

PHL pension system seen facing sustainability, governance issues

By Aaron Michael C. Sy

Reporter

THE pension system is facing sustainability issues as well as questions about its ability to resist political interference, analysts said.

"The Social Security System (SSS) pension payout is notoriously low. It may be good for some food, but certainly not enough for utility bills and maintenance medicine. There are doubts about its sustainability given its current reserve deficit. It also suffers from integrity issues given the history of government trying to raid it for development needs," University of Los Baños Economics Senior Lecturer Enrico P. Villanueva said in a social media message.

The Government Service Insurance System (GSIS) likewise has a "massive" reserve deficit, Mr. Villanueva noted.

"The lack of (correspondence) between contributions and de-

fined benefits means there is doubt about its sustainability," he added.

Mr. Villanueva noted the government's initial plan to use the pension funds to provide seed capital for the Maharlika Investment Corp. (MIC).

"While the government has not reneged on pension payments, there is distrust created by attempts to transfer funds away from them, as in the case of Maharlika," he said.

The MIC eventually received its initial capital from the Land Bank of the Philippines (P50 billion), Development Bank of the Philippines (P25 billion) and the National Government (P50 billion).

State pension funds are also unable to provide formal social security benefits for the majority of the population due to their informal nature, Filomeno S. Sta. Ana III, coordinator of Action for Economic Reforms, said via Facebook Messenger.

He noted the disparity in pension benefits between public and private sector employees, and within the public sector, between civilian and uniformed personnel.

"Within the public sector, some have heftier benefits than others (e.g., members of judiciary and military and uniformed personnel)," he said.

Monetary Board Member Romeo L. Bernardo said via Viber cited a study by the World Bank and the Department of Finance which recommended harmonizing the benefit formulas of military and civilian pensions.

"Increased contributions to a reformed Pag-IBIG might be a good means for providing a larger share of military pensions rather than creating a new specialized fund for the military," the study concluded.

"There was an initial attempt to reform the military and uniformed personnel pension system to prevent what former

Finance Secretary Benjamin E. Diokno called an overgenerous, undisciplined pension system that can trigger a "fiscal collapse," Mr. Sta. Ana added.

A study by Mercer CFA Institute likewise suggested improving the governance requirements for the private pension system.

According to the institute's Global Pension Index 2024, the Philippines had the third-worst pension system in the world, scoring 45.8 out of 100 on its index.

The study also recommended increasing the minimum level of support for poorer aged individuals, aligning the benefit to cost-of-living indices, improving vesting requirements in private-sector plans, and introducing non-cash-out options for retirement plan proceeds so they are preserved for retirement purposes.

The Philippines scored 41.7 out of 100 on the adequacy sub-index, 63.4 out of 100 on the sustainability sub-index, and 27.7 on the integrity sub-index.

So when their economic status improves, then theoretically, consumption and tax collection should improve in that locality also. So there will be a domino effect," he added.

He said that benefits start as early as the house construction stage, as the manufacture of building materials such as steel bars, pipes, and concrete create jobs.

"So the National Government should be able to provide support to the local government units (LGUs) as well, especially in the beginning. Because, of course, you need to establish the services first, and sometimes you need to invest in those," he said.

"I think some LGUs are unfortunately not equipped, especially the LGUs that are far from the metropolis. So, I think that's where collaboration between national and local governments is important," he added.

He said demand for socialized housing is still on the rise and remains an underserved market.

"Our government in every election always highlights how many homeless families there are. During the last election, it was 6.5 million," he said.

He said the study on which that estimate was based is old and a more recent estimate is 12.5 million families that do not own homes by 2030. — **Justine Irish D. Tabile**

PUV co-op loan freeze not affecting DBP credit growth

A DECISION by the Development Bank of the Philippines (DBP) to suspend lending to some public utility vehicle (PUV) cooperatives is not expected to substantially affect loan growth this year, it said.

"The DBP's portfolio is diversified, so we're not just concentrated on the PUVMP (PUV modernization program). There are other industries that we cater to," Rustico Noli D. Cruz, who heads

the DBP's Program Assistance to Support Alternative Driving Approaches (PASADA) Financing Program, said via telephone.

"So, whatever the gap, if ever, in the target for 2024, we can easily get it from other sectors," he said.

The state-run bank focuses on supporting infrastructure and logistics, including power, water, transport, logistics, tourism, as well as environment-related projects such as,

namely solid and hazardous waste, sanitation, and energy efficiency.

It also lends to social services organizations like schools, hospitals, housing, local government units. It also supports micro, small and medium enterprises.

The DBP has been extending financial support to transport cooperatives to comply with the government's PUV modernization initiative.

The PASADA Financing Program supports transport corporations and cooperatives to help them in their modernization transition. — **Beatriz Marie D. Cruz**

FULL STORY

 Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/25lfx3eq

FULL STORY

 Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/26e4yq6r

FREE YUMBURGER



GET YOUR FREE YUMBURGER E-VOUCHER INSTANTLY WHEN YOU DOWNLOAD AND REGISTER TO THE HOTEL101 APP!



 GET IT ON Google Play

 Download on the App Store

DTI Fair Trade Permit No. FTEB-202357 Series of 2024
For complete details please see the promo mechanics
available at the Hotel101 Global APP




Stay Happy
At Hotel101

Book Now

