Rufino B. Biazon, Manuel DG. Cabochan III, Luis Raymund “LRay” F. Villafuerte, Jr., Francisco Jose “Bingo” F. Matugas II, Joseph Stephen “Caraps” S. Paduano, Rufus B. Rodriguez, Vilma Santos-Recto, Joy Myra S. Tambunting, Prospero A. Pichay, Jr., David “Jay-Jay” C. Suarez, Alfred D. Vargas, Horacio P. Suansing, Jr., Estrellita B. Suansing, Jorge “PATROL” Bustos, Presley C. De Jesus, Anna Marie Villaraza-Suarez, Aleta C. Suarez, Michael L. Romero, Ph.D., Eric Go Yap, Isidro T. Ungab, Raul “Boboy” C. Tupas, Eric L. Olivarez, Narciso Recio Bravo, Jr., Stella Luz A. Quimbo, Divina Grace C. Yu, Manuel Jose “Mannix” M. Dalipe, Sandro L. Gonzalez, Macnell M. Lusotan and Sonny L. Lagon

Committee Referral: AD HOC COMMITTEE ON THE MILITARY AND UNIFORMED PERSONNEL (MUP) PENSION SYSTEM

Committee Chairperson: HON. JOEY SARTE SALCEDA

OBJECTIVES:

- To maintain the sustainability of the pension and other benefits of military and uniformed personnel by creating a fiscal framework that fully supports funding requirements
- To establish an insurance system that would adequately and sustainably support the needs of the military and uniformed personnel and their dependents

KEY PROVISIONS:

- Grants a monthly disability pension, in lieu of disability benefits provided under existing laws, for military and uniformed personnel retired by reasons of disability resulting from wounds or injuries sustained or sickness or disease acquired in the line of duty;
- Provides for automatic indexation of pension and survivorship benefits of military and uniformed personnel and their qualified survivors to adjustments in the salary of military and uniformed personnel in the active service holding the same rank, subject to the following:

- a) Limitations on the salary increase of active military and uniformed personnel, which shall not exceed five percent (5%) at any given year, and on the adjustment in the pension and survivorship pension, which shall not exceed five percent (5%) during the same year, for the next ten (10) years following the effectivity of this measure; and
 - b) Authorization granted to the President, upon the recommendation of the Military and Uniformed Personnel Trust Fund Committee and subject to consultation with the Senate President and the Speaker of the House of Representatives, to increase the pension and survivorship pension at a rate lower than the adjustment in the salary of active military and uniformed personnel of the same rank if the national government incurs an unmanageable public sector deficit;
- Mandates the Secretary of Finance to formulate policies ensuring the fiscal sustainability of the pension of the military and uniformed personnel, and assess and control its risks to the government's fiscal position;
- Establishes the Military and Uniformed Personnel (MUP) Trust Fund to be administered by the Military and Uniformed Personnel Trust Fund Committee, with the Bureau of Treasury as its Secretariat, and the Government Service Insurance System as its fund manager;
- Authorizes the mandatory contribution of a percentage of the monthly compensation of military and uniformed personnel to the MUP Trust Fund to be allocated as follows:
 - a) Forty-five percent (45%) for the establishment of a life insurance plan with death, accident, and disability benefits;
 - b) Forty-five percent (45%) for the establishment of the Provident Fund; and
 - c) Ten percent (10%) for the payment of disability pension;
- Allows additional sources of funding such as the proceeds from the lease, joint development, auction of development rights, or disposition of government properties identified for the purpose, for the maintenance of MUP Trust Fund, and investment income from the MUP Trust Fund;
- Earmarks proceeds from the disposition of certain assets of the military and uniformed services for budgetary support of the uniformed services for capital outlay and maintenance and other operating expenditures;
- Exempts the MUP Trust Fund, its assets, revenues, including all accruals thereto, and benefits paid, from all taxes, assessments, fees, charges, or duties of all kinds; and
- Transfers powers and functions of units or instrumentalities of agencies that administer the pension system of military and uniformed personnel or parts thereof to the MUP Trust Fund Committee

RELATED LAWS:

1. Presidential Decree No. 361, entitled “Providing for an Armed Forces Retirement and Separation Benefits System,” as amended by Presidential Decree No. 1656 and Presidential Decree No. 1909;
2. Presidential Decree No. 1638, entitled “Establishing a New System of Retirement and Separation for Military Personnel of the Armed Forces of the Philippines and for Other Purposes”;
3. Republic Act No. 340, entitled “An Act to Establish a Uniform Retirement System for the Armed Forces of the Philippines, to Provide for Separation Therefrom, and for Other Purposes”;
4. Republic Act No. 5976, otherwise known as the “Coast Survey Officers Retirement and Separation Act of 1969”;
5. Republic Act No. 6975, otherwise known as the “Department of Interior and Local Government Act of 1990”; and
6. Republic Act No. 9040, otherwise known as the “AFP Tax Exemption for Pay and Allowances Act of 2001”