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POLICY AND PROCEDURAL GUIDELINES (PPG) ON THE PROCESSING OF CLAIMS AND LOAN PRIVILEGES OF RECLASSIFIED MEMBERS FROM REGULAR TO SPECIAL

GSIS RESOLUTION NO. 47, May 23, 2013

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WHEREAS, RA No. 8291 distinguishes between two types of members, namely: regular members and special members;

WHEREAS, special members are those who, by operation of the Constitution or of the law, are covered by separate retirement schemes and are thus only required to remit life insurance premiums to GSIS;

WHEREAS, these government employees, upon classification of their membership status from regular to special, are not entitled to avail of service loan privileges under the GSIS, unless their agency/ies has/have executed a special agreement with the GSIS;

WHEREAS, there is a need for an orderly and uniform interpretation of policies concerning the processing of claims and loan privileges of these special members;

RESOLVED, to APPROVE and CONFIRM the Policy and Procedural Guidelines (PPG) on the Processing of Claims and Loan Privileges of Reclassified Members from Regular to Special, as proposed by the Senior Vice Presidents, Operations Groups, in their Memorandum dated 20 May 2013.

A copy of the PPG on the Processing of Claims and Loan Privileges of Reclassified Members from Regular to Special is attached and made an integral part of this Resolution.

Attachment:

Policy and Procedural Guidelines No. 234-13

Processing of Claims and Loan Privileges of
Reclassified Members from Regular to Special

I. BACKGROUND

Republic Act No. 8291 (GSIS Act of 1997) distinguishes between two (2) types of members, namely: regular members and special members. Regular members, together with the government agency to which they belong, are required to remit life insurance and retirement premium contributions. On the other hand, special members, together with the government agency to which they belong, are required to remit life insurance premiums only.

Regular members can avail of both life insurance and retirement benefits, as well as GSIS service loans such as policy, consoloan, emergency and eCard Cash Advance loans. On the other hand, special members are not entitled to any GSIS-administered retirement, separation, disability or survivorship benefits. They are only entitled to life insurance benefits, while loan privileges are given to a few whose agency/ies has/have executed a special agreement with the GSIS.

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In the interest of orderly and uniform interpretation of policies concerning the processing of claims and loan privileges of reclassified GSIS members from regular to special, the following guidelines are hereby issued to all Operating Units Concerned (OUCs) for immediate implementation.

II. OBJECTIVES

- To ensure that there is a uniform interpretation, understanding and implementation of applicable policies in the processing of claims of reclassified members from regular to special;

- To provide the guidelines on the entitlement of special members to consolidated loan and policy loans, as well as retirement and separation benefits; and,

- To establish the policies that will remedy the cases of GSIS members unduly classified by their agencies as special members without legal basis and confirmation from the Department of Budget and Management (DBM) and are therefore remitting incorrect premiums in their behalf.

III. DEFINITION OF TERMS

- Regular members are those who, together with their respective government agencies where they are employed, are required to remit life and retirement premium contributions as mandated under Section 5 of RA 8291.

- Special members are those who, based on the Constitution or by virtue of a special law/Charter, are covered under separate retirement schemes funded by their own agency or by the National Treasury and recognized by the DBM.

IV. POLICIES

A. COVERAGE

- Specific designations or positions recognized by the DBM as covered by special retirement laws other than RA 8291 (see Annex A for the complete list).

- A government employee not covered by item A.1 above shall be considered a special member of the GSIS if:

- the agency in which he/she is presently employed is covered or subsequently covered by the Constitution or by a separate law which provides for an agency-administered retirement, separation, disability or survivorship benefits package; and,

- the agency is recognized by the DBM, by way of a certification or declaration, as having a separate retirement scheme with appropriated funds from the DBM and are therefore not required by law to remit regular monthly contributions to the GSIS to answer for their retirement benefits as defined under RA 8291.

B. EFFECTIVITY OF COVERAGE

- A former regular member of the GSIS becomes a special member on the following dates:

- date of the effectivity of the law that provides for a separate pension or retirement benefits for the employees of the agency;

- date the member transfers to an agency with a separate pension or retirement package for its employees; or

- date the member is appointed to a position entitled to a separate pension or retirement package under the Constitution or by a special law/Charter.

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Regular membership ends on the day immediately preceding the reclassification of the regular member to special member.

- The start of the special membership status shall be formalized with the issuance of a new life insurance policy as provided under Commonwealth Act No. 186, as amended. The table below shows the life insurance plan pertaining to the special member's age at the time of effectivity:

Age of Special Member

Life Insurance Plan
(Life Endowment Policy or LEP)

Below 30

Endowment at 45

30 to below 40

Endowment at 55

40 to below 65

Endowment at 65

65 and above

Endowment at 70

- To indicate the membership status of the special member, the membership service profile (MSP) shall reflect the following tagging:

- Credit tag: JCom;

- Employee Position: indicate the corresponding position title; and

- Insurance Prefix: SM

- Premiums to be remitted by the agency for the special member shall be for the life insurance coverage only, i.e., three percent (3%) of basic monthly salary (BMS) for the personal share and three percent (3%) of BMS for the government share.

- Special members shall be entitled to the life insurance benefits and can avail of policy and consolidated loans.

- The GSIS shall return, to the agency concerned, any remitted excess retirement premium (personal share) deducted from the special member’s salary during the special member's coverage under the special retirement law and to the DBM, any remitted excess retirement premium (government share) corresponding to the said period.

- Special members and their dependents shall be entitled to the Employees’ Compensation (EC) benefits in the event of work-related injury, sickness, disability or death.

C. LOAN PRIVILEGES

- Special members shall be entitled to the following loan privileges:

- ConsoLoan to Special Members. Special members shall be allowed to avail of ConsoLoan only after their agency/ies has/have executed a special agreement with the GSIS, with loanable amount up to ten (10) months of

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their computed monthly salary, The salary basis shall be the amount of salary derived from the posted life insurance premium payments.

The special member has the option to choose a lower loan amount provided that the proceeds of the loan will be sufficient to cover the aggregate balance for the existing loan accounts, including the fees Charged. Failure to indicate the preferred loan amount shall mean that the member is applying for the maximum loan amount for which the borrower is qualified to avail.

The payment of the monthly amortization shall be implemented through payroll deduction and the same shall not be stopped until the loan is fully paid.

The other applicable policies, terms and conditions under the Consoloan Program of the GSIS shall still apply, except for housing loan arrearages which shall no longer be deducted from the loan or loan renewals.

- Policy Loans. Special members shall be allowed to avail of policy loans on their compulsory life insurance policy to be issued after the termination of their regular membership and optional policies, subject to the existing policies, terms and conditions of the Policy Loan.

- If the special member was a former regular member who had availed of loans during his or her regular membership, all loan balances shall be deducted from the cash surrender value (CSV) / Termination Value (TV) or maturity value of the life insurance, whichever comes first. In case of negative balance or deficiency, the guidelines on the collection of due and demandable loan accounts under Section IV.C(4) below shall apply.

- Pre-termination of Loans

Loans of special members, except housing loans, may be pre-terminated by paying the outstanding balance of the loan before the end of the loan term.

The loan agreement shall also be deemed pre-terminated upon the death, resignation, permanent disability, retirement, separation from service of the special member, in which case, the outstanding principal, including unpaid interest immediately prior to the occurrence of any of the said conditions, shall be due and demandable and shall be collected by the GSIS.

- Settlement of Housing Loans

For special members with existing housing loans that are not yet due and demandable or are past the payment term of the loans, the payment of the required monthly amortization shall continue through payroll deduction or issuance of post-dated checks (PDCs).

Housing loan accounts already in default or due and demandable shall be settled through a separate collection mechanism.

- Collection of Due and Demandable Loan Accounts

Special members are not covered by the policy on Choice of Loan Amortization Schedule for Pensioners (CLASP). The operating unit concerned shall initiate the following action/s for the collection of due and demandable accounts:

- The automatic deduction of any due and demandable amounts from the following:

- proceeds from future loan availments

- future benefits payable by the GSIS, such as retirement, separation, disability and funeral benefits

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- benefits payable by the agency

- Application of redemption insurance on the loan (in case of death of the special member and if redemption insurance is in force); and,

- Other courses of action (administrative or civil) for collection of said outstanding balance.

- Cancellation

Once the loans have been approved and the proceeds have been credited in the UMID eCard Account, the borrower has no more option to cancel the loan but only to pre-terminate it without any right for reimbursement of applicable interest, service fee and redemption insurance premium.

- Default

An account shall be considered in default if there are more than six (6) months unpaid monthly amortization. In the event of default, the account shall be handled in accordance with the existing policies and procedures governing in-default accounts.

- Recovery of Amounts Credited in the UMID eCard account

GSIS shall have the right to recover any amount in the UMID eCard account credited thereon by the GSIS due to fraud, misrepresentation or error on account of any transaction which the member may have with the GSIS.

- Refund of overpayments after end of loan term

At the end of the loan term, any overpayment shall be treated in accordance with the policies and guidelines on refund of excess loan payments.

D. CLAIMS

- A GSIS member's subsequent reclassification of membership status from regular to special shall not automatically entitle the member to payment of separation benefits under Section 11 of R.A. 8291, or to payment of retirement benefits under Section 13 and 13-A of R.A. 8291 until and unless there is actual separation from government service.

- The GSIS shall process and pay the applicable benefit entitlement of special members based on the premiums paid during the time when the member was a regular member of the GSIS. To determine their eligibility to the said benefits, the GSIS shall consider only the period of government service during their regular membership.

- Retirement Benefits. A special member who, during his or her regular membership has met the requirements for retirement under any of the GSISadministered retirement schemes: RA 8291, PD 1146, RA 660 or RA 1616 shall be entitled to the said retirement benefits upon actual separation from government service.

A retiree shall not be paid double retirement or separation benefits for the same period of service.

- Separation Benefits. A special member who, during his/her regular membership, did not meet the requirements for retirement under Section 13- A of R.A. 8291, but has at least 3 years of service during his regular membership or is not yet 60 years of age, shall be entitled to separation benefits, as follows:

- If Years of Service (YOS) is less than 15 years, the special member is entitled to a cash benefit, equivalent to the period with premium payments (PPP) multiplied by the average monthly compensation (AMC) during the last three (3) years immediately preceding the cessation of regular membership, payable at age 60 (Section 11 (a) of R.A. 8291); or,

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- If YOS is at least 15 years and member is not yet 60 years of age, the member is entitled to a cash payment benefit equivalent to 18 times the basic monthly pension (BMP) payable immediately, plus an old-age pension benefit at age 60 (Section 11 (b) of R.A. 8291).

- Processing and payment of separation benefits shall be subject to the filing of claim application.

- All outstanding loans shall be deducted from the retirement or separation benefit proceeds. In case the said benefit is not sufficient to cover the outstanding obligations of the member, the GSIS shall inform DBM of the outstanding balance for deduction from the benefits payable to the member and remittance of the same to the GSIS.

- Effect of re-employment on Pension Benefit already being received. A retiree already receiving pension or gratuity shall continue to receive such benefit even if he/she is re-employed with the government as a special member.

- Funeral Benefits. A special member is entitled to funeral benefit if he or she dies while in service.

- Survivorship Benefits. The primary beneficiaries shall be entitled to survivorship benefits upon the death of a special member who:

- is already receiving pension;

- has claimed GSIS retirement benefits; or

- is still in active service but is entitled to GSIS retirement benefits.

- Life Insurance Benefits. The special member, who has an insurance policy that was in force and effect as of the date of termination of his or her regular membership, shall be entitled to maturity or CSV benefits, whichever is applicable. Processing and payment of life insurance benefits shall be subject to filing of claim application. All loan balances and pension overpayments, if any, shall be deducted from the claim proceeds.

- Disability Benefits. A special member who sustained disability prior to the effectivity of his or her special membership shall be entitled to whatever disability benefits under RA 8291 subject to the rules and regulations prescribed by GSIS on disability claims.

E. TREATMENT OF REGULAR MEMBERS WHO ARE REMITTING THE PREMIUMS DUE FOR SPECIAL MEMBERS

- Government employees not covered by the provisions under Section IV.A and are remitting only the required life insurance premiums for special members shall be reclassified as regular members of the GSIS, and shall be required to pay the corresponding premiums, as follows:

Percentage of Monthly
Compensable Payable by:

Member

Agency

Monthly Compensation

9.0%

12.0%

Composed of:

- Life Insurance Benefits

2%

2%

- Retirement & Other Social Security Benefits

7%

10%

- It shall be compulsory for all employers to remit the correct monthly contributions to the GSIS, as well as any difference in the required premiums on account of the regular membership of their employees, subject to the existing policies and guidelines of the GSIS, plus interests on the unremitted required contributions as mandated by law.

F. OTHERS

- A special member who accumulated a period of government service of less than three (3) years during his or her regular membership in GSIS shall not be entitled to any GSIS benefit except life insurance. Provided, further, that the life insurance policy must be in force for at least one (1) year. Retirement premiums paid shall not be refunded.

- Claims for benefits, except life and retirement, shall prescribe after four (4) years from date of contingency.

- The reckoning date in computing the prescriptive period of four (4) years for separation benefit claims under Section 11 (a) and 11 (b) of RA 8291 shall be the actual date of separation from the service. In case of death, the date of death of the member shall be the reckoning date. The existing policies and guidelines on filing of separation benefit claim shall apply.

- Special members who bought optional life insurance plans and whose plans during their regular membership have not been fully paid as of the time of the cessation of their regular membership shall be allowed to continue paying their premiums for their optional plans.

G. INFORMATION DISSEMINATION

The Corporate Communications Office (CCO) shall be responsible for the information dissemination of this PPG.

H. SYSTEM REQUIREMENT

The ITSG shall provide the necessary computer services support and automation enhancements that will efficiently and effectively implement this PPG.

V. MANUAL OF OPERATIONS

The Functional Groups (FG) concerned shall ensure that all necessary changes in procedures are reflected in the pertinent sections of the Manual of Operations.

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These policy guidelines shall become effective upon Board approval.

(SGD) ROBERT G. VERGARA
President and General Manager
Date Signed: 07 June 2013

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