



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Head Office:
P.O. Box 3589 Manila
FAX No. 522-14-34
Tel. Nos. 523-84-61 to 70
Website : www.insurance.gov.ph

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CIRCULAR LETTER

To : All Life Insurance Companies

Subject : Guidelines for the Approval of Personal Equity Retirement Account (PERA) Investment Products

Pursuant to Title 9. Policy Forms, Section 226 of the Insurance Code, Sections 3 (g) and 15 (b) of PERA Act of 2008 and Rule 3 (h) of its Implementing Rules and Regulations, the following guidelines relative to approval of PERA Investment Products are hereby promulgated for your guidance:

1. No PERA Investment Product shall be issued/delivered within the Philippines by a life insurance company unless previously approved by the Insurance Commission in accordance with Rule 3 (h) of the Rules and Regulations Implementing the PERA Act of 2008.
2. In addition to the applicable requirements set out in Title 10. Variable Contracts, Sections 227 to 240 of the Insurance Code, Circular Letter Nos. 27-2005 and 32-2011 and Guidelines on Variable Life Insurance Contracts, the contracts for PERA Investment Products shall contain in substance the conditions of PERA Act of 2008 under the following Sections as well as the corresponding PERA Rules:

- a. **Section 4. Establishment of a PERA** - *A Contributor may create and maintain a maximum of five (5) PERA, at any one time: Provided, That the Contributor shall designate and maintain only one (1) Administrator for all his PERA.*

The Contributor shall make all investment decisions pertaining to his PERA. However, he has the option of appointing an Investment Manager, either in writing or in electronic form, to make investment decisions on his behalf without prior consultation.

- b. **Section 5. Maximum Annual PERA Contributions** – A Contributor may make an aggregate maximum contribution of One Hundred Thousand Pesos (Php100,000.00) or its equivalent in any convertible foreign currency at the prevailing rate at the time of the actual contribution, to his/her PERA per year. Provided, That if the Contributor is married, each of the spouses shall be entitled to make a maximum contribution of One Hundred Thousand Pesos (Php100,000.00) or its equivalent in any convertible foreign currency per year to his/her respective PERA: Provided, further, That if the Contributor is an overseas Filipino, he shall be allowed to make maximum contributions double the allowable maximum amount.

A Contributor has the option to contribute more than the maximum amount prescribed herein: Provided, That the excess shall no longer be entitled to a tax credit of five percent (5%).

The Secretary of Finance may adjust the maximum contribution from time to time, taking into consideration the present value of the said maximum contribution using the Consumer Price Index as published by the National Statistics Office, fiscal position of the government and other pertinent factors.

- c. **Section 11. Termination** – Any premature termination shall be treated as an early withdrawal under Section 13 hereof; Provided, That the penalties thereunder shall not apply if the entire proceeds therefrom are immediately transferred to another PERA investment and/or another Administrator.
- d. **Section 12. Distributions Upon Retirement/Death** – Distributions may be made upon reaching the age of fifty five (55) years: Provided, That the Contributor has made contributions to the PERA for at least five (5) years. The distribution shall be made in either lump sum or pension for a definite period or lifetime pension, the choice of which shall be at the option of the Contributor. The Contributor, however, has the option to continue the PERA. Complete distribution shall be made upon the death of the Contributor, irrespective of the age of the Contributor at the time of his death.
- e. **Section 13. Penalty on Early Withdrawal** – Any early withdrawal shall be subject to a penalty, the amount of which would be determined by the Secretary of Finance payable to the government; Provided, That the amount of the penalty shall in no case be less than the tax incentives enjoyed by the Contributor.

No early withdrawal penalty shall be imposed on any withdrawal of any funds for the following purposes:

- a. For payment of accident or illness-related hospitalization in excess of thirty (30) days; and
- b. For payment to a Contributor who has been subsequently rendered permanently totally disabled as defined under the Employees Compensation Law, Social Security Law and Government Service Insurance System Law.

3. The following, but are not limited to, may qualify as PERA Investment Products:

- a. annuity contracts
- b. insurance pension products
- c. traditional life insurance products with living benefits

Provided that the anticipated/expected accumulation of living benefits must exceed the total premiums paid as of eligibility date for tax exemption of the contributor, where the eligibility date for tax exemption of the contributor is at fifty-five (55) years of age or after five (5) years contribution to his PERA, whichever is later.

“Living Benefits” shall include, but are not limited to, guaranteed maturity benefits, anticipated benefits, dividends and contractual fund accumulations.

Excluded are the benefits payable upon the insured’s death, disablement/dismemberment, hospitalization, diagnosis of critical illness and other benefits due to injury or sickness.

- d. variable life insurance products

Provided the segregated portfolio of investments or the designated separate account of the variable life insurance contracts shall be invested in units of unit investment trust funds, share of stock of mutual funds, government securities, share of stock or other security listed and traded in a local exchange, or exchange-traded bond.

- e. other investment product or outlet which is non-speculative, readily marketable, and with a track record of regular income payments to investors.
- f. any other product as may be approved by the Insurance Commission for PERA purposes.

4. The contracts for PERA Investment Products shall bear the attached PERA Product Logo.

5. The contributor must have the capacity to contract and must possess a Tax Identification Number (TIN).

This Circular shall take effect immediately.



EMMANUEL F. DOOC
Insurance Commissioner


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