

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City



**Eighteenth Congress**  
\_\_\_\_\_ Session  
House Bill No. **5540**

**Introduced by: CWS PARTY-LIST REPRESENTATIVE ROMEO S. MOMO SR.**

**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**

**Explanatory Note**

Monthly retirement pensions of members 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 buy, however, shrinks as the cost of living rises over the years. Consequently, 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. 8291 (GSIS Charter). Such adjustments included those made in 2010, amounting to 1.5% per year. In 2013, the minimum basic monthly pension was increased to P 5,000.00. This year (2019), the GSIS has recommended to the President the approval of the minimum basic pension to P6,000 a month.

While these adjustments alleviate the plight of the pensioners, they are not regular and predictable, being subject to the recommendation of the GSIS Board and approval of the President. Secondly, the rates of these adjustments lag far behind the actual rates of inflation, which averaged 4 percent per year over the last 20 years. Thirdly, the adjusted pensions of the retirees are much less than the monthly compensation of active employees occupying comparable positions in the Government service. To illustrate, a typical public school teacher who retired fifteen years ago receives a monthly pension of less than PhP 9,000, which is only about 43 percent of the PhP 20,754 minimum monthly salary of an incumbent teacher.

The average monthly GSIS pension of retirees is PhP 12,560 (2018), which is only about 60 percent of the PhP 21,000 per month needed for a family to have a comfortable lifestyle according to the National Economic and Development Authority (June 2018). A big chunk of the pension money is usually eaten up by maintenance medicine of many retirees who are afflicted with age-related diseases.

Pension adjustment regulations have existed in many countries. One mode of adjustment is price indexation, using the Consumer Price Index (CPI), where the pension is automatically adjusted according to the movement of the CPI. Another form of pension adjustment is wage indexing, which is assumed to follow changes in living standards of the active population, and thus allows retirees to participate in productivity growth of the community. This is practiced in, among others, Denmark, the Netherlands, Germany, Sweden, Norway, the United Kingdom, Argentina, and Uruguay.

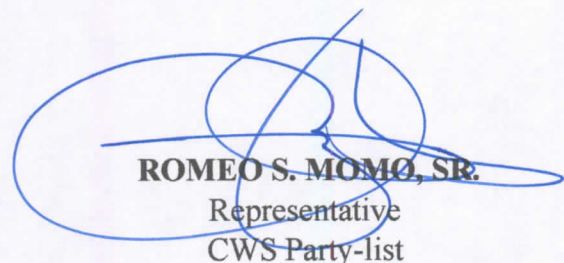
In the Philippines, wage indexation is essentially the principle behind the adjustment of pensions in the Judiciary under Republic Act No. 9946, which



provides that all pension benefits of retired members of the Judiciary shall be automatically increased whenever there is an increase in the salary of the same position from which he/she retired. Similarly, the monthly benefits of retired military and other uniformed personnel are automatically indexed or adjusted to the prevailing salary of incumbent personnel of similar rank.

This bill aims to use the wage indexation concept, by providing for the automatic increase in the GSIS pension of each retiree from the Government, whenever there is an increase in the salary of the same position from which he/she retired, provided that, if the computed increase in pension is more than the current pension of the retiree, the increase shall be granted in tranches of one hundred percent (100%) of the current pension per year until the full amount of the increase is paid.

This bill will immensely help the Government retirees make their hard earned pensions cope with the increasing cost of living for the remaining years of their lives. About 335,000 GSIS pensioners (as of 2018), 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 PhP 40 billion a year, the amount needed to cover the adjustments under this bill is estimated to be not more than PhP 20 billion for the initial year. Funds to cover the adjustments of the retirement pensions can be covered by the GSIS, given its robust financial standing as indicated by its net profit of PhP 64,000,000.00 in 2018.



**ROMEO S. MOMOG, SR.**  
Representative  
CWS Party-list

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**Section 1. Coverage.** - This Act shall apply to all living retirees from the Government whose pensions are paid by the Government Service Insurance System (GSIS) as of the effectivity date of this Act. It shall also apply to all future retirees from the Government whose pensions are to be paid by the GSIS. In all cases, the benefits granted under this Act shall be prospective from the effectivity date of this Act.

**Section 2. Adjustment of Pension.** — The monthly pension of a retiree shall be automatically adjusted at every annual anniversary of his retirement date by using the following formulae:

$$\begin{aligned} \mathbf{MPn} &= \mathbf{MPo} \times \mathbf{K} \\ \mathbf{K} &= \mathbf{CPI_n/CPI_o} \end{aligned}$$

Where:

**MPn** - new monthly pension of the retiree;

**MPo** – original monthly pension of the retiree at the time of his retirement;

**K** - adjustment factor to be applied to the original monthly pension;

**CPI<sub>n</sub>** – 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<sub>o</sub>** – CPI issued by the PSA for the month of the year when the original monthly pension took effect, but not earlier than the year 2009.

**Section 3. *Source of Funds and Payments.*** - The amounts of the automatic increases in monthly pensions to be paid to each concerned retiree, as a result of the application of the provision of Section 2 of this Act, shall be charged to the funds of the GSIS.

**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 be in full force and effect.

**Section 5. *Repealing Clause.*** — All laws, decrees, orders, 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 the Official Gazette or in any two (2) newspapers of general circulation.

Approved.