ACTUARIAL STUDY NOTES

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SOCIAL SECURITY SYSTEM
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Contents

CHAPTER 1
SOCIAL SECURITY CONCEPTS

1.1 ILO Convention No. 102

The International Labour Organization (ILO) is a tripartite organization, with worker and employer representatives taking part in its work on equal status with those of governments. It was set up to bring governments, employers and trade unions together for united action in the cause of social justice and better living conditions everywhere.

One of the ILO's oldest and most important functions is the adoption by the tripartite (governments-employers-workers) International Labour Conference of Conventions and Recommendations which set International Labour Standards. Through ratification by member states, Conventions are intended to create binding obligations to put their provisions into effect. Recommendations provide guidance on policy, legislation and practice.

ILO Convention No. 102 is a multilateral agreement among member-countries of the International Labour Organization with regard to minimum standards of social security. Compliance to these minimum standards is binding to those who ratified the convention which, however, may be ratified in parts or in whole. The convention prescription can be considered as one measure of the appropriate floor of protection for each type of benefit.

The convention enunciates nine branches of social security that are classified as short-term or long-term risks, depending upon the length of payment for individual cases. Three branches are obviously long-term risks, namely, old-age benefits, survivor benefits, and disability benefits. A fourth branch, family allowances, is to some extent a long-term risk, since payments are made for persons during the years when they are considered young and dependent children. The branches covering short-term risks are sickness benefits, maternity benefits, medical care and unemployment benefits. The ninth branch, employment-injury benefits, is a combination of short-term and long-term risks, and includes sickness benefits, disability benefits and survivor benefits when these are employment-related contingencies.

In the Philippines, seven (7) out of the nine (9) branches of social security are administered. The remaining two (2), namely, family and unemployment benefits are not provided.

MINIMUM STANDARDS UNDER ILO CONVENTION NO. 102

1. Old-age (Retirement)

Standard Beneficiary	Man of pensionable age with wife
Minimum Standard Benefit	40% of previous earnings
Qualifying Condition	30 years of contribution
Duration	Throughout the contingency

2. Invalidity (Disability)

Standard Beneficiary	Man with wife and two children
Minimum Standard Benefit	40% of previous earnings
Qualifying Condition	15 years of contribution
Duration	Throughout the contingency or until an old-age benefit becomes payable
Minimum Standard Benefit (for contribution greater than 5 years but less than 15 years)	Proportional reduction of 40% of previous earnings

3. Survivors (Death)

Standard Beneficiary	Widow with two children
Minimum Standard Benefit	40% of previous earnings
Qualifying Condition	15 years of contribution
Minimum Standard Benefit (for contribution greater than 5 years but less than 15 years)	Proportional reduction of 40% of previous earnings

4. Family Allowance

Standard Beneficiary	Man with wife and children
Minimum Standard Benefit	Payment or provision for food, clothing, holidays or domestic help
Qualifying Condition	Three months of contribution
Duration	Throughout the contingency

MINIMUM STANDARDS UNDER ILO CONVENTION NO. 102

5. Sickness

Standard Beneficiary	Man with wife and two children
Minimum Standard Benefit	45% of previous earnings
Duration	Throughout the contingency but may be limited to 26 weeks in each case of sickness, in which event it need not be paid for the first three days of suspension of earnings

6. Maternity

Standard Beneficiary	Woman
Minimum Standard Benefit	66.7% of previous earnings[1]
Duration	Throughout the contingency, except that the periodical payment may be limited to 12 weeks (84 days)
Condition	To be specified by member country

7. Unemployment

Standard Beneficiary	Man with wife and two children
Minimum Standard Benefit	45% of previous earnings
Duration	Not exceeding 13 weeks within a period of 12 months

8. Medical Care

8.1 For Morbid Conditions

Standard Beneficiary	Man with wife and children
Minimum Standard Benefit	Practitioner's care, drugs and hospitalization

[1] Based on ILO Convention No. 103: Maternity Protection

8.1 For Morbid Conditions

Duration	Limited to 26 weeks in each case but the benefit shall not be suspended while a sickness benefit continues to be paid

8.2 For Pregnancies and Confinements

Standard Beneficiary	Woman
Minimum Standard Benefit	Pre-natal, confinement, and post-natal care and hospitalization, if necessary
Duration	Throughout the contingency

9. Employment Related Contingencies

9.1 Incapacity for Work

Standard Beneficiary	Man with wife and two children
Minimum Standard Benefit	50% of previous earnings
Duration	Throughout the contingency, except that in respect of incapacity for work, the benefit need not be paid for the first three days of suspension of earnings

9.2 Invalidity

Standard Beneficiary	Man with wife and two children
Minimum Standard Benefit	50% of previous earnings
Duration	Throughout the contingency

9.3 Survivors

Standard Beneficiary	Widow with two children
Minimum Standard Benefit	40% of previous earnings

1.2 Individual Equity Versus Social Adequacy

A social insurance programs emphasizes social adequacy, while a private insurance stresses the individual equity principle.

Applying the principle of individual equity, a person who contributes to the system should receive the level of benefit appropriate to his contributions and the risks involved. The actuarial value of the benefits is equivalent to the actuarial value of contributions. This is the prevailing dominant principle in private insurance. Losses are pooled, and people with the same loss-producing characteristics are grouped into the same class and pay roughly equal premiums. Private insurance is voluntary and must be built on equity between different classes of insured. It is considered inequitable to have one relatively homogeneous group of insured pay a large part of the loss costs for another group whose loss-producing characteristics are substantially different. Furthermore, once people in the first category become aware they could save money by being treated as independent, financially self-contained units, they would tend to drop their insurance.

Social adequacy, on the other hand, means that benefits should be able to provide a certain adequate standard of living to all contributors, downplaying the factors of number and amount of contributions. The social adequacy principle results in the payment of benefits that are heavily weighted in favor of certain groups, such as the lower-income groups, people with large families, and those who were near retirement when first covered by the social security program. The actuarial value of the benefits received by these groups exceeds the actuarial value of their contributions. They receive relatively larger benefits-to-contributions ratios than other groups.

The purpose of the social adequacy principle is to provide a minimum floor of income to all groups. If beneficiaries receive social security benefits actuarially equivalent to the value of their contributions (individual equity principle), the benefits paid would be so small for some groups (for instance, lower-income groups) that the objective of providing a minimum floor of income would not be achieved.

The concept of a minimum floor of income is difficult to define precisely, and some disagreements exist concerning the setting up of minimum and maximum benefits. Generally speaking, there are three views regarding the minimum floor: One extreme view is that the minimum should be so low as to be virtually non-existent; The other extreme says that it should be high enough to provide a comfortable standard of living by itself, with no consideration given to other economic security programs provided by private or group methods (private insurance, group insurance, private pensions); A middle view is that the minimum income should, in combination with other income and financial assets, be sufficient to maintain a reasonable standard of living for the vast majority of people and any residual group whose basic needs are still unmet would be provided for by supplementary public assistance.

The tendency and practice of most social insurance schemes is toward social adequacy rather than individual equity. This is true for both SSS and GSIS. For example, members who have retired during the first few years of operation of SSS, who only paid minimal contributions to the System, have already received pension benefits exceeding their total contributions and will continue to receive such benefits as long as they or their spouses are alive.

1.3 Comparison with Private Insurance

Much confusion between social and private insurance arises from the application of private insurance standards to social insurance. Social and private insurance are quite different in character and content, and identical performance standards should not be used to judge them. Also, they do not have identical goals; therefore, they cannot be compared using the same standards of success.

Applying private insurance standards to social insurance is also inappropriate because the fallacy of composition may nullify such comparisons. What is true for private insurance may be incorrect when applied to social insurance. For example, private insurance stresses individual equity, whereas social insurance must emphasize the social adequacy principle. The fallacy of composition is committed if one contends that because private insurance stresses individual equity, social insurance must also stress individual equity rather than social adequacy in the payment of benefits.

1.3.1 Similarities

Both social and private insurance are based on risk transfer and the widespread pooling of definite risks. In private insurance, a pure risk is transferred to the insurer, which is in a stronger financial position to pay losses than the individual is. Risk transfer also takes place in social insurance. The risks associated with premature death, old-age and disability are shifted, at least partly, from the individual to the social insurance program.

Pooling, or combination, is a technique by which a large number of exposure units are combined or grouped so that the law of large numbers can operate to provide a substantially accurate prediction of future losses. In addition, pooling involves the spreading of losses over the entire group. The losses of individuals exposed to certain risks are pooled or averaged, and average loss is substituted for actual loss. Thus, pooling implies the prediction of future losses with some accuracy and the spreading of these losses over the group. Because of complex, sociological, economic, and demographic variables, the social insurance actuary has a more difficult task of predicting losses than does the private insurance actuary.

The second similarity is that both social and private insurance provide for specific and complete descriptions of all conditions relating to coverage, benefits and financing. Thirdly, both require precise mathematical calculations of benefit eligibility and amounts. Also, both require contributions and the payment of premiums sufficient to meet the estimated costs of the programs. Moreover, both provide predetermined benefits not based upon demonstrated need. Finally, both benefit society as a whole in providing economic security.

1.3.2 Differences

The major differences between social and private insurance may be listed as follows:

	SOCIAL INSURANCE	*PRIVATE INSURANCE*
1.	Compulsory	Voluntary
2.	Minimum floor of income protection	Larger amounts available, depending on individual desires and ability to pay
3.	Emphasis on social adequacy (welfare element)	Emphasis on individual equity (insurance element)
4.	Benefits prescribed by law that can be changed (statutory right)	Benefits established by legal contract (contractual right)
5.	Government monopoly	Competition
6.	Costs difficult to predict	Costs more readily predictable
7.	Full funding not needed because of compulsory contributions from new entrants and because the program is assumed to last indefinitely	Must operate on fully funded basis without reliance on new entrants' contributions
8.	No underwriting	Individual or group underwriting
9.	Widespread differences of opinion regarding objectives and results	Opinions generally more uniform regarding objectives and results
10.	Investments generally in obligations of government	Investments mainly in private channels
11.	Taxing power readily available to combat erosion by inflation	Greater vulnerability to inflation

The first three items in this comparison are self-explanatory. The fourth item shows that social insurance benefits are prescribed by laws that can be changed; a statutory right to benefit exists. However, private insurance benefits are established by a legal contract enforceable in the courts; a contractual right to benefit exists. In social insurance, a contract is unnecessary. The terms are established by law and by interpretative regulations; and emphasis is placed on administrative regulations to carry out the intent of the law. This is considered a virtue and not a defect because it is difficult to provide precise answers in the statutes for every conceivable set of circumstances. On the other hand, private insurance is competitive and people cannot be coerced into purchasing the coverage; thus, the contractual terms must be stated clearly in the contract when it is first written. Finally, the virtues of a legally enforceable contract in private insurance may be overemphasized in providing economic security. Even though a contract exists, the protection may be inadequate, unsound, unreliable, or excessively costly. Some private insurance contracts are cancelable, the terms can be altered, or premiums can be increased (there are cancelable contracts, optionally renewable contracts, and guaranteed renewable contracts). In the last analysis, the economic security provided by a private contract depends upon the continued existence and financial strength of the insurer. If an insurer becomes bankrupt, the economic security provided by the legal contract may be lost.

Also, government usually has a monopoly in social insurance, whereas competition from other insurers prevails in private insurance. A monopolistic government carrier may be sound public policy. Since the programs are normally compulsory, competitive selling costs can be eliminated or reduced by a monopoly carrier; moreover, the public may consider it undesirable for profit to accrue to private insurers because of a compulsory program made possible by government.[2]

Another difference is that prediction of costs in social insurance is more difficult and less precise than in private insurance. The social insurance actuary is required to make rate and reserve calculations for risks whose insurability may be questionable (for instance, unemployment). Moreover, the actuary must work with economic, demographic and sociological variables, such as births, deaths, marriages, employment, unemployment, disability, retirement, average wage levels, benefit levels, interest rates, and numerous additional factors that make prediction of costs difficult.

In addition, social insurance programs may not be fully funded, whereas private insurance and private pension plans stress fully funded programs. Also, underwriting selection procedures are not generally employed in social insurance, whereas they are applied to individuals or groups in private insurance. Underwriting is inappropriate in social insurance because the objective is to provide a base of economic protection for all; this

[2] Worker's compensation insurance is a major exception to a government monopoly in social insurance. In the United States, although most state worker's compensation laws are compulsory, the benefits are generally underwritten by private insurers. Thus, profits could accrue to private insurers.

means that most of the population should be covered. In private insurance, however, underwriting is necessary because the objective is to classify and price risks accordingly.

Another difference is that in social insurance, serious disagreement may exist concerning the method of financing, benefit levels, eligibility requirements, periods to be covered, the role of government, and numerous other factors. Opinions and objectives regarding private insurance programs generally are more uniform.

Also, the investments of the various social insurance trust funds are usually confined to the obligations of the government. In private insurance, investments in private securities are emphasized. (In some countries, however, social insurance investments may be made in private securities).

Finally, the government's taxing powers can more readily overcome the impact of inflation on social insurance programs. During inflationary periods, social insurance benefits may be increased, thereby providing the recipient some relief against higher prices. In private insurance, the fixed benefits may be more vulnerable to inflation.

1.4 Compulsory Nature of Coverage

Social security coverage is compulsory. A compulsory program makes it easier to protect the population against certain risks, such as premature death of the family head, insufficient income during retirement, or long-term disability. By a compulsory program, a basic floor of income protection to the masses can be more easily achieved, and both healthy and unhealthy people can be covered. A social insurance program covering only unhealthy lives on a massive scale would be extremely costly and difficult to implement. Finally, the social security program is a large social insurance system because of its compulsory nature, and a large system has an advantage over smaller systems. Since fewer random and accidental fluctuations in experience are likely to occur, the necessity of providing margins in contingency reserves is reduced.

1.4.1 Reasons for Compulsory Coverage

If voluntary membership should be made a rule and not an exception, only a few might participate in the social security program and the danger is even those persons who need protection most against the hazards of disability, sickness, old age, and death may not join the program. Social insurance is geared towards economic security. If the state wants everyone or most of its citizenry to be protected against economic insecurity, it cannot help but make the social insurance coverage compulsory to all employers, wage-earners or self-employed individuals.

Social security programs could have been made on a voluntary basis, but the constraints that would make them socially effective are numerous. Among them are:

1. Greater probability of adverse selection - Adverse selection is any process whereby the exercise of choice by the insured leads to higher-than-average loss levels. Without adequate controls, the people who obtain insurance tend to be those who need it most - those with a greater probability of loss than the average;

2. More difficulty in achieving minimum economic security;

3. Those most in need of protection may seldom or not participate;

4. Higher administrative and benefit costs per member;

5. Inability of lower income groups to purchase private insurance in the event that they do not join the program; and

6. Less coverage because some will be unwilling to participate.

If compulsory coverage is made mandatory to all employers, employees and self-employed persons, the program will have the following advantages:

1. Greater coverage because both the low and high wage-earners are required to participate;

2. Lower administrative costs per member;

3. Both the socially poor and the rich are protected against economic loss;

4. Minimum economic security can be achieved with greater certainty by compulsory coverage;
5. It can provide socially adequate benefits more efficiently to practically an entire population;

6. Compulsory program provides certain advantages to the lower income groups because the benefit formula is heavily weighted in their favor; and

7. Compulsory coverage makes the social insurance program truly viable.

CHAPTER 2
PRINCIPLES OF THE PHILIPPINE SOCIAL SECURITY PROGRAM

2.1 Definition of Social Security

Social Security may be broadly defined as an integral set of organizations and laws which are designed towards creating and consolidating an institution which can guarantee effective assistance to man when he is in need. It consists of measures designed to protect society form the desperate action of those exposed to the prospect of starvation due to loss or interruption of earnings by affording a modicum (moderate or small quantity) of security to the bread winner and his family upon the occurrence of certain contingencies outside their control.

In a more accurate term, however, social security may be defined as the result achieved by a comprehensive and successful series of measures for protecting the public from the economic distress that in the absence of such measures would be caused by the stoppage of earnings in sickness, unemployment, or old-age, and after death; for making available to that same public, medical care as needed; and for subsidizing families bringing up young children.

The chief characteristics of the Social Security programs are:

First, social security programs are established by government statute. Second, the programs generally provide individuals with cash payments that replace at least part of the income loss from old age, invalidity (disability) and death, sickness and maternity, unemployment and occupational injuries. Family allowances and statutory programs that provide medical care (other than public health services) are also considered social security programs. Finally, social security programs can be distinguished by the major approaches used to provide cash payments and services. These approaches include (1) social insurance, (2) social assistance or (services), and (3) public services (or assistance).

Social Security usually comprises three major measures namely:

1. Social Insurance – allows all persons who are earning to give a certain fixed percentage of contributions to a common fund and get cash benefits, depending on the amount and number of contributions given. These contributions are based on the same percentage of earnings, regardless of whether the wage earner is young or old, healthy or sickly.

   Social insurance programs in the Philippines are being administered by the Social Security System (SSS) for self-employed workers, those employed in private firms and household helpers, and by the Government

Service Insurance System (GSIS) for workers employed by the government or instrumentally, or agency thereof.

2. Public Assistance – is usually provided by an independent body which gives additional cash benefits to those who do not qualify for social insurance, or who have obvious needs beyond those which ordinary social insurance can fill.

   Public Assistance is also known as a “needs program”, that is, eligibility for benefit is established by a person’s need rather than by his earnings or by the prior payment of a premium or tax. It is also called a “means test program” in which all or any individual’s private resources are taken into account in determining the amount of public assistance he needs.

3. Social Services – are provided also by other independently financed government agency. This agency may be the rehabilitation and training centers for the disabled and the unemployed. The benefits are usually confined to low income or poor recipients, normally granted only after an investigation of the recipient’s financial resources and needs: the benefit amount is commonly adjusted to his financial resources and needs and are usually financed entirely out of the general revenues of government.

2.2 Importance of Social Insurance

In its broadest sense, social security includes all government programs established to promote economic security for the individual and his family. These programs normally provide cash benefits, medical care and other services to the aged, disabled, unemployed and to all those who lack a decent livelihood in circumstances beyond their control.

Without social security, these individuals become a burden to their immediate relatives, friends and society in general. Moreover, when help from these sources is insufficient or prematurely discontinued, the prospect of starvation may drive these individuals into desperate action and the disturbance of society becomes a consequence.

Attaining social security for everyone therefore has been recognized by all nations, including the Philippines, as one of the more important tasks of government for it makes possible the realization of man’s economic, social and cultural rights indispensable for his dignity and the free development of his personality.

2.3 Principles of Social Insurance

1. The System must be generally compulsory. A compulsory program makes it easier to protect the population against certain social risks including premature death of the family head, old age, long-term disability and medical expenses. A social insurance system on a voluntary basis would, on the one hand, not include many of the individuals who most need protection. To a large extent those who chose to participate in the System would be those who expected to get the most out of it.

2. The System must be nearly universal in coverage. Social Insurance that covers practically all workers in all types of jobs insures the protection of those who move from one job to another and provides greater equality in benefits and greater simplicity in administration. There are, however, certain valid reasons for exempting certain classes of persons from social security coverage. The main reasons for excluding certain classes of undertaking are that it is not practicable politically or administratively to insure compliance on the employees concerned who are already sufficiently protected by special machineries.

3. Benefits should be related to earnings. The amount of money an individual ultimately receives in payments should be related to his prior earnings. At the same time, the general level of benefits should take into account the needs that people may be presumed to have.

4. The social security program emphasizes the payment of benefits based on social adequacy rather than individual equity. Social adequacy means that the benefits paid provide a certain standard of living to all contributors. In technical terms, the actuarial nature of the benefits is closely related to the actuarial value of the contributions. The social security program provides benefits on a basis falling between complete social adequacy and complete individual equity, with emphasis on the former.

   The social adequacy principle results in payment of social security benefits that are heavily weighted in favor of certain groups (e.g. lower-income groups, people with many dependents, and those who are near retirement when first covered by the Social Security program). The actuarial value of the benefits received by these groups exceeds the actuarial value of their contributions. This means that they receive relatively larger benefits compared to their contributions than other groups. To strictly adhere to the wage-related principle would impede attainment of economic security for lower-income benefit groups. Strict adherence to the principle of relating benefits to earnings would mean that the benefits received by the lower-paid worker, being only a percentage of his already low wages, would be inadequate to provide even for a modest existence.

5. The social security program provides only a minimum floor of income protection against the various risks covered. The individual is primarily responsible for his or her own economic security, and if government assistance is necessary, only a minimum benefit should be paid. People are expected to supplement government economic-security programs with their own personal programs for savings, investments and insurance.

6. Benefits should replace lost earnings. With due regard to family responsibilities, the replacement should be as high as is practicable without impairing the will to resume work where resumption is a possibility and without levying charges on the productive groups so heavy that output and employment are checked.

7. Benefits must be high enough to be effective and low enough to encourage incentive and thrift. Social insurance is not intended to do more than to serve as a base upon which people can build, by their own means, the kind of security to which they aspire. It should encourage personal savings, home ownership and should not compete with the private sales of life insurance but rather should stimulate them. The benefits do not usually reduce the will to work because they are generally much below what a worker can earn.

8. There must be legal right to receive social insurance benefits. This is to assure certainty as to the amount and conditions of payment and to make the payment supportable in the court of law.

   The right to benefits other than compensation for employment injuries should be subject to contribution conditions designed to prove that the normal status of claimant is that of an employed or self-employed person and to maintain reasonable regularity in the payment of contributions: Provided that a person shall not be disqualified for benefits by reason of the failure of his employer to duly collect the contributions payable in respect of him.

9. The range of contingency to be covered by compulsory insurance should embrace all contingencies in which an insured person is prevented from earning his living whether by inability to work or in which he dies leaving a dependent family, and should include certain associated emergencies, generally experienced, which involve extraordinary strain on limited incomes, in so far as they are not otherwise covered.

10. The system should be financed by contributions, preferably by those who are protected with employers jointly paying the bill. Financial integrity is of great importance in a social insurance system. The program which is financed by contributions of employers, employees and self-employed and interest on trust fund investments is justified on several grounds:

a. Because the employers, employees and the self-employed contribute to the program, they are made aware of the relationship between the benefits received and the contributions paid and the fact that increased benefits will generally require increase in contributions.

b. It also encourages a more responsible attitude on the part of the covered worker since he knows that his benefits and those of his family are made possible by his contributions, and this knowledge gives him a greater personal interest in the soundness of the program.

c. It also encourages a more responsible attitude on the part of elected representatives. Any social insurance program can be changed by legislative action; such legislative action in a democracy ultimately depends upon the voters. If the voters are contributors, as well as the ultimate decision makers regarding the program, a more responsible attitude will be taken by their elected representatives with regard to the program.

d. Most gainfully employed workers contribute to the social security program. This has an important psychological appeal, which results in widespread acceptance of the social security program. The protected groups feel greater psychological security in the coverage provided, and at the same time, the program is less susceptible to unsound changes because of political pressure groups.

11. <u>The employer should be made responsible for collecting contributions in respect of all persons employed by him and should be entitled to deduct the sums due by them from their remuneration at the time when it is paid</u>.

12. <u>Self-employed persons should be insured against the contingencies of invalidity, old age and death under the same conditions as employed persons as soon as the collection of their contributions can be organized</u>. Consideration should be given to the possibility of insuring them also against sickness necessitating hospitalization, sickness which has lasted for several months, and extraordinary expenses incurred in cases of sickness, invalidity and death.

2.4 Principle on Lump Sum Payments

The benefits of the Social Security Program are payable generally in cash by way of a monthly pension or allowance rather than a lump sum.

A lump sum is out of place and inconsistent with one of the basic functions of the Social Security Program, that is, the systematic restoration of a substantial part of lost wages or wage-earning capacity.

The basic function is fundamental to and derives from the fact that wages are lost systematically rather that at one time in a lump sum.

If large lump sum payments are allowed, they would simply be taken for granted. This is understandably due to the natural preference for a large immediate payment.

Significantly, a claimant's obvious preference for a lump sum is invariably strongly seconded by his attorney (in contested cases), expediter, relative or friend, who would rather take his fee or free share out of a lump sum than out of a series of periodic payments.

In a high proportion of such cases, the lump sum is soon gone, and the worker is again in financial distress. Being disabled or aged, he becomes a burden to society just as if there had never been a Social Security Program.

This does not mean that a lump sum payment should never be made. Indeed, SSS pays a lump sum benefit to a primary beneficiary who does not qualify for the monthly pension and to a secondary beneficiary. It also pays a lump sum for funeral expense because of the nature of the payment. On the part of GSIS, before the implementation of P.D. 1146, lump sum payment for five years was granted. However, its present practice today like the SSS is the provision of monthly pension for those who satisfied the required years of service, otherwise, lump sum payment is granted.

If these beneficiaries were paid monthly pension rather than a lump sum, that pension would be a small amount of P10, P15, or P20. Such small and frequent payments will consume administrative energies and needlessly drain the reserve fund.

The financial resources of the Social Security Program have been prudently used to pay the substantial periodic amounts of benefit to qualified workers and their primary beneficiaries who are its main concern rather than dissipate in administrative costs to pay a long-continued series of small amounts to primary beneficiaries who are not qualified for the monthly pension or to their secondary beneficiaries.

2.5 Some Reasons for Employee and Employer Sharing of Contributions

1. <u>Employee's Contributions</u>

   a. Workers' contribution should be favored on psychological and pragmatic grounds. Direct participation by the insured protects their self-respect. It distinguishes social insurance benefits more clearly for poor relief or the "dole". It also gives the insured worker a stake in the plan and a definite right to participate in the administration of the system. Moreover, contributions by the workers encourage thrift.

   b. The insured person's contribution clearly represents the sum that he could be expected to save or pay to a mutual benefit society or insurance company. Its psychological import is considerable: it sustains the sense of responsibility of the contributor and the dignity of the beneficiary, supplying the visible and most convincing evidence of the right to benefit and to have a voice in the management of the scheme.

2. <u>Employer's Contributions</u>

   a. Industry is held accountable for the efficient maintenance and upkeep of its plans and machinery. It seems just and reasonable, therefore, that it should also be held liable for the material welfare of its workers who are even more vital to efficient production. A rounded out program of social insurance promotes the worker's welfare.

   b. The fact that, in the absence of state action, enlightened employers who have the ability are accustomed to initiate and subsidize welfare measures of every kind for their workpeople seems to show their sense of social responsibility and their awareness that generosity on their part brings, as it should, a reward.

2.6 Economic Objectives of Social Insurance

From an economic viewpoint, social insurance programs have several important objectives:

1. To provide basic economic security to the population –

   Premature death, old age, sickness and disability cause economic insecurity to the people because of the loss of income and additional expenses. Social insurance programs should provide a layer or a base of income protection to the population. In this context, basic economic security means that the social insurance benefits, along with other sources of income and other financial assets, should be sufficiently high to provide a minimum standard of living to most of the population.

2. To prevent poverty –

   By their operations, social insurance programs prevent a considerable amount of poverty through the benefits provided to the people. It should be noted that it is impossible for individuals to meet the risks of life unaided or even with the help of relatives and friends.

3. To provide stability to the economy –

   The programs should influence consumption, saving and investment in a desirable way and should tend to move in a desirable countercyclical direction against the business cycle. For example, unemployment insurance benefits are sensitive to business downswings and tend to pump funds into the economy during periods of unemployment.

4. To redistribute income –

   The social security (or social insurance) program is a system of public transfer payments that leads to a redistribution of income, since the relative share of benefits received by some groups differ from their relative share in the financing of benefits. In particular, the lower-income groups receive proportionately larger benefits compared to their contributions, since the benefit formula weighs the benefits heavily in their favor; large families receive relatively higher survivorship and retirement benefits than do single persons; the currently retired aged are receiving benefits whose actuarial value substantially exceed the actuarial value of their contributions; and, subsequent benefit increases to pension recipients also result in the receipt of the large amount s of unearned income. The combined effect of these factors is redistribution of income.

5. To preserve important values –

A final objective to social insurance is to promote and not stifle the desirable qualities of personal incentives, initiative and thrift. Many social insurance programs embody the concept that a person's economic security should arise out of his own work and they relate the worker's right to benefits, the benefit amount and the benefits received by his family to his earnings. Moreover, social insurance benefits are paid regardless of income received from savings, private pensions and financial investments. Thrift is thereby promoted, since the worker is encouraged to augment his basic layer of protection by a personal program of savings, investment and private insurance.

2.7 No Full Funding

Although private pensions stress full funding, it is not necessary for social insurance programs to be fully funded. One definition of a fully funded program is that the value of the accumulated assets under the plan is sufficient to discharge all liabilities for the benefit rights accrued to the date under the plan. Another concept of full funding is the "closed group" concept, under which the present value of the assets (fund on hand plus future contributions with respect to present workers) is compared with the present value of the future benefits for present beneficiaries and for present workers.

Full funding will require substantial higher contributions for many years in the future, which will be deflationary and can result in higher unemployment. In contrast, private pension plans must emphasize full funding, since private pension plans can and do terminate. Thus, to protect the pension rights of active and retired workers, private plans should be fully funded.

CHAPTER 3
PROVISIONS OF THE SOCIAL SECURITY PROGRAM

3.1 Social Security System (SSS)

3.1.1 Legislation

The Social Security System (SSS) was founded on 1 September 1957 pursuant to Republic Act RA No. 1161 or the Social Security Act of 1954. Its mandate is to provide meaningful protection to members and their beneficiaries against the hazards of old age, disability, death, sickness, maternity and other contingencies resulting in loss of income or financial burden, through a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines for the promotion of social justice.

Since 1957, several amendments to the Social Security (SS) Law were made through Executive Orders and Presidential Decrees, particularly pertaining to expansion of coverage and enhancement of benefits. The latest amendments came in May 1997 with the passage of Republic Act 8282 otherwise known as the Social Security Act of 1997, which provided for benefit enhancements, expanded coverage, condonation of penalties on delinquent contributions, stiffer penalties for non-compliance, and broadened investment alternatives.

3.1.2 Coverage

Coverage is compulsory for all employers in the private sector and their employees who are not over 60 years old, whether with permanent or provisional employment status, including domestic helpers earning at least P1,000 a month. All self-employed persons are also subject to mandatory coverage under the Regular Self Employed Program for artists, entertainers, proprietors and professionals, and the Expanded Self Employed Program for those with monthly earnings of at least P1,000 regardless of trade, business or occupation (e.g., unlicensed freelance workers, drivers, market vendors, other informal sector workers). Farmers and fishermen earning at least P1,500 also fall under the self-employed category.

Covered on a voluntary basis are: (1) Filipinos recruited by foreign-based employers for work abroad; (2) SSS members separated from employment or ceased to be self-employed but would like to continue paying contributions; and (3) Non-working spouses of SSS members (i.e., spouses who devote full time to managing the household and family affairs). Voluntary coverage is also possible for locals serving at foreign governments or international organizations (or their wholly owned instrumentalities) in the Philippines, through administrative arrangements.

When a person registers for SSS coverage, he becomes a member for life and is entitled to the benefits, privileges and services provided by the SSS for as long as he meets the qualifying conditions.

Throughout its history, SSS expanded social security coverage gradually. In fact, immediately after its program started in 1957, coverage was extended from employers with 100 employees (as per the 1954 Charter), to those with at least 50 employees. Below is the history of expansion of the SSS' social security program (note that formal self-employed persons were covered starting 1980 while the informal self-employed came in only in 1992).

Table 1: History of SSS Coverage Expansion

Year	Coverage	Type
1954	All employers in private business with at least 100 employees	Compulsory
1957	Employers with 50 or more employees	Compulsory
1958	Employers with at least six employees	Compulsory
1960	Employers with at least one employee	Compulsory
1963	Local employees of diplomatic/foreign missions in the Philippines	Voluntary
1973	Filipinos recruited by foreign-based employers	Voluntary
1980	Self-employed professionals	Compulsory
1992	Self-employed farmers and fishermen	Compulsory
1993	Domestic helpers	Compulsory
1995	Overseas contract workers	Voluntary
	Separated SSS members	Voluntary
	Non-working spouses	Voluntary
	Informal sector workers	Compulsory
1997	Agricultural workers not paid any regular daily wage	Compulsory
	Parents employed by children and minors employed by parents	

3.1.3 Benefits

Old Age. Retirement benefits are paid in the form of a monthly pension or a lump sum amount. If a member has reached 60 years of age, is separated from employment or has ceased to be self-employed, and has paid at least 120 monthly contributions prior to the semester of retirement, he will be eligible for monthly pension under the optional retirement scheme. For compulsory retirement, a member must have attained age 65, and contributed for 120 months before the semester of retirement[1]. An SSS retiree is entitled to monthly pension for as long as he lives. However, the monthly pension to an SSS retiree below 65 years old will be suspended if he becomes gainfully re-employed or resumes self-employment, upon which he is again subject to mandatory coverage until compulsory

[1] In the case of an SSS member who is an underground mineworker for at least five years (either continuous or accumulated) and whose actual date of retirement is not earlier than March 1998, optional retirement is at age 55 and compulsory retirement is at age 60.

retirement. SSS members who reach retirement age but are not eligible for pension are given a lump-sum amount equal to total contributions paid plus interest earned.

The lifetime basic monthly pension (BMP) is computed as the sum of: (i) P300; (ii) 20% of the average monthly salary credit (AMSC)[2]; and (iii) 2% of the AMSC for each credited year of service (CYS)[3] in excess of 10 years. This is subject to a minimum amount, computed as the higher of: i) 40% of the AMSC; or ii) P1,200 if the member has at least 10 but less than 20 CYS, or P2,400 if the member has at least 20 CYS.

Pensioners also receive a 13th month pension, payable every December. A monthly dependents' pension equal to 10% of the BMP (minimum of P250) is also given to each minor child conceived on or before the date of retirement, but not exceeding five, beginning with the youngest and without substitution. This will cease when the child reaches 21 years, marries, obtains employment and earns at least P300 a month, or dies. However, the dependent's pension is granted for life to children who are over 21 years old, provided they are incapacitated and incapable of self-support due to mental defect that is congenital or acquired during minority.

Old-age pensioners also have the option to receive the first 18 months' pension (excluding dependents' and 13th month pensions) in lump sum, discounted at a preferential rate of interest as determined by the SSS. This option is exercised upon filing of the retirement claim. Payment of monthly pension will resume on the 19th month.

Upon death of an old age pensioner, primary beneficiaries stand to receive 100% of the BMP, including dependents' pension. If the pensioner is not survived by primary beneficiaries, secondary beneficiaries will receive a lump-sum amount equal to the total monthly pensions corresponding to the balance of the five-year guaranteed benefit period, excluding dependents' pension.

Disability. SSS' new disability program conforms with the World Health Organization's definition that deems disability as any restriction or lack of ability (resulting from impairment) to perform an activity in the manner or within the range considered normal for a human being.

[2] Equal to the sum of monthly salary credits (MSCs) over the 60-month period immediately preceding the semester of contingency divided by 60, or the sum of all monthly salary credits over the full membership period divided by the number of calendar months of coverage up to the semester of contingency, whichever is higher.

[3] Equal to the sum of: (1) number of calendar years from year of coverage date up to 1984, regardless of the actual number of contributions; (2) number of calendar years in which six or more monthly contributions have been paid in 1985 to 2001; and (3) number of months with contributions paid divided by 12, from 2002 onwards.

Implementing the revised manual of disability assessment[4], this program aims to ensure that the right cash benefit for disability is paid to truly deserving members. The prescriptive period in filing disability benefit claim is set at 10 years from date of disability.

An SSS member who suffers from partial or total disability is qualified for cash benefits if he has paid at least one month of contribution. The lifetime monthly pension is provided only in the case of permanent total disability[5] for those who have at least 36 monthly contributions prior to the semester of disability. For those with permanent partial disability[6], pensions are limited to a certain number of months (depending on the degree of disability) set by law.

Lump sum cash benefit is given to a disabled member who does not have the required 36 monthly contributions. For permanent total disability, the lump-sum amount is equal to the BMP times the number of monthly contributions, or BMP times 12, whichever is higher. For permanent partial disability, it is equal to the BMP times the percentage of disability in relation to the whole body, or BMP times 12, whichever is higher.

The manner of BMP computation is much the same as in old age, including 13th month and dependents' pensions, but with the following guaranteed minimum: (i) P1,000 for those with less than 10 CYS; (ii) P1,200 if with at least 10 CYS but less than 20 CYS; and (iii) P2,400 if with more than 20 CYS. A supplemental allowance of P500 per month is also given as additional financial assistance to defray member's expenses due to his disability.

Benefit provision will likewise be suspended upon resumption of gainful employment or self-employment, recovery from disability, or failure to submit oneself to annual physical exam. Pensions for partial disability will also cease upon member's retirement or death. On the other hand, when a total disability pensioner dies, his primary beneficiaries are entitled to 100% of the BMP plus dependents' pension. If he dies within the 60-month period from the start of pension and has no primary beneficiaries, SSS will pay his secondary beneficiaries a lump-sum amount equal to the difference between 60 times the monthly pension and the total monthly pensions already paid, excluding dependents' pension.

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[4] Besides espousal of the WHO definition, this includes the adoption of the International Statistical Classification of Diseases and Related Health problems Codes (ICD-10), medical and functional assessments, and annual assessment of all pensioners except those with scheduled disabilities stated under the SS Law.

[5] Injuries resulting in complete loss of sight of both eyes, loss of two limbs at or above the ankle or wrists, permanent complete paralysis of two limbs, brain injury causing insanity, and other cases as determined and approved by the SSS.

[6] Injuries resulting in complete and permanent loss or use of any of the following parts of the body: one thumb, one index finger, one middle finger, one ring finger, one little finger, hearing of one ear or both ears, sight of one eye, one big toe, one hand, one arm, one foot, one leg, and one ear or both ears.

Death. If a deceased SSS member has at least 36 monthly contributions prior to the semester of death, primary beneficiaries are eligible for monthly pension. The BMP is the same as in old age, including the 13th month and dependents' pensions, while the guaranteed minimum is the same as in disability. In the absence of primary beneficiaries, secondary beneficiaries will get a lump-sum amount equal to 36 times the BMP before the semester of death. Beneficiaries, either primary or secondary, of a deceased member who has not paid the required contributions will also receive lump-sum benefits equal to the BMP times the number of monthly contributions, or BMP times 12, whichever is higher.

The primary beneficiaries of a member are his dependent spouse, until he or she remarries, and dependent legitimate, legitimated, legally adopted and illegitimate children. Secondary beneficiaries are his dependent parents, or in their absence, other persons designated by the member in his membership records.

Additionally, a funeral grant of up to P20,000 is reimbursed to whoever shouldered the burial expenses of a deceased member or pensioner. Primary or secondary beneficiaries of a deceased member, who has been reported for coverage but with no contribution, will qualify for the funeral benefit only.

Sickness. SSS' sickness benefit is in the form of daily cash allowance for the number of days in which a member (excluding pensioners) is unable to work due to illness or injury.

To be eligible for sickness benefit, a member must have: (1) contributed for at least three months within the 12-month period immediately preceding the semester of sickness; (2) been confined either in the hospital or at home for at least four days; (3) used up all company sick leaves with pay for the current year; and (4) notified his employer or the SSS in the case of self-employed and voluntary members.

In case of hospitalization, the claim for sickness benefits must be filed within one year from the last day of confinement. Failure to submit requirements within the prescriptive period will result to denial of the claim.

The daily sickness allowance is equal to 90% of the member's average daily salary credit (ADSC)[7], payable for a maximum of 120 days in one calendar year but not exceeding 240 days for the same illness or injury.

Maternity. The SSS provides benefits to a female member who is unable to work due to childbirth or miscarriage. She is qualified to avail of this maternity benefit if: (1) she has at least three monthly contributions within the 12-month period immediately preceding

[7] Equal to the sum of the six highest monthly salary credits (MSCs) in the 12-month period immediately prior to semester of contingency divided by 180.

the semester of contingency; and (2) she has given the required notification of her pregnancy, including the probable date of childbirth, to her employer or the SSS in the case of self-employed and voluntary members.

The maternity benefit is a daily cash allowance equal to 100% of the member's ADSC multiplied by the number of compensable days: 78 days for caesarian delivery and 60 days for normal delivery or miscarriage. A female member is eligible to receive benefits for the first four deliveries or miscarriages.

3.1.4 Financing

Funding for the defined-benefit social insurance program of the SSS is sourced exclusively from member contributions and investment earnings. The Philippine government does not provide any form of subsidy or budgetary support[8].

Financing Scheme. The SSS employs the partial advance-funding method, specifically the scaled premium system, in financing old age, disability and death benefits. Under this system, the rate of contribution is fixed at a certain percentage of wages so that receipts can match payments over a given period, such as 20 or 30 years. When current resources are no longer sufficient to account for costs, the rate is brought up to a level sufficient for another equilibrium phase. On the other hand, short-term benefits, like sickness, maternity, and funeral, are financed on a pay-as-you-go basis.

All revenues not needed for current operational and administrative expenses go to a Reserve Fund, which is intended to cover for future benefit payment liabilities. Such portion of the fund not needed to meet current benefit obligations is invested by the SSS, thereby allowing a gradual but reasonable build-up of reserves essential in the fulfillment of long-term financing requirements.

Conceptually, there will come a time when disbursements will exceed collections. Thus, the scheme calls for the accumulation and investment of reserves, together with projected increases in the rate of contribution, so that the present surplus could compensate for future deficits.

Actuarial Projections. In assessing its future financial condition, the SSS uses the full projection valuation method. Matching inflow (contributions and investment earnings) and outflow (benefits and operating expenses) projections, this method generates an estimated number of years that would take before the SSS fund levels off and gets exhausted.

[8] Although as stipulated in the SSS Charter, the Philippine government guarantees prescribed benefits to members and accepts general responsibility for the solvency of the SSS.

Actuarial valuation studies[9] make extensive use of SSS' database (e.g., profile of contributors and non-contributors, benefit availment rate, and revenue performance), using as basis growth prospects on future labor and demographic trends as well as the inflationary path of the domestic economy. Projections are prepared under alternative sets of assumptions to signify the range of SSS' financial development into the future. This enables the SSS to monitor the long-run tendency of the fund, and elect on the time and scope of corrective actions necessary to maintain financial viability.

There is no automatic indexation of benefits. Adjustments are effected on an ad hoc basis in consideration of price and wage changes, and the ability of the fund to absorb such increases.

Contributions. SSS' contribution rate is currently 9.4% of a worker's monthly salary credit (MSC). This is shared by both employer (6.07%) and employee (3.33%). A self-employed or voluntary member shoulders the entire amount. The rate is applied to 29 MSC brackets, from a minimum of P1,000 up to a maximum of P15,000, except for overseas contract workers (OCWs) to whom a minimum MSC of P5,000 is imposed. Thus, the monthly contribution per member ranges from P94 to P1,410.

The employee-member's MSC is based on his total actual remuneration from employment, plus the mandated cost of living allowance, as well as the cash value of any remuneration paid in kind. For self-employed and voluntary members, the earnings declared at the time of registration will be the basis for MSC, but in no case shall it be lower than the prevailing minimum levels[10].

All employers are required to deduct contributions from employee salaries and remit these to the SSS not later than the 10th day of each calendar month following the month for which they are applicable. Self-employed and voluntary members, however, are provided the option to pay quarterly for which the deadline is set on the 10th day of the month following the applicable quarter. Failure to pay compulsory contributions on time will entail a penalty of 3% per month from the date the contribution falls due until settled. In the event that a self-employed person does not make earnings in a particular month, he is no longer obliged to pay SSS contributions for the period.

The SSS collects contributions through accredited banks (over-the-counter or through electronic data interchange or automatic debit arrangements), and tellering counters at the SSS head office and selected branches nationwide.

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[9] The SSS requires the Office of the Actuary to submit a valuation report on the social insurance program at least every four years.

[10] Policy proposals to raise SSS' contribution rate and MSC ceiling are subject to the approval of the President of the Philippines, while lifting the MSC floor of employees and self-employed members requires charter amendments.

Investment. The SSS is mandated to exercise the skill, care, prudence and diligence imperative in the management of public funds. In line with the requirements of safety, yield and liquidity, it is required to invest the funds to earn an annual income of not less than the average rates of treasury bills or any other acceptable market yield indicator.

With the current Charter, the SSS has broader investment alternatives and more flexibility to boost possibilities in realizing higher returns given a desired risk level. As part of its investment operations, SSS is allowed to appoint local or foreign fund managers to manage the investment reserve fund, as it may deem appropriate. This policy empowers the SSS to avail of services of known experts in the field who can provide better access to higher-yielding investment opportunities in global markets.

SSS may invest in any or all of the following (subject to investment limits):

Table 2: Investment Limits Under the SSS Charter

Investment Options	**Legislated Maximum Limit** (Percent of Investment Reserve Fund)
Private securities	40%
Housing	35%
Real-estate related investments	30%
Short- and medium-term member loans	10%
Government financial institutions and corporations	30%
Infrastructure projects	30%
Any particular industry	15%
Foreign-currency denominated investments	7.5%

Because of SSS' role as a leading pension fund in a developing country, it allocates some of its investible funds for long-term financing on government ventures with social relevance (e.g., housing and other development projects). It also offers loan programs, at subsidized rates, to qualified members who are in need of short-term credit for personal purposes. These, however, must still be carried out within legislated investment parameters.

In general, the performance of SSS' investment portfolio, with respect to income generation, affects the capacity of the fund to afford benefit enhancements and initiate service improvements, and the timing of a contribution rate hike. Investment income plays an important role in filling up the gap between social security contributions and social security expenditures.

Benefits Payment. Employers advance sickness cash allowances of their qualified employees every regular payday, while maternity benefits are advanced in full within 30 days of filing the application. SSS then reimburses the employer upon receipt of satisfactory proof of such payment and legality thereof. For unemployed, self-employed and voluntary members, benefits are paid directly by the SSS.

A member or beneficiary who is entitled to the monthly pension may choose any bank through which he wants to receive his pension benefits under SSS' Bank Remittance Program. Upon filing of the claim application, he must open a single savings account, submit the savings account number, and present his passbook for authentication purposes. Once approved, the SSS will mail a notice voucher to the claimant informing him when he can withdraw his pensions from the bank. Monthly pension checks may also be sent abroad upon member's request, subject to the approval of the SSS President.

Provisions also exist for the portability of long-term benefits (retirement, disability and death) to countries with which the Philippines had forged social security bilateral agreements. To date, these countries include Austria, United Kingdom, Spain, France, Canada and the independent province of Quebec, Switzerland and Belgium.

In the case of internal job mobility, or shift from private-sector to public-sector employment and vice versa, the SSS, together with the GSIS, implements the Limited Portability Law (R.A. 7699, enacted on May 1994), which provides for the totalization of workers' creditable services or contributions under the social insurance scheme of each institution. This ensures that there is no interruption in coverage, thus guaranteeing the full enjoyment by workers to their rights and privileges. The law, however, is applicable only to old age, disability and death benefits, and only to members who do not qualify for pension benefits under the laws of at least one of the Systems. Computation of benefits is pro-rated, such that the amount disbursed by the SSS and GSIS is in proportion to contributions paid to each of them, with overlapping periods of membership credited only once.

Operating Expenses. As stipulated in the SSS Charter, disbursement of SSS funds for operating expenses, such as personnel salaries and wages, supplies and materials, and office maintenance, are limited to an annual budget equivalent to 12% of contributions plus 3% of other revenues. If actual spending in any given year is less than the maximum amount allowable, the difference cannot be carried over to future years.

3.1.5 Administration

The Social Security Commission (SSC) is the policy-making body of the SSS. The SSC has statutory powers to promulgate rules/regulations to carry out the provisions of the SSS Law.

The SSC is composed of the Secretary of Labor and Employment (ex-officio), the SSS President and CEO, and seven appointive members, three of whom are from the workers' group, three from the employers' group and one from the general public. The six members representing workers and employers are chosen from among the nominees of their respective organizations. The President of the Philippines appoints directly the representative from the public, and designates the SSC Chairman from among its members. Overall operations and management is vested in the SSS President and CEO, also appointed by the President of the Philippines.

The SSS employs a workforce consisting of 5,524 personnel. About one-third are stationed at the head office, while the rest are detailed nationwide at 10 hub branches[11], 13 processing centers (PCs)[12], 99 receiving centers (RCs)[13], and 30 representative offices (ROs)[14]. Representatives are deployed or hired locally to man 14 extension offices abroad, mostly situated in Philippine embassies and consulates. This represents a network of 166 local and foreign branches.

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[11] A hub branch is equipped with on-line facilities, enabling access to SSS' mainframe data to facilitate verification of records, for backroom processing and settlement of claims; has its own administration and accounting sections; has member assistance, field inspectorate and medical evaluation units; and can accept direct payments through SSS' tellering facility.

[12] A PC functions exactly like a hub branch, but without the data center, administration and accounting sections.

[13] An RC can receive, screen and evaluate registration and claim applications through its on-line facilities, but has to transmit documents to the nearest PC for backroom processing. Some RCs are equipped with tellering facilities.

[14] An RO can only receive registration and claim applications, thus acting as a link between the member and the nearest full-service branch.

3.2 Government Service Insurance System (GSIS)

3.2.1 Legislation

The GSIS was created on 14 November 1936 with the passage of Commonwealth Act No. 186, also known as the GSIS Charter. This Charter is considered the first significant legislation in Philippine social security. Before the establishment of the GSIS in 1936, there were several existing retirement plans for specific groups, like the Philippine Constabulary under Act No. 1638, Public School Teachers under Act No. 3050, and Health Service Employees under Act No. 3173.

The law initially provided for life insurance protection to all government workers. However, on 16 June 1951, Republic Act No. 660 was passed (amending C.A. 186). Retirement insurance was added to the program, which granted annuity or monthly pension benefits to all government employees. This also extended life insurance coverage to all non-permanent employees of the government through term policy insurance renewable yearly.

Consequently, various amendments were passed:

- R.A. 1616 (31 May 1957) allowed the retirement of a member regardless of age and prescribed two other modes of retirement: (a) after 30 years of service or more with annuity benefit, or (b) after rendering at least 20 years with gratuity benefit, plus a refund of the personal contributions, with interest;

- R.A. 3593 effected the automatic life insurance coverage of compulsory members and provided for additional optional life insurance coverage;

- R.A. 4968 increased the monthly pension and insurance coverage;

- Presidential Decree No. 1146 (31 May 1977) increased, expanded and integrated social security insurance benefits and facilitated the payment thereof; and

- R.A. 8291 (24 June 1997) expanded and increased the coverage and benefits of the GSIS and provided for pre-need insurance, unemployment and separation benefits, and enhanced the powers and functions of the GSIS to better respond to the needs of its members.

While the above cover all government workers, other laws were designed for special groups only, entrusting GSIS with the following functions: (1) administration of the General Insurance Fund, and provision of insurance protection to assets and properties, which have government insurable interests, by virtue of R.A. 656 (16 June 1951) or the Property Insurance Fund; (2) enforcement of R.A. 910 (20 June 1953), which provided for a separate retirement plan for the judiciary; and (3) administration of the Barrio Officials Insurance Fund (17 June 1967), extending life, disability and accident insurance benefits to barrio (now barangay) officials and other officials of local government units.

3.2.2 Coverage

The GSIS compulsorily covers all government workers regardless of employment status, who have not reached retirement age (now at 65 years old). These include appointive or elective officials receiving fixed compensation; permanent, substitute, temporary, casual or contractual employee with employee-employer relationship; and those receiving basic salary but not per diem, honoraria or allowances. Exception is provided for contractual employees who have no employee-employer relationship with their agencies, and members of the Armed Forces of the Philippines and the Philippine National Police, including the Bureau of Jail Management and Penology and the Bureau of Fire Protection.

The GSIS now has a total of 1,424,845 active members categorized as follows: national agencies (400,018); local government units (390,463); Department of Education, Culture and Sports (534,773): and government-owned and controlled corporations (99,591).

3.2.3 Benefits

GSIS members are provided with life insurance, retirement and other social security protection such as disability, death, separation and unemployment benefits, except for members of the judiciary and constitutional commissions who are only provided with life insurance.

Old Age. GSIS' retirement benefits vary depending on the applicable legislation at the date of entry as GSIS member: R.A. 8291, P.D. 1146, R.A. 660, and R.A. 1616.

<u>Retirement under R.A. 8291.</u> To be eligible for retirement benefits under R.A. 8291, the retiree must have rendered at least 15 years of service and must be at least 60 years of age at the time of retirement. Moreover, he must not be a permanent total disability pensioner.

The retiree has two options to choose from: (i) a lump sum equivalent to 60 months of the Basic Monthly Pension (BMP) payable at the time of retirement, and monthly pension for life if the retiree is still living after the five-year guaranteed period covered by the lump sum; or (ii) a lump sum equivalent to 18 times the BMP plus BMP for life payable immediately but with no five-year guarantee.

The BMP is equal to 37.5% of RAMC for each year of service, plus 2.5% of RAMC for each year of service in excess of 15 years. This should not exceed 90% of the Average Monthly Compensation (AMC)[15]. At end-2002, the AMC had a maximum limit of ₱16,000. However, this maximum limit has been removed effective 01 January 2003.

The Revalued Average Monthly Compensation (RAMC) is equal to AMC+₱700, while AMC is computed as follows:

a) If length of service is less than 36 months:

$$\text{AMC} = \frac{\text{Total compensation received prior to retirement/death/disability/separation}}{\text{Number of months member received such compensation}}$$

b) If length of service is 36 months or more:

$$\text{AMC} = \frac{\text{Total compensation received prior to retirement/death/disability/separation}}{36}$$

Retirement under R.A. 1146. This is the retirement mode applicable if a member has been in service after 31 May 1977 but before 24 June 1997.

Under this mode, a retiree aged 60 years who has rendered at least 15 years of service is entitled to a five-year guaranteed BMP and a lifetime monthly BMP thereafter. A retiree may request for the payment in lump sum of the BMP for the five-year guaranteed period, at a discounted rate of not less than 6%.

The BMP is as computed above, but the RAMC is equal to AMC+ ₱140 and the maximum RAMC is set at ₱3,140. The AMC is computed as follows:

$$\text{AMC} = \frac{\text{Total compensation received during the last 3 years}}{\text{Total number of months during which compensation was received}}$$

A retiree aged 60 years, who has not rendered 15 years of service but has at least three years of service, will be given a lump-sum amount equal to 100% of AMC for every year of service.

Retirement under R.A. 660. This retirement mode, also known as the Annuity (Pension) Plan, is applicable if a member has been in service on or before 31 May 1977. Conditions for entitlement of retirement benefits under this mode are: (1)

[15] The amount of AMC is subject to Board Approval.

the retiree's last three years of service prior to retirement must be continuous, except in cases of disability, abolition, and phase-out of position due to reorganization; (2) appointment status must be permanent in nature; and (3) the age and service requirements under the "Magic 87" formula is satisfied, as shown below:

A g e	52	53	54	55	56	57	58	59	60	61	62	63	64	65
Service	35	34	33	32	31	30	28	26	24	22	20	18	16	15

The maximum monthly pension for those above 57 years old shall be 80% of the AMC received during the last three years immediately preceding retirement. The maximum pension for those aged 57 years and below shall be 75% of the AMC.

Retirees below 60 years old shall be qualified to a monthly pension guaranteed for five years with the option to request for a one-year lump sum every six months. If the retiree is still living after the five-year guaranteed period, he shall be entitled to a monthly pension for life. For those who are at least 60 years old but less than 63 years of age on the date of retirement, the benefit is a three-year lump sum. The subsequent two-year lump sum shall be paid to the retiree on his 63rd birthday. If the retiree is still living after the five-year guaranteed period, he shall be entitled to a monthly pension for life. Available to those who are at least 63 years of age or over on the date of retirement, if still living after the five-year guaranteed period, is a monthly pension for life.

Retirement under R.A. 1616. This retirement mode, also known as the Gratuity Retirement Benefit, is applicable to members who were in government service on or before 31 May 1977. To avail of the benefits under this mode, a retiree must have rendered at least 20 years of service regardless of age and employment status. His last three years of service prior to retirement must be continuous, except in cases of disability, abolition or phase out of position due to reorganization.

The gratuity is payable by the last employer based on the total creditable service converted into gratuity months multiplied by the highest compensation received. The gratuity months is computed as follows: (i) one month salary for the first 20 years of service; (ii) 1.5 months salary for the next 10 years up to 30 years; and (iii) two months salary in excess of 30 years of service. There is no limit as to the amount of gratuity benefit.

Alternatively, the retiree may opt to receive from GSIS a refund of contributions consisting of personal contributions of the employee plus interest, and government share without interest.

Disability. Disability benefits are granted to a member due to loss or reduction in earning capacity caused by loss or impairment of normal functions of the employee's physical and/or mental faculties as a result of injury or disease. The loss in earning capacity shall be determined on the basis of: (1) employee's actual loss of income from usual occupation; and (2) capacity to engage in any other gainful occupation due to impairment.

Permanent Total Disability[16]. A member who satisfies any of the following conditions is entitled to monthly pension and carer's allowance of ₱1,500: (1) in active service with at least 180 monthly contributions; (2) separated from service with 36 monthly contributions within the five-year period immediately preceding the disability; or (3) separated from service with 180 monthly contributions prior to disability.

If the member is in active service with at least 180 monthly contributions, he will receive the BMP, carer's allowance, and a lump-sum payment equal to 18 times his computed BMP. If the member has at least three years service with contributions, but the contingency occurs five years after separation from service, he will be entitled to a lump-sum payment equal to 100% of AMC multiplied by the years he paid contributions (but not less than ₱12,000), payable immediately. No more separation benefit shall be paid in the future.

The disability benefit is suspended if the member has not reached the minimum retirement age and is re-employed, recovers from his disability, or fails to present himself for medical examination as required by the GSIS.

Permanent Partial Disability[17]. Eligibility for benefit in terms of contributions is the same as provided for under permanent total disability. The benefit is a lump-sum payment equal to the BMP times a specified number of months depending on the degree of disability, as prescribed by the GSIS.

Temporary Total Disability[18]. Temporary Total Disability (TTD) arises when there is complete but temporary incapacity to continue with a member's present employment or engage in any gainful occupation due to the loss or impairment of the normal function of the physical and/or mental faculties of the member.

Eligible for TTD benefits are members in active service at the time of disability, and if separated, has rendered at least three years of service and paid at least six monthly contributions in the 12-month period immediately preceding the disability. The benefit is equal to 75% of the member's daily compensation (minimum daily benefit is

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[16] Injuries resulting in complete loss of sight of both eyes, loss of two limbs at or above the ankle or wrist, permanent complete paralysis of two limbs, brain injury resulting in incurable imbecility, insanity or other irreversible conditions, and such other cases as may be determined by the System.

[17] Injuries resulting in complete and permanent loss of the use of any finger, toe, arm, hand, foot, leg, ear, sight of one eye, hearing of one ear, or such other cases as may be determined by the GSIS.

[18] Also called sickness income benefit.

set at ₱165) for each day of TTD. However, the duration must not exceed 120 days, but may be extended to a maximum of 240 days for intensive cases.

Death. If a member was in the service at the time of death and has rendered at least three years of service, the primary beneficiaries are entitled to: (i) 50% of the BMP; (ii) dependent children's pension for each dependent child but not exceeding 50% of the BMP, as long as they are qualified; and (iii) lump-sum payment equal to 100% of the AMC for each year the member has paid contributions but not less than ₱12,000.

However, if the member was in the service at the time of death but has rendered less than three years of service, his primary beneficiaries shall receive the same benefit except the lump-sum payment. The same is true with primary beneficiaries of a member who was separated from service but has rendered at least three years of service at the time of his death and has paid 36 monthly contributions within the five-year period immediately preceding his death; or has paid a total of at least 180 monthly contributions prior to his death (i.e., 50% of BMP and dependent children's pension).

In the absence of primary beneficiaries, the secondary beneficiaries shall receive a lump-sum payment equal to 100% of the AMC for each year that the member has paid contributions but not less than ₱12,000. In the absence of primary and secondary beneficiaries, the legal heirs shall receive the benefit.

If an old age or disability pensioner dies after the five-year guaranteed period, his primary beneficiaries shall be granted the survivorship pension for as long as they are qualified. Secondary beneficiaries are not entitled to the benefits. However, if an old age pensioner dies before the guaranteed period, his primary beneficiaries shall receive the BMP up to the end of the guaranteed period which may be converted to lump sum. Thereafter, they shall receive the basic survivorship pension for as long as they are qualified.

Primary beneficiaries are the legitimate spouse until he/she remarries and dependent children. Secondary beneficiaries include dependent parents and legitimate descendants.

Separation. The separation benefit is given to employees who have not reached the retirement age (60 years old) but have been separated from service.

The benefit is in the form of lump-sum payment, or lump-sum payment and pension. If the member has rendered at least three years but less than 15 years of service and is below 60 years of age, he shall be entitled to a lump-sum payment equal to 100% of the AMC for every year of service, payable upon reaching age 60 or upon separation, whichever comes later. However, if the member has rendered at least 15 years of service and is below 60 years of age, he shall be given a lump-sum payment equal to 18 times the BMP, payable upon separation, plus BMP for life starting at age 60.

Unemployment. The unemployment benefit is paid to a permanent government employee who is involuntarily separated from the service as a result of the abolition of his office or position usually resulting from reorganization.

To be eligible for this benefit, a member must have paid the required 12 months integrated contributions under R.A. 8291 prior to separation. The benefit amount consists of monthly payments equal to 50% of AMC, with the duration depending on the number of contributions paid, as follows:

Table 3: GSIS Unemployment Benefit Schedule

Contributions	Duration
1 year but less than 3 years	2 months
3 or more years, but less than 6 years	3 months
6 or more years, but less than 9 years	4 months
9 or more years, but less than 11 years	5 months
11 or more years, but less than 15 years	6 months

Other Benefits. All old age and death pensioners, as well as dependents under R.A. 660, P.D. 1146 and R.A. 8291, are granted a Christmas Cash Gift**,** equivalent to one month pension but not to exceed the maximum limit approved by the GSIS Board of Trustees.

Old age and disability pensioners aged 100 years and over are provided an Anniversary Benefit equivalent to one-month basic pension. Moreover, beneficiaries of deceased pensioners are given a Funeral Benefit of ₱20,000.

3.2.4 Financing

Contributions and investment earnings constitute the GSIS Social Insurance Fund, and such fund is used to finance all benefits administered by the GSIS.

Contributions. The employee and employer share GSIS contributions. The employee contributes 9% of the basic monthly. The employer contributes 12% of the employees' basic monthly salary. Of the 9% employee-contributions, 2% is used to finance life insurance benefits and 7% for retirement and other social security benefits. Members of the judiciary and constitutional commissions pay 3% of their monthly salary as their personal share, and their employers pay a corresponding 12% share for their life insurance coverage.

Investments. GSIS funds, which are not needed to meet current obligations, are invested in accordance with rules and regulations prescribed by the Board. Requirements of liquidity, safety/security and yield must be satisfied in order to ensure the GSIS fund's actuarial solvency. The GSIS is required to submit an annual report on all investments made to the Senate and Congress of the Philippines.

Within prescribed limits, the GSIS Charter allows investments in: interest-bearing bonds and securities of the national government, domestic banks in the Philippines designated as a depository by the Central Bank of the Philippines, educational or medical institutions; common and preferred stocks of solvent corporations with at least three-year track record of profitability; domestic and foreign mutual funds; real estate properties; short- and medium-term loans to members; and foreign currency-deposits and denominated debts.

Operating Expenses. For operational and administrative expenses, the GSIS is allowed to disburse a maximum of 12% of yearly revenues from all sources. On the basis of actuarial and management studies, this limit may however be adjusted subject to the approval of the President of the Philippines.

3.2.5 Administration

The governing and policy-making body of the GSIS is the Board of Trustees. It is composed of the GSIS President and General Manager (PGM) and eight other members appointed by the President of the Philippines: one represents public school teachers; two are from organizations or associations of government employees or retirees; four represent the banking, finance, investments and insurance sectors; and one is a GSIS member with a legal profession. The Trustees elect the chairman from among themselves, while the GSIS PGM serves as vice-chairman. Members have fixed terms of six years without reappointment.

The GSIS workforce consists of 3,104 employees, 52% of which are in the Head Office while the remaining 48% are in the Branches. To date, there are 40 branches and 78 satellite offices nationwide. It is envisioned that the System's service network will continue to increase, as the institution is committed to provide branch offices in every province where there exists a minimum of 15,000 active members.

3.3 Philippine Health Insurance Corporation (PhilHealth / PHIC)

3.3.1 Legislation

Since its inception in 1972 by virtue of the Philippine Medical Care Act of 1969, the SSS and GSIS have administered the Medicare Program for their respective members. With the passage of the National Health Insurance Act (Republic Act No. 7875) on 14 February 1995, PhilHealth was formed to serve as the sole arm for the implementation of the country's National Health Insurance Program (NHIP). Thus, from 1997 to 1999, Medicare components of SSS' and GSIS' operations were gradually transferred to PhilHealth as mandated by law.

The NHIP aims to provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all Filipinos.

3.3.2 Coverage

PhilHealth covers the entire population under the NHIP, in conformity with the principles of universality and compulsory membership. The law specifically calls for a phased-in implementation of the program over a period of not more than 15 years.[19]

All employed persons (SSS and GSIS members) and their qualified dependents are automatically enrolled in PhilHealth. Indigent families[20], who are eligible to benefits from health insurance plans initiated by local government units (LGUs), are given free Medicare access on a yearly basis. Under this program, now called the Sponsored Program, PhilHealth forges ties with LGUs, legislators and private donors for the financing of health insurance premiums of the targeted marginalized group.

Self-employed persons, overseas Filipino workers, individuals who are separated from employment but intend to continue membership, parents, children and unemployed persons who are not qualified as legal dependents, indigents or retirees/pensioners, and Filipinos residing in other countries are also protected by PhilHealth under its Individually Paying Program (IPP). These members voluntarily pay the required premiums in full.

On the other hand, retirees and pensioners[21] enjoy lifetime coverage on a non-paying basis (i.e., exempted from payment of premiums).

3.3.3 Benefits

[19] Issuance of Administrative Order No. 277, dated 25 June 1995, gave priority to the poorest 25% of the population to be covered by social health insurance within five years.

[20] Those who have no visible means of income or whose income is insufficient for the subsistence of the family based on specific criteria set by PhilHealth.

[21] SSS and GSIS members who have reached the age of retirement, prior to effectivity of the law on 4 March 1995; SSS and GSIS pensioners, including permanent disability and survivorship pensioners, prior to the effectivity of the law; and members who have reached the age of retirement, as provided for by law, and paid at least 120 monthly premium contributions.

Qualifying Conditions. PhilHealth ensures access to medical care benefits if a member has paid premiums for at least three months within six months prior to the first day of his or his dependents' confinement or availment.

For IPP members, payment of one quarter immediately preceding the quarter of contingency is required. Moreover, confinement in an accredited health facility, due to an illness or injury necessitating hospitalization or medical treatment, should not be less than 24 hours[22], provided further that the allowance for room and board has not been exhausted.

Benefit Package. PhilHealth grants in-patient hospital care benefits through subsidies for the following: room and board fees; operating room charges; service fees of health care professionals; diagnostic, laboratory, and other medical examination services; use of surgical or medical equipment and facilities; prescription drugs and biologicals; and in-patient education packages.

[22] Confinements for less than 24 hours may be paid on the condition that: (1) the case was an emergency; (2) the patient was transferred to another health care facility; and/or (3) the patient expired during hospitalization.

Table 4: PhilHealth Hospital Care Benefit Schedule			
	Hospital Category (Amount in Philippine pesos)		
Benefit Item	**Primary**	**Secondary**	**Tertiary**
Room and board	200	300	400
Drug and medicines (per single period of confinement/availment)			
Ordinary case	1,500	1,700	3,000
Intensive case	700	2,000	4,000
Catastrophic case	-	8,000	16,000
X-ray, laboratory, etc. (per single period of confinement/availment)			
Ordinary case	350	850	1,700
Intensive case	700	2,000	4,000
Catastrophic case	-	4,000	14,000
Professional fees (per single period of confinement/availment)			
Ordinary case			
General practitioner	600	600	600
Specialist	1,000	1,000	1,000
Intensive/Catastrophic case			
General practitioner	900	900	900
Specialist	1,500	1,500	1,500
Operating room fees (per single period of confinement/availment)			
RUV 5.1 and below	385	670	1,060
RUV 5.1 to 10	-	1,140	1,350
RUV 10 and above	-	2,160	3,490
Surgeon	Maximum of 16,000 at 40/RUV		
Anesthesiologist	Maximum of 5,000 at 40/RUV		

Room and board utilization is up to a maximum of 45 days for members and a separate 45-day allowance for all qualified dependents[23]. Any unused portion in a given year will not be carried over to the succeeding year. The amount of benefits depends on the degree of complexity of surgical cases, evaluated as per the Relative

[23] The following dependents are covered provided that the member's premium remittances are kept updated: (1) legitimate spouse who is not a member; (2) dependent children below 21 years old, unmarried and unemployed, whether or not illegitimate, legitimated or adopted; (3) children 21 years old and above but suffering from congenital disability, either physical or mental, or any acquired disability that renders them totally dependent on the member for support; and (4) dependent parents 60 years old and above who are non-members.

Value Scale. For portability of benefits, members are free to choose from accredited hospitals around the country for any required medical treatment and/or confinement[24].

Outpatient care benefits (general consultation, medical examination services, personal preventive services, and prescription drugs and biologicals), as well as emergency and transfer services, are also made available to PhilHealth members. One-day room and board shall be deducted from the 45-day allowance for every outpatient surgical procedure.

The current NHIP also incorporates the following special benefit packages:

Maternity care package[25]. This scheme covers the first two normal spontaneous deliveries, including pre-natal services, delivery, newborn care, and post-natal consultations, performed in accredited hospitals, lying-in clinics, maternity and ambulatory clinics, and rural health units. It grants a case rate of ₱4,500 to be divided between the health care professional (₱2,000) and accredited hospital (₱2,500). If the delivery were done in a non-hospital health facility, the entire rate is payable to the accredited health care provider.

Outpatient Tuberculosis (TB) package[26]. Treatment of new cases of pulmonary and extra-pulmonary TB in children and adults are provided through Directly Observed Treatment Short-course (DOTS). This comprises of routine laboratory tests, professional fees and anti-TB drugs. A flat rate of ₱4,000 per case is paid to accredited DOTS facility.

Sponsored Program. Specifically for the poor constituents of LGUs that fall under the Indigent or Sponsored Program, PhilHealth provides basic minimum health coverage for free or at subsidized rates. The same benefits enjoyed by regular PhilHealth members (formal or employed sector, enrolled on a paying basis) are offered, but only with respect to in-patient care services, which can be obtained at any accredited hospital. Indigent members may take advantage of outpatient benefit plans, consisting of primary consultations and preventive care services, delivered through designated accredited rural health centers.

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[24] For confinement in a non-accredited facility, benefits may also be paid as long as: (1) the case was an emergency; (2) the hospital or clinic is licensed by the Department of Health; and/or (3) it was physically impossible for the patient to be transferred to an accredited facility.

[25] To avail of PhilHealth's maternity care package, IPP members must contribute for at least nine months (three quarters) within the immediate 12-month period prior to delivery. This serves as a special eligibility requirement for this membership group.

[26] Sponsored, non-paying and select IPP members (OFWs) may enroll at the DOTS center upon effectivity of membership, as stated in their health insurance ID cards or eligibility certificates.

Program beneficiaries[27] are means-tested for their socio-economic status through the Minimum Basic Needs (MBN) Approach Survey[28]. This is conducted by LGUs through the local Social Welfare and Development Office, often with assistance from the Provincial or Municipal Health Office and local community organizations.

Once selected, indigent member-households have access to the program for one full year. The LGU, however, is permitted to make member replacements during the year, as certified by the local Social Welfare and Development Office. Upon death of a member, dependents are still entitled to benefits for the unexpired portion of coverage.

Excluded Personal Health Services. Members' expenses for the following medical cases and procedures are non-compensable under the NHIP: outpatient psychotherapy and counseling for mental disorders; home and rehabilitation services; normal obstetrical delivery (except for the first two normal spontaneous deliveries); non-prescription drugs and devices; drug and alcohol dependency treatment; cosmetic surgery; optometry services; and other cost-ineffective procedures. After the conduct of actuarial studies, PhilHealth may recommend the inclusion of these personal health services in its benefit package.

Quality Assurance. Health care providers, in turn, are obliged to participate in programs of quality assurance, which involves utilization review and technology assessment, among others. The overriding objective is to guarantee the quality of health service delivery and the uniformity in health care standards throughout the country. Acquisition and use of scarce and expensive technologies, as well as the procedural performance and drug administration, should be consistent with actual needs and accepted norms of medical practice and ethics, and respectful of local culture.

3.3.4 Financing

As stipulated in R.A. 7875, a National Health Insurance Fund is created to finance all liabilities associated with the extension of benefit entitlements under the NHIP to the enrolled population, including direct disbursements, administrative costs and provision of adequate reserves. It consists of contributions from members, current balances of the health insurance funds of the SSS and GSIS collected under the former

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[27] Executive Order No. 276 signed on 29 January 2004 ordered the identification of indigent families, targeting the enrollment of a total of five million indigents under the enhanced Greater Medicare Access Program.

[28] This is used as a tool to gather information on families, on whether or not the following basic needs are met: survival (health, food and nutrition, clothing, water and sanitation); security (income and livelihood, shelter, peace and order, and public safety); and enabling (basic education and literacy, family care, psycho-social care, and participation in community affairs).

Medicare Program, subsidies earmarked by the national and local governments, appropriations from other mandated sources[29], donations and grants-in-aid, and all accruals thereof.

PhilHealth is also directed to set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds, but not more than the amount actuarially projected for two years' worth of program expenditures. Whenever actual reserves surpasses the maximum limit at the end of PhilHealth's fiscal year, either benefit levels are increased or member contributions are decreased progressively until the adjusted pay-outs or receipts satisfy the said requirement. PhilHealth invests such portion of the reserve fund not needed for current expenditure obligations.

In order to carry out its mandate of universal health insurance coverage by year 2010, PhilHealth employs the capitation payment mechanism (CPM). This is an alternative way of compensating accredited providers for health services rendered to beneficiaries enrolled in PhilHealth's Sponsored Program. The aim is to sustain local government's role in delivering basic health and medical care at the community level. Thus, exploring more effective and cost-efficient methods of financing priority public health programs will enable government to focus on the preventive aspect of health care and the improvement of health systems, rather than investing in more expensive curative services.

With the CPM, LGUs pay for each constituent indigent family the amount specified in the schedule of LGU premium contributions, in addition to the national level counterpart funding (through PhilHealth)[30]. Capitation amounts to ₱300, representing 25% of premiums per indigent member-household per year. The contribution structure is based on the LGU's capacity to shoulder costs[31], according to the income classifiction set by the Department of Interior and Local Government.

[29] Appropriation of 25% of the increment in total revenue collected under R.A. 7654 plus another 25% from the increase in documentary stamp taxes under R.A. 7660, solely for the National Health Insurance Fund.

[30] The assumption is that indigent families are incapable of paying any amount for their contributions.

[31] Private individuals or entities may participate in the Sponsored Program by taking on the contribution obligation of LGU for the indigent member-household. These sponsorships are considered as donations and thus, are fully deductible from their taxable income.

Table 5: Classification of LGU Contribution under Philhealth's Sponsored Program		
LGU Income Category	**LGU Contribution Share (Percent of Premium)**	**NG Counterpart (Percent of Premium)**
1st to 3rd class LGU	50%	50%
4th to 6th class LGU		
1st and 2nd yr of implementation	10%	90%
3rd yr of implementation	20%	80%
4th yr of implementation	30%	70%
5th yr of implementation	40%	60%
6th yr of implementation	50%	50%

Contributions. Formal sector employees and their employers, as members of the former Medicare Program administered by the SSS and GSIS, are required to continue paying contributions for health insurance coverage, at a combined rate of 2.5% of monthly salary (PhilHealth is allowed to adjust this rate up to a maximum of 3%), to be shared equally. Self-employed members shoulder the entire cost, based primarily on their estimated actual net earnings. The income ceiling is set at ₱15,000 (to be set at P20,000 by January 2005) a month, representing a maximum monthly contribution amount of ₱375. Premiums made in behalf of indigent members must not exceed the minimum contributions for employed and self-employed members.

Employers are responsible for deducting the contribution share of employees from their monthly compensation and remitting total payments to PhilHealth. A penalty of not less than ₱500 but not more than ₱1,000 for each covered employee-member will be imposed for failure or refusal to comply. In the case of self-employed members, the same fine will be meted out.

PhilHealth also accepts fixed monthly contribution of ₱100 for IPP members, payable either on a quarterly, semi-annual or annual basis. The premium is fixed because there is no regular monthly compensation to which the contribution rate can be applied, and since majority of the target clientele of this NHIP component belongs to the disadvantaged sectors.

Investment. PhilHealth is authorized to invest surplus funds to earn an average annual income at prevailing rates of interest. Two types of investment portfolio are being managed: short-term and long-term. Short-term investments comprise of marketable securities in the form of Treasury bills and special savings deposits in domestic banks that are normally placed for a period of 360 days.

Considered as long-term investment instruments are Treasury bonds, shares of preferred stocks of any solvent corporation or institution, and interest-bearing loans. In consideration of its liquidity requirements, PhilHealth maintains around 80% of its investments in short-term instruments.

Benefits Payment. The total amount of benefits availed by a member or his qualified dependents is automatically deducted from actual hospital charges and professional fees, upon submission of supporting documents to the billing section prior to discharge.

As a matter of policy, PhilHealth does not allow direct benefit reimbursement to a member except when: (1) full payment to the hospital and health care professional has been made because of his failure to submit documentary requirements; (2) he is confined abroad[32]; and (3) he is reimbursing for medicines and other medical supplies bought and used within the confinement period and supported by official receipts.

In paying for benefits and services of public and private providers, including health maintenance organizations (HMOs), medical cooperatives and other health service groups, Philhealth may use the fee-for-service[33] and/or capitation[34] disbursement mechanisms. Special consideration is given to payment for services of health care providers in remote or medically lacking areas. However, PhilHealth, through contracts with health care providers, must put up safeguards against over and under utilization of services, procedures and prescriptions, and inappropriate referral practices. In case of claims deemed rooted in false or incorrect information, PhilHealth may deny or reduce benefit payment.

Operating Expenses. PhilHealth may charge various funds under its control for the costs of administering the NHIP. Total annual operational and administrative expenses should not exceed 12% of total contributions, including government subsidies, and 3% of investment earnings collected during the immediate previous year.

3.3.5 Administration

PhilHealth is governed by a Board of Directors, composed of 11 members, appointed by the President of the Philippines: Secretary of Health as ex-officio Chairman; PhilHealth President as Vice Chairman; Secretary of Labor and Employment; Secretary of Interior and Local Government; Secretary of Social Welfare

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[32] For coverage of confinements abroad, the member is required to submit official receipt of payment (or statement of account) and certification of attending physician as to the final diagnosis, period of confinement and services rendered. The benefit rates for accredited tertiary hospitals in the Philippines will be used in computing the reimbursable amount.

[33] Fee-for-service payments may be made separately for hospital charges and professional fees based on arrangements with health care providers. Public facilities are allowed to retain charges for use in defraying operating costs other than salaries to maintain/upgrade equipment and amenities and improve quality of service.

[34] This is done according to rates of capitation payments as detailed in the guidelines issued by PhilHealth.

and Development; SSS President and CEO; GSIS General Manager; and representatives each from the labor sector, employers' group, self-employed sector and health care providers. Board members have a term of four years each, renewable for a maximum of two years, except for those whose terms are co-terminous with their respective positions in government. The PhilHealth President, however, is appointed for a fixed, non-renewable term of six years.

The main mandate of PhilHealth is to ensure the sound administration of the NHIP through the adoption of an integrated and comprehensive approach to health development, which endeavors to make essential health, medical, and other social services available to all members of Philippine society at affordable cost.

Among the administrative functions of PhilHealth is to determine requirements and issue guidelines for the accreditation of public and private health provider organizations for the provision of the basic minimum service package prescribed by PhilHealth. Consequently, it is tasked to create and authorize Local Health Insurance Offices – recently transformed into PhilHealth Regional Offices – to negotiate and enter into contracts with these health care providers.

PhilHealth has already established 15 offices, situated in every region in the Philippines. Each Regional Office has under its Service Offices and Service Desks that cater to the specific needs of provinces and chartered cities within its area of jurisdiction. To date, there are already 66 PhilHealth Service Offices and Service Desks nationwide. All these representative offices assume the responsibility of LGU coordination, member registration and contribution collection, among others.

3.4 Employees' Compensation Commission (ECC)

3.4.1 Legislation

The Employees' Compensation (EC) Program was created on 1 November 1974 by virtue of Presidential Decree No. 442 or the Labor Code of the Philippines, as amended. However, the Employees' Compensation Commission (ECC) became fully operational only following the passage of P.D. 626, which took effect on 1 January 1975. The EC Law, as amended, conferred powers and duties to the ECC in order to implement the EC Program to employed workers.

The EC Program is aimed at providing benefits to employees in the private and public sectors and their dependents in the event of work-connected contingencies such as injury, sickness, disability or death. The ECC is mandated to initiate, rationalize and coordinate policies, and to review appealed cases from the SSS and GSIS, which are responsible for administering the EC Program for their respective members.

3.4.2 Coverage

Covered under the EC Program are all public-sector employees, including those of government-owned corporations and local government units; all salaried employees in the private sector covered by the SSS, including casual, temporary and emergency workers; and Filipino seafarers covered under the SSS.

Land-based contract workers are also subject to coverage if their employer, natural or juridical, is engaged in any trade, industry or business undertaking in the Philippines.

3.4.3 Benefits

Qualifying Conditions. An employee is qualified for EC benefits if: (1) he has been reported for coverage to the SSS or GSIS; (2) sustains a work-connected injury or contracts a work-connected sickness, and later suffers from a disability or dies; and (3) has given the required notification to his employer[35].

For an injury or sickness and the resulting disability or death to be compensable under the EC Program, it must be caused by an accident arising out of, and in the course of, employment[36], or a result of an occupational disease. Proof must be shown that the risk of contracting the disease is heightened by the working conditions and environment to which the employee-member is exposed.

There will be no granting of compensation if the injury, sickness, disability or death is due to the employee's drunkenness, willful intention to injure or kill himself or another, or his notorious negligence.

Benefit Package. The benefits for employee-members or their dependents under the EC Program, which may be enjoyed simultaneously with those under the social security program of the SSS and GSIS, include the following:

Medical Services, Appliances and Supplies. These are provided to the afflicted employee beginning on the first day of injury or sickness, during the subsequent period of his disability, and as the progress of recovery may require. However, benefit availment is limited only to the ward services of an accredited hospital and accredited physician.

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[35] The employer should be notified within five days from the occurrence of sickness, injury, disability or death. Notice is not necessary if the contingency happened during working hours, at the location of work, and/or with the knowledge of the employer or his representative.

[36] The employee is at the place where his work requires him to be; is performing his official functions; and/or is executing an order for the employer elsewhere.

Rehabilitation Services. This consists of medical-surgical management, hospital treatment, appliances and supplies, vocational training, and placement assistance for an employee who has not been placed in a suitable work environment.

Disability. A daily cash income benefit, equal to 90% of the employee's average daily salary credit or average daily compensation (not less than P10 or more than P90 and P200 for GSIS and SSS members, respectively), is granted for temporary total disability or sickness, payable for a period not longer than 120 consecutive days. If the injury calls for extensive treatment, the period may be extended up to 240 days. If it persists beyond this period, the injury will be considered as permanent total disability. Disbursement of benefits will be suspended if the employee fails to submit a monthly medical report certified by the attending physician.

For permanent total disability, the income benefit is in the form of monthly pension, equal to 115% of SSS' BMP for old age (but with the guaranteed minimum at P2,000) for private-sector employees, and 120% of GSIS' BMP for old age for public-sector employees. This is provided for as long as the injured employee lives, plus 10% for each of his five dependent children, beginning with the youngest and without substitution. A supplemental allowance of P575 per month is also given to SSS members.

Employees with permanent partial disability will be entitled to monthly pension similar to permanent total disability (including supplemental allowance for SSS members), except that the duration of benefit payment is proportionate to the degree of disability. If the period of disability is less than a year, the benefit is released in lump sum.

The monthly pension for EC disability is guaranteed for five years, but will be suspended if the employee is gainfully re-employed, recovers from his disability, fails to appear for regular examination, or fails to present a medical report. Upon death of an EC disability pensioner, his beneficiaries will receive benefits in accordance with the established rules under the respective disability programs of SSS and GSIS.

Death. A monthly cash income benefit for life (including dependents' pension) is granted to the primary beneficiaries of a deceased employee. In their absence, secondary beneficiaries will also be eligible to a monthly pension but only for a period not exceeding 60 months.

For beneficiaries of SSS members, the EC death benefit is determined in the same manner as in EC permanent total disability. On the other hand, the monthly pension is not less than P15,000 for primary beneficiaries of GSIS members, but not more than the monthly salary of the latter. If the deceased member has no primary or secondary beneficiaries at the time of death, the benefit will accrue to the EC Fund.

A funeral cash benefit, worth P10,000 for SSS and P3,000 for GSIS, is also paid to any person who actually shouldered the burial expenses of a deceased member or permanent total disability pensioner.

3.4.4 Financing

The EC Law created a State Insurance Fund for financing benefits under the EC Program, mainly from employers' contributions, on a pay-as-you-go basis. As administering agencies, the SSS and GSIS are tasked to: (1) evaluate all EC claims[37] and pay corresponding EC benefits; (2) collect EC contributions; and (3) manage the State Insurance Fund.

Contributions. On top of contributions to the social security program mandated under the SSS and GSIS schemes, employers are obliged to remit an additional 1% of the monthly salary of their employees, not exceeding P1,000 and P10,000 for those in the private and public sectors, respectively[38]. Hence, the maximum monthly contribution is P10 for SSS-EC and P100 for GSIS-EC[39], to be paid together with regular social security contributions. EC contributions apply from the first peso of a member's earnings.

Only the employer is accountable for the remittance of EC contributions on behalf of his employees. This ceases upon the worker's separation from employment or death. When a covered member becomes disabled during his employment, his employer's contribution obligation will be suspended for the applicable months that he is not receiving any salary.

Investments. The SSS and GSIS invest a portion of EC contributions, in excess of current benefit outlays, in profitable ventures to generate earnings, which will be accumulated as part of the State Insurance Fund. Whereas the EC fund is co-mingled with the respective social security funds managed by the SSS and GSIS, the conduct of investment activities must adhere to relevant provisions of their charters. The investment income to be applied to the EC fund is determined by the SSS and GSIS, generally in proportion to consolidated investments.

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[37] The decision to either deny or award compensation for the claimed contingency lies with the SSS and GSIS.

[38] Setting of the contribution schedule depends on the extent of EC benefit availment experienced by the SSS and GSIS, as determined in the actuarial review of the State Insurance Fund managed by each institution.

[39] This is effective January 2002, with yearly increment of ₱10 per government employee per month until it reaches ₱170 by year 2010.

Operating Expenses. The SSS and GSIS allocate operating expenses to be charged to the EC fund for the cost of administering the EC Program and managing the fund. This is carried out in consideration of mandated budgetary limits for disbursements[40].

3.4.5 Administration

The ECC is a quasi-judicial corporate entity attached to the Department of Labor and Employment for policy coordination and guidance. The Commission is chaired by the Secretary of Labor and Employment and has the following as members: SSS President and CEO, GSIS President and General Manager, PHIC Chairman and ECC Executive Director as ex-officio members, plus two members representing the employers' and employees' sectors.

The main function of the ECC is to formulate policies and guidelines for the improvement of the EC Program, and initiate activities toward adequate occupational health and safety and accident prevention in the working environment. Inasmuch as the SSS and GSIS handle administration and fund management functions, it also primarily deals with appealed cases under the EC Program. These comprise of claim applications disapproved by either the SSS or GSIS but which claimants believe are compensable because it is work-related. Entire records of the case are forwarded to the ECC for its expeditious review of and ruling on said cases. Should it affirm SSS' or GSIS' decision, the claimant, as a last resort, may elevate his petition to the Supreme Court[41].

Aside from the Commission Proper as a functional body, there is an ECC Secretariat, headed by an Executive Director and assisted by a Deputy Executive Director, both appointed by the President of the Philippines. It has five operating divisions: Appeals, Work Contingency Prevention and Rehabilitation, Information and Public Assistance, Policy, Programs and Systems Management, and Finance and Administration.

Current efforts of ECC are clustered under four major result areas: (1) work contingency prevention services to workers, which include, among others, conduct of forums and seminars promoting occupational safety and health standards and practices; (2) curative services and compensatory benefits to workers, which involve review of the existing benefit program (for possible upgrading) and claims evaluation procedures; (3) rehabilitation services to occupationally disabled workers, such as counseling and re-skilling for placement or entrepreneurship; and (4) other support services, like the accreditation of hospitals and physicians.

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[40] The ECC requires the SSS and GSIS to submit their yearly operational budgets to ensure that expenses do not exceed 12% of the annual loading fund as provided by law.

[41] In contrast to other jurisdictions, an EC claimant does not have to hire a lawyer in appealing his case to the ECC. Only when he goes to the Supreme Court will he need legal services.

3.5 Armed Forces of the Philippines – Retirement and Separation Benefits System (AFP-RSBS)

3.5.1 Legislation

Republic Act No. 340 was signed on 26 July 1948 to create a uniform retirement system for the Armed Forces of the Philippines (AFP). The AFP-RSBS began operations on 8 October 1976, following the passage of Presidential Decree No. 361 on 30 December 1973.

Under P.D. 656 dated 1 January 1980, the AFP-RSBS fund is allowed to grow to a point of self-sufficiency, and thereafter, assume the provision of military retirement and separation benefits, taking over responsibility from the government[42].

3.5.2 Coverage

Membership in the AFP-RSBS Fund is automatic for all active military personnel (commissioned officers and enlisted personnel) of the AFP.

3.5.3 Benefits

Old Age. Military personnel may avail of compulsory retirement benefits upon reaching 56 years of age or completion of 30 years of service, whichever comes later but not beyond 60 years old. To qualify for early retirement, as well as death and disability benefits, one must have actively served in the military for at least 20 years. Eligibility to separation benefits requires payment of at least one-month contribution.

The old-age benefit under the AFP-RSBS is a gratuity payable either in: one-time lump sum equal to one month of base and longevity pay of the next grade higher than the permanent grade last held by the military personnel multiplied by the number of service years; or monthly income equal to 2.5% of monthly base and longevity pay of next higher grade for each year of active service, but not more than 85% of the compensation considered.

Disability. Benefits for permanent total physical disability are computed as in old age but not exceeding 50% of the monthly retirement pay unless the rank last held was colonel or captain and higher[43].

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[42] This financing methodology was originally prescribed to counteract the risk that the government may default in benefit payments.

[43] For disabilities other than total permanent, benefits are also paid monthly but computed depending on the extent of disability.

Death. In case a military officer or enlisted personnel dies, his spouse will receive survivorship benefits equal to 75% of his monthly retirement income. Upon the death of the spouse or if he/she remarries, the pension is passed on to the children who are 21 years of age or below, at 50% of the pension. Benefits are disbursed only if the contingency was incurred in the line of duty.

Refund. Members get a full refund of their contributions to the AFP-RSBS Fund with interest, accruing up to the last month of contribution remittance, upon separation and retirement from military service. Interest is computed monthly and compounded yearly at a rate of 4% per year (from 1992 to 1995) and 6% per year (from 1996 to present). This is granted on top of old-age benefits that military personnel are entitled to by law.

3.5.4 Financing

The AFP-RSBS is designed as a defined-benefit social insurance program financed using the pay-as-you-go system.

Contributions. Military personnel remit 5% of their monthly basic pay, collected through salary deduction, with no counterpart contributions from the employer, which is the government.

Effective 1984 (P.D. 1909), those who retired from active service prior to September 1979 and are receiving retirement pensions are considered additional members of the AFP-RSBS Fund. Thus, they are also required to contribute 5% of their gross monthly pension, but only until the age of 65 years. Accumulated contributions may be refunded in one lump-sum payment upon the termination of their entitlement to retirement pension from the government.

Investment. In order to build up the Fund as mandated by law, the AFP-RSBS invests in the following: short-term securities (25%), equities (18%), real estate (32%), lending portfolio (13%), and others (12%).

Benefits Payment. At present, however, pensions and other benefits of military personnel are provided directly by the government through AFP's annual appropriations, until the AFP-RSBS Fund, comprising of seed capital from the government[44], contributions from members and earnings from investment operations, becomes viable enough to account for benefit payouts to all current and future pensioners on a perpetual or continuing

[44] Initial funding requirement as per valuation in 1970 was placed at ₱712 million (for both the normal cost and past service liability) However, only ₱200 million in government donation was infused, as stipulated in P.D. 361. This came in five tranches over a span of four years, with the first installment in 1976 and the last one in 1980.

basis[45]. Automatic indexation of benefits to current active military remuneration (dubbed as the pension equalization feature decreed under P.D. 1909), although inherent in the AFP-RSBS benefit structure, still largely depends on the availability of cash as determined by the Department of Budget and Management[46].

3.5.5 Administration

The AFP-RSBS is governed by a Board of Trustees, with the AFP Chief of Staff as the Chairman. Major service commanders sit in the Board as members, together with one representative each from the enlisted personnel, the retired military sector, and from the Offices of the Deputy of Staff for Personnel and Comptrollership. Subject to the confirmation of the Secretary of National Defense, the Chief of Staff appoints the AFP-RSBS President, who in turn, selects all other management officers and personnel.

Major activities of the AFP-RSBS are with regard to investment management and member-related operations. Supporting these are internal management undertakings, which include organizational and human resource development, planning and control, liquidity management and custodial services, legal and other administrative functions, systems and methods, information technology, and maintenance functions.

3.6 Home Development Mutual Fund (HDMF or Pag-IBIG)

3.6.1 Legislation

The HDMF Law or Presidential Decree No. 1530 was enacted on 11 June 1978, creating a voluntary provident fund primarily for savings generation and mobilization, as well as for financing decent and affordable housing to Filipino workers.

The SSS and GSIS initially administered the provident fund scheme for their respective members. In 1979, fund administration was, however, transferred to the National Home Mortgage Finance Corporation (NHMFC) through Executive Order No. 527. In the same year, E.O. 538 was issued to merge the two funds administered by SSS and GSIS into what is now known as the Pag-IBIG[47] Fund.

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[45] As required by law, the AFP-RSBS periodically commissions an independent actuary to conduct valuation studies to determine the capability of the Fund to reasonably cover all future retirement benefits

[46] Release of lump-sum payments is also subject to availability of cash. On the other hand, benefits of military personnel opting for early retirement are not part of annual appropriations of the AFP, but are filed for separate funding through the Department of Budget and Management.

[47] Pag-IBIG is short for *Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno*.

Membership to the Pag-IBIG Fund became compulsory on 1 July 1981 under P.D. 1752 of 1980, making Pag-IBIG a corporation independent of the NHMFC. Contributions to the scheme were suspended from May to July 1986, but resumed in August 1986 with a more liberal contribution structure. It reverted to a voluntary program in 1987 by virtue of E.O. 90, with the mandate to fund the government's Unified Home Lending Program.

On 17 June 1994, Republic Act No. 7742, or the Pag-IBIG Universal Coverage Law, was signed, thus amending P.D. 1530 and 1752. The new law brought back the mandatory nature of the scheme effective 1 January 1995.

3.6.2 Coverage

Membership in the Pag-IBIG Fund is mandatory upon all employees covered by the SSS and GSIS, with monthly earnings of at least P4,000. Thus, employers are required to register their employees under the Pag-IBIG Fund. Voluntary coverage is also open to workers, including self-employed persons, and informal workers who earn less than P4,000 a month. It is also extended on a voluntary basis to overseas Filipino workers, resident immigrants and naturalized citizens under the Pag-IBIG Overseas Program. Non-earning spouses of Pag-IBIG members may also register voluntarily.

3.6.3 Benefits

Pag-IBIG benefits depend on the level of savings accumulated during a member's working lifetime, which is equal to the full value of contributions (employee plus employer shares, as the case may be) plus all annual dividends earned thereon, tax-free and government-guaranteed. The extent of dividend payments, in turn, is determined by the Fund's income for the period, and whether or not the member stays active in the payment of contributions.

A member is qualified for withdrawal of benefits in the form of refund of savings, upon the occurrence of any of the following:

Membership maturity. Members who registered under P.D. 1752 may apply upon completion of 20 years of active membership, equivalent to 240 monthly contributions. On the other hand, for those subject to R.A. 7742, partial withdrawal of savings is allowed after ten or 15 years of continuous membership, provided there is no outstanding housing loan with the Pag-IBIG Fund. This option is valid only once during the membership term.

Old Age. This is mandatory for members who are 65 years of age. However, early and optional retirement plans are also offered at age 45 and age 60, respectively.

Withdrawal of Savings. Even without the requisite maturity period or retirement age, withdrawal is allowed on account of member's *permanent departure from the country*, *permanent total physical disability*, *insanity*, *termination from service by reason of health*, or *death*, in which case, an additional benefit grant of P6,000 is given to the legal heirs to defray funeral expenses.

Portability. A Pag-IBIG member maintains his total accumulated savings even if he transfers from one employer to another, whether in the private or public sector. There are also provisions for the portability of savings under the voluntary Pag-IBIG Overseas Program, such that members who remit their Pag-IBIG contributions in U.S. dollars get a refund of their savings in the same currency.

Member Loans. Pag-IBIG Fund also offers short-term loan programs (multi-purpose and calamity loans) to all active members who have made at least 24 monthly contributions at the time of application. The limit in the loanable amount is 60% of a member's total accumulated savings, payable in two years through salary deduction and renewable after the payment of 50% of the loan principal and upon the anniversary of the loan.

3.6.4 Financing

The Pag-IBIG Fund, as a supplementary provident fund for workers, applies the underlying principle of individual equity. As described above, benefits of a Pag-IBIG member are directly linked to the total accumulated value (TAV) – counterpart contributions plus dividends – credited to his own savings account.

Contributions. Contribution is pegged at 1% of the member's monthly compensation (MC)[48] for those earning less than P1,500 a month and at 2% of MC for those with P1,500 or more[49]. Employers are mandated to contribute an additional 2% of the MC of each covered employee[50]. The contribution rate is applied up to an MC ceiling of P5,000. Thus, the maximum combined contribution is P200 per month.

Acting as agents of the Pag-IBIG Fund, employers are required to collect employee contributions, including those who joined on a voluntary basis, through payroll deductions. Failure to remit contributions shall subject the employer to a 3% penalty per month. Self-employed members shall pay their contributions directly to Pag-IBIG.

If an employee-member is separated from employment, goes on leave without pay or is suspended from work, or if his employer's coverage is waived or suspended, he may

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[48] Monthly compensation shall mean basic salary plus cost of living allowances.
[49] Employee-members may opt to increase their contributions accordingly, on a voluntary basis.
[50] Voluntary members may opt to shoulder the employer counterpart.

stop paying his contributions to the Pag-IBIG Fund, or opt to shoulder both the employee and employer contributions.

Under the Pag-IBIG Overseas Program, qualified members pay contributions based on the following schedule: US$20 or its peso equivalent, if MC is US$1,000 or less and US$40 or its peso equivalent, if MC is over US$1,000. Payment is made through accredited marketing representatives and collecting agents stationed in selected foreign posts.

Investments. Funds that are not needed to meet current operational and administrative requirements are invested by Pag-IBIG. Not less than 70% of its investible funds must be allocated to shelter development programs, including mortgage loans to qualified members for personal housing and institutional loans to accredited private developers for the construction of low-cost and socialized housing packages.

3.6.5 Administration

The powers and functions of the Pag-IBIG Fund are exercised by a Board of Trustees, composed of the following ex-officio members: Chairman of the Housing and Urban Development Coordinating Council (Board Chairman); Secretary of Finance (Board Vice-Chairman); Secretary of Budget and Management, Secretary of Labor and Employment, Secretary of Trade and Industry, and the President and CEO of the Pag-IBIG Fund. Two representatives each from the group of private employees and private employers, and one from government employees also form part of the Board as appointive members.

The Pag-IBIG Fund's nationwide branch network consists of 12 regional offices, ten sub-regional offices and 13 extension offices. Pag-IBIG has also established its strong presence in the international scene with overseas desks housed mostly in Philippine embassies and consulates in 20 countries. The Fund's presence overseas is sustained through information officers and marketing representatives stationed in selected foreign posts.

3.7 Overseas Workers' Welfare Administration (OWWA)

3.7.1 Legislation

The Welfare Fund for Overseas Workers (WFOW) was initially created as an attached agency of the Department of Labor and Employment (DOLE) through its Letter of Instructions No. 537 dated 1 May 1977, but was later operationalized as an organization on 1 May 1980 by virtue of Presidential Decree No. 1694 (as amended). With the issuance of Executive Order No. 126 on 30 January 1987, the WFOW was renamed as OWWA.

In 1994, E.O. 195 was implemented for the compulsory Medicare coverage (presently PhilHealth) of all OFWs and their dependents, except for those with existing coverage under SSS' voluntary membership program. Republic Act No. 8042 was passed on 7 June 1995 to further clarify and enhance the functions of OWWA and establish its board membership.

The program thrusts of OWWA are determined by its two-fold mandate: to provide social and welfare benefits and services to registered overseas Filipino workers (OFWs) and their dependents, and to ensure capital build-up and fund viability.

3.7.2 Coverage

Membership in OWWA may be obtained through compulsory enrollment upon processing of overseas employment contract at the Philippine Overseas Employment Administration (POEA) and by voluntary registration at job-sites abroad. In the former, all POEA-processed overseas workers, either for land-based and sea-based deployment, are automatic members. In the latter, OWWA coverage is extended to nationals who exited the Philippines as non-contract workers but later on acquired foreign employment.

Effectivity of membership, either compulsory or voluntary, occurs upon payment of contribution until expiration of the employment contract. Membership may be continued upon renewal of existing contract or issuance of new contract. In case of voluntary OFW members who registered on-site, coverage must not exceed two years, but renewable upon payment of contribution for the next applicable period.

3.7.3 Benefits

An OWWA member is entitled to the following benefits and services, subject to contribution qualification requirements and availability of funds[51]:

Insurance and Health Care. For the duration of his overseas employment contract, an OWWA member is covered with life insurance: P100,000 for natural death and P200,000 for accidental death. A burial benefit of P20,000 is further granted to help settle funeral expenses upon member's death. As a rider provision of his life insurance, he can also avail of disability benefits amounting to a range of P2,000 to P50,000 depending on the extent of disability. In case of total permanent disability, the coverage is higher at P100,000.

OWWA-Medicare members and their beneficiaries can also avail of in-patient and outpatient care services, either locally or on-site, on a reimbursement basis.

Loan Guarantee Fund. OWWA offers pre-departure loan (PDL) and family assistance loan (FAL) packages to its members, up to a maximum borrowing limit of P40,000. This is accorded in coordination with government financial institutions that maintain a P100 million revolving loan guarantee fund.

Newly hired OFWs due for deployment whose employers or agents have already paid the compulsory contributions to OWWA are qualified to apply for the PDL. The objective is to assist members in their pre-departure needs, such as placement fees, clothing requirements and pocket money. On the other hand, the FAL is bestowed for emergency and other family needs as endorsed by the member.

Education and Training. An OWWA member may take advantage of the following education and training programs for himself or his duly designated beneficiary: (1) skills-for-employment scholarship program, either technical or vocational in nature; (2) education for development scholarship program, which grants a maximum of P10,000 for school fees and P20,000 for allowances per semester for collegiate courses (not more than five years of curriculum studies); and (3) seafarers' upgrading program (one availment for every three membership contributions, plus training financial assistance worth P1,200 up to a maximum of P7,500), designed to sustain the competitive advantage of Filipino seafarers in meeting the competency standards set by the International Maritime Organization. Annual allocations of OWWA for these programs are P6 million, cost for 100 baccalaureate slots, and P10 million, respectively.

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[51] All benefits and services shall be over and above the provisions of the overseas employment contract, offer of employers and/or applicable legislation of the host country.

Social Services and Family Welfare Assistance. Under OWWA's repatriation program, members are repatriated and given services necessary to facilitate repatriation, such as airport assistance, interim housing or shelter, and domestic transportation. OWWA advances the payment of return tickets and other expenses incurred in the repatriation of OFWS, for reimbursement by the responsible recruitment agencies. There are parallel efforts to require or persuade foreign employers/principals to shoulder repatriation costs.

A reintegration program is also implemented by DOLE through OWWA, with the support of local government units and non-government organizations. This incorporates community-organizing, capability-building and social preparation projects and seminars, as well as livelihood loans, aimed at promoting productive undertakings upon their eventual return to the mainstream of Philippine society.

Workers Assistance and On-site Services. OWWA continues to assist members in all its regional and overseas offices. Services include, among others, locating the OFW, supplying information and guidance, development of materials for pre-departure orientation seminars, conduct of psycho-social counseling, conciliation services, medical and legal assistance, and outreach missions. On behalf of the OFW member, OWWA may also provide appropriate representation with employers, agents and host government authorities.

3.7.4 Financing

The benefit package of OWWA is financed by a single trust fund (OWWA Fund) pooled from compulsory member contributions, investment earnings and income from other sources. Deployed overseas workers are generally classified into two groups: land-based and sea-based. For a more efficient fund management system, contribution revenues are accounted for in two separate books of account.

The required contribution for OWWA membership is US$25 or its local currency equivalent, processed and paid on a per contract basis[52], but not exceeding two years. The same amount is applied upon renewal of membership in the succeeding years. In the case of land-based workers, the entire amount is borne by the foreign employer, while sea-based workers share the payment obligation (US$10) with ship owners (US$15). Of the total amount, ₱165 is set aside for the Insurance Benefit Program Fund (IBPF) of members.

Contributions are remitted directly to OWWA (central office or at the POEA contract processing hub) or through its duly authorized or deputized collecting officers

[52] Payments shall be made each time a contract is submitted to POEA for processing, including documentary processing of returning or vacationing workers.

at its satellite offices in the region and abroad, and other accredited collection centers, not later than the 5th day of the following month.

A portion of the OWWA Fund not needed for projected monthly operating, program and contingency fund allocations are invested. As a general policy, investible funds are placed in government securities to generate optimum earnings while maintaining liquidity and fund protection. Portfolio management is outsourced to government financial institutions, but OWWA may re-invest maturing securities as long as the original types of placement are not altered.

For the purpose of fund build-up, OWWA is directed to set an appropriate fund growth rate sufficient to meet all benefit obligations to members. Its annual budget for operational requirements and estimated insurance claims, therefore, is fixed at a level supportive of this targeted rate, to be reviewed annually to achieve comparative efficiency levels of other similarly situated agencies[53].

3.7.5 Administration

The OWWA Board of Trustees is composed of the Secretary of Labor and Employment, as Chairman; the OWWA Administrator as Vice Chairman; and the Secretaries of Budget and Management, Finance, and Foreign Affairs, one Undersecretary of Labor and Employment, POEA Administrator, and a representative each from the management and labor sectors, as members. Following the promulgation of the Migrant Workers and Overseas Filipinos Act of 1995, three additional members from the women sector, sea-based OFWs and land-based OFWs are included. The OWWA Secretariat acts as the implementing arm of the agency, administering fund resources in accordance with policies and programs formulated by the Board.

[53] The proposed annual budget is determined by OWWA's allocation pattern for the year, where the cost of service provision does not go beyond the cost of programs, claims and benefits.

ANNEX A
SOCIAL SECURITY SYSTEM

1. Computation of the Average Monthly Salary Credits (AMSC)

   The bigger of the following is the AMSC:

   a. Sum of the last sixty (60) Monthly Salary Credits prior to the semester of contingency divided by 60

   b. Sum of all Monthly Salary Credits prior to the semester of contingency divided by the number of monthly contributions paid in the same period

2. Computation of the Credited Years of Service (CYS)

   a. For a member covered prior to 1975 and contingency date is prior to 24 May 1997 (effectivity of RA 8282)

      CYS = The difference between 1975 and the Calendar Year of Coverage, plus the number of calendar years in which 6 or more monthly contributions have been paid from 1975 up to calendar year containing the semester prior to contingency.

   b. For a member covered in or after 1975 and contingency date is prior to 24 May 1997

      CYS = Number of calendar years in which 6 or more monthly contributions have been paid from the year of coverage up to calendar year containing the semester prior to contingency.

   c. For a member covered prior to 1985 and contingency date falls on or between 24 May 1997 to 30 June 2002

      CYS = The difference between 1985 and the Calendar Year of Coverage, plus the number of calendar years in which six (6) or more monthly contributions have been paid from January 1985 up to calendar year containing the semester prior to contingency.

d. For a member covered prior to 1985 and contingency date falls on or after July 2002

   CYS = The difference between 1985 and the Calendar Year of Coverage, plus the number of calendar years in which six (6) or more monthly contributions have been paid from 1985 up to 2001 plus the total number of monthly contributions paid starting January 2002 divided by 12

e. For a member covered in or after 1985 and contingency date falls on or between 24 May 1997 to 30 June 2002

   CYS = Number of calendar years in which six (6) or more monthly contributions have been paid from the year of coverage up to the calendar year containing the semester prior to the contingency

f. For a member covered in or after 1985 and contingency date falls on or after July 2002

   CYS = Number of calendar years in which six (6) or more monthly contributions have been paid from January 1985 up to 2001 plus the total number of monthly contributions paid starting January 2002 divided by 12

g. For a member covered after January 2002

   CYS = Total number of monthly contributions paid divided by 12

3. Computation of Basic Monthly Pension (BMP)

Basic Monthly Pension is the highest of the result of the following computations:

a. P300	Component 1 (Fixed Amount)
plus	
20% of the AMSC	Component 2 (Fixed Percentage)
plus	
2% of the AMSC for each credited years of service in excess of 10 years	Component 3 (Service Related)

b. 40% of AMSC

c. P2,400 for pensioners with at least 20 CYS
P1,200 for pensioners with at least 10 but less than 20 CYS
P1,000 death and disability pensioners with less than 10 CYS

4. Computation of Dependents' Pension

Dependents' Pension is the highest of the :

a. 10% x BMP; and
b. P250

For each dependent child but not to exceed 5 children.

5. Computation of Monthly Pension

Monthly Pension = The sum of BMP and Dependents' Pension

Illustration:

Type of Benefit: **Retirement**

Contribution Requirement	120
Number of Contributions	124
Credited Years of Service	12
AMSC	P5,000
Number of Dependents	4

1. Computation of Basic Monthly Pension (BMP)

   a. BMP = 300 + (20% x 5,000) + (2% x 5000 x (12 – 10))
   = P1,500

   b. BMP = 40% x 5,000
   = P2,000

   c. BMP = P1,200

   Basic Monthly Pension = P2,000

2. Computation of Dependents' Pension (DP)

   a. DP = 10% x 2,000
   = P200

   b. DP = P250

   Dependent Pension = P250 x 4 = **P1,000**

3. Computation of Monthly Pension

   Monthly Pension = P2,000 + P1,000
   = **P3,000**

Short-Term Benefits

1. Computation of Average Daily Salary Credit (ADSC)

   Average Daily Salary Credit is the sum of the 6 highest salary credit in the 12-month period immediately preceding the semester of contingency divided by 180.

2. Computation of Sickness Benefit

   Sickness Benefit = 90% of ADSC

3. Computation of Maternity Benefit

   Maternity Benefit = 100% of ADSC

Illustration:

Type of Benefit: **Sickness**

Contribution Requirement	3
Number of Contributions	40
MSC	P6,000
ADSC	P200

Computation of Sickness Benefit:

Sickness Benefit = 90% x 200

= P180

ANNEX B

GOVERNMENT SERVICE INSURANCE SYSTEM

Long-Term Benefits

1. Average Monthly Compensation (AMC)

   a. If length of service is less than thirty-six (36) months

$$AMC = \frac{\text{Total compensation received preceding Unemployment/Disability/Death}}{\text{Actual number of months member received such compensation}}$$

   b. If length of service is thirty-six (36) months or more

   AMC – the average monthly compensation in the last thirty-six months in service.

2. Revalued Average Monthly Compensation (RAMC)

   RAMC = AMC + 700

3. Computation of Basic Monthly Pension (BMP)

   BMP = 37.5% x RAMC, if YOS is 15 years or less;
   or
   = 37.5% x RAMC + (2.5% x RAMC x (YOS – 15)), If YOS is more than 15 years but not to exceed 90% of the AMC

   Minimum = P1,300, for retirees/disability pensioners with less than 20 YOS
   P2,400, for those with at least 20 YOS

   Where: YOS = number of years of service

4. Computation of Cash Payment (CP)

   CP = AMC x YOS, but not less than P12,000

5. Computation of Retirement and Disability Pensions (RDP)

   RDP = 100% x BMP

6. Computation of Survivorship Pension (SP)

   Basic SP = 50% x BMP

7. Computation of Dependents' Pension (DP)

   DP = 10% of Basic Monthly Pension (BMP) per dependent up to a maximum of 5 dependent children

Illustration:

Type of Benefit : **Retirement**

Contribution requirement	180
Number of contributions	180
Credited years of Service	15
AMSC	P3,000
Number of dependents	5

1. Computation of Revalued Average Monthly Compensation (RAMC)

   RAMC = P3,000 + P700
   = **P3,700**

2. Computation for the Basic Monthly Pension (BMP)

   a. BMP = 37.5% x 3,700
   = P1,387.50

   b. BMP = P1,300

   BMP = P1,387.50

3. Computation for the Dependents' Pension (DP)

   DP = 10% x 1,387.50 x 5
   = **P693.75**

4. Computation for Total Monthly Pension (TMP)

   TMP = P1,387.50 + P693.75
   = **P2,081.25**

Short-Term Benefits

1. Average Daily Compensation (ADC)

   ADC = Current monthly compensation divided by 22 days

2. Computation of Sickness Income Benefit (SIB)

   SIB = 75% of average daily compensation

Illustration:

Type of Benefit: **Sickness**

Contribution requirement	6
Number of contributions	8
ADC	P300

Computation of Sickness Income Benefit (SIB)

Sickness Income Benefit = 75% x P300
= **P225**

ANNEX C
EMPLOYEES' COMPENSATION

Long-Term Benefits

1. Computation of Average Monthly Salary Credit (AMSC)

   The bigger of the following is the AMSC:

   a. Sum of the last sixty (60) Monthly Salary Credits paid prior to the semester of contingency divided by the number of months of coverage in the same period

   b. Sum of all Monthly Salary Credits paid prior to the semester of contingency divided by the number of calendar months of coverage in the same period

2. Computation of Monthly Income Benefit (MIB)

   MIB is the highest of the following computations:

   a. MIB = 115% of basic monthly pension (BMP) computed for the SS benefits

   b. P2,000

3. Computation of Dependent Pension (DP)

   DP = 10% of MIB or P250 whichever is higher

4. Computation of Pension

   Pension = MIB + DP

Illustration:

Type of Benefit: **Disability**

Number of Contributions	48
Credited Years of Service	4
AMSC	P4,000
Number of Dependents	2

1. Computation of MIB

Computed SSS BMP

a. 300 + (20% x 4,000) = P1,100
b. 40% x 4,000 = P1,600
c. 1,000

SSS BMP = P1,600

MIB = 115% x 1,600
= 1,840 < P2,000

MIB = P2,000

2. Computation of Dependents' Pension

a. DP = 10% x 2,000 x 2 = P400

b. DP = 250 x 2 = **P500**

3. Computation of Monthly Pension

Monthly Pension = P2,000 + P500
= **P2,500**

Short-Term Benefits

1. Computation of Temporary Total Disability (TTD)

TTD	= 90% of Average Daily Salary Credit (ADSC)
Maximum	= P200

Illustration:

Type of Benefit: **Temporary Total Disability**

Number of contributions	40
ADSC	P300

Computation of Temporary Total Disability Benefit (TTD)

Temporary Total Disability Benefit	= 90% x P300
	= P270 > P200

Temporary Total Disability Benefit = P200

ANNEX D
SSS AND GSIS BENEFITS UNDER TOTALIZATION

PENSION BENEFIT

Case 1

Before Totalization	**After Totalization**
Not qualified under both systems	Qualified under both systems

1. No overlapping of contributions

   Type of Benefit: **Retirement**

	SSS	GSIS	TOTAL
Contributions requirement	120	180	
Number of contributions	72	108	180
Credited years of service	6	9	15
AMSC/AMC	P6,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (6,000 x 2% x 10)
= 1,500

b. 40% x 6,000
= 2,400

c. P1,000

Theoretical Pension = P2,400

GSIS - the higher of:

a. 37.5% x 3,700
   = 1,387.50

b. P1,300

Theoretical Pension = P1,387.50

Computation for the Pro-Rated Pension:

SSS -	2,400 x (72/120)	= P1,440
GSIS -	1,387.50 x (108/180)	= P832.50
Total Pension	***= P1,440 + P832.50***	***= P2,272.50***

2. With Overlapping of contributions

   Type of Benefit: **Retirement**

	SSS	**GSIS**	**Total**
Contribution requirement	120	180	
Number of contributions	84	120	204
Overlapping of contributions			18
Credited years of service	7	10	17
Overlapping CYS			3
AMSC/AMC	P3,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (3,000 x 2% x 10)
   = 900

b. 40% x 3,000
   = 1,200

c. 1,000

Theoretical Pension = P1,200

GSIS - the higher of:

a. 37.5% x 3,700
   = P1,387.50

b. 1,300

Theoretical Pension = P1,387.50

Computation of Pro-Rated Pension:

SSS	-	1,200 x (84/120)	= P840
GSIS	-	1,387.50 x (120/180)	= P925

Total Pension = P840 + P925 = P1,765

<u>Case 2</u>

Before Totalization	After Totalization
Not qualified under both Systems	Qualified under one one System only

1. No overlapping of contributions

Type of Benefit: **Retirement**

	SSS	GSIS	TOTAL
Contributions requirement	120	180	
Number of contributions	60	60	120
Credited years of service	5	5	10
AMSC/AMC	P1,000	P1,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (1,000 x 2% x 10)
= 500

b. 40% x 1,000
= 400

c. P1,000

<u>Theoretical Pension = P1,000</u>

GSIS - Cash Payment only (but shall not be less than P12,000)

CP = 1,000 x 5
= P5,000 < P12,000
= P12,000

Computation for the Pro-Rated Pension:

SSS - 1,000 x (60/120) = **500**
GSIS - Cash Payment of P12,000

Total Benefit = P500 monthly pension + Cash payment of P12,000

2. With Overlapping of contributions

Type of Benefit: **Retirement**

	SSS	**GSIS**	**Total**
Contribution requirement	120	180	
Number of contributions	72	60	132
Overlapping of contributions			12
Credited years of service	7	6	13
Overlapping CYS			1
AMSC/AMC	P5,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (5,000 x 2% x 10)
= 1,300

b. 40% x 5,000
= 2,000

c. 1,000

Theoretical Pension = P2,000

GSIS - Cash Payment only

CP = 3,000 x 6
= 18,000 > P12,000
= **P18,000**

Computation for the Pro-Rated Pension:

SSS - 2,000 x (72/120) = **P1,200**
GSIS - Cash Payment of 18,000

Total Benefit = P1,200 monthly pension + Cash payment of P18,000

Case 3

Before Totalization	After Totalization
Qualified under System A and not qualified under System B	Qualified under System B

1. No overlapping of contributions

   Type of Benefit: **Death**

	SSS	GSIS	TOTAL
Contributions requirement	36	36	
Number of contributions	120	12	132
Credited years of service	10	1	11
AMSC/AMC	P1,000	P1,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (1,000 x 2% x 10)
   = 500

b. 40% x 1,000
   = 400

c. P1,200

Theoretical Pension = P1,200

GSIS - the higher of:

a. 37.5% x 1,700
   = P637.50

b. 650

Theoretical Pension = P650

Computation for the Pro-Rated Pension:

SSS - 1,200
GSIS - P650 x (12/36) = P216.67

Total Monthly Pension = *P1,200 + 216.67* ***= P1,416.67***

2. With Overlapping of contributions

Type of Benefit: **Disability**

	SSS	**GSIS**	**Total**
Contribution requirement	36	36	
Number of contributions	24	120	144
Overlapping of contributions			24
Credited years of service	2	10	12
Overlapping CYS			2
AMSC/AMC	P3,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (3,000 x 2% x 10)
= 900

b. 40% x 3,000
= 1,200

c. 1,000

Theoretical Pension = P1,200

GSIS - the higher of:

a. = 37.5% x 3,700
= 1,387.50

b. P1,300

Theoretical Pension = P1,387.50

Computation for the Pro-Rated Pension:

SSS	-	1,200 x (24/36)	= **P800**
GSIS	-	1,387.50	

Total Monthly Pension = *P800 + P1,387.50* ***= P2,187.50***

Case 4

Before Totalization	**After Totalization**
Qualified under System A and not qualified under System B	Still not qualified under System B

1. No overlapping of contributions

Type of Benefit: **Retirement**

	SSS	GSIS	TOTAL
Contributions requirement	120	180	
Number of contributions	132	36	168
Credited years of service	11	3	14
AMSC/AMC	P6,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (6,000 x 2% x 11)
= 1,620

b. 40% x 6,000
= 2,400

c. P1,200

Theoretical Pension = P2,400

GSIS = Cash Payment only

CP = 3,000 x 3
= P9,000 <P12,000
= **P12,000**

Computation for the Pro-Rated Pension:

SSS - 2,400
GSIS - Cash Payment of P9,000

Total Benefit = P2,400 monthly pension + Cash payment of P12,000

2. With Overlapping of contributions

Type of Benefit: **Retirement**

	SSS	**GSIS**	**Total**
Contribution requirement	120	180	
Number of contributions	120	60	180
Overlapping of contributions			24
Credited years of service	10	5	15
Overlapping CYS			2
AMSC/AMC	P5,000	P3,000	

Computation of Theoretical Pension:

SSS - the highest of:

a. 300 + (5,000 x 2% x 10)
= 1,300

b. 40% x 5,000
= 2,000

c. 1,200

Theoretical Pension = P2,000

GSIS = Cash Payment only

= 3,000 x 5
= P15,000 > P12,000
= **P15,000**

Computation for the Pro-Rated Pension:

SSS - 2,000
GSIS - Cash Payment of P15,000

Total Benefit = P2,000 monthly pension + Cash payment of P15,000

SICKNESS BENEFIT

<u>Case 1</u>

Before Totalization	**After Totalization**
Not qualified under both system	Qualified under both system

1. No overlapping of contributions

	SSS	**GSIS**	**TOTAL**
Contributions requirement	3	6	
Number of contributions	2	4	6
AMSC/AMC	P6,000	P3,000	
ADSC/DC	P66.67	P136.36	
Applied Number of Days			15

Computation of Theoretical Sickness Benefit:

SSS = 90% x ADSC x 15
= 90% x 66.67 x 15
= 900

GSIS = 75% x DC x 15
= 75% x 136.36 x 15
= P1,534.05

Computation for the Pro-Rated Sickness Benefit:

SSS - 900 x (2/3) = P600
GSIS - 1,534.05 x (4/6) = P1,022.70

Total Sickness Benefit *= P600 + P1,022.70* ***= P1,622.70***

2. With Overlapping of contributions

	SSS	GSIS	Total
Contribution requirement	3	6	
Number of contributions	2	5	7
Overlapping of contributions			1
AMSC/AMC	P3,000	P3,000	
ADSC/DC	P33.33	P136.36	
Applied Number of Days			15

Computation of Theoretical Sickness Benefit:

SSS = 90% x 33.33 x 15
= P450

GSIS = 75% x 136.36 x 15
= P1,534.05

Computation of Pro-Rated Sickness Benefit:

SSS - 450 x (2/3) = P300
GSIS - 1,534.05 x (5/6) = P1,278.36

Total Sickness Benefit* = *P300 + P1,278.36* = *P1,578.36

Case 2

Before Totalization	After Totalization
Not qualified under both System	Qualified under one System only

1. No overlapping of contributions

	SSS	GSIS	TOTAL
Contributions requirement	3	6	
Number of contributions	2	2	4
AMSC/AMC	P6,000	P3,000	
ADSC/DC	P66.67	P136.36	
Applied Number of Days			15

Computation of Theoretical Sickness Benefit:

SSS = 90% x ADSC x 15
= 90% x 66.67 x 15
= 900

GSIS - Not qualified even after totalization; Therefore no benefit.

Computation for the Pro-Rated Sickness Benefit:

SSS - 900 x (2/3) = P600
GSIS - No benefit

Total Sickness Benefit = P600

2. With Overlapping of contributions

	SSS	GSIS	Total
Contribution requirement	3	6	
Number of contributions	2	5	7
Overlapping of contributions			2
AMSC/AMC	P3,000	P3,000	
ADSC/DC	P33.33	P136.36	
Applied Number of Days			15

Computation of Theoretical Sickness Benefit:

SSS = 90% x 33.33 x 15
= P450

GSIS = Not qualified even after totalization; Therefore no benefit.

Computation of Pro-Rated Sickness Benefit:

SSS - 450 x (2/3) = P300
GSIS - No benefit

Total Sickness Benefit = P300

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