

# [ PRESIDENTIAL DECREE NO. 735, June 27, 1975 ]

## FURTHER AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED ELEVEN HUNDRED SIXTY-ONE, AS AMENDED, OTHERWISE KNOWN AS THE "SOCIAL SECURITY LAW."

**WHEREAS**, on the 22nd day of December, 1973, Presidential Decree No. 347 amended certain sections of Republic Act No. 1161, as amended, otherwise known as the "Social Security Law";

**WHEREAS**, Article 178 (d) of Presidential Decree No. 442, otherwise known as the "Labor Code of the Philippines," provides for the integration of the benefits under Title II of Book IV of the Code with other benefits administered by the SSS and GSIS;

**WHEREAS**, increases in social security benefits should now be provided to meet the additional needs of SSS members arising from the price increases of prime commodities and other effects of the combined inflation and recession; and

**WHEREAS**, in order to bring about a more effective implementation of social security legislation and enable the SSS to be even more responsive to the needs of its members, it is found necessary to further amend certain sections of the Social Security Law;

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

**SECTION 1.** Section three of Republic Act No. 1161, as amended, otherwise known as the Social Security Law, is further amended to read as follows:

**"SEC. 3. Social Security System—**(a) To carry out the purposes of this Act, the Social Security System with principal place of business in Manila or Quezon City, Philippines, is hereby created. The SSS shall be under the general supervision of a Social Security Commission composed of the Secretary of Labor, the SSS Administrator and six appointive members, two of whom shall represent the labor group, two, the management group and two, the general public, to be appointed by the President of the Philippines. The Chairman of the Commission shall be designated by the President from among its members. The term of the appointive members shall be three years: *Provided*, That the terms of the first six appointive members shall be one, two, and three years for every two members, respectively. All vacancies, except through the expiration of the term, shall be filled for the unexpired term only. The appointive members of the Commission shall receive one hundred pesos per diem for each meeting actually attended by them: *Provided*, That no compensation shall be paid for more than eight meetings a month.

(b) The general conduct of the operations and management functions of the SSS shall be vested in the Administrator who shall serve as the *chief executive officer* immediately responsible for carrying out the program of the SSS and the policies of the Commission. The Administrator shall be a person who has had previous experience in technical and administrative fields related to the purposes of this Act. He shall be appointed by the

President of the Philippines and shall receive a salary to be fixed by the Commission with the approval of the President, payable from the funds of the SSS.

(c) The Commission, upon the recommendation of the Administrator, shall appoint an actuary and such other personnel as may be deemed necessary; fix their compensation; prescribe their duties and establish such methods and procedures as may insure the efficient, honest and economical administration of the provisions and purposes of this Act: *Provided, however,* That the personnel of the SSS shall be selected only from civil service eligibles certified by the Commissioner of Civil Service and subject to civil service rules and regulations."

**SEC. 2.** Paragraphs (b) and (j) of Section four of the same Act are amended to read as follows:

**"SEC. 4. Powers and duties of the Commission—**

(a) \* \* \*

(b) To submit annually not later than March 31 a public report to the President of the Philippines covering its activities in the administration and enforcement of this Act during the preceding year, including information and recommendation on broad policies for the development and perfection of the program of the SSS.

\* \* \*

(j) To acquire, receive, or hold, by way of purchase, expropriation or otherwise, public or private property for the purpose of undertaking housing projects preferably for the benefit of low-salaried employees and for the maintenance of hospitals and institutions for the sick, aged and infirm employees and immediate members of their families."

**SEC. 3.** Paragraph (a) of Section five of the same Act is further amended to read as follows:

**"SEC. 5. (a) Settlement of Disputes—**Any dispute arising under this Act with respect to coverage, benefits, contributions and penalties thereon or any other matter related thereto, shall be cognizable by the Commission, and any case filed with respect thereto shall be heard by the Commission, or any of its members, or by hearing officers duly authorized by the Commission, and decided within twenty days after the submission of the evidence. The filing, determination and settlement of disputes shall be governed by the rules and regulations promulgated by the Commission."

**SEC. 4.** Section six of the same Act is further amended to read as follows:

**"SEC. 6. Auditor and Counsel—**(a) The Commissioner on Audit shall be the ex-officio Auditor of the SSS. He or his representative shall check and audit all the accounts, funds and properties of the SSS in the same manner and as frequently as the accounts, funds and properties of the government are checked and audited under existing laws; and he shall have, as far as practicable, the same powers and duties as he has with

respect to the checking and auditing of public accounts, funds and properties in general.

(b) The Secretary of Justice shall be the ex-officio counsel of the SSS, He or his representative shall act as legal adviser and counsel thereof."

**SEC. 5.** Paragraphs (e), (j), (k), (1), (m), (n) and (o) of Section eight of the same Act are amended to read as follows:

**"SEC. 8. Terms defined**—For the purposes of this Act the following terms shall, unless the context indicates otherwise, have the following meanings:

"\* \* \*

- e. Dependent—The legitimate, legitimated or legally adopted child who is unmarried, not gainfully employed, and not over twenty-one years of age provided that he is congenitally incapacitated and incapable of self-support physically or mentally; the legitimate spouse dependent for support upon the employee; and the legitimate parents wholly dependent upon the covered employee for regular support.
- j. Employment—Any service performed by an employee for his employer, except—
  - 1. Agricultural labor when performed by a share or leasehold tenant or worker who is not paid any regular daily wage or base pay and who does not work for an uninterrupted period of at least six months in a year;
  - 2. Domestic service in a private home;
  - 3. Employment purely casual and not for the purpose of occupation or business of the employer;
  - 4. Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one years in the employ of his parents;
  - 5. Service performed on or in connection with an alien vessel by an employee if he is employed when such vessel is out side the Philippines;
  - 6. Service performed in the employ of the Philippine Government or instrumentality or agency thereof;
  - 7. Service performed in the employ of a foreign government or international organization, or their wholly-owned instrumentality; *Provided, however,* That his exemption notwithstanding, any foreign government, international organization, or their wholly-Owned instrumentality, employing workers in the Philippines or employing Filipinos outside of the Philippines may enter into an agreement with the Philippine Government for the inclusion of such employees in the SSS except those already covered by their respective civil service retirement systems; *Provided, further,* That the terms of such agreement shall confirm with the provisions of this

Act on coverage and amount of payment of contributions and benefits: *Provided, finally,* That the provisions of this Act shall be supplementary to any such agreement;

8. Such other services performed by temporary employees which may be excluded by regulation of the Commission. Employees of bona fide independent contractors shall not be deemed employees of the employer engaging the services of said contractors.
- k. Beneficiaries—The dependent spouse until he remarries and dependent children, who shall be the primary beneficiaries. In their absence, the dependent parents and, subject to the restrictions imposed on dependent children, the legitimate descendants and illegitimate children who shall be the secondary beneficiaries. In the absence of any of the foregoing, any other person designated by the covered employee as secondary beneficiary.
- l. Contingency—The retirement, death, permanent disability, injury or sickness of the covered employee.
- m. Average monthly credit—The result obtained by dividing the sum of the monthly salary credits in the sixty-month period immediately preceding the semester of contingency by the number of months<sup>9</sup> of coverage in the same period, or the result all obtained by dividing the sum of all the monthly salary credits paid prior to the semester of contingency by the number of calendar months of coverage in the same period, whichever is greater: except where the month of contingency falls within eighteen 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: *Provided,* That the injury or sickness which caused the disability shall be deemed as the permanent disability for the purpose of computing the average monthly salary credit.
- n. Average daily salary credit—The result obtained by dividing the sum of the six highest monthly salary credits in the twelve-month period immediately preceding the semester of sickness by one hundred eighty.
- o. Semester—A period of two consecutive quarters ending in the quarter of contingency."

**SEC. 6.** Paragraph (b) of Section nine of the same Act is further amended to read as follows:

**SEC. 9.** *Compulsory coverage— \* \* \**

(b) Filipinos recruited in the Philippines by foreign-based employers for employment abroad may be covered by the SSS on a voluntary basis.

**SEC. 7.** Section eleven of the same Act is further amended to read as follows:

**"SEC. 11.** *Effect of separation from employment—*When an employee under compulsory coverage is separated from employment, his employer's contribution on his account and his obligation to pay contributions arising from that employment shall cease at the end of the month of separation, but said employee shall be credited with all contributions paid on his behalf and entitled to benefits according to the

provisions of this Act. He may, however, continue to pay the total contributions to maintain his right to full benefit.

**SEC. 8.** Section twelve of the same Act is further amended to read as follows:

**"SEC. 12. *Basic monthly pension***—A covered employee who (1) has paid at least one hundred twenty monthly contributions to the SSS, has reached the age of sixty years and is separated from employment or, if still employed, is receiving less than two hundred fifty pesos monthly compensation, or; (2) has paid at least one hundred twenty monthly contributions and has reached the age of sixty-five years, or; (3) has paid at least thirty-six monthly contributions and has become permanently totally disabled, shall be entitled for as long as he lives but in no case for less than five years to the basic monthly pension shall be computed as follows:

Forty-five percent of the first three hundred pesos of the average monthly salary credit or fraction thereof; plus

Twenty-five per cent of the next three hundred pesos of the average monthly salary credit or fraction thereof; plus

Nine per cent of each succeeding one hundred pesos average monthly salary credit or fraction thereof; plus

One tenth of one per cent of the average monthly salary credit for each monthly contribution in excess of one hundred twenty and paid prior to the semester of retirement: *Provided*, That the basic monthly pension shall in no case be less than forty-five pesos nor paid for less than five years."

**"SEC. 12-A.—*Dependents' pension***—The dependents' pension shall be equivalent to ten per cent of the basic monthly pension for each dependent child but not exceeding five, beginning with the youngest and without substitution."

**"SEC. 12-B.—*Retirement benefits***—(a) A covered employee who has paid at least one hundred twenty monthly contributions prior to the semester of retirement, and who (1) has reached the age of sixty years and is not receiving two hundred fifty pesos or more monthly compensation, or (2) has reached the age of sixty-five years, shall be entitled for as long as he lives to one hundred fifteen percent of the basic monthly pension: *Provided*, That his dependents born before his retirement of a marriage subsisting when he was fifty-seven years old shall be entitled to the dependents' pension: *Provided, further*, That the foregoing benefits shall take effect on July 1, 1975: *Provided, finally*, That the monthly pension of a surviving pensioner retired due to old age before July 1, 1975 shall be increased by fifteen percent and the amount shall be his new monthly pension beginning with said date.

(b) A covered member who is sixty years old at retirement and who does not qualify for pension benefits under paragraph (a) above, shall be entitled to a lump sum benefit equal to the total contributions paid by