



Reforming the MUP Pension System

A Position Paper of PMA Class of 1971, Inc.

EXECUTIVE SUMMARY

This position paper is an offshoot of the pronouncement of Department of Finance (DOF) Secretary Benjamin Diokno on March 28, 2023 about the Marcos administration's intent to overhaul the pension system of the military and uniformed personnel (MUP). The salient points of that announcement focused on the non-contributory systems of the MUP retirement pensions and indexation of pensions to prevailing current rate. Controversial was the Secretary's assertion that the current MUP retirement system is not sustainable, and if not reformed, could lead to fiscal collapse in the future.

This position paper was jointly prepared by Retired Vice Admiral Ariston Delos Reyes and Retired Colonel Rolando Malinis, both members of PMA Class of 1971 and was adopted by the Philippine Military Academy (PMA) Class of 1971, Inc. It is based mainly on several studies of the former, the latter's book "BROTHERS", with significant contributions from former Senator Panfilo Lacson (PMA '71), Retired Commander Bienvenido Alano (PMA '71, USNA '71), former Chief of Staff, AFP Retired General Narciso Abaya (PMA '71, USMA '71), Retired Police Director Victor Batac (PMA '71), Retired Colonel Marte Chioco (PMA '71), and other Class members. This paper, which is completed on April 28, 2023, is the updated and expanded version of the position paper bearing the same title released on April 10, 2023.

Its specific objectives are: a) to present the MUP and stakeholders' arguments against the current government plan (per se) to reform the MUP Retirement System; and, b) to list down the recommendations resulting from such discussion.

The following is a summary of the key points of the position paper.

1. **Retirement pensions should be seen as a vital part of an incentive package** for: a) retirees who not only served the country well, but also gave more during their active service tour by working beyond than the mandatory eight hours a day without overtime pay and being assigned on various missions like national defense, internal security operations, UN peacekeeping missions, and disaster relief operations at great sacrifice to life and limb; and b) as a motivation for capable and promising young men to choose the profession of arms;
2. The need for a sound budget outlay must be balanced with the motivational needs of the MUP;
3. The MUP pension is not ballooning as claimed by Secretary Diokno;
4. The data gathered indicated that the main problem is not

the growing financial requirements of the MUP pension, but the neglect of the government to sufficiently adjust its budget to cope with the capability development and operational requirements of the military;

5. The fallacy of the Government Service Insurance System (GSIS) study about the P9.6-trillion liability of the MUP pension and its insufficiency as basis for outright and drastic changes to the MUP pension system. In 2021*, then Senator Ping Lacson emphasized the need for such completed actuarial study; and

(* Portion 'in 2021' was based on the hearing in Sept 2021: <https://pinglacson.net/2021/09/29/senate-joint-committee-hearing-on-mup-pension-reform-bill/>)

6. That the MUP Retirement System will cause fiscal collapse in the future was debunked.

Towards this end of our paper, we presented the following recommendations:

1. That the proponents of pension reform led by Secretary Diokno heed the advice of Chief Presidential Legal Counsel Secretary Juan Ponce Enrile as well as the appeal for prudence by former Senator Ping Lacson, and wait for the much-needed, completed actuarial study;
2. That during preliminary discussions and consultations by the proponents with MUP and other stakeholders, an alternative bill on pension reform be duly considered with the following salient provisions:
 - 2.1. Equalize the MUP disability pension as mentioned by the President during his State of the Nation Address (SONA) in 2022;
 - 2.2. Equalize the maximum MUP pension at 90 percent of base pay and longevity pay, thereby adjusting that for the military (85 percent at present); and,
 - 2.3. Ensure that the MUP and all other existing non-contributory pension systems are indexed to account for inflation.

3. That the Presidential Adviser on Legislative Affairs to consider recommending to the President to certify as urgent a Joint Resolution authorizing the increase in MUP base pay for 2024-2027, to be at par with that granted to all civilian government personnel in 2020-2023, pursuant to RA 11466. The pay adjustment should be strictly in accordance with RA 9166 of 2002.

INTRODUCTION

The contentious issue regarding the magnitude of the cost of military and uniformed personnel (MUP) retirement pay is once again in the limelight.

As reported by the Manila Bulletin on November 20, 2022, Secretary Diokno, during his confirmation hearing, again cited the fallacious and misleading GSIS study, adding that the Department of Finance vowed to resolve the complicated MUP pension system that “continues to take a heavy toll on the government’s yearly budget.” Among other things, he posited that not only new entrants but also even those already in the active service would contribute to their retirement benefits.

During the Presidential Communications Office (PCO) press briefing on March 28, 2023, Secretary Diokno said: “*The Marcos administration is pushing to overhaul the pension system for the military and uniformed personnel (MUP) to avert fiscal collapse stemming from higher pension costs.*” According to Diokno, President Marcos has agreed to reform the pension system for MUPs to address the country’s fiscal deficit. The current MUP pension system is non-contributory and, as such, retirement pensions and benefits are fully funded by the government through annual appropriations. Diokno indicated his predecessors did not want to address this, saying: “*It’s the elephant in the room and nobody would like to touch it and they simply ignore it.*” He added that the current pension system is not sustainable and if it goes on, there will be fiscal collapse.

It may be recalled that the President, during his State of the Nation Address (SONA) on July 25, 2022, mentioned that among his priority legislative measures would be the grant of monthly disability pensions in lieu of unequal disability benefits under existing laws for the MUP, but not changes in the MUP pension system as again being proposed by Secretary Diokno – changes similar to those contained in various bills which were not passed into law during the 18th Congress (2019-2022).

Limitations

During the advent of salary standardization in 2016, the Department of Budget Management (DBM) and Department of Finance (DOF) had lumped the military with the different civilian uniformed services such as the Philippine National Police (PNP), Bureau of Fire Protection (BFP), Bureau of Jail Management and Penology (BJMP), Bureau of Corrections (BUCOR), Philippine Coast Guard (PCG), and National Mapping and Resource Information Authority (NAMRIA). This group is now commonly known as Military and Uniformed Personnel (MUP), conceived for the DBM’s use in the drafting of the salary standardization bill and the consequential pension indexing as well as the MUP pension reform bill.

This system of indiscriminately grouping or treating as alike without regard for particulars created several problems insofar as coming up with a common position regarding the issues raised by Secretary Diokno, especially about the MUPs’ non-contributory system and indexation of pension to the current pay of similar rank.

This paper presents limitations in scope insofar as it details the position of the military more extensively than the representation of other MUPs. This is primarily due to the limited access to critical data from other stakeholders. While we recognize that the discussions may not reflect the diverse contexts of MUPs and hence, results may not be generalized, the paper presents the more strengthened position of the military. Notwithstanding, we hope that this approach will lay the groundwork for a more exhaustive and inclusive research study that will encompass the situations of the rest of MUPs.

The data limitation has been addressed by making some assumptions. For example, we assume all MUPs are exposed to the

same risk to life and limb, though in differing degrees. MUPs are *sui generis* because they work 24/7 without overtime pay. The weakness of this setup is that it leads to confusion because sometimes things unique only to the military are also interpreted to apply to all other MUPs. For example, the data of the military does not show that the pension for the military is ballooning. This state would be interpreted as true for all MUPs. In the absence of data, we could say *non-sequitur*. At the outset, it is our belief that despite the limitation, the strength of the argument of the military will not be affected and it will lead to a stronger common stand of MUPs in the future.

Objectives

The objectives of this paper are: a.) to present the MUP and stakeholders’ arguments against the current government plan (per se) to reform the MUP Retirement System; and, b.) to list down the recommendations resulting from such discussion.

Historical Background

Since 2015, Retired Vice Admiral Ariston Delos Reyes, PMAA ’71 has been involved in research and continuing study of the MUP pension system. He provided the Office of the President, Congress, Department of National Defense (DND), Philippine Military Academy Alumni Association, Inc. (PMAAAI), Association of Generals and Flag Officers (AGFO), National ROTC Alumni Association, Inc (NARAAI), and other MUP organizations with studies and papers in defense of its non-contributory nature and being indexed to the prevailing rate of those in active service. The Confederation of the Uniformed Services Associations (CONUSA) and the PMAAAI in particular have had successes in the recent past – most significant of which was the MUP pay adjustment and resumption of pension indexing pursuant to Joint Resolution No. 1 s 2018, benefitting more than 400,000 active and 220,000 MUP pensioners; notwithstanding the recommendation of then Secretary Diokno to suspend the indexing.

During the 18th Congress, certain financial technocrats in government pursued the enactment of bills to make the MUP pension system contributory and to affect the outright stopping of pension indexing.

Fortunately, both Houses of Congress had been receptive to another alternative to the drastic measures embodied in said bills. During the meeting of the Ad Hoc Committee in the House of Representatives to review the MUP pension system on June 9, 2021, it decided to propose that MUP pension remain non-contributory but indexing would be limited to maximum five (5) percent per annum for 10 years. Then, during the hearing of the Senate Committee on National Defense and Security, Peace, Unification, and Reconciliation on September 30, 2021, the five-percent limit to indexing was also taken up. Delos Reyes concurred with the proposal, provided that such limit will also apply to non-MUP pension systems that are non-contributory and indexed at 100 percent not only to pay but also including allowances of those in the service pension systems for the judiciary, prosecution service, and constitutional commissions. The annual limit of five percent will prevent sudden increases in funding requirements when indexing to high pay adjustment is in effect. It has similarity with the annual pension adjustment due to inflation (cost of living adjustment) being granted to all retired United States federal employees including the military. Unfortunately, the said proposal was not enacted in 2022.

CONFRONTING ISSUES RAISED BY DIOKNO

The PCO Press Briefing with Department of Finance Secretary Benjamin Diokno on March 28, 2023 raised concerns among the MUPs because he proposed major changes to the pension system but short of being in accordance with the doctrine of completed staff work.

For instance, he only discussed that compared to SSS and GSIS members, the MUP pensioners have the highest average monthly pension at PHP40,000.00. However, he did not include a fourth group: the members of the judiciary, prosecution service, and constitutional commissions whose pensions are the highest and are estimated to exceed PHP200,000.00 - or five times more than that for the MUPs.

Diokno expressed that he wants the MUP pension to be made contributory and that pension indexing be stopped. Yet, those of the judiciary, prosecution service, and constitutional commissions will remain non-contributory, based not only on pay but including all allowances, indexed at 100 percent. Hence, his proposal is discriminatory against the more than 600,000 MUPs, active and retired. He proposed that all those in the active service can start contributing to their pension and that those who will optionally retire will only receive their pension upon reaching the age of 57 - proposals that will have an outright deleterious effect on the morale of the MUPs. Definitely, not a few will opt to retire just before his proposals could be enacted.

Rationale of Non-Contributory System and Pension Benefits of Retirees

Pursuant to Section 7, Article XVI of the 1987 Constitution of the Philippines, the government shall provide funds for the benefits of veterans. Such benefits include, among others, AFP retirement pension, old age pension and total administrative disability pension which have all been funded by the Government. [Any effort contrary to this provision is therefore unconstitutional.]

It is easy to see that the above provision is consistent with the military's non-contributory pension system that has been in effect since 1935 pursuant to Commonwealth Act No.1 (CA 1). The non-contributory system and retirees pension benefits are based on valid and strong arguments.

The military career is a noble profession of arms. This calling is unique from all other professions, as it calls for those who pursue it to defend our country even if it means sacrificing their lives. As the Code of Conduct of the Philippine Military states:

“... I am a Filipino soldier. I WILL FIGHT AND DIE in the true Filipino tradition of valor, honor, duty and loyalty. To all these I PLEDGE MY LIFE, my treasure and my sacred honor.”

Similarly in the United States, Article One of the Code of Conduct for members of the armed forces states: “I am an American fighting in the forces which guard my country and our way of life. I AM PREPARED TO GIVE MY LIFE IN THEIR DEFENSE [capitalization supplied].” This is perhaps the reason why in the US Government, the non-contributory pension system is exclusive to the military, it being considered as a gift of the American people to their soldiers for their honorable and dedicated service.

The following partial list of actual deaths of soldiers in the battlefield is being presented as proof that the sacred oath of the military to die for the country is real and not a mere statement:

1. In November 1972, the casualty count at the Battle of Sibalu Hill listed 15 Marines killed-in-action (KIA) and 22 wounded;
2. During the height of the conflict in Mindanao in 1973 when the government almost lost Central Mindanao to the Moro National Liberation Front (MNLF), the military forces at the Battle at Lebak lost 48 soldiers, 148 wounded, and one missing. Subsequent battles in Central Mindanao led to heavier casualties. The Army reported at least 149 deaths and 506 wounded on the part of the military;
3. During the confrontation between the MNLF and the

government in 1974, also known as burning of Jolo or Siege of Jolo, 29 soldiers died;

4. Government troops and Muslim rebels clashed in Basilan Island on April 30, 1978, which resulted in the death of 11 government soldiers;
5. The Patikul Massacre, referring to an event that took place on October 10, 1977 in Patikul, Sulu, led to the death of 35 officers and men of the Philippine Army. Among the casualties were Brigadier General Teodulfo Bautista, Colonel Gabriel Pangilinan, and four Lieutenant Colonels;
6. In the infamous Mamasapano Clash in 2015 between the Special Action Force of the PNP and the MILF, some 44 troopers of the PNP were killed; and
7. More than 165 soldiers died during the Marawi siege in 2017.

Our soldiers did not die in vain. Their supreme sacrifices, as well as the sufferings of those who survived, bore fruit. For one, they have fulfilled their mandate of protecting the people, territorial integrity, and sovereignty that goes with securing our democratic way of life and institutions; they have prevented the loss of Central Mindanao in the early 1970s Secessionist War; and they have halted the loss of more lives and further destruction of properties in Mindanao and other hotbeds of insurgency.

More significantly, they have confronted well the more serious threat to our democratic way of life posed by the Communist Party of the Philippines's (CPP's) strategy and plans. For many decades, the MUP prevented and protected the country from communist takeover with clear intent to destroy our democratic and economic systems including the judicial, legislative and banking systems, among the strong pillars of our society.

This threat against the economy, including banks and financial institutions, is clearly laid out in the 2016 CPP Constitution and Program for People's Democratic Revolution. The CPP General Program states, “The commanding heights of the economy, including the banks and other financial institutions, existing strategic enterprises, major sources of raw materials and main instruments of transport and communication must be in the hands of the people's democratic state in order to ensure planning and development of the economy and lay the foundation for socialism”. This is socialism of Marx, Lenin and Mao under the dictatorship of the Party as prelude to communism. On the other hand, the CPP Specific Program talks about developing and applying a revolutionary justice system to replace our current judicial system.

Over the years, the MUPs have thwarted CPP's strategy and plans although the MUPs also sustained their own casualties. The string of successes includes the reported death of the Chairman of the CPP Executive Committee and the CPP's Secretary General during an encounter with the military on August 22, 2022, effectively losing the insurgents guiding lights and direction to their effort. This success was followed by the recent arrest of the secretary of the Southern Mindanao Regional Committee in Langkawi, Malaysia wanted for murder, kidnapping, and other crimes.

The military personnel have too much on their plates. Aside from internal security operations, they have been in the forefront in national defense (defending the West Philippine Sea), UN peacekeeping missions, disaster relief operation, search and rescue, etc., with consequential risks due to loss of life and limb, 24/7 work to include holidays and during disasters without overtime pay even if our working hours extend beyond eight hours a day, a benefit being enjoyed by their civilian counterparts. Retired Police Deputy Director General Rex Piad, PMA '71 said in jest, “If we are granted overtime pay for all the extra hours that we worked, MUPs would be happy to contribute for our pensions.”

It is noteworthy to mention that our MUP retirees of today, both dead and living, have their own share of time during their active military service in the past when they fought, bled, died, and served for God, country, and family even at the cost of their lives and intense hardships. There is no doubt on the great sacrifices they have given in the pursuit of their duties. Due to the nature of their work, they unarguably have the highest rate of casualty and morbidity while in active service. It therefore goes without saying that the arguments why the MUPs should be considered as special and unique from among the non-military retirees are strong and unassailable. This is exactly what Chief Presidential Legal Adviser Juan Ponce Enrile had in mind when, during a radio interview, he expressed total disagreement with said proposals of Diokno. He mentioned “*Iba ang trabaho ng sundalo eh, [The mandate of the military is different]*” and that the soldiers “are gambling their lives to protect the country.” His advice: “*Kung ako si Secretary Diokno, dahan dahan ako diyay [If I were Secretary Diokno, I’ll slow down]. That is very explosive.*”

In view of the foregoing statements, we find it compelling to go beyond the scope of our paper and briefly discuss the mandates of selected MUPs, which often entail to the sacrifice of their lives. Aside from the military, other MUPs like the Philippine National Police (PNP) and the Philippine Coast Guard (PCG) are *sui generis* among all other government personnel. The PNP is tasked to enforce the law, prevent and control crimes, maintain peace and order, and ensure public safety and internal security with the active support of the community. The PNP has the moral duty to protect the lives of innocent others when they are in danger. Evidently, the police personnel, in the performance of their sworn duty, have to put their own lives in grave danger. In fact, law enforcement has taken on a different level of risk particularly in the war against drugs because aside from fighting enemies with unlimited funds and sophisticated weapons arsenal at their disposal, even their own families have become targets of those involved in the drug trade.

The personnel of the Philippine Coast Guard (PCG) are tasked to promote the safety of life and property at sea; safeguard the marine environment and resources; enforce all applicable laws within Philippine waters; and conduct maritime security operations. Clearly, they are also risking their lives and limbs in the performance of their duties. In times of war, as declared by Congress, the PCG may be attached to the DND in performing similar tasks expected from the military. Right now, they are on the frontline in the West Philippine Sea protecting our national interest. Every day, the chances of death for PCG personnel are higher as direct confrontation or exchange of fire against a foreign country with formidable naval force may be forthcoming.

It is expected that both the PNP and the PCG, and for that matter, all other MUPs, will tackle the issues brought forth by Diokno through a lengthier discussion of their respective positions for dissemination to their stakeholders and the public. Hopefully, as the scope widened, a united MUP stand is not far behind.

Going back to the issues at hand, what is then the relevance of the discussion above on the matter raised by Secretary Diokno?

Per se, the position of Diokno as a technocrat is understandable but it is not inclusive. As Finance Secretary, he is tasked with allocating a finite budget in such a way as to: 1) address the financial requirements of the different government departments to ensure that they function effectively in pursuing their respective mandates, and, 2) create the conditions that would allow the economy to remain on a viable and sustainable growth path.

In attempting to attain these objectives, Diokno would most probably lean towards devoting resources to the most productive sectors, with the expectation that these sectors would lead the country towards higher levels of economic growth. Sadly, the retirees

are among the last in terms of economic productivity. Thus, they expect to find themselves at the tail end of the queue for economic resources – a position undeserving for retirees who had served the country well.

Comparing the MUP retirement system to other government agencies’ retirement systems (contributing and not indexed to current pay of equivalent grade) is like treating the retirees’ pensions as mere dole outs to old soldiers whose productive years have long come and gone. This is a direct disrespect and an act of ingratitude to a profession involving the risking of lives while in the service to the country. Rather, it is more fitting that the system should be seen as a vital part of an incentive package that goes a long way to help them and their families. These extended support and appreciation would surely boost the morale of the organization. It would help convince capable and promising young men to choose the profession of arms despite the risks involved in such a choice knowing that the government assures him and his family of a comfortable life even beyond his productive years serves as a strong incentive for him to take on the risks inherent in joining the MUPs ranks.

Amid ongoing controversy, former Senator Panfilo Lacson “appeals for prudence” from the proponents of drastic changes to the system and to wait for a completed actuarial study which is an indispensable part of a reformed pension system. He briefed the Class that during the 18th Congress, the Senate Committee on National Defense and Security, Peace, Unification and Reconciliation required the MUP’s, National Treasurer, GSIS, and other concerned agencies to submit their inputs to the study. However, the MUP’s including the AFP failed to submit on time their inventory of assets. As a result, the actuarial study was not completed, and the Committee was not able to come up with its report on the pension reform measures before Congress adjourned *sine die* in mid-2022.

Fallacy of Ballooning Pension Budget

Based on the statistical data on Philippine Military/Defense Budget below gathered by Retired Vice Adm Delos Reyes the AFP pension is not ballooning as claimed by Secretary Diokno.

Year	National Budget	AFP Pension	AFP Pension as Percent of Budget
2011	P1.645 Trillion	P24.17 Billion	1.5
2017 (prior to indexing pursuant to JR 1)	P3.350 Trillion	P33.11 Billion	1.0
2019 (after indexing)	P3.662 Trillion	P54.809 Billion	1.5
2021 (two years after indexing)	P4.500 Trillion	P56.447 Billion	1.2

It may be recalled that in the past attempt to reform the pension system, the GSIS, based on its study, has presented the P9.6 trillion as liability of the MUP pension. Delos Reyes has exposed the fallacy of this argument. Please refer to the REPORT ON SENATE WEBEX ON PLANNED MUP PENSION REFORM/FALLACY IN THE GSIS STUDY ON MUP PENSION (Attachment). According to him:

1. The P9.6 Trillion is the present one-time cost to ensure the perpetual financing of all MUP annual pension requirements in lieu of annual appropriation for the pension;

2. The GSIS study should have included projected annual MUP pension for reference as compared with the annual total budget. For the AFP, the pension for 2021 was P60 Billion. Since 2018, the annual increase has been less than two (2) percent. It was only in 2017 - 2018 that it increased by 73 percent due to pension indexing (JR 1); hence, the increase in annual pension requirement does not increase considerably;
3. That the P9.6 Trillion figure is misleading and not being well understood by readers.

The earlier statement of former Senator Lacson that there is still a need for a completed actuarial study only proves that the initial GSIS study is not sufficient; hence, it is not a suitable basis for the outright and drastic changes in the MUP pension system that are being proposed.

It is also noteworthy to mention that Retired VAdm Delos Reyes who gathered data on Philippine military/defense budget, indicated that the main problem is not the growing pension but surprisingly the neglect by the government to sufficiently adjust its budget to cope with its capability development and operational requirements. The following are the salient findings of his study:

1. Military spending has continually increased in nominal value from 1960 to 2021; however, it has also continually gone down in terms of percentage of GDP from 1.78% in 1960 to 1.04% in 2021.
2. From highest to lowest, the Philippine military spending in percentage of total government spending in 2021 ranked No. 91 out of 142 countries at 3.82% which is way below their average of 6.22%. Based on the 2021 budget, the government would have to infuse an additional P108 billion if only to elevate our military spending that already includes pension in order to match the worldwide average.
3. Likewise, Philippine military spending in percent of GDP ranked No. 108 out of 145 countries at 1.08%. The average for all countries is 1.87%.
4. The study assessed that due to low military spending, our soldiers had been ill-equipped and had to pay with their lives and limbs in gallantly fighting the enemies of the state for decades.

The above statistics indicate that notwithstanding the years of economic progress, the government has neglected the national defense program and shifted higher priority to numerous other programs of the government like education, infrastructure, and poverty alleviation program, etc., all of which now have much higher percentage of government spending. Consequently, our ill-equipped soldiers have to pay the high price with their lives and limbs in gallantly fighting the secessionists in the 1970's, the CPP/NPA in the 80's, and thereafter the terrorists, highlighted by their heroic liberation of Marawi City in 2017.

Now we are barely capable of defending our national interest in the West Philippine Sea. Regrettably, our defense spending relative to our neighbor leaves us dangerously vulnerable considering that we are faced with both external and internal security threats. Amidst such neglect of government in truly modernizing the AFP over decades, it is saddening to hear from Secretary Diokno that the solution is to make the military pension contributory.

Another area long neglected related to promoting the morale and welfare of our military is the prolonged delay in adjusting their pay in four tranches, equivalent to that already granted to all civilian government personnel from 2020 to 2023 pursuant to Salary Standardization Law of 2019 (RA 11466). While it is true that the base pay from the rank of candidate soldier to Technical Sergeant had been

considerably increased above those granted under EO 201 s 2016 to their civilian counterparts, the pay from the rank of Master Sergeant and higher, as well as those for the cadets and commissioned officers of all ranks are lagging behind when compared with the pay that their civilian counterparts have been enjoying for the last four years.

On February 12, 2021, Chairman and CEO Edgar B Aglipay of the PMAAAI, a retired police general and a former Chief PNP, endorsed to then Senate President Vicente Sotto III a draft Joint Resolution that could have rectified such discrepancy effective 2022-2025. The letter further explained that the proposal would entail an increase in monthly pension by an average of only seven (7) percent annually for four years. Regrettably, it was not passed into law. Its enactment would definitely boost the morale of more than 600,000 active and retired MUPs as well as their more than two million loved ones.

Fiscal Problem Issue

Former Senator Panfilo Lacson, expressed his opinion before the *Matatags* (referring to PMA Class '71) in our Viber group regarding the issues of the MUP Pension System. He said:

"I have nothing against a pension reform being suggested by DOF secretary. In actual fact, I spearheaded the legislative initiative to reform the same. But Diokno should not use the MUP retirees as his scarecrow describing the problem of sustaining the present pension system long term as the cause for the country's 'possible fiscal collapse', which some financial experts have suggested is far from happening. Even calling a general's pension as the 'elephant in the room' when his 2021 pay as Central Bank governor was a whopping P41.811 M which is at least 18 times more than what I, Narciso Abaya, Egay Aglipay, Aris Delos Reyes, or all the other 3 and 4-star retired generals are currently receiving."

Before Lacson made the above comments, he had already expressed this sentiment on Twitter. He said, *"My tweet on the matter elicited a lot of reactions and I hope Ben Diokno reads or hears about the thread so he would realize the effect of his not-so-responsible statement. He could have explained it better without making the MUP retirement pay as a scapegoat of whatever fiscal problems our country maybe confronting in the future, if it actually comes to that."*

While waiting for the outcome of the actuarial study, for now we can just explore other possible alternative sources of our future fiscal problems, that is, if the study will lead to the conclusion that the government is indeed on the way to fiscal crisis.

Retired Colonel Marte Chioco '71 offered some useful insights. *"Maybe it's not true that nobody wants to touch the MUP pension as Secretary Diokno alludes to as 'Elephant in the Room'. The problem could be the failure to see beyond the room or take the overall view of the situation. MUP pension is welfare payment and just recognition of their services and sacrifices. Likewise, it also inspires those in the active service who look forward to their future. It is a government expenditure not subject to corruption. No percentage cut, bribery or unlawful disbursement. In fact, the pension payments received monthly are spent wisely by retirees on goods and services which eventually contribute to the Gross National Product (GNP) or the whole economy as consumption expenditures. The real problem could be the failure to see the white elephants in the government budget and expenditures per the economic or business definition of term. White elephants that perform below par in terms of utility and values like pork barrel, excessive allowances and government infrastructure projects which have been prone to corruption. Among others, these budgetary items could contribute to government financial and fiscal crisis that Diokno believes will occur in the future."*

RECOMMENDATIONS:

Based on the above discussion, this paper is presenting the following recommendations:

1. That the proponents of pension reform led by Secretary Diokno heed the advice of Chief Presidential Legal Counsel Secretary Juan Ponce Enrile as well as the appeal for prudence by former Senator Ping Lacson, and wait for the much-needed, completed actuarial study;
2. That during preliminary discussions and consultations by the proponents with MUP and other stakeholders, an alternative bill on pension reform be duly considered with the following salient provisions:
 - 2.1. Equalize the MUP disability pension as mentioned by the President during his State of the Nation Address (SONA) in 2022;
 - 2.2. Equalize the maximum MUP pension at 90 percent of base pay and longevity pay, thereby adjusting that for the military (85 percent at present); and,
 - 2.3. Ensure that the MUP and all other existing non-contributory pension systems are indexed to account for inflation.
3. That the Presidential Adviser on Legislative Affairs consider recommending to the President to certify as urgent a Joint Resolution authorizing the increase in MUP base pay for 2024-2027, to be at par with that granted to all civilian government personnel in 2020-2023, pursuant to RA 11466. The pay adjustment should be strictly in accordance with RA 9166 s. 2002.



(Attachment: Report on the Senate WebEx Hearing dated 2 February 2023)

REPORT ON SENATE WEBEX HEARING ON PLANNED MUP PENSION REFORM/FALLACY IN THE GSIS STUDY ON MUP PENSION

• VADM Ariston V Delos Reyes AFP (Ret)

A. FOREWORD

Below is my report of participation on the last Senate hearing on MUP pension reform in September 2021 with my attached comments on the GSIS actuarial study. I emailed same to my mistahs, some DND officials and other stakeholders. It is intended to update the reader on the Senate hearing on 30 Sep 2021 regarding planned MUP pension reform.

Ref: Manila Bulletin, 24 Nov. 2022, p1. During his confirmation hearing at the CA, Sec Diokno again mentioned the fallacious and misleading GSIS study and that the DOF vowed to resolve the complicated MUP pension system that “continues to take a heavy toll on the government’s yearly budget.” Among other things, he posits that not only new entrants but even those already in the active service will contribute to their retirement benefits.

If such will happen, then the non-contributory pension system will become exclusive to the members of the judiciary, prosecution service, and constitutional commissions, indexed at 100 percent of prevailing pay and allowances. Like in the USA, the non-contributory pension system has been exclusive to the AFP since 1935 until enactments allowed it to numerous groups of civilian government personnel. Thus, losing it will be an insult to the dignity of the soldiery.

B. THE SENATE WEBEX HEARING ON PLANNED MUP PENSION REFORM

1. On invitation, I attended the WEBEX meeting of the Senate Committee on National Defense and Security, Peace, Unification and Reconciliation, chaired by Senator Ping Lacson on 30 September 2021. Senator Drilon and Senator Gatchalian were present. The DND was represented by USEC Ding Luna, USEC Rey Mapagu, USEC Duco, ASEC Gaverza and ASEC Bautista while PVAO was represented by USEC Carolina. The National Treasurer, Dir De Leon, representatives of the AFP and other MUP agencies, DBM, GSIS, DOF also attended.
2. The meeting was a continuation of previous hearings regarding the different schemes/proposals/bills to reform the MUP pension system. Initially, Sen Lacson informed that the Ad Hoc Committee at the House of Representatives has considered adopting a simplified MUP pension reform bill

that will only peg the annual increase of base pay at five (5) percent for 10 years. Hence, the consequent annual pension indexing will likewise be limited by such increase.

In this regard, Senator Drilon suggested that such proposed bill might have to include also making the pension system contributory but only for new entrants. I was asked to comment.

Summary of my comments

- 2.1. I concur with the Ad Hoc Committee’s proposed bill that will only limit the annual increase in base pay at 5 percent annually for 10 years and from which pension indexing will be based.
- 2.2. I expressed concerns if the pension system for new entrants will be made contributory. First, for the military, the non-contributory system has been in effect since 1935 pursuant to Commonwealth Act No.1 (CA 1) and which further finds support under the 1987 Constitution regarding veterans’ benefits being funded by the government. Second, it could have adverse implication to military recruitment because there will be no more significant added benefits that will accrue to military service vis-a-vis civil service because all military ranks have equivalent salary grades for the purpose of salary standardization. Third, such will be discriminatory to the MUP because the new entrants in the judiciary and constitutional commissions will continue to enjoy non-contributory pension system. In the United States, only the military and coast guard personnel enjoy the non-contributory pension system. All other federal employees contribute to their retirement including the justices. The military pension system pursuant to CA 1 was patterned after that for the United States Armed Forces. I also mentioned the present great disparity in annual pension received by a retired CSAFP at P2.3 million compared with more than P10 million for an associate justice in the Supreme Court. (The Chairman noted said disparity.)

3. On the presentation of the GSIS Actuarial Study. The presentation included various iterations based on certain inputted assumptions. Nevertheless, it remains rooted to the initial study, which has been much publicized regarding the P9.6 trillion MUP pension liability.

My Comments:

- 3.1. The study has misled the public on the real meaning of the P9.6 trillion pension liability. I researched on the issue at hand and came up with my article FALLACY IN THE OUTRIGHT USE OF P9.6 TRILLION AS LIABILITY OF MUP PENSION (attached below). For want of time I mentioned its key provisions only.
 - 3.1.1. The P9.6 trillion is the present one-time cost to ensure the perpetual financing of all MUP annual pension requirements in lieu of annual appropriation for the pension.
 - 3.1.2. The GSIS study should have included projected annual MUP pension for reference as compared with the annual total budget. For the AFP, the pension for 2021 is P60 billion. Since 2018, the annual increase has been less than two (2) percent. It was only in 2017 - 2018 that it increased by 73 percent due to pension indexing (JR 1); hence, the increase in annual pension requirement does not increase considerably.
 - 3.1.3. When asked by the Chairman if I informed concerned agencies about my observation, I mentioned that I emailed Finance Secretary Dominguez about the P9.6 trillion not being well understood by readers. During a brief telephone conversation, he said he would refer me to the National Treasurer to discuss the matter; however, the meeting did not materialize.
4. When the Chairman asked the DOF and DBM as to the feasibility of the annual MUP pension requirements indexed on the planned annual increase in base pay for ten years, DBM presented the slide/matrix on the matter.

When asked, I replied to the Chairman that such annual projection should have been included in the early part of the GSIS actuarial study for better understanding of the readers.

USEC Luna commented that the projected AFP strength used by DBM should not be based on population increase as the case for the PNP. Rather, it is based on the national defense and security situation.

My personal observations (not part of the proceedings) relative to the comments of Sen Gatchalian on the DBM's annual projection

In his initial statements, he mentioned the P9.6 trillion cost of MUP pension for a "number of years" which is an indication of his misinterpretation of what the figure really meant, as in the case of the other readers. In the ensuing discussion, he asked about the additional annual cost to the government for the counterpart contribution if ever the new entrants would contribute to their pension. Again, with the benefit from hindsight, such could readily have been included in the GSIS actuarial study because it is a significant additional cost factor for the government to consider. I mentioned this matter in my Comments on Senate Bill 1419 (Para C.4.), which was endorsed by PMAAAI to the Senate.

5. Finally, I am very grateful to the Chairman for inviting me to join the hearing and I feel honored and privileged to be allowed to express my opinions and views regarding the

ongoing Congressional review and plan to institute reforms in the MUP Pension System. Moreover, being addressed as "Mistah" by the Chairman during the hearing of the powerful and prestigious Committee was a music to my ear, really made my day, and an unforgettable experience.

C. FALLACY IN THE OUTRIGHT USE OF P9.6 TRILLION AS LIABILITY OF MUP PENSION

1. The GSIS actuarial study merely presupposes that the government will have to pay/invest one-time P9.6 trillion if it wants to have a perpetual annual source of payment in lieu of annual appropriation for the present MUP pension which is non-contributory and indexed to prevailing pay rate. The study assumes that the amount will earn annual interest rate at 7 percent and that annual average increase of pension is 10 percent. In lieu of such enormous one-time payment, the government may opt to pay/set aside annual amortization at P848.39 billion for the first 20 years. Obviously, both options are not affordable (not feasible as categorized under a staff study). Yet, some government officials therein have used the figures as outright justification to enact drastic changes to MUP pension system. Since there is no explanation, it tends to mislead the public (exemplified by the Rappler article, below [omitted]). As such, it may be considered as intellectual dishonesty. Likewise, it is a clear case of non sequitur. Just because the present cost of one-time payment of P9.6 trillion is needed to perpetually support the MUP pension, it does not justify making the system contributory; indexing to prevailing rate shall stop; age for compulsory retirement shall be extended; pension for optional retirement shall be payable only upon reaching much later age; etc. IT DOES NOT FOLLOW. Why?

The MUP pension is non-contributory and funded through annual appropriation; hence, the GSIS study should have included projected MUP annual pension as compared with total annual national budget. If the pension will significantly increase in percent of total budget, then it is ballooning and problematic. Thus, simpler options short of making the pension contributory should have been considered such as but not limited to indexing to inflation, say, not exceeding 5 percent annually and only in years when SSL for all government personnel shall be in effect. (But then such option will not have the hoopla and drama of the "P9.6 trillion MUP pension liability" that needs to be addressed at once to avert alleged fiscal crisis.) Note that at present, MUP pension is only P135 billion (including P60 billion for the military) or three percent of national budget for 2021.

Moreover, using the AFP's projection, the increase in pension from 2018 to 2023 is only 8.2 percent or a five-year annual average of 1.6 percent. This further indicates that pension indexing is the main factor that increases MUP pension considerably such as 73 percent for military pension from 2017 to 2018, pursuant to JR 1

The above data further justify that a contributory pension system should apply to new entrants for uniformed services only and not to those already in the service.

2. Further, the position to include other non-contributory pension systems in the ongoing review/reform cannot be overemphasized. Retired Supreme Court Associate Justices (SG 31) are already entitled to annual pension of more than P10 million and will further increase over the years, compared with now-to-be-pegged P2.287 million for a retired CSAFP (SG 30).
3. Finally, for information, below is my email to Finance Secretary Dominguez commenting that the improper use of data from the GSIS actuarial study is misleading [omitted].

Letter to Congressman Joey Sarte Salceda on MUP Pension System

17 August 2023

12 Frost St., Filinvesteast
Cainta, Rizal
Tel: 0919 329 2594

REP JOEY SARTE SALCEDA
Chairperson, House Ad Hoc Committee on MUP Pension System
House of Representatives,
Batasan Road, Quezon City

Dear Congressman Salceda:

In addition to the PMA Class of 1971 Position Paper on Reforming the MUP Pension System that I emailed to your office, on 26 July 2023, I have the honor to submit our second paper, The Sound of Disinformation on the MUP Pension System, for reference of the Committee.

I intended to submit it to the Committee after receiving prior information that I would be invited during its consultation with retired MUP on 23 August regarding MUP pension reform. However, I learned from the news that the Committee has already approved a pension package, details of which were duly disseminated to the public.

Nevertheless, as a concerned MUP, I respectfully submit the following concerns regarding the newly agreed package:

1. The MUP pension system will be made contributory. This is violative of the vested rights of those who are already in the active service. Only the new entrants may be required to contribute to their pension; provided, however, that the military pension system which has been noncontributory since 1935 pursuant to Commonwealth Act No.1 may not be made contributory even among new entrants in accordance with the spirit and intent of Section 7, Article XVI of the 1987 Constitution. Please refer to Item 8 of our paper below for further details. If in case the MUP pension system will be made contributory, the Philippines will truly become the only country in the world that grants noncontributory pension exclusively to members of the judiciary, prosecution service, and constitutional commissions. It is further noted that the Committee in 2021 during the term of President Duterte took the position, among others, that MUP pension should remain noncontributory; and,
2. Increase of MUP pay shall be limited to 3 percent annually for 10 years and indexation of pension shall be limited to 1.5 percent. Again, it is contrary to the Committee's 2021 position that the annual increase in MUP pay shall be limited to 5 percent annually for 10 years to limit pension indexing accordingly.

On 30 September 2021, during the hearing of the Senate Committee on National Defense and Security, Peace, Unity,

and Reconciliation, chaired by Senator Lacson, he took up both aforementioned positions of the House Ad Hoc Committee (MUP pension to remain noncontributory and pay increase to be limited to 5 percent annually) to which I concurred; provided, that said limit to pay adjustment and pension indexing would apply not only to MUP but to all other noncontributory pension systems.

Indeed, I find no valid reasons for such drastic changes in the Committee's positions. It may be recalled that during its meeting on 9 June 2021, Representative Stella Quimbo commented that the P9.6 trillion MUP pension liability based on GSIS actuarial study was not realistic because the average increase in pension due to indexing used was 10 percent. She was inclined to believe that said liability should rather be based on a more realistic annual indexing at 5 percent, also as submitted by GSIS, thus, pension liability would decrease to about P3.6 trillion only. (Regrettably, certain financial technocrats in government insist on mentioning/using the P9.6 trillion pension liability in their pronouncements and briefings.) Also, in that meeting, the Chairman showed the chart about simulation on indexed pension spending from DBM. In 2021 actual spending was P127.3 billion. Projections were: 2022 – P133.13B; 2023 – P213.68B; 2024 – P240.85B; etc., until 2035 – P1.071 trillion. However, the projection must have been deliberately made bloated because by 2023, the spending is only P128.66 B which is P85.02 B or 40 percent lower than projected. DBM must be aware by 2020 that the MUP has no pay adjustment after 2019, unlike their civilian government personnel counterparts who were granted pay increases in 2020-2023 pursuant to RA 11466. DBM should have updated the chart for reference of Secretary Diokno and others who have persistently claimed that MUP pension would reach P1 trillion in 2035 which apparently is still based on the outdated chart used by the Committee in 2021.

Thus, in order to simplify MUP pension reform, PMA '71 in its Position Paper recommends that MUP pension remain noncontributory and that all noncontributory pension systems be indexed to account for inflation. It may be surmised that it is similar to the Committee's original position in 2021. Further, Congress should pass a Joint Resolution authorizing the increase in MUP pay for 2024-2027, to be at par with that granted to all civilian government personnel in 2020-2023, pursuant to RA 11466.

Very respectfully yours,

Original Signed

Ariston V Delos Reyes
VADM AFP (Ret)

Cc
Chairman, Committee on National Defense and Security
Secretary of National Defense
PMA Class of 1971, Inc.



The PMA Class of 1971, Inc

The Sound of Disinformation on the MUP Pension Issue

Vague, undefined, flowery, and high-sounding -- the deliberate and persistent use of such terms by no less than Finance Secretary Benjamin Diokno and his team, since March 28, 2023 when the issue first started, does more to obscure than clarify the issue of the MUP pension, which ultimately leads to disinformation.

Since they are undefined, this causes greater confusion among the public who unwittingly accepts their interpretation. This ultimately demonizes not only our pension but our efforts to fight for what is rightfully due to us.

The following are some of the examples of vague and flowery language Diokno and his team are using:

1. **“Fiscal cliff,”** which refers to a situation favoring and indicating economic contraction and recession due to the combined effect of tax cuts nearing expiration and reduced government spending. Please note that it has no relevance to the issue of our pension, but because “cliff” means “bangin,” we, ordinary mortals, are lured to believe that the MUP pension is a threat to the economy: *“Dahil sa MUP pension, babagsak ang economy ng bansa or magkakaroon ng disaster in national budgeting”* - which again is baseless.

2. **“Fiscal collapse,”** a term that is non-existent. However, readers/listeners, in the absence of a detailed explanation by Secretary Diokno, could have interpreted this to mean that the MUP pension issue, if not addressed, will result in “economic collapse.” He has purposely used a non-existent jargon of “fiscal collapse” to imply bad economic conditions purportedly associated with the MUP pension rather than the terms, “economic collapse” or “economic meltdown” or “economic crisis” which definitions are bound by indicators widely accepted by economists. Clearly, these indicators of “economic collapse” are remotely related to the measly indexed MUP pension at P128 billion vis-a-vis the P23.3-trillion GDP or the P5.2-trillion budget for 2023.

3. **MUP pension as the “elephant in the room”.** The Cambridge Dictionary defines an elephant in the room as “an obvious problem or difficult situation that people do not want to talk about.” (<https://dictionary.cambridge.org/us/dictionary/english/elephant-in-the-room#>). But this idiom does not apply to our pension; hence, Secretary Diokno’s use of such is wrong and misleading. Why? Former President Benigno Aquino III mentioned it in his two State of the Nation Addresses (SONAs). He and then Budget Secretary Florencio Abad, after failing to enact the indefinite suspension of our pension indexing, took the law into their own hands and issued EO 201 in 2016. His successor, former President Rodrigo Duterte, upon recommendation of then DBM Secretary Diokno in 2017, wanted again to pass a Joint Resolution (JR) that would suspend said indexing. But Mr. Duterte listened to then Senators Gregorio B. Honasan II and Panfilo M. Lacson, with the support of former Senate President Vicente C. Sotto III; hence, the passing of Joint Resolution No. 1 that resumed pension indexing in 2018.

Again, there had been previous efforts to reform the MUP pension through enactment, similar to what Secretary Diokno advocates - but no bills could be passed as the financial technocrats wanted because

none of those bills were based on the doctrine of completed staff work, including Senate Bill 1419 that was filed by Senator Bong T. Go. Please note that in our Paper, former Senator Panfilo M. Lacson suggested that the Government Service Insurance System (GSIS) come up with a completed actuarial study as the basis of MUP pension reform.

Just recently, Senator Go expressed concerns about the resurrected “reforms” and now believes that those already in active service should not be made to contribute to their pension. Ergo, MUP pension is never an elephant in the room.

4. **“Ballooning” MUP pension.** According to the Cambridge Dictionary, ‘ballooning’, the term used by Secretary Diokno, is to quickly increase in size. Secretary Diokno interpreted the increasing volume of the MUP pension budget by using this descriptive word. However, what we are saying is that figures alone would not determine if a budget is in fact ballooning, so to speak.

As the economy grows, it is expected that the national budget will increase too due to the increase in government revenues brought about by strong productivity growth. The general trend is that, as the national budget increases, the share of almost all budgetary items follows. As we mentioned earlier, the figures alone, however, would not tell if such increase automatically means that the MUP pension budget is ballooning. A more reliable yardstick is determining its percentage share in the national budget.

The statistical data on the Philippine Military/Defense budget likewise debunk the claim made by Secretary Diokno. We calculated the Armed Forces of the Philippines (AFP) pension as a percentage of the national budget and as indicated, the AFP budget for pension (years 2011, 2017, 2019, and 2021) has not even increased by more than 1.5%. Also, based on the yearly General Appropriations Act (GAA) from Fiscal Years 2015-2023 versus the MUP pension budget for the same period, the MUP pension share in the national budget, on average, is only 2.3%. It supports our contention that there is no clear indication that their so-called “elephant in the room (MUP pension)” as against its percentage in the national budget is ballooning, or causing any sizeable impact on the economic problem the nation faces.

5. **The P9.6-trillion unfunded pension liabilities.** The P9.6 trillion is the amount the government owes to the MUP retirees for a long indeterminate period of time in the future, which is about 30 or more years. Hence, it is called pension liabilities. It is unfunded because the government has yet to set aside appropriations or assets (such as claims on future government revenues or borrowings) to cover this obligation.

This has never been explained fully well by Secretary Diokno and his economic team. As we see it, the P9.6 trillion and the government appropriations of P848.32 billion yearly amortization requirements for 20 years only came about to scare the public regarding the amount of money the government needed to fund the MUP pensions. *“Napakalaki pala ang napupunta sa mga pensyonado ng MUP. Dapat na ngang baguhin ang sistema nila.”* These are the kind of comments they want to elicit from the public to gain their support.

To shed light to how the pension liability figures came about, we need to clarify its context. It was the Senate Committee, then headed

by former Senator Panfilo M. Lacson, which asked GSIS to put up an actuarial study to determine the amount needed to install a new pension system which will perpetuate the MUP pensions and free up government appropriations from this obligation. In 2019, the GSIS actuarial study reported that the amount of P9.6 trillion for a one-time seed capital is needed to operationalize the concept. That capital fund will be invested and expected to earn a seven percent (7%) rate of return to sustain the MUP pension fund indefinitely. By the way, in 2021, the GSIS study lowered the one-time seed capital by 40% after replacing the 10% rate of pension increase to 5% as requested by the Senate Committee. Noticeably, Secretary Diokno and his economic team never reported the change, possibly because the higher figure suits their purpose of demonizing the current MUP pension system more.

The P9.6-trillion one-time seed capital will be provided through government borrowings or loans. The loan will be payable in 20 years with the government's yearly appropriations of P848.32 billion as amortization or premium payment until the loan is written off. The initial reaction was that the appropriated fund requirement is not sustainable (the same reaction by Senator Diokno and his economic team). Then Senator Lacson asked for prudence from the government proponents of reform and to wait for the completed comprehensive GSIS actuarial study.

Based on the 2021 GSIS actuarial study, former Senator Lacson and his committee favored alternatives including: reducing the rate of salary increase from 10% to 5%; and using the proceeds from the sale of MUP assets. Additionally, Lacson believed that if we can initially reduce the annual item in the GAA to something like P200 billion without diminishing the monthly pension of individual retirees, it will be sustainable. Clearly, these are basically enough to solve the pension problem.

All these being said, we simply cannot see the reason why Diokno and his team of economic managers are unwilling to listen or wait for the GSIS' final study, and instead are pushing for their own version of reforms in the MUP pension system which by all indications is much larger in scope. Although these may be perceived as financially sound, they are inconsistent with the provisions of the 1987 Constitution, particularly Section 7, Article XVI and the equal protection of the law clause. Worse, the reform proposals will have detrimental long-term effects on the morale and behavior of the current MUP pensioners, those in the active service, and new entrants, impacting the right size and quality of the MUP organizations.

6. Need to reform the pension system for MUP to address the country's fiscal deficit. The Bureau of Treasury's Report on yearly deficits is likewise revealing: Expenses to fight the Covid-19 pandemic and the Department of Public Works and Highways (DPWH) disbursements ate up huge chunks of the expenditures in the past years, which contributed immensely to huge deficits. This is especially true in 2020 when the deficit ballooned to P710 billion or by 51.8% due to the Covid-19 pandemic; and in 2018, when budget expenditures rose due to the wide infrastructure program under the "Build, Build, Build" program of former President Duterte, resulting in a 59.2% deficit. Obviously, there is no clear indication that the MUP pension system caused the country's fiscal deficit.

7. Public debt to rise unless military pension overhauled. The MUP pension budget, a portion of the "Pension and Gratuity" budget in the General Appropriations Act (GAA), is a minuscule amount relative to the yearly government debt per year. Beginning 2017, the MUP pension budget is only 10.8% of the yearly government debt average from 2017 to 2022 (That is assuming that the entire MUP budget is financed by borrowings alone, which is not totally true). Obviously, floating around the idea that the MUP pension budget could be

responsible for the rise in government debt is very unfair and unlikely, since other bigger budgetary items are responsible for 89.2% of the debt, such as Covid-19 expenses and massive infrastructure projects (2020, 2021, and 2022).

8. There is no system in the world where possible recipients of a pension do not contribute to it. This was the claim of Secretary Diokno during his interview with Philippine Daily Inquirer on 28 June 2023. But somebody needs to break it to the Secretary — this claim is wrong.

Some countries which provide noncontributory pension for their armed forces, include the United States, United Kingdom, and Colombia.

In the United States, since 2018, the pension system under the Blended Retirement System for the armed forces remains non-contributory for those who have served for 20 or more years, and indexed to cost of living adjustment (COLA) or inflation. Indexing to COLA applies not only to the retired servicemen, but also to retired federal civilian employees. To encourage those who have already rendered 12 years in the service to stay, an additional continuance bonus is provided for them to remain in service for four more years.

In 2018, the US reduced the computation of military pension per year of service from 2.5 to 2 percent of pay primarily to provide benefits (Thrift Savings Plan) to those leaving the service early or prior to the optional retirement. Thus, a new entrant in 2018 is required to contribute from 1 to maximum 5 percent of monthly pay, while the government sets aside a counterpart amount. The fund is invested and if he leaves the service early or in less than 20 years, the same will be forwarded/credited to his new job. Upon retirement, he is entitled to receive all his personal contribution and that from the government in the duration of his military service plus accumulated interests, in addition to retirement benefits from his second job.

On the other hand, from 2018, a new entrant who will opt to retire after at least 20 years in the service will be entitled to the usual non-contributory monthly pension upon retirement. Meanwhile, his contribution and that of the government plus interests will likewise be credited to his new job, and the same will be given to him upon retirement in his second job.

It is very notable that the new retirement scheme is compulsory only to new entrants in 2018 merely because the computation for pension for each year of service is reduced from 2.5 to 2 percent. It may be surmised that the United States jurisprudence on vested rights of US military pensioners was duly considered; hence, may also be applied in considering our MUP pension reforms. Thus, new pension schemes that tend to reduce the MUP benefits may only be made to apply to new entrants; except that the military pension may not be made contributory even to new entrants pursuant to Section 7, Article XVI of the 1987 Constitution.

Noticeable too is the differing directions of the US Blended Retirement System of 2018 and the pension system sponsored by Secretary Diokno. The former offers motivations for military personnel to remain in the service, while the latter drives MUP personnel away from the service as evidenced by the plan to retire early of about 70 % military personnel and 65% of PNP before the proposed pension reform catches up with them.

CONCLUSION:

Finally, we could never forget Secretary Diokno's name-calling and body language when he, in the form of a question, considered the MUP optional retirement as "ridiculous" - an insult or demeaning label for us, MUP.

This and his use of vague, undefined, flowery, and high-sounding terms leads us to opine that he has no love lost for the MUP. In plain and simple terms: **he despises us.** (as of Aug 14)

Updates On House Bill 8969 (MUP Pension System Act) Senate Bill 2501

• CAV ARISTON V DELOS REYES '71

A. BACKGROUND

On 28 March 2023, Finance Secretary Benjamin Diokno during a press briefing declared proposed drastic changes to the MUP pension system. He wants all active members and new entrants to contribute to their pension; stop pension indexing to prevailing pay rate for those already retired; pension of those who will retire should be based on last rank held; and, pension payment for optional retirement should only commence at age 57. Then it was followed by the finance team's information campaign among selected MUP units and offices; however, it did not consult the retirees.

As a counterproposal to that of Secretary Diokno, the PMA Class of 1971, Inc. published its position paper "Reforming the MUP Pension System". It recommends the following: 1. That Secretary Diokno heed the advice of Presidential Legal Adviser Juan Ponce Enrile to go easy in pursuing his proposals and also the appeal for prudence by former Senator Panfilo "Ping" Lacson and wait for the much-needed completed actuarial study; 2. That the MUP pension remain noncontributory and indexed to inflation with provisions for pension and separation benefits equalization; and, 3. That the MUP be entitled to pay adjustment in order to catch up with that granted to civilian government personnel from 2020 to 2023 pursuant to RA 11466.

On 15 August, the House Ad Hoc Committee on MUP Pension System chaired by Congressman Joey Salceda approved a pension package that would form part of House Bill (HB) 8969. On 17 August, I wrote Congressman Salceda that notwithstanding the canceled consultation with retirees, I expressed my concerns namely: 1. Only new entrants may be required to contribute to their pension; 2. The military pension may not be made contributory pursuant to Section 7, Article XVI, 1987 Constitution; and 3. Pension indexing should be retained at present level. Also, on same date, the Secretary of National Defense (SND) expressed, among others, his concern regarding active members' contribution.

On 27 August, I wrote Congressman Raul Tupas (PMA Class of 1994), Chairman, House Committee on National Defense and Security, reiterating my concerns about the approved pension package; more so that 250,000 pensioners were not consulted by the Ad Hoc Committee and by the finance team that went around MUP units and offices.

On 31 August, I had a luncheon meeting with Congressman Tupas and his staff at the Legislative Affairs Office, GHQ AFP, hosted by its Chief, BGEN Acmad Omar, Jr. He informed that HB 8969 would be amended during its Second Reading so that only new entrants will contribute to their pension and that pension indexing would be retained at present rate. He also invited me to join him as a resource person during the plenary session for the Second Reading.

On 3 September, I wrote Congressman Tupas to provide him more information as reference in amending the Bill. Among others, it included the recommendation for adoption of equal benefit for permanently and totally disabled MUP in line of duty with one year separation pay and lifetime pension at 80 percent of pay similar to that granted to uniformed personnel of the DILG. It was considered though modified to grant lifetime pension at 90 percent without separation pay. At present, said benefit in the military is 50 percent of pay only. I also recommended and justified the amendment of the Bill so that even the present retirees who are qualified should be entitled to maximum 90 percent of pay and longevity pay and not future retirees only which was included among the amendments; thereby, benefiting qualified military retirees.

On 19 September, plenary amendments were introduced and approved then the Bill was approved on Second Reading, followed by its approval on Third Reading on 25 September, then forwarded to the Senate for its own deliberation.

B. SALIENT PROVISIONS OF THE BILL INCLUDE: 1. Pension shall be based on one rank higher for those in the active service and on last rank held for new entrants; 2. For those in the active service, pension indexing shall be maintained at current rate while for new entrants, there will be no automatic pension indexing; 3. Pension at maximum 90 percent of base pay and longevity pay shall apply to all qualified MUP (having served for more than 34 years); 4. Only

new entrants will contribute to their pension at nine (9) percent of base pay and longevity pay plus 12 percent as government counterpart contribution; 5. Survivor pension of those killed in action or complete disability pension shall be 90 percent of pay; 6. Compulsory retirement shall be at age 57; 7. Present system of optional retirement shall remain; 8. Pay adjustment shall be fixed at three (3) percent annually for 10 years; and, 9. There shall be two MUP trust funds namely, the AFP Trust Fund and the Uniformed Personnel Services Trust Fund, with the GSIS as their designated fund manager and benefits administrator.

C. ASSESSMENT

Thus far, the Bill approved by the House of Representatives may well be considered a major victory for the MUP mainly because the vested rights to noncontributory pension of more than 400,000 MUP in the active service and vested rights of more than 250,000 retirees to the present rate of pension indexing will be preserved; pension and separation benefits among MUP will be equalized; and the present optional retirement system will remain unchanged. Relative diminution of benefits will apply to new entrants only. The provisions of the approved Bill turned out much better when compared with the proposals of Secretary Diokno. The MUP owes a lot to Congressman Tupas, who convinced Congressman Salceda to make amendments on the Bill in favor of the MUP. We should also be thankful for the support of Congressman Salceda and Congressman Dan Fernandez, Chairman, Committee on Public Order and Security. I was present in the conference room when the three congressmen, the Principal Sponsors of the Bill together with their staff, brainstormed with MUP representatives and consolidated the plenary amendments to the Bill.

D. SUMMARY OF SIGNIFICANT DEVELOPMENT AT THE SENATE

In order to improve further the MUP pension system, the following changes to HB 8969 are recommended for consideration at the Senate: 1. Military pension should remain noncontributory, pursuant to Section 7, Article XVI of the 1987 Constitution; 2. Pension of the CSAFP and CPNP (SG 30) should be based on one salary grade higher at SG 31; 3. For new entrants, the Bill should specify their added benefits similar to those granted to the members of GSIS such as but not limited to compulsory life insurance, dividends, and funeral benefits; and, 4. Annual pay adjustments should initially be equal to or not lower than civilian government personnel's pay as of 2023 pursuant to RA 11466. A jibed inquiry in aid of legislation should be conducted to determine the culpability of those responsible for issuance of EO 201 s 2016 that deprived the MUP of pay adjustment and pension indexing in 2016 and 2017 and also their exclusion from RA 11466 that granted pay adjustment to all civilian government personnel in four tranches from 2020 to 2023. If warranted, the Senate may recommend to the President and Commander-in-Chief of all armed forces to initiate a proposed bill to recompense the MUP of all the benefits denied of them en masse.

Thus, on 2 October, I wrote Senator Jinggoy Estrada, Chairman, Senate Committee on National Defense and Security, Peace, Unification and Reconciliation to recommend the adoption of the proposed changes in the Senate version of the Bill (ANNEX A). I also emailed the letter to the other 23 senators requesting for their support to the proposals.

Upon request, former Senator/Cav Panfilo "Ping" Lacson '71 furnished me a copy of the draft Senate Bill on 10 November. On 17 November, I emailed Secretary Gilberto Teodoro (ANNEX B) recommending that the Department evaluate and consider my comments and recommendations therein as inputs to the revision of the draft Senate Bill.

However, on 1 December, it turned out that the draft bill was already filed and numbered as Senate Bill No. 2501 which means that it will already be presented for deliberation during plenary sessions. I noted that the filed bill basically remained similar to the draft bill that I commented on except that (and worst of all), an insertion under Section 39 would limit the grant of maximum MUP pension at 90 percent only to new entrants and those already in the active service upon effectivity of the new Act. Thus, the maximum pension of the military retirees will continue to be pegged at 85 percent.

On the contrary, HB 8969 already allows maximum pension from 85 to 90 percent for the military retirees who had served for more than 34 years. Thus, on 2 December, I wrote another letter to Secretary Teodoro recommending that the Department make representation with Senator Jinggo Estrada so that plenary amendments be introduced giving priority to amendment of Section 39 to once and for all rectify the said discrepancy in favor of the military retirees.

E. RECOMMENDATION

The MUP organizations or even individual MUP may request Senator Jinggo Estrada or their other senator-friends to support our proposed changes, with priority being given to the amendment of Section 39 so that military retirees may be allowed maximum pension from 85 to 90 percent.

ANNEX A - LETTER TO SENATOR JINGGOY ESTRADA

12 Frost Street, Filinvesteast,
Cainta, Rizal
2 October 2023
Mobile No. 0919 329 2594

SENATOR JINGGOY EJERCITO ESTRADA
Chairman, Senate Committee on National Defense and Security,
Peace, Unification and Reconciliation
Room 602 GSIS Bldg., Financial Center,
Diokno Blvd., Pasay City

Dear Senator Estrada:

In reference to the House Bill 8969 (MUP Pension System Act) that was approved on Third Reading and forwarded to the Senate for further deliberation, I have the honor to submit the following recommendations for consideration by the Honorable Chairman.

1. THE MILITARY PENSION SHOULD REMAIN NON-CONTRIBUTORY - This option is highly recommended. Should it be unfortunately enacted that military pension be made contributory, then the Philippines will become the only country in the world that makes noncontributory pension exclusive to favored and selected civil service personnel namely, members of the judiciary, prosecution service and constitutional commissions. Whereas, in other countries such as but not limited to the United States, United Kingdom, and Colombia, the noncontributory pension is exclusive to their military.

1.1. According to Section 7, Article XVI of the 1987 Constitution, "The State shall provide immediate care, benefits, and other forms assistance to war veterans and veterans of military campaigns, their surviving spouses and orphans. Funds shall be provided therefor and due consideration shall be given them in the disposition of agricultural lands of the public domain and, in appropriate cases, in the utilization of natural resources." Attached to the letter of Congressman Joey Sarte Salceda to the undersigned dated 19 September 2023 (ATTACHMENT 1), is a paper SPECIAL STATUS OF MILITARY PENSION SYSTEM. It revealed that the framers of the Constitution in their discussion really meant and intended to make the military pension *sui generis* and they deliberately excluded "AND GOVERNMENT RETIREES" from the final draft of Section 7. Veteran as defined by RA 9396 s 2007 includes among others, military personnel who served for at least 20 years; thus, all military retirees are veterans whose benefits funded by the Government include among others, the three noncontributory pensions namely:

1.1.1. The AFP pension, that has been granted since the 1930's or more than 88 years ago, pursuant to Commonwealth Act No. 1;

1.1.2. Old age pension upon reaching age 65 at P5,000 monthly, pursuant to RA 6948 s 1990; and,

1.1.3. Total disability pension upon reaching age 70 at P1,700 monthly, pursuant to RA 7696 s 1994.

1.2. In 2023, the AFP pension is about P58 billion. Considering the improving internal security situation, the future trend in AFP personnel strength will be on a downtrend due to slowdown in recruitment. Military personnel, unlike civilian government personnel, do not have security in tenure because they are covered by attrition policies which have become more restrictive with the recent enactment of RA 11709 as amended by RA 11939. The act provides for forced attrition wherein officers and enlisted personnel get separated from the service after having been considered for promotion to the next higher grade, failed to qualify on account of their own fault, failure or negligence or lack of individual merit, or who have completed the maximum tenure-in-grade. Hence, both factors will likely contribute to slowdown in annual AFP pension growth rate in the long term.

1.3. All the three aforementioned noncontributory pensions are gifts of the Filipino people to soldiers for their honorable and dedicated service, at risk of life and limbs. The soldiers undertake multifarious tasks and historically, they have performed well.

1.3.1. They have been in the forefront of national defense and internal security operations. During World War II, though ill equipped and lacking in preparedness, they fought gallantly against the Japanese invaders in Bataan and Corregidor; suffered the Death March, then continued fighting the war through guerrilla warfare. At present, though still with limited capabilities, they occupy islets in the West Philippine Sea to show the Philippine flag and our strong determination to defend our territories. Likewise, they have been engaged in anti-dissident campaigns against the Hukbalahap, Kamlon uprising, CPP-NPA-NDF, MNLF, MILF, ASG, BIFF, and other terrorist groups.

1.3.2. They undertake United Nations Peacekeeping missions. They fought in Korea in the 50's when a total of 7,420 military personnel were deployed with 114 of them killed in action and 229 wounded. They had also been deployed in Vietnam, East Timor, Liberia, Haiti and Golan Heights.

1.3.3. They perform nonmilitary tasks such as humanitarian assistance and disaster response to include the war against COVID-19, construction of roads, bridges and school buildings in far flung areas; election duties; and even law enforcement whenever called for.

In order to perform their multifarious tasks, they are on duty 24/7 without overtime pay, and usually away from their families. Disciplinary measures are strictly enforced. They are covered by the Articles of War under the military justice system. They may be court martialed without prejudice to being prosecuted in civilian trial court for criminal offenses. Likewise, they could be disciplined or separated from the service through administrative proceedings like facing the Efficiency and Separation Board.

Lately, the AFP has performed its mission and assigned tasks with distinction that earned the respect and admiration of the people. For instance, in the Publicus Asia Survey for the First Quarter 2022, the AFP ranked No.1 agency for both approval and performance ratings. It also topped the firm's 2nd and 4th Quarter Surveys in 2021. In 2023, it is rated second.

Therefore, making the military pension contributory through legislation will be punitive, a great disservice and an insult to the dignity of the Filipino soldier—the only soldier in the world whose internationally accepted benefit as exclusive to the military is on the verge of being recalled by his very own government. Hence, adversaries of the state and or the President and Commander-in-Chief, foreign and local, must be gloating in silence—FEICHANG HAO!

2. PENSION OF CSAFP AND CPNP (SG 30) TO BE BASED ON SG 31 OR ONE SALARY GRADE HIGHER— At present, the pension of all other retired MUP is based on one rank higher. Since, there is no military/police rank higher than general (four star), CSAFP/CPNP pension is based on last rank held or equal to the pension of all retirees at three-star rank. With due respect, this is unfair to both highest-ranking military and police officers. However, RA 9166 s 2002 has already authorized salary grades for all military ranks for the purpose of salary adjustment. Since the CSAFP is SG-30, enactment may grant that his pension be based on SG-31; same shall be applicable to the CPNP. At present, the annual pension of a retired CSAFP is P2.287 million which is less than 50 percent of the annual pension of his counterpart in the judiciary such as retired associate justices (SG-30) in the Court of Appeals whose annual pension based on pay and all allowances received upon retirement could range from P4.4 to P5.4 million as of 2021.

3. For new entrants, the Bill should specify their added benefits similar to the entitlement of the present members of GSIS pursuant to RA 8291 such as but not necessarily limited to compulsory life insurance, dividends, and funeral benefits.

4. REGARDING THE MUP PAY INCREASE AT THREE PERCENT ANNUALLY FOR THE NEXT TEN YEARS, the pay for all ranks for Year 0 (reference pay rate) should be equal to or not less than the pay of civilian counterparts as of 2023 which shall be subject to adjustment at three percent for Year 1 (Attachment 2). By so doing, the MUP pay will be at par with the Fourth Tranche of the pay adjustment for all civilian government employees granted by RA 11466. Further, recommend that the Bill include a *proviso* that at the end of the fifth and tenth years, the MUP pay shall be reviewed and adjusted accordingly in the sixth and eleventh years only if their pay will lag behind those for the civilian government employees. The proposal is in accordance with the spirit and intent of RA 9166 which designated equivalent salary grades for all military ranks for the purpose of pay adjustment.

With deep concern Mr. Chairman, it is apparent in the matrix that RA 11466 has unduly deprived the active MUP of pay adjustment from 2020

to 2023 in all ranks except that for the Private, Private First Class, Corporal, and Sergeant which is tantamount to unjust deprivation of benefits due to more than 600,000 MUP, active and retired. It is already the second time in eight years that they have been deprived of benefits en masse. We cannot forget how Executive Order No 201 s 2016 usurped legislative power in order to deny the MUP pay adjustment and pension indexing in 2016 and 2017. Hence, in order to once and for all, put a stop to the incessant abuse of the MUP, I respectfully recommend that a jibed inquiry in aid of legislation be initiated at the Senate regarding the two instances to determine probable culpability of responsible officials of cognizant agencies and if it will warrant, a report be made to the President and Commander-in-Chief of all our armed forces to rectify the mistakes and recompense the MUP for benefits that they have been unduly deprived of.

Finally, Mr Chairman, as a retiree, I will always remember the benevolence of the Senate to the MUP in recent past when on two occasions in 2015 and 2017, it steadfastly supported the MUP pension indexing to prevailing pay rate. Thus, from 2018 onwards, more than 220,000 retirees have enjoyed pension adjustment that exceeds P30 billion annually. It was indeed beyond forgetting. Feeling awed, I wrote a letter to the Senate President on 1 June 2019 as a soldier's expression of gratitude and tribute to the Senate (Attachment 3). From then on, I have had that high respect and admiration for our Senate.

Very respectfully yours,

Ariston V Delos Reyes
Vice Admiral AFP (Ret)

Copy Furnished:

- Secretary of National Defense
- Chief, AFP Legislative Liaison Office
- Chairman, AGFO
- Chairmen, PMAAAI
- Chairman, NARRAI
- Chairman, PRAI
- Chairman, ANI
- PMA CLASS OF 1971

ATTACHMENT 1

SPECIAL STATUS OF THE MILITARY PENSION SYSTEM
(Attachment to the Emailed Letter of Congressman Joey Salceda to Retired VADM Ariston V Delos Reyes dated 19 September 2023)

1. The original formulation of Article XVI, Section 5 (then Section 4 in the draft for discussion), is as follows:

*SECTION 7. The State shall provide immediate and adequate care, benefits, and other forms of assistance to war veterans and veterans of military campaigns **AND GOVERNMENT RETIREES**, their surviving spouses and orphans. Funds shall be provided therefor and due consideration shall be given them in the disposition of agricultural lands of the public domain and, in appropriate cases, in the utilization of natural resources.*

2. Member Florangel Rosario-Braid questioned the basis of "what urges the committee to put war veterans and government retirees together for the purpose of equal entitlement to adequate care and benefits and also for preference for them in the acquisition of public lands and the development of natural resources?"

3. Dr. Braid argued that "The entitlement of veterans to such benefits is traditional, historic and customary but I have yet to understand why the government retirees in this section have risen to the same moral rank for purposes of the recognition of the nation as the war veterans."

4. Member Blas Ople seconded this, saying that "I think there are **both ethical and political Justifications for the State to go out of its way to recognize the special contributions of, first, the valorous death of a people, those who died in defense of their country and their widows and orphans; and, second, those who fought in those times of supreme test for their country and who had the good luck to survive in whole or in part,**" adding that he found it "a little bit odd that they should be paired off with government retirees."

5. Secretary Ople added that retiring from the government or the private sector "is something to which many people look forward as a **reward not**

from the State but from their own lifetime labors, the time having come to put down the burden and perhaps enjoy the accumulated few savings of a lifetime, if that is possible."

6. Secretary Ople also said that he would "introduce an amendment that would separate the veterans from the government retirees." The Ople proposal was eventually adopted as the formulation in the 1987 Constitution, which **excludes government retirees**.

7. RA 6948 defines veterans as follows:

Section 2. Definitions. –

(a) Veteran – any person who rendered military service in the land, sea or air forces of the Philippines during the revolution against Spain, the Philippine-American War, World War II, including Filipino citizens who served in Allied Forces in the Philippine territory and foreign nationals who served in Philippine forces, the Korean Campaign, the Vietnam Campaign, the Anti-Dissidence Campaign, or other wars and military campaigns; or who rendered military service in the Armed Forces of the Philippines and has been honorably discharged or separated after at least six (6) years total cumulative active service, or sooner separated due to death or disability arising from a wound or injury received or sickness or disease incurred in line of duty while in the active service.

ATTACHMENT 2

COMPARATIVE PAY OF MILITARY PERSONNEL AND CIVILIAN GOVERNMENT PERSONNEL BY SALARY GRADE TO DETERMINE MUP PAY RATE AS REFERENCE FOR ANNUAL ADJUSTMENT

Rank Reference	Salary Grade (RA 9166)	Base Pay 2019 (JR No.1)	Civ Personnel 2023 (RA 11466)	MUP Pay Rate (Recommended for Year 0)
General	30	P149,785	P 189,199	P189,199
Lt General	29	125,574	167,432	167,432
Maj General	28	102,896	148,171	148,171
Brig General	27	91,058	131,124	131,124
Colonel	26	80,583	116,040	116,040
Lt Colonel	25	71,313	102,690	102,690
Major	24	62,555	90,078	90,078
Captain	23	56,582	80,003	80,003
First Lieutenant	22	49,528	71,511	71,511
Second Lt	21	43,829	63,997	63,997
Probationary Lt	19	38,366	51,537	51,537
Cadet	19	38,366	51,537	51,537
First Chief Msgt	19	38,366	51,537	51,537
Chief Msgt	18	34,761	46,725	46,725
Senior Msgt	17	34,079	43,030	43,030
Master Sgt	16	33,411	39,672	39,672
Technical Sgt	15	32,756	36,619	36,619
Staff Sgt	14	32,114	33,843	33,843
Sergeant	13	31,484	31,320	31,484*
Corporal	12	30,867	29,165	30,867*
Private 1st Class	11	30,261	27,000	30,261*
Private	10	29,668	23,176	29,668*
Candidate Soldier	7	18,587	18,620	18,620

* Year 0 pay reference for Private, Private First Class, Corporal, and Sergeant shall be pursuant to JR No.1 (2019 or Second Tranche) while the rest shall be based on 2023 pay rate of civilian government personnel (Fourth Tranche, pursuant to RA 11466).

ATTACHMENT 3

A Soldier's Expression of Gratitude and Tribute to the Senate (Below is the author's e-mailed letter to the Senate President with copy furnished to all other senators, timed just before the end of the 17th Congress when some of the senators who supported the MUP pension indexing were outgoing, including Cavalier Gregorio Honasan '71. The MUP pension indexing to the current base pay rate has been implemented for military retirees in June 2019.)

1 June 2019

Honorable Vicente C. Sotto III
Senate President
GSIS Bldg., Financial Center
Diokno Blvd., Pasay City

Dear Senator Sotto:

As a retired soldier, I have the honor to express my sincerest gratitude to the Senate for its support to the pension indexing to prevailing rate for the retired military and uniformed personnel (MUP), in a way that I believe is unprecedented in the history of Philippine legislation.

Firstly, on 15 December 2015, you put into motion the recall of the Salary Standardization Bill 2015 from its approval during third reading back to second reading to support, instead of suspending, the MUP pension indexing. All senators present unanimously approved your motion. Had the Senate not made that last-minute change of position, the retired MUP would have been indefinitely deprived of what is due them and that would definitely be detrimental to their morale.

Secondly, during the plenary session on 13 December 2017, all the 20 senators present voted for a joint resolution that supported pension indexing. Prior to that session, you, with Senators Honasan and Lacson, teamed up and coordinated with the Lower House to ensure that a joint resolution allowing pension adjustment would pass for approval by President Duterte.

The MUP pension indexing will benefit more than 220,000 pensioners, about 89 percent of whom are enlisted personnel and equivalent ranks. While as of this writing, the much-awaited pension adjustment has yet to be funded, it is all right with me. The mere thought of how the Senate, all the way, supported MUP pension adjustment convinced me that somehow, someday, I should thank the Senate.

Finally, attached is my paper "Successes and Defeats in Defense of the Military and Uniformed Personnel (MUP) Pension System." It was published in the March-April 2019 Issue of The Cavalier, the magazine of the Philippine Military Academy Alumni Association, Inc. (PMAAAI). Its two annexes provide details on how the Senate supported the pension indexing in 2015 and 2017 as mentioned above. Please consider it as a soldier's humble tribute to the Senate. The military and uniformed personnel, active and retired, now and in the future ought to know; the people ought to know - we have a good and independent Senate.

MABUHAY ANG SENADO!

Very respectfully yours,

Ariston V delos Reyes
Vice Admiral AFP (Ret)

ANNEX B - LETTER TO SECRETARY GILBERTO TEODORO

12 Frost, St., Filinvesteast,
Cainta, Rizal
17 November 2023

HONORABLE GILBERTO TEODORO
Secretary of National Defense
Camp Aguinaldo, Quezon City

Dear Secretary Teodoro (Sir):

In reference to the draft Senate Bill (attached below) that will likely be considered for filing and deliberated for approval by the Senate vis a vis the HB 8969 already approved at the House of Representatives, I have the honor to request that the Department evaluate and consider the comments and recommendations below. It is worthwhile to note that there is still ongoing consultation among other uniformed services offices by the concerned Senate Technical Working Group and it could be a good opportunity to forward proposed revisions to the draft.

1. Section 2. Coverage. _ The Act shall apply only to new entrants unless otherwise specified in its succeeding provisions. Thus, Section 7 pertaining to retirement grade and pay should include a provision that for retired and active military personnel who entered the active service prior to effectivity of this Act shall be entitled to maximum 90 percent (90%) of base pay (BP) and longevity pay (LP) for 36 years of active duty and over and with prospective application only. This is the intent of HB 8969 pursuant to its Section 8. Otherwise, the bill will continue to be discriminatory to qualified military personnel, active and retired. At present, all uniformed services personnel are allowed maximum 90 percent of BP/LP compared with 85 percent for the military.

2. Section 14. Funding Sources. _ The bill provides that military personnel shall contribute seven percent (7%) of their BP/LP as personal share and the National Government shall contribute fourteen percent (14%) as its counterpart share vis a vis nine percent (9%) personal share and twelve percent (12%) Government counterpart contribution for the uniformed services personnel. My recommendation_ In its lieu, the personal share

should be three percent (3%) of BP/LP while Government counterpart shall be maintained at 14%.

JUSTIFICATIONS

2.1. The military pension should remain noncontributory pursuant to Section 7, Article XVI of the 1987 Constitution as explained in my letter to Senator Jinggoy Estrada dated 2 October 2023.

2.2. The three percent personal share is intended only for compulsory life insurance while in the active service. This is equal to that granted to judges, prosecutors and members of the Constitutional Commissions for their insurance pursuant to Section 5-a. of RA 8291 or the GSIS Act of 1997. On the other hand, the premium for insurance of all other civilian government personnel is built-in to their personal contribution at nine percent. In effect, they only contribute six percent for their retirement. Out of the Government share, three percent shall be the counterpart for compulsory life insurance and the balance of 11 percent shall be invested to build up the military pension fund that will augment the annual appropriation for the pension of new entrants upon their optional retirement after 20 years in the service or compulsory retirement at age 57.

2.3. The other components of the AFP Pension Fund will augment further the funding requirements for the pension benefits of the new entrants after 20 to 36 years in the service. Hence, even if the pension of new entrants will remain noncontributory, the continuing growth of the Fund will likely be sufficient in the very long term. Otherwise, if fund shortage would exist, say 50 years after effectivity of the Act, it may just be partially augmented by annual appropriation. For instance, the cash and present book value of the residual assets of the AFPRSBS are estimated at P20 billion. Assuming that its property assets could be disposed in two years, and then invested with average annual return of seven percent, then it would amount to about P80 billion after 22 years when not so many new entrants would avail of optional retirement yet. After 32 years, the AFPRSBS fund alone could amount to P160 billion, a source of pension fund for those who will compulsorily retire.

3. Section 28. Termination of Benefits. _ The Section should be deleted since forfeiture of benefits of retired uniformed personnel who lose their Filipino citizenship is discriminatory because all present members of GSIS are not covered by such restriction. However, Section 12 which applies to the new military entrants may be retained if they will not contribute to their pension as they will be included in the list of AFP reservists pursuant to RA 7077, subject to recall for active duty; hence, their Filipino citizenship should be maintained.

4. Section 38. Adjustment in Salary and Pension Benefits. _ It provides for the annual increase in the base pay at three percent for the next 10 years to include those in the active service upon effectivity of the Act. An added rationale for the review on the base pay on the fifth year and when the need arises thereafter shall be to equalize the pay of the military and uniformed personnel with that of their civilian counterparts pursuant to RA 9166 for the military personnel and such other applicable laws for the uniformed personnel. Further, it should include the provision for the prospective adjustment of pension benefits of the Chief of Staff AFP and Chief, Philippine National Police, both Salary Grade 30 to Salary Grade 31, to be consistent with the grant of retirement benefits to all other ranks for those who are retired or in the active service upon effectivity of this Act.

5. Section 40 provides salutation pay at P20,000 to new entrants upon joining the military and uniformed services and medical insurance upon retirement. In addition to the salutation pay, the new entrants should be covered by compulsory life insurance while in active service and granted dividends for their insurance, funeral benefits and such other entitlements of GSIS members pursuant to RA 8291. However, medical insurance after retirement should not be included anymore because all government personnel are covered by PHILHEALTH. Moreover, military pensioners are veterans and are entitled to medical and dental benefits being administered by PVAO.

I hope that the above recommendations will merit due consideration by the Department.

Very respectfully yours.

Ariston V Delos Reyes
VADM AFP (Ret)

Copy Furnished:

CSAFP	PMA Class of 1971, Inc.	
Chairman, PMAAAI	Chairman, AGFO	
Chairman, ANI	Chairman, NARRAI	Chairman, PRAI