

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 475

HOUSE OF REPRESENTATIVES

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Introduced by Reps. CARLOS ISAGANI T. ZARATE,
ANTONIO L. TINIO, EMMI A. DE JESUS,
FRANCE L. CASTRO, ARLENE D. BROSAS,
ARIEL B. CASILAO, and SARAH JANE I. ELAGO

AN ACT
MANDATING A TWO THOUSAND PESO (P2,000) ACROSS-THE-BOARD
INCREASE IN THE MONTHLY PENSION WITH CORRESPONDING
ADJUSTMENT OF THE MINIMUM MONTHLY PENSION UNDER THE SOCIAL
SECURITY SYSTEM, AMENDING FOR THE PURPOSE SECTION 12 OF
REPUBLIC ACT 1161, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL
SECURITY ACT OF 1997"

EXPLANATORY NOTE

The P2,000 SSS pension increase is feasible, necessary and urgent.

The loud clamor of our senior citizens, laborers, current and retired, for pension reform has been a long and arduous struggle.

Since 1997, the current pension benefit was not adjusted enough to meet the current cost of living standards. The erosion of the value of the 1997 minimum SSS pension to only P518.86 for P1,200 (ten-year contribution) pension and P1,037.72 for P2,400 (twenty-year contribution) pension, respectively¹, only validates the suffering of SSS pensioners all these long years.

It is by this plight of our senior citizens that lawmakers from both chambers agreed to pass House Bill 5842 during the 16th Congress. The House of Representatives approved the bill on June 9, 2015 with a vote of 211-0, while, the Senate adopted the House-approved version en toto and likewise approved the same on November 9, 2015, with a vote of 15-1.

The mother bill, House Bill 3851, was a re-filed version of House Bill 6748. HB 6748 was approved by the House of Representatives during the 15th Congress. The first and original bill, House Bill 4365, was filed way back in 2011 by Bayan Muna Partylist Representatives Neri Colmenares and Teddy Casino in response to the clamor of many senior citizens and SSS pensioners for an increase in pension.

¹ Bayan Muna: SSS pension with inflation adjustment, 2015

Yet, on January 12, 2016 President Benigno Aquino vetoed the bill by merely echoing the SSS position that its fund life shall be depleted by 2029. In fact, his administration even bloated the projected yearly deficit of SSS should the P2000 pension increase be granted, from the P4 billion reported by SSS during the August 2015 Senate hearing, to P 16-29 billion. Pres. Aquino dismissed also the many Congressional proposals aiming to institute policy reforms in SSS and source out funding for the increase.

The SSS, on the many congressional hearings attended by its officials, had continuously painted a “doomsday” scenario once the pension increase is granted. SSS said its fund life will be shortened to year 2029, from the current 2043. This, despite admissions that it has increasing revenues which stood at P155B by 2014, assets of P427 B and investment reserves of P418B. It is quite incomprehensible that such reported financial strength could not sustain a P2,000 pension increase.

Contrary to its “doomsday” scenario projection, in reality, SSS will not go bankrupt.

In 2001, when SSS was suffering from a five-year fund life as a result of bad investments, behest loans and mismanagement by previous administrations, the pension agency did not find having its lowest fund worrisome enough to initiate institutional reforms.² SSS’ claim that a shortening fund life will lead to bankruptcy is a scheme to scare those who do not understand the actuarial potential of a 14-year fund life.

What SSS failed to note is that over the years, as reflected in its actuarial studies released every four years, the only time that its fund life reached perpetuity is in 1980, where social security has just been instituted. The point is that; all social security systems will always have a limited fund life. Some countries have a short fund life of only 12 years or up to 2027³ like the United Kingdom’s social security system or Canada’s whose fund life is only up to 2022⁴. Actuarial studies, Congress agreed, are mere projections, but Congress recognized that steps must be taken to fund the pension increase and at the same time, prolong the fund life from the expected bankruptcy period of 2029.

The unfunded liability argument, which SSS claims amounts to P1.19 Trillion⁵ is a similar scare tactic. All government pension schemes have unfunded liabilities, many of which are larger than the Philippines per capita but none of them went bankrupt.

While SSS insisted that the funds will only be sourced through increase in contributions, Congress maintained that funds must be sourced from 1) increasing collection efficiency (Currently, SSS maintains a 35-38% collection rate, which is quite inefficient. A mere 10% increase in collection efficiency will go a long way); 2) cutting back exorbitant and unjust bonuses of the SSS Board. It cannot claim that the SSS lack funds to support a pension increase but awarded its Board members with more than P1 Million bonus each in 2012, and refused to take back more than P200 Million in retirement packages to its Board Members in 2009. Lastly, cut back on unnecessary expenses. Holzmann et al. (2000), as cited by Manasan⁶, found that the administrative cost of running the SSS is high relative to that of social security systems in other

² <http://www.philstar.com/8080/headlines/364143/sss-grants-10-percent-increase-monthly-pensions>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/336829/QR_2010_report_17_July_2014.pdf sighted September 20, 2015.

⁴ 26th Actuarial Report of the Canada Pension Plan. <http://www.osfi-bsif.gc.ca/eng/oca-bac/ar-ra/cpp-rcl/pages/cpp26.aspx#Top-1c>

⁵ https://www.sss.gov.ph/sss/DownloadContent?fileName=GCG_SSS_AR13.pdf

⁶ Manasan, Rosario G. (2009). *A Review of Social Insurance in the Philippines*. Number 67, Volume XXXVI, No. 2, Philippine Journal of Development. Philippine Institute for Development Studies.

countries. In 2014, the operating expense (P8.11B) of SSS is still high at 6.73% of total contributions (P120.65B).

Lastly, SSS will never actually be 'bankrupt' because Section 21 of Republic Act 8282 or the SSS Charter provides that the "Government of the Republic of the Philippines accepts general responsibility for the solvency of the SSS."

The passage of this bill is earnestly sought.

Approved,



Rep. CARLOS ISAGANI T. ZARATE
Bayan Muna Party-list


Rep. ANTONIO L. TINIO
ACT Teachers Party-list


Rep. EMMI A. DE JESUS
Gabriela Women's Party


Rep. FRANCE L. CASTRO
ACT Teachers Party-list


Rep. ARLENE D. BROSAS
Gabriela Women's Party


Rep. ARJEL B. CASILAO
Anakpawis Party-list


Rep. SARAH JANE I. ELAGO
Kabataan Party-list

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REPUBLIC ACT 1161, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL
SECURITY ACT OF 1997"

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

SECTION 1. Any provision of law to the contrary notwithstanding, the Social Security Commission is hereby mandated to implement a Two-thousand peso (P2,000) across-the-board increase in the monthly pension under the Social Security System;

SEC. 2. Section 12 of Republic Act No. 1161, as amended by Republic Act No. 8282, is hereby further amended to read as follows:

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

"(1) The sum of the following:

"(i) Three hundred pesos (P300); plus

"(ii) Twenty percent (20%) of the average monthly salary credit; plus"

(iii) Two percent (2%) of the average monthly salary credit for each credited year of service in excess of ten (10) years; or

"(2) Forty percent (40%) of the average monthly salary credit; or

"(3) One thousand pesos (P1,000): *Provided,* That the monthly pension shall in no case be paid for an aggregate amount of less than sixty (60) months.

“(b) Notwithstanding the preceding paragraph, the minimum **MONTHLY** pension shall be [One thousand two hundred pesos (P1,200)] **THREE THOUSAND TWO HUNDRED PESOS (P3,200)** for members with at least ten (10) credited years of service and [Two thousand four hundred pesos (P2,400)] **FOUR THOUSAND FOUR HUNDRED PESOS (P4,400)** for those with twenty (20) credited years of service.”

SEC. 3. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation inconsistent with this Act is hereby repealed, modified or amended accordingly.

SEC. 4. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,