



Republic of the Philippines
DEPARTMENT OF LABOR AND EMPLOYMENT
EMPLOYEES' COMPENSATION COMMISSION
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**EXCERPTS FROM THE MINUTES OF
THE FIFTH (5th) REGULAR COMMISSION MEETING,
EMPLOYEES' COMPENSATION COMMISSION, SERIES OF 2015,**

*Convened at ECC Multi-Purpose Hall, 4th Floor, ECC Bldg. 355 Sen. Gil J. Puyat Avenue, Makati City
Tuesday, 23 June 2015 at 12:00 N.N.*

BOARD RESOLUTION NO. 15-06-30

***Approving the Adoption of the Manner of Computing SS Pension under
the SS Law, Particularly the Pension Formula and the Definitions of AMSC and
CYS, in the Prospective Computation of EC Pension***

WHEREAS, under Letter of Instruction (LOI) No. 1286 dated 30 January 1983 it partly states that:

"...every time the SSS and GSIS increase the monthly income benefits for non-work-related contingencies, such increases in monthly income benefits shall be automatically and simultaneously applicable to the monthly income benefits for employment-related contingencies under P.D. 626, as amended, so as to maintain the fifteen percent (15%) and twenty percent (20%) benefit differentials for SSS and GSIS pensioners, respectively, as provided for by law, Provided, that the liquidity and stability of the State Insurance Fund shall not, in any manner, be impaired; and Provide, Finally, That no additional premium contributions shall be assessed upon employers." (emphasis supplied)

WHEREAS, LOI No. 1286 remains effective to date as it has not been amended or repealed by the Congress;

WHEREAS, the above provision confirms that the basis for the increases in monthly income benefit for non-work-related contingencies such as the changes in the SSS definition of the average monthly salary credit (AMSC) and credited years of service (CYS), and the prevailing monthly salary credit shall be considered in computing EC pension benefits;

WHEREAS, prior to September 1990, the formula for computing the SS and EC pension, particularly the definition of the AMSC and CYS are the same;

WHEREAS, effective September 1, 1990, SSS adopted a new monthly pension policy where the monthly SS pension shall be the highest of the following:

- a. The sum of: Three hundred pesos; Twenty percent of the average monthly salary credit; and Two percent of the average monthly salary credit for every credited years of service in excess of ten years or **MP = (AMSC X 0.02 X CYS) + 300.**
- b. Forty percent (40%) of the AMSC.
- c. One Thousand Pesos

WHEREAS, effective May 24, 1997, SSS further adopted new definitions of the AMSC and CYS which are compared with the EC definition, as follows:

	SS Law Effective May 24, 1997	ECC Law
AMSC	Section 8 paragraph (m) Average monthly salary credit - "The result obtained by dividing the sum of the last sixty (60) monthly salary credits immediately preceding the semester of contingency by sixty (60), or the result obtained by dividing the sum of all the monthly salary credits prior to the semester of contingency by the number of monthly contributions paid in the same period, whichever is greater."	Chapter 1, Article 167 (y) Average Monthly Salary Credit - "In the case of the SSS, it is the result obtained by dividing the sum of the monthly salary credits in the sixty-month period immediately preceding the semester of death or disability by sixty, except where the month of death or total disability falls within eighteen calendar months from the month of coverage, in which case it is the result obtained by dividing the sum of all monthly salary credits paid prior to the month of contingency by the total number of calendar months of coverage in the same period." (As amended by PD 1368)
CYS	Section 8 paragraph (q) Credited Years of Service - "For a member covered prior to January nine hundred eighty five, 1985 minus the calendar year of coverage plus the number of calendar years in which six (6) or more contributions have been paid from January nineteen hundred eighty five (1985) up to the calendar year containing the semester prior to the contingency. For a member covered in or after January nineteen hundred eighty five (1985), the number of calendar years in which six (6) or more contributions have been paid	Chapter 1, Article 167 (dd) Credited Years of Service - "For a member covered prior to January 1975, nineteen hundred seventy five minus the calendar year of coverage, plus the number of calendar years in which six or more contributions have been paid from January 1975 up to the calendar year containing the semester prior to the contingency."



<p>from the year of coverage up to the calendar year containing the semester prior to the contingency: Provided, That the Commission may provide for a different number on contributions in a calendar year for it to be considered as a credited year of service.”</p>	<p>Relative to the last sentence in the foregoing provision of the SS Law, the Social Security Commission, under its Resolution No. 171 approved the further redefinition of the CYS starting January 2002 which is now to be computed as the sum of total number of monthly contributions paid divided by 12. With regard to years prior to 2002, the previous definition of CYS remains the same.</p>
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WHEREAS, the above different definitions yield dissimilar amounts of EC monthly pension such that EC pension is lower if its own definitions of AMSC and CYS are used compared to when the SS definitions are used;

WHEREAS, on 05 March 2015, the Employees’ Compensation Commission (ECC) requested the Social Security System (SSS) to conduct an actuarial study to determine the viability of applying the manner of computation of SS pension, particularly the definitions of AMSC and the CYS, in computing the EC pension;

WHEREAS, the results of the study show that the EC Fund Life would extend beyond the projection period of up to 2078 or the EC Fund can accommodate the increase in EC benefits if the SSS pension formula (plus 15%) and the definitions of the AMSC and CYS were used prospectively in the initial computation of EC pension;

WHEREAS, the corresponding increase in EC pension by adopting the SSS pension formula (plus 15%) and the definitions of AMSC and CYS will not require any increase in EC premiums;

WHEREAS, automatic and simultaneous increase of EC pension every time the SSS increases the SS pension for non-work related deaths and disabilities will result to the maintenance of the 15% benefit differential between SSS and EC pensions as provided for by law;

NOW THEREFORE, ON MOTION DULY MADE AND SECONDED

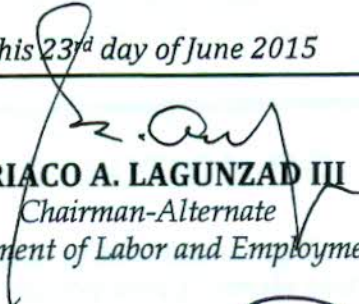
This Commission **RESOLVES** as it hereby **RESOLVED** to adopt the manner of computing the SSS Pension under the SS Law, particularly the SSS pension formula (plus 15%) and the definitions of AMSC and CYS, in the computation of EC pension and that such change shall be adopted prospectively.

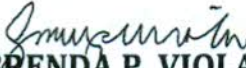


The Commission further resolves that every time the SSS increases the SS monthly pension for non-work related deaths and disabilities, there should be an automatic and simultaneous increase of EC monthly pension, provided that the mandatory actuarial studies will show that the EC Fund can accommodate such increase without requiring any raise in EC premiums, so as to maintain the fifteen percent (15%) differential between the SS and EC pensions.

RESOLVED FURTHER that a copy of this resolution be furnished to the SSS for information and guidance.

APPROVED in Makati City, this 23rd day of June 2015


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Chairman-Alternate
Department of Labor and Employment


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