

[PRESIDENTIAL DECREE NO. 712, May 27, 1975]

AMENDING COMMONWEALTH ACT NO. 186, AS AMENDED, AND CONVERTING THE PRESENT FIXED MONTHLY PENSIONS OF THE GOVERNMENT SERVICE INSURANCE SYSTEM TO INDEXED MONTHLY PENSIONS AND FOR OTHER PURPOSES.

WHEREAS, the fixed monthly annuities or pensions being received by government pensioners under Commonwealth Act No. 186, as amended, are hardly adequate to meet the increasing costs of living;

WHEREAS, the continuing erosion of the value of such fixed monthly annuities or pensions due to inflation or increase in the cost of living has aggravated the predicament of the retirees;

WHEREAS, the government is cognizant of the plight of government retirees and their families and is desirous of alleviating their predicament;

WHEREAS, a periodic adjustment of the fixed monthly pensions linked with the cost of living indices can protect the real value of the monthly annuities or pensions received by retirees from the erosive effects of inflation;

WHEREAS, the conversion of the fixed monthly annuities or pensions to indexed monthly pensions should in no way impair, diminish or abrogate the benefits presently enjoyed by retirees under Commonwealth Act No. 186, as amended, but should rather augment the present benefits;

WHEREAS, the periodic adjustments of monthly pensions must be done on a sound basis and such adjustments should conform with the financial and investment capability of the Government Service Insurance System without need of periodic increases in national government appropriations and contributions;

WHEREAS, the Government Service Insurance System must be endowed with the necessary powers and exemptions to enable it to maximize the administration of the various funds established by law;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order that:

SECTION 1. *Conversion.*—The present fixed monthly pensions under Section 11 of Commonwealth Act No. 186, as amended, shall be converted into, as hereinafter provided, and shall be known as the "Indexed Monthly Pensions".

SEC. 2. *Definitions.*—When used in this Decree the following terms shall, unless the context otherwise indicates, have the following respective meanings:

- a. "Fixed Monthly Pensions" shall mean the level of flat monthly annuities provided under Section 11 of Commonwealth Act No. 186, as amended.
- b. "Indexed Monthly Pensions" shall mean the adjusted and adjustable monthly annuities to be provided under this Decree based on a cost of living index or other government indices.
- c. "Cost of Living Index" or "Index" shall mean the Consumer Price Index for the Philippines, as compiled by the Central Bank of the Philippines.

- d. "Adjustment Date" shall mean the first day of July in each calendar year.
- e. "Average Monthly Index" for any year shall mean the result obtained by dividing by twelve the sum of the monthly Indices in the twelve-month period ending on the last day of December in such year.
- f. "Index Ratio" for any Adjustment Date shall mean the result obtained by dividing by sixty the sum of the monthly Indices in the sixty-month period ending on the last day of December preceding such Adjustment Date.
- g. "Conversion Factor" shall mean the variable for converting the Fixed Monthly Pensions into Indexed Monthly Pensions.
- h. "Adjustment Factor" shall mean the variable for adjusting the Indexed Monthly Pensions on each Adjustment Date.
- i. "Board" shall mean the Board of Trustees of the Government Service Insurance System.
- j. "System" shall mean the Government Service Insurance System.
- k. "Future Retirees" shall mean the present and future members of the Retirement Insurance Fund of the System whose actual retirement dates will be on or after July 1, 1975.
- l. "Present Retirees" shall mean the members of the Retirement Insurance Fund of the System who have retired or will be retired prior to July 1, 1975.
- m. "Deferred Period" shall mean the guaranteed period for which a retiree receives a lump sum payment in lieu of his Fixed Monthly Pensions and after which period future monthly pensions shall be payable to the retiree, for life.
- n. Whenever used herein, the masculine pronoun shall include the feminine gender, the singular number shall include the plural, and the plural shall include the singular, unless the context indicates otherwise.

SEC. 3. *Adjustment.*—Any pension now being received and hereafter to be received under the provisions of Section 11 of Commonwealth Act No. 186, as amended, shall be adjusted by the System upon recommendation of the General Manager of the System and approved by the President of the Philippines in accordance with such guidelines as may from time to time and as circumstances may warrant. Until amended or modified as provided above the following guidelines shall apply:

a. Future Retirees—

1. For Future Retirees who do not elect the lump sum payment—

The Fixed Monthly Pensions of a Future Retiree who does not elect the lump sum payment shall be converted into Indexed Monthly Pensions on his actual retirement date, based on the Conversion Factor applicable to the year of conversion and his year of retirement. The amount of his converted Indexed Monthly Pensions shall be the product obtained by multiplying his Fixed Monthly Pensions by the applicable Conversion Factor, which amount shall remain constant until the Adjustment Date next following the date of conversion. Subsequent adjustments of his Fixed Monthly Pensions shall be effected on each succeeding Adjustment Date. The amount of the adjusted Indexed Monthly Pensions shall be the product obtained by multiplying his Indexed Monthly Pensions for the period next preceding each Adjustment Date by the Adjustment Factor for such Adjustment Date. The amount of

such Indexed Monthly Pensions shall remain constant until the next Adjustment Date.

2. For Future Retirees availing of the lump sum payment

(aa) The lump sum payment will be computed on the basis of the Fixed Monthly Pensions,

(bb) Should a Future Retiree survive the Deferred Period:

- i. He shall be entitled to an additional lump sum payment equal to the difference between the total of the Indexed Monthly Pensions payable during the Deferred Period and the lump sum amount actually received.
- ii. At the end of the Deferred Period, his Fixed Monthly Pensions will be converted to Indexed Monthly Pensions. The manner of conversion to Indexed Monthly Pensions shall be in accordance with the provisions of paragraph (a) (1) hereof.
- iii. Subsequent adjustments shall be effected once yearly on each succeeding Adjustment Date. Such adjustments shall be in accordance with the manner of adjustment of the Monthly Pensions as provided for in paragraph (a) (1) hereof.

(cc) No additional payment shall be made should the retiree die within the Deferred Period.

b. Present retirees—

1. For Present Retirees receiving Fixed Monthly Pensions—All monthly pensions currently payable to Present Retirees shall be adjusted as follows:

(aa) The conversion of Indexed Monthly Pensions shall be effected as of July 1, 1975 based on the following Conversion Factors:

Year of Retirement	Conversion Factor
1959 and Prior	1.75
1960	1.72
1961	1.66
1962	1.63
1963	1.55
1964	1.46
1965	1.43
1966	1.39
1967	1.34
1968	1.32
1969	1.31
1970	1.21
1971	1.08
1972	1.04