

COMMITTEE ON NATIONAL DEFENSE AND SECURITY

Joint with

COMMITTEE ON FINANCE

Tuesday, August 23, 2005
Senator Ambrosio B. Padilla Room

10:00 a.m.

Members Present: Senators Biazon (Chairman and presiding), Enrile and Gordon

Members Represented: Senators Villar, (J.) Estrada and Lapid

Guests/Resource Persons: Ricardo San Andres, Asst. Secretary, Department of National Defense (DND); Rogelio A. Dayan, Administrator, Philippine Veterans Affairs Office (PVAO); Major General Antonio L. Romero II, Chief, AFP Resource Management Office, J1; and Gil Montalbo, Director, Department of Budget and Management (DBM)

A G E N D A

P.S. Resolution No. 141 – *RESOLUTION DIRECTING THE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE EVER-INCREASING ARREARS OF THE GOVERNMENT ON THE PENSION REQUIREMENTS FOR THE VETERANS AND RETIREES* (Introduced by Sen. Biazon)

P.S. Resolution No. 208 – *RESOLUTION CALLING FOR AN INVESTIGATION, IN AID OF LEGISLATION, TO EXAMINE THE GOVERNMENT'S EFFORT TO GRANT THE BENEFITS DUE TO OUR WORLD WAR II VETERANS AND TO EXPLORE WAYS AND MEANS TO PROVIDE FOR THE SAME* (Introduced by Sen. Gordon)

HIGHLIGHTS

The Committee on National Defense, jointly with the Committee on Finance, chaired by Senators Biazon and Villar, respectively, conducted a joint public hearing regarding arrears in pensions of veterans and retirees on 23 August 2005 at the Senator Padilla Room, Senate of the Philippines, GSIS Bldg., Pasay City.

At the outset, Senator Biazon recalled asking officials of the Department of National Defense, the Philippine Veterans Affairs Office and the Armed Forces of the Philippines to come out with a figure showing the total government arrears in benefits due the retirees and veterans. He also asked them to coordinate with the Department of Budget and Management so that recommendations to solve the problem could be submitted to the Committees. A letter from the Chairman regarding this was made through Defense Secretary Avelino Cruz on 5 July 2005.

Defense Assistant Secretary Ricardo San Andres explained that PVAO's budget requirement for CY 2005 would be P13.627 billion but was provided only P13.61 billion while the AFP would need P14.412 billion but was given only P9.531 billion.

According to retired Commodore Rogelio Dayan, PVAO administrator, the PVAO's total budget requirement for CY 2005, including the fund for total administrative disability pension, should be about P15 billion, but no fund was appropriated for this.

When Senator Enrile inquired on the total arrears of PVAO, Assistant Secretary San Andres replied that total arrears would reach to about P23.5 billion by the end of CY 2004.

Director Montalbo admitted that the cut in the budget of PVAO was made by the DBM, adding that agencies were given the indicative budget ceilings based on the overall available resources.

Senator Enrile scored the action of the Executive Branch in exercising discretion to either enforce or not enforce the law passed by Congress even when its power to veto was not exercised. He stated that the obligation to submit repealing laws rests with the DBM (or the Executive Branch) for what it thought would be useless laws such as the one granting benefits to undeserving ones.

Director Montalbo, Administrator Dayan and MGen. Antonio Romero agreed that the total arrearages in benefits by the end of CY 2005 would be P39.265 billion representing P26.359 billion in benefits being administered by the PVAO and the P12.906 billion being granted by the AFP.

In reply to the query of the Chair on how to address the ballooning arrears, Assistant Secretary San Andres said that the Defense department was preparing a comprehensive veterans laws aimed to address the following: 1) repeal existing law granting total administrative disability benefits; and 2) amend current definition of the term "veteran". He added that a bill would also be made regarding the retirement and separation benefit system.

He also cited the administrative actions made by the Defense department, to wit: amendment to the Implementing Rules and Regulations of RA 6948 putting a cap of P24,000 per annum as educational benefits, regardless of the school and the course enrolled in; financial management audit of PVAO and the Veterans Memorial Medical Center (VMMC); and the commercialization of the property of the VMCC.

As to how the estimated P2.5 billion budget to implement the adjustment (of 26% increase) of the AFP retirees' pension based on RA 9166 could be resolved, Director Montalbo explained that a three-tranche (6%, 12%, 18%) payment scheme spread over three years could be made, adding that the implementation of the first tranche was already included in the proposed 2006 budget.

He also said that the current budget requirement of P12.7 billion for old age pension under PVAO was also included in the proposed 2006 budget, but there was none for the arrears.

Director Montalbo likewise also enumerated the additional releases which DBM made for the current year, as follows: P300 million for the PVAO to cover educational, burial disability pension benefits and partly on salary adjustment; and P159 million to cover automatic pension adjustments of the AFP retirees.

At this juncture, the Chair asked that Director Montalbo submit his proposals in addressing the concerns of the veterans and pensioners for the consideration of the Committee in the preparation of its report. He also asked the officials of the Defense Department to submit proposals for medium-term and long-term

solutions regarding veterans and retirees for the appreciation of the Committee. He said that he would like to know the executive actions that would be made as well as the legislative measures that would be proposed.

To Senator Gordon's query regarding the commercialization of the property of the VMMC, Assistant Secretary San Andres explained that the proposal would be to build a high-rise hospital for a modern medical center while the rest of the property area would be leased. He added that the proceeds of the lease would be used for the veterans arrearages and also the maintenance of the hospital.

He also said that the Defense officials would look into the possible integration of the pension management system of the AFP and the PVAO.

At this juncture, the Chair posed queries in relation to the definition of the term "veterans", the grant of benefits to these persons and other related concerns. It was pointed out that there was no data presented to the Committee regarding approval of the law defining who are veterans, what benefits are granted to them, and what actuarial study was done for the grant of benefits. However, there was a management audit made which recommended for a stricter control in the processing of veterans' claim, including admission of new veterans.

After thanking all the guests and resource persons for sharing their views and comments to the Committee, the Chair adjourned the hearing.