



POLICY AND PROCEDURAL GUIDELINES NO. 368-21

FUNCTIONAL AREAS: **Accounts Management**
 Billing, Collection and Reconciliation
 Membership
 Receipting and Posting
 Accounting
 Legal

DISTRIBUTION : **All Executive Vice Presidents**
 All Senior Vice Presidents
 All Vice Presidents
 Department/Branch Managers
 NCR Operations Group
 Luzon Operations Group
 VisMin Operations Group
 Actuarial and Risk Management Group
 Controller Group
 Financial Management Group
 Legal Services Group
 Information Technology Services Group
 Corporate Services Group
 Internal Audit Services Office
 Corporate Communications Office
 Information Security Office
 Risk Management Office

SUBJECT : **THE 2020 GUIDELINES ON SETTLEMENT OF**
 UNREMITTED PREMIUM CONTRIBUTIONS BY
 AGENCIES THROUGH MEMORANDUM OF
 AGREEMENT (MOA) WITH GSIS AND
 ADMINISTRATION OF MOA ACCOUNTS

I. BACKGROUND/RATIONALE

Through the years, the GSIS has carried out measures to collect from agencies their unremitted mandatory premium contributions to ensure that their employee-members will receive their full GSIS benefits while improving the financial viability of the GSIS. Hence, the GSIS provided ample relief for these agencies who failed to remit their mandatory premium contributions through the passage of the following policy issuances:

- A. Policy and Procedural Guidelines (PPG) No. 199-07 on Non-Charging of Interest on Identified Delayed Remittances;
- B. PPG No. 202-10 on the Settlement of Unremitted Premium Contributions by Agencies through Memorandum of Agreement (MOA);

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Records Officer
Office of the Corporate Secretary

28 April 2021



- C. PPG No. 227-13 on Non-Suspension of Loan Privileges of Employees of Agencies that Failed to Remit the Mandatory Premium Contributions;
- D. Board Resolution (BR) No. 46 dated 15 April 2015 clarifying that only unpaid premium contributions shall be covered by the condonation policy on MOA and that the President and General Manager (PGM) shall have the authority to condone up to 60% of interest on premium arrearages but not to exceed Php 75,000,000.00; and
- E. PPG No. 309-16 on the Settlement of Unremitted Premium Contributions by Agencies through MOA and Administration of MOA Accounts.

In 2017, the Executive Vice President (EVP) positions have been restored in GSIS through the issuance of BR No. 233 dated 28 November 2017. This affected the signing and approving authorities of MOA between agencies and the GSIS.

In January 2020, the Board of Trustees (BOT) directed the correction of PPG No. 309-16 to indicate that the subject of condonation are penalties and not interest. For this, a draft BR was proposed and eventually approved by the Board on 12 May 2020 through BR No. 49, clarifying that the interest charged on premium arrearages under PPG No. 309-16 is a form of penalty for delayed remittance.

Further, there are agencies whose membership coverage were converted from the Social Security System (SSS) to GSIS, and as a result thereof, will entail collection of premiums and applicable interest computed from the date of such conversion.

Thus, this PPG is being issued to ensure its continuing completeness, correctness and appropriateness in view of recent policies and developments in the GSIS.

II. OBJECTIVES

This PPG aims to:

- A. Assist agencies in settling their premium arrearages and ensure full enjoyment of members' rights and benefits;
- B. Establish expanded exemptions from imposition of penalties for delayed premium remittances;
- C. Improve the collection efficiency by entering into MOA with agencies which have premium arrearages;
- D. Provide updated guidelines on administering MOA accounts given the current organizational thrusts and set-up;
- E. Provide detailed policies and procedures for collection and monitoring of payments on MOA accounts; and

- F. Ensure the uniform interpretation and implementation of policies and procedures by all Operating Units Concerned (OUC) for the settlement of premium arrearages of suspended or delinquent agencies.

III. COVERAGE

This PPG shall cover suspended or delinquent agencies without existing MOA with GSIS which defaulted in the payment of their regular premiums, including agencies with pending cases with the GSIS due to non-remittance of premiums and agencies previously covered by the SSS that are now covered by the GSIS.

Suspended agencies shall refer to agencies already tagged as, "suspended" due to non-remittance of mandatory premium contributions of its employees prior to the implementation of PPG No. 227-13.

Delinquent Agencies shall refer to agencies that failed to:

- A. Remit one hundred percent (100%) of the mandatory premium contributions for a due month; or
- B. Comply with the terms and conditions of their respective MOA under PPG No. 227-13.

Upon specific approval by the Board, this PPG shall also cover agencies requesting to enter into a new MOA with GSIS despite defaulting on their obligations under a previous MOA due to just reasons.

IV. POLICIES

A. General Policies

- 1. Agencies with premium arrearages shall have the option to enter into a MOA with the GSIS to fully settle its premium arrearages.
- 2. Agencies which have previously entered into a MOA under PGG No. 202-10, PPG No. 227-13, and PPG No. 309-16, and which have failed to comply with the terms and conditions of the MOA shall no longer be eligible to enter into another MOA pursuant to this PPG.

However, cases of agencies requesting to enter into a new MOA despite failure to comply with the terms of their previous MOA due to valid reasons shall be elevated to the Board for approval.

B. Submission of Letter Request

An agency, which intends to enter into a MOA with the GSIS to settle its premium arrearages, shall submit a written request expressing its intent to settle its obligations with GSIS and to reconcile the accounts of affected employees.

The submission by a suspended or delinquent agency of a written request to enter into a MOA and other documentary requirements shall not stop the charging of interest, which is a form of penalty (*hereinafter referred to as "penalty"*) for the premium arrearages.

C. Reconciliation of Accounts and Preparation of Statement of Account (SOA)

To facilitate the updating of Member Service Profiles (MSPs), the requesting agency shall submit updated service records (SRs) of all its employees to be covered by a MOA.

If the SR cannot be produced, a certified true copy of the member's Letter of Appointment or a certification from the Civil Service Commission (CSC) on the non-availability of the records and the details of the members' appointment (i.e., dates of the government service, position/s held, salary, and other related information) shall be submitted.

Based on the updated MSP and available records in the GSIS, the handling GSIS office shall validate, reconcile and, if in order, initially compute the amounts due from the agency, prepare a SOA and submit the same to the agency.

The agency shall review the SOA and, if necessary, reconcile its records and computation with the GSIS.

D. Determination of Amount of Obligation and Finalization of SOA

To determine the amount of obligation and facilitate the finalization of the SOA, the following shall be observed:

1. The list of members to be covered in the MOA shall be signed by the GSIS and the agency.
2. The amount of obligation shall be calculated by adding all the premium arrearages and the penalty, thereon, and deducting the total payments made by the agency for the same period.

Penalties shall be charged up to the date of signing by the Head of Agency of the final SOA which signifies his or her agreement thereto.

3. Penalty on premium arrearages shall be charged at the rate of two percent (2%) simple interest per month. Simple interest shall be derived using the following formula:

$$\text{Simple Interest} = (p) (r) (t)$$

where:

$$\begin{array}{ll} p & = \text{principal} \\ r & = \text{rate of interest} \end{array}$$

t = time the interest is being charged (number of days of delay/number of days of the month when the remittance should have been made)

The penalty to be imposed shall be computed on a pro-rated basis where the delay corresponds to the exact number of days of the month following the due month and every month thereafter until the required premiums are paid. However, the delay incurred on the first month shall exclude the first ten (10) days owing to the grace period given to agencies to remit to GSIS its premium payments.

For example:

For the first month of delay

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	January 2020
Remittance Due Date :	10 February 2020
No. of Days in the Month :	29 Days
Days of Delay :	19 Days (29 days less 10 days)

Simple Interest = *Principal x Rate of Interest x Time*
= $\text{Php } 3,141.66 \times .02 \times 19/29$
= **Php 41.17** (penalty due/to be collected or charged for February 2020)

For the succeeding months until full payment of required premiums

a. Computation of penalty for March 2020

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	February 2020
No. of Days in the Month :	31 Days
Days of Delay :	31 Days

Simple Interest = *Principal x Rate of Interest x Time*
= $\text{Php } 3,141.66 \times .02 \times 31/31$
= **Php 62.83** (penalty due/to be collected or charged for March 2020)

b. Computation of penalty for April 2020

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	March 2020
No. of Days in the Month :	30 Days
Days of Delay :	30 Days

$$\begin{aligned}\text{Simple Interest} &= \text{Principal} \times \text{Rate of Interest} \times \text{Time} \\ &= \text{Php } 3,141.66 \times .02 \times 30/30 \\ &= \text{Php } 62.83 \text{ (penalty due/to be collected} \\ &\quad \text{or charged for April 2020)}\end{aligned}$$

The penalty shall be computed following the aforementioned policy and examples until the required premiums are fully paid.

4. Said penalty shall not be charged if the cause of delayed remittance of premium contributions is any of the following instances:
 - a. Difficulties encountered during the first month of implementation of enhancements to the Electronic Billing and Collection System (eBCS), subject to applicable conditions under the existing policies on grace period in the implementation of eBCS and its enhancements;
 - b. Payments made in good faith due to a different interpretation of an enabling law, resulting in underpayment of premium contributions;
 - c. Fortuitous events such as act of war, hostilities, civil war, insurrection, or other artificial disaster, or natural phenomenon of an exceptional, inevitable and irresistible character such as pandemic, and *force majeure*; or
 - d. Such other future analogous instances, subject to the approval of the Board.

These exemptions shall be in addition to the justified causes of delayed agency remittance under the existing guidelines on non-charging of penalty on identified delayed remittances.

5. If there are discrepancies, supporting documents shall be required from the agency for further verification or validation.
6. The amount indicated in the final SOA shall be the amount of obligation to be stipulated by the agency in the MOA.

E. Prepayment

Prepayment shall be optional and shall be paid on or before the day of the execution of the MOA. It shall be deducted from the principal amount stated in the MOA.

F. Condonation Rate

A percentage of the computed penalty of the total amount of obligation of the agency shall be condoned.

The condonable amount shall be computed based on the following rates:

Base Condonation Rate (BCR):

Age of Account (in months)*	BCR
7 to less than 25	40%
25 to less than 37	35%
37 to less than 60	30%
60 and Above	20%

**Refers to the number of months the account is in arrears, based on the oldest due month.*

An additional condonation shall be given to agencies with the intention to settle which shall meet the prescribed percentage of prepayment.

Additional Condonation Rate (ACR):

Prepayment (% of Total Obligation)*	ACR
At least 20%	10%
At least 15%	5%

**Percentage of the total obligation (principal+penalty) which is paid by the agency on or before the day of the execution of the MOA.*

The total condonation rate shall be equal to the sum of the resulting BCR and ACR.

However, notwithstanding the BCR and ACR, the maximum condonation rate may be extended, as follows:

Condonation Rate and Term of Payment	Recommending Authorities	Endorsing Authorities	Approving Authorities
Maximum of 60% of penalty on premium arrearages but the amount to be condoned does not exceed Php20 Million and/or term of payment of 120 months (10 years) or less	Senior Vice President (SVP) concerned	N/A	EVP – Core Business Sector (CBS)
Maximum of 60% of penalty on premium arrearages and the amount to be condoned is more than Php20 Million but not exceeding Php50 Million and/or term of payment of 120 months (10 years) or less	SVP Concerned	EVP-CBS	PGM
More than 60% of penalty on premium arrearages and/or the amount to be condoned exceeds Php50 Million and/or term of payment of more than 120 months (10 years)	EVP-CBS and SVP concerned	PGM	BOT

The following parameters shall be considered by the PGM, EVP-CBS, and SVP concerned in recommending the maximum condonation rates:

1. Agencies shall have entered into a Memorandum of Undertaking with the GSIS pursuant to the existing policies on non-suspension of loan privileges of employees of agencies that failed to remit the mandatory premium contributions, if applicable; and

2. Agencies are updated in the payment of their current premiums.

G. Interest and Penalty Charges

The interest rate on the MOA account of the agency shall be twelve percent (12%) per annum compounded monthly based on a diminishing balance. However, when the agency fails to pay any monthly amortization, either in part or in whole, the unpaid amount shall be subject to an additional penalty at the rate of two percent (2%) simple interest per month.

H. Mode of Payment

Payments may be made under any or a combination of the following modes:

1. Cash Payment

a. Full Payment

The agency may make a one-time cash payment to the GSIS within the day the MOA is executed. The full payment shall be payable to GSIS through Cash and/or Cashier's or Manager's checks.

b. Installment payments on a monthly or quarterly basis

The agency may opt for a monthly or quarterly payment for a term not exceeding 120 months or 10 years. However, any term exceeding 120 months or 10 years shall be subject to the approval of the BOT, upon recommendation of the EVP-CBS and SVP concerned and endorsement of the PGM.

The monthly or quarterly amortization shall be payable to GSIS through Cash and/or Cashier's or Manager's checks.

2. Non-cash Payment

a. Service

An agency may be allowed to request for payment through financial offsetting against an existing payable, if the said agency has an outstanding receivable with GSIS arising from a service it rendered to the System during the normal course of its business. The financial offsetting against a recorded payable in the books of the GSIS shall be supported by a documented billing from the said agency.

Acceptance of payment under this mode shall be subject to the approval of the BOT upon recommendation of the Operations Groups and the PGM.

b. Real Properties

- 1) In case the payment will be in the form of real properties of the agency, the OUC, through the SVP concerned, shall request the Real Estate Asset Disposition and Management Office (READMO) to appraise the same. The READMO shall appraise the value of the property based on careful analysis of the real property market. It shall take into consideration the best interest of the fund in assessing the effective acquisition value of the property.

Acceptance of payment through real properties shall be subject to the approval of the BOT, upon the recommendation of the functional group concerned acquiring the asset and the PGM.

If the appraised value of the real property is less than the total obligation of the agency, the GSIS shall collect the difference from the agency.

If the appraised value of the real property is equal to or more than the total obligation of the agency, the GSIS shall inform the agency that its total obligation shall be considered paid or settled once the ownership of the real property is transferred to GSIS.

- 2) The agency can request to settle the obligation in the form of a sale of its real property asset to the GSIS at a value mutually agreed upon subject to the approval of the BOT upon recommendation of the functional group responsible for managing real properties as part of its investments.

All expenses to be incurred including but not limited to the transfer of title and registration of proposed property or properties in the name of GSIS shall be paid by the agency.

I. Due Date of Amortizations

The first amortization shall be due on or before the 10th day of the month following the signing of the MOA.

The succeeding amortizations shall be due on or before the 10th day of every month thereafter, until the obligation is fully settled.

J. Submission of Documents

After final reconciliation, the agency shall submit within fifteen (15) calendar days the following documents which are mandatory attachments and annexes to the MOA:

1. Proposal Letter to enter into a MOA signed by the Head of Agency addressed to the PGM stating the proposed terms and conditions of the MOA;

2. In cases wherein there exists a governing board or council, a resolution of the governing board or council authorizing the Head of Agency to enter into a MOA with the GSIS;
3. Copy of the Law, Executive Order (EO) or Original Charter that created the Agency;
4. Signed Table of Amortization Schedule;
5. Signed Final SOA with details (i.e., amount that should have been paid and list of payments considered) duly conformed to by GSIS and Head of Agency; and
6. Signed List of all Members covered by the MOA with period of coverage showing the premium account per member for each due month.

K. Submission of Fact Sheet

The OUC shall submit a fact sheet to the Office of the President and General Manager (OPGM) that shall contain the following:

1. Agency details which shall include agency background, computation of the total outstanding obligation and other pertinent information; and
2. Agency proposed terms and conditions which shall include, among others, the proposed prepayment or one-time payment, condoned amount and period covered.

L. Amortization

The required monthly amortization based on the total obligation of the agency shall be computed, as follows:

$$\text{Monthly Amortization} = \frac{\text{Amount to be Amortized}}{\text{Annuity Factor}}$$

$$\text{Annuity Factor} = \frac{1}{r} - \frac{1}{r(1+r)^n}$$

where:

r = monthly compounding rate of 1%

n = Term of payment in months

(Example of Amortization Schedule is attached as **Annex A**)

M. Execution of the MOA

The MOA shall be prepared by the OUC after receipt of the documents stated in Item J of Section IV and the list of members subject of MOA. The MOA shall be reviewed by the Legal Services Group (LSG).

The MOA between the GSIS and the agency shall contain the terms and conditions of the settlement including the condonable rate or amount and term of payment as approved by proper authorities.

All MOAs shall be signed by the EVP-CBS and by the Head of Agency for and on behalf of the GSIS and the agency, respectively. The Head of the Agency shall ensure the availability of the budget necessary to fund the MOA obligation. Once the MOA has been signed by the GSIS and the agency, there shall be no further reconciliation for the period covered. The signed and notarized MOA shall be final and binding between the GSIS and the agency.

N. Dialogue with Agency

The OUC shall conduct a dialogue within fifteen (15) calendar days from MOA signing with the Head of Agency, the union officers and the human resource head to discuss the MOA provisions, particularly, the implication of non-payment of the MOA obligation.

O. Effects of MOA Signing

Upon signing of the MOA by both GSIS and the agency concerned, the following shall take effect:

1. The suspension of an agency tagged as such shall be lifted.
2. A MOA Accounts Receivable (AR) in SAP corresponding to the amount stated in the MOA, less the condoned penalty (recorded in the Collection and Disbursement [CD] Module), and prepayment, shall be set up in the Consumer Mortgage Loan (CML) Module.
3. Valid payments from the member's account, undistributed collection and clarificatory items shall be transferred to the MOA account Insurance Object (IO).
4. A clearing account shall be set up in the MOA IO. The individual member's premium arrearages covered by the MOA shall be deemed paid.

An amount equivalent to the required premium payment shall be posted to clear these receivables.

5. For MOA involving settlement through asset or service payment, posting of payments shall be made by closing the open item or agency receivable, depending on the terms stipulated in the MOA.

6. The covered service period shall be locked in SAP and shall no longer be subject to individual reconciliation or updates.

P. Application of Payments

Application of payments shall be in the following order:

1. Penalty on arrears on the MOA account;
2. Interest on amortizations for the MOA account; and
3. Principal.

In case payments are made two (2) or more months after the due date, payments shall be applied starting from the first to the last open item of penalty on arrears. Any remaining amount shall be applied to the next open item following the same order until the total amount paid has been applied.

Q. Events of Default

Events of Default shall be the result of failure of the agency to:

1. Pay the required monthly amortization as stipulated in the MOA, except when due to a declared state of calamity or state of emergency, or analogous fortuitous events that prevented the agency to remit properly; or
2. Comply with the other terms and conditions stated in the signed MOA.

R. Consequence of Default

In case an agency fails to remit the required monthly amortizations under the Agreement on time, the GSIS shall send the following:

1. **First Breach. Notice of Default (NOD). – Failure to remit the required monthly amortization on the 10th day of the following month.**

a. Sending of NOD

- 1) The Accounts Management Division (AMD) of the Operations Group in Central Office (CO) and Billing, Collection and Reconciliation Division (BCRD) in the Branch Offices (BOs) shall send NOD (**Annex B**), within five (5) calendar days after due date, to the Head of the suspended or delinquent Agency, copy furnished the Agency Authorized Officer (AAO), the head of the employees' union or association, and the Commission on Audit (COA)¹.

¹ In support of COA Memorandum No. 2017-015 dated 08 August 2017 mandating all COA auditors to report delinquent agencies who are remiss in paying premiums and loan amortizations and those who fail to remit on time.

In case the agency does not have an employee's union or association, a notice shall be sent to the Human Resources unit of the agency for posting in its bulletin boards.

- 2) The NOD shall contain the amount of unremitted contributions, penalty due, and the period/s covered.

Likewise, the NOD shall state that upon failure to settle within thirty (30) calendar days from receipt of the NOD:

- a) The remaining balance, including the condoned amount, penalties and other charges payable shall be due and demandable; and
- b) The matter shall be referred to the LSG for the filing of appropriate legal action against the Head of the suspended or delinquent Agency and all responsible officers and employees, as stated in the penal provision of Republic Act (RA) No. 8291.

b. Meeting with Suspended or Delinquent Agency

The Operations Group, through its department or branch managers, shall send a written request for a meeting (**Annex C**), within seven (7) calendar days from due date, to inform the Head of suspended or delinquent Agency that:

- 1) GSIS has not received the required monthly amortization contributions for a due month;
- 2) Penalty shall be charged on the delayed payment;
- 3) NOD was sent; and
- 4) Upon failure to settle the deficiency within thirty (30) calendar days from receipt of the NOD, the remaining balance, including the condoned amount, penalties and other charges payable shall be due and demandable. The matter shall be referred to LSG for the filing of appropriate legal action.

c. Cancellation of MOA Account

- 1) After the expiration of the period to settle, the AMD of the Operations Group in the CO and BCRD in the BOs shall request their respective Technical Services Departments (TSD) to effect the following:
 - a) Contract withdrawal in order to cancel the MOA account and close the agency receivable originally created (in CD); and
 - b) Reverse the posted MOA payments individually (per member).

2) After cancellation of MOA Account, the AMD of the Operations Group in the CO and BCRD in the BOs shall perform the following:

- a) Compute the proportionate amount to be credited by distribution of payments from the cancelled MOA.

For Example:

Total Amount Paid	Php 2,510,527.15
Total Amount Due (Open Debit Items)	Php 2,813,592.90
Amount Due (per member/line, based on amount of validated premium arrearages, reconciled number of members and due months)	Php 146.66

Formula:

$$\begin{aligned}\text{Proportionate Amount} &= \frac{(\text{Amount Due (Open Debit/Line/Member)} \times \text{Total Amount Paid})}{\text{Total Amount Due}} \\ &= \frac{(\text{Php } 146.66 \times \text{Php } 2,510,527.15)}{\text{Php } 2,813,592.90} \\ &= \text{Php } 130.86\end{aligned}$$

- b) Proportionally post the premium payments to member's account.

- c) Collect from the agency the total unpaid amount including penalties for the MOA period.

- 3) AMD shall re-compute the pension of those members who had retired or separated from service and overpayments resulting from the reversal of posted payments.

- 4) Upon the request of the AMD or BCRD, agencies which suspension were lifted by virtue of executing the MOA shall be re-tagged as "suspended" by the Membership Department concerned as a consequence of default under the existing Agreement.

2. Second Breach. Final Demand Letter (FDL). – Failure to settle the obligation within thirty (30) calendar days from receipt of the NOD.

a. Sending of FDL

- 1) The LSG shall send the FDL (**Annex D**) to the head of the suspended or delinquent agency within fifteen (15) calendar days from referral of the AMD of the Operations Group in the CO and BCRD in the BOs.
- 2) The agency's AAO, head of employee's union, association, or HR unit, as the case may be, and the COA shall be furnished a copy of the FDL.

3) The FDL shall state the following:

- a) The suspended or delinquent agency has failed to settle its deficiency within thirty (30) calendar days from receipt of the NOD;
- b) The GSIS cancelled the MOA;
- c) The remaining balance including the condoned amount, penalties and other charges payable are due and demandable; and
- d) The GSIS shall file the necessary collection case, criminal and/or administrative cases and/or revive the conditionally dismissed case (*as applicable*).

b. Filing of Legal Action

- 1) The LSG shall file the appropriate legal action within thirty (30) calendar days from receipt by the agency of the FDL against the Head of the suspended or delinquent Agency and all responsible officers and employees, as stated in the penal provision of RA No. 8291.
- 2) The referral shall include a copy of the SOA, NOD with proof of receipt, and other pertinent documents required by LSG.

After the GSIS recovers the amounts due from the agency, the OUC shall post proportionate premium payment to be credited to members' individual accounts and update his or her MSP.

S. Proof of Liability

The agency shall agree and authorize the GSIS to use the MOA as an acknowledgment of liability and/or indebtedness in any proceedings and on the basis of which judgment may be rendered.

T. Systems Support and Reportorial Requirements

1. The Information Technology Services Group (ITSG) shall provide the necessary computer services support and automation enhancements that will efficiently and effectively implement this PPG. For this purpose, the OUCs shall submit the consolidated user requirements as basis for establishing the systems requirements and timeline for the completion thereof.
2. The EVP-CBS shall render the following:
 - a. Quarterly reports to the Management Committee (ManCom) on the status of all MOAs based on submitted reports of TSD, as well as the status of collection for monitoring purposes; and

- b. Semi-annual report to BOT on all matters regarding MOA.
3. The Operations Group shall monitor the status of suspended and delinquent agencies and submit quarterly reports to LSG, copy furnished the OPGM.
4. LSG shall monitor the status of legal actions filed against suspended and delinquent agencies and submit quarterly reports of the same to PGM, copy furnished Operations Group.

U. Duties and Responsibilities

1. The Operations Group shall be responsible for the collection of amounts due and monitoring of MOA accounts.
2. The Operations Group, Information Security Office (ISO) and the Internal Audit Services Office (IASO) shall conduct User Acceptance Testing (UAT) to facilitate the implementation of the program.
3. The Controller Group shall provide the necessary accounting entries and the accounting reports required to properly reflect the transactions in the books of accounts.
4. The IASO shall conduct a review of the procedures and computerized system to ensure compliance with this PPG.
5. The Records Management Department (RMD) shall be responsible for the safekeeping of all original MOA contracts together with their respective annexes and attachments (in print and soft scanned copy).
6. The Office for Strategy Management (OSM) shall be responsible for uploading in the GSIS Portal copies of all signed MOAs.

V. PROCEDURES

The detailed procedures to be included in the Manual of Operations of the OUC shall adhere to the following general guidelines:

A. Preparation and Reconciliation of SOA with the Requesting Agency (RA)

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
1. Receive written request expressing intent to settle past due obligations with GSIS and reconciliation of accounts.	Department Manager Concerned	Branch Manager
2. Conduct preliminary meetings with RA.		
3. Extract list of all members subject of reconciliation.	AMD	BCRD

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
4. Provide list of members to RA for validation.		
5. Finalize and agree on the number of members subject of reconciliation.	AMD and RA	BCRD and RA
6. Provide final list of members to Membership Department. Require RA to submit through AAO electronic copy of SRs of all members subject of reconciliation.	AMD concerned	BCRD concerned
7. Send electronic copy of SRs to Membership Coordinator (MC).	AAO	
8. Verify the submitted SRs based on the final list from AMD/BCRD. 8.1 If included, update MSP. Proceed to Activity 9. 8.2 If not included, return to AAO with notation. <i>End of Process</i> .	Membership Department	
9. Ensure proper matching of SR and MSP. 9.1 If matched, inform AMD/BCRD of the completion of MSP updating. Proceed to Activity 10. 9.2 If not matched, revert to Activity 8.		
10. Extract the following: 10.1 "What should be" per due month per year using SQL. 10.2 "What was paid" based on collection data.	AMD concerned	BCRD concerned
11. Request Cashiering Unit, Frontline Services Division (FSD) to validate OR details.		

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
12. Issue certification on validated collection data.	Cashiering Unit, FSD	
13. Prepare initial SOA based on the extracted data and validated collection data.	AMD concerned	BCRD concerned
14. Conduct meeting with RA and present initial SOA, reconciliation procedures and timelines.		
15. Validate list of extracted data and payments. 15.1 If in agreement, sign collection data from GSIS and inform AMD or BCRD concerned. Proceed to Activity 16. 15.2 If not in agreement, provide ORs to AMD or BCRD for reconciliation. Revert to Activity 11.	RA	
16. Prepare final SOA. Compute penalty on delayed and unpaid premiums using the template.	AMD concerned	BCRD concerned
17. Schedule meeting with authorized officers of the RA to present final SOA and discuss the proposed terms and conditions, including the standard condonable amount and period covered.	Department Manager Concerned	Branch Manager
17.1 If in agreement with the final SOA and the terms and conditions, sign SOA. Submit Proposal Letter addressed to the PGM with documentary requirements as stated in Item J. of Section IV. Proceed to Activity 18. 17.2 If not in agreement with the final SOA, revert to Activity 16.	RA	

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
18. Determine mode of payment. 18.1 If cash, proceed to Activity 21. 18.2 If service, assess cost of service and/or financial offsetting and proceed to Activity 20. 18.3 If property, forward request to Property Administration Department (PAD), READMO for appraisal of offered property pursuant to the applicable option of settlement under Section IV.H.2.b hereof. Proceed to Activity 19.	AMD concerned	BCRD concerned
19. Appraise property offered for payment and forward appraisal report to AMD or BCRD concerned.	PAD, READMO	
20. Forward to BOT through channels, for approval. 20.1 If approved, proceed to Activity 21. 20.2 If disapproved, inform the agency in writing. <i>End of Process.</i>	AMD concerned	BCRD concerned
21. Draft MOA based on the Letter of Intent and signed final SOA. Prepare Fact Sheet and submit draft MOA to LSG, through channels, for review.		
22. Review MOA and make necessary recommendations. Provide feedback to AMD/BCRD through channels.	LSG	
23. Revise MOA if necessary and provide a copy to RA for comments.	AMD concerned	BCRD concerned
24. Review MOA and submit comments to AMD or BCRD.	RA	

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
25. Review comment of RA, if any, and refer to LSG if necessary.	AMD concerned	BCRD concerned
26. Prepare Completed Staff Work addressed to the PGM or the Board recommending the proposed terms and conditions of the MOA and submit with documentary requirements to SVP concerned through channels.	Department Manager Concerned	Branch Manager
27. Recommend to the EVP-CBS the terms and conditions of the MOA. <i>Note: This also serves as endorsement to the EVP-CBS on the terms and conditions of the MOA if term of payment is 120 months (10 years) or less and/or condonable rate of maximum of 60% of penalty on premium arrearages but not to exceed Php20 Million.</i>	SVP concerned	
28. Determine term of payment and condonation rate. 28.1 If term of payment is 120 months (10 years) or less and/or condonable rate of maximum of 60% of penalty on premium arrearages but the amount to be condoned does not exceed Php20 Million, approve or disapprove the proposed terms and conditions. a. If approved, proceed to Procedure B on Signing of the MOA. b. If disapproved, return to SVP concerned with notation or instruction. Revert to Activity 27. 28.2 If term of payment is 120 months (10 years) or less and/or condonable rate of maximum of 60% of penalty on	EVP-CBS	

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
<p>premium arrearages and the amount to be condoned is more than Php20 Million but not exceeding Php50 Million, endorse to the PGM for approval. Proceed to Activity 29.</p> <p>28.3 If term of payment is more than 120 months (10 years) and/or condonable rate of more than 60% of penalty on premium arrearages and/or the amount to be condoned exceeds Php50 Million, recommend to the PGM for endorsement to the BOT. Proceed to Activity 29.</p>		
<p>29. Determine term of payment and condonation rate.</p> <p>29.1 If term of payment is 120 months (10 years) or less and/or condonable rate of maximum of 60% of penalty on premium arrearages and the amount to be condoned is more than Php20 Million but not exceeding Php50 Million, approve or disapprove the proposed terms and conditions.</p> <p>a. If approved, proceed to Procedure B on Signing of the MOA.</p> <p>b. If disapproved, return to EVP-CBS with notation or instruction. Revert to Activity 28.</p> <p>29.2 If term of payment is more than 120 months (10 years) and/or condonable rate of more than 60% of penalty on premium arrearages and/or the amount to be condoned exceeds Php50</p>	PGM	

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
Million, endorse to the BOT for approval. Proceed to Activity 30.		
30. Approve or disapprove the proposed terms and conditions. 30.1 If approved, proceed to Procedure B on Signing of the MOA. 30.2 If disapproved, return to PGM with instructions. Revert to Activity 29.	BOT	
End of Process		

B. Signing of the MOA

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
1. Finalize and prepare four (4) copies of MOA.	AMD concerned	BCRD concerned
2. Determine the availability of the RA Head and the EVP-CBS for the MOA signing and schedule signing of the MOA.		
3. Sign four (4) copies of MOA. <i>(Note: One copy each for the RA, GSIS, LSG, and RMD)</i>	EVP-CBS and RA Head	
4. Send the signed MOA to LSG for notarization.	AMD concerned	BCRD concerned
5. Prepare Certified Instruction to Update Record (CIUR) for creation of bank details and forward to Membership Department.		
6. Create open item in Cash Desk (CD) Module for the prepayment, if any.	AMD concerned	BCRD concerned
7. Issue Order of Payment (OP) to RA.		
8. Receive payment and issue OR.	Cashiering Unit, FSD	
9. Provide copy of issued OR to AMD/BCRD.	RA	

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
10. Create MOA Accounts Receivable (AR).	AMD concerned	BCRD concerned
11. Request Membership Department for tagging of MSP from “N” to “Y” of covered members for MOA with Agencies.		
12. Tag MSP of covered members from “N” to “Y”. Inform AMD/BCRD of such tagging.	Membership Department	
13. Cleanse individual accounts.	AMD concerned	BCRD concerned
14. Transfer valid payments including undistributed collection and clarificatory items in MOA IO.		
15. Set up a clearing account in the MOA IO. Request ITSG/TSD to post premium payment and clear receivables under the member’s accounts.		
16. Post required premium payment to clear the receivable under members’ accounts covering the MOA period.*	ITSG/TSD	
17. Clear the receivable under members’ accounts covering the MOA period. Inform AMD/BCRD of the clearing done.		
18. Prepare CIUR to lift suspension of concerned members, if necessary, and forward to Membership Department.	AMD concerned	BCRD concerned
19. Lift the suspension of loan privileges of members covered by the MOA, if necessary. Inform AMD/BCRD of the completed record updating.	Membership Department	
20. Provide RMD the original copy of the signed and notarized MOA including annexes and attachments.	AMD concerned	BCRD concerned
21. Provide RA, LSG, and concerned department a copy of the signed and notarized MOA.		
22. Provide the OSM-Strategic Planning and Control Department a copy of the signed and		

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
notarized MOA for uploading in the GSIS Portal.		
23. Provide memo to LSG for withdrawal of case filed against RA, if any, concerning the non-remittance of premiums.		
End of Process		

*Refer to Section IV.O.3 on Effects of MOA Signing

C. Monitoring of Account

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
1. Distribute positive billing to agencies every 1 st week of the due month. <i>Note: If the due month is March, the billing distribution shall be on the 1st week of March.</i>	AMD concerned	BCRD concerned
2. Monitor payment of the RA.		
2.1. If payment was remitted on or before the due date, post payment. Revert to Activity 1.		
2.2. If payment was not remitted on or before the due date, request a meeting through letter, within seven (7) calendar days, with the head of agency in accordance with Section IV.R. and issue NOD. Proceed to Activity 3.	Department Manager	Branch Manager
3. Monitor payment of the RA after the meeting and receipt of NOD.	AMD concerned	BCRD concerned
3.1. If payment is remitted within thirty (30) calendar days, post payment. Proceed to Activity 3.3		
3.2. If payment is not remitted within thirty (30) calendar days, refer to LSG through channels. 3.2.1. Request TSD to reverse MOA AR in CD. Proceed to Activity 3.2.2.		BCRD concerned

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
3.2.2. Reverse MOA AR in CD. Proceed to Activity 3.2.3.	TSD concerned	
3.2.3. Reverse all payments posted under members' accounts covering the MOA period. Proceed to Activity 3.3.		
3.3. Compute and post proportionate premium payment to be credited to members' individual accounts.	AMD concerned	BCRD concerned
3.4. Bill and collect total unpaid MOA amount, including penalties.		
3.5. Re-compute pension and overpayments, resulting from reversal of posted payments, for members who had retired or who had been separated from service.		
3.6. Collect overpayments in accordance with existing procedures on pension overpayment.		
4. Prepare and send FDL to suspended or delinquent agency within fifteen (15) calendar days, copy furnished OUC.	LSG	
5. Within thirty (30) calendar days from receipt by the agency of the FDL, file appropriate legal action against the head of the suspended or delinquent agency and all responsible officials and employees, as stated in the penal provision of RA 8291.		
6. Prepare monthly status and forward to TSD.	AMD concerned	BCRD concerned
7. Consolidate status of agencies with MOA.	TSD concerned	
8. Report to the EVP-CBS, through the SVP concerned, the status of all MOA entered into by GSIS and RAs, not later than two (2) Working Days after end of every month.		

ACTIVITY	RESPONSIBLE UNIT	
	Central Office	Branch Office
9. Provide the following:	EVP-CBS	
9.1 Quarterly reports to ManCom on the status of all MOAs as well as the status of collection for monitoring purposes; and		
9.2 Semi-annual report to BOT on all matters regarding MOA.		
End of Process		

VI. DATA PRIVACY

The OUC shall ensure that the creation and collection, storage and transmittal, use and distribution, retention, as well as disposal and destruction of the personal and sensitive personal data of members, pensioners and other stakeholders, as required by this PPG, adhere to the requirements of the Data Privacy Act.

VII. INFORMATION DISSEMINATION

The Corporate Communications Office shall prepare the information materials for the dissemination of this PPG.

The attached Memorandum Circular (**Annex E**) shall be issued by the GSIS to inform agencies and their members of the revised guidelines herein set forth.

VI. REPEALING CLAUSE

This PPG shall supersede the following:

- A. PPG No. 309-16 (*Revised PPG on the Settlement of Unremitted Premium Contributions by Agencies through MOA and Administration of MOA Accounts*) dated 10 June 2016;
- B. BR No. 46 dated 15 April 2015; and
- C. Such other Resolutions or issuances of the GSIS which are inconsistent herewith.

Other minor formal amendments and/or revisions that pertain to style, language or numbering and which do not relate to the substance of this PPG are herein amended accordingly.

VII. EFFECTIVITY

This PPG shall take effect after fifteen (15) calendar days from the date of publication in the Official Gazette or in a newspaper of general circulation.

ORIGINAL SIGNED
ROLANDO L. MACASAET
President and General Manager

Date Signed: APR 20 2021

CERTIFIED TRUE COPY

M. RUTH ALMIRA G. VASQUEZ
Records Officer
Office of the Corporate Secretary
28 April 2021

212349

Annex A

Amortization Schedule

BP Number:
 External Number (Office Code)
 Office Name:
 Office Address: Trece Martires City, Cavite
 Interest Rate per Month 0.01
 Term in months 3
Monthly Amortization: 6,032.34
 Initial due Month March-12
 Name of Contact Person (agency):
 Contact Number

PRINCIPAL
 PENALTY (before condonation) 29,568.37
 TOTAL OBLIGATION (before condonation) 29,568.37
less:
 Condoned Penalty - percentage 40%
 Condoned Penalty - amount 11,827.35
 Downpayment - percentage
 Downpayment - amount -
 TOTAL OBLIGATION (after condonation) 17,741.02

number of installment	Due Month	BEGINNING BALANCE	AMORTIZATION				ENDING BALANCE	REMARKS
			OR No.	OR Date	Principal	Interest	Total	
1	March-12	17,741.02			5,854.93	177.41	6,032.34	17,741.02
2	April-12	11,886.09			5,913.48	118.86	6,032.34	11,886.09
3	May-12	5,972.61			5,972.61	59.73	6,032.34	5,972.61 (0.00)

Prepared by:

Certified Correct by:

Processor

Manager

Noted by:

CONFORME:

CERTIFIED TRUE COPY

R. Vasquez
 M. RUTH ALMIRA G. VASQUEZ
 Records Officer
 Office of the Corporate Secretary

28 April 2021





GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

(Date)

HEAD OF AGENCY

Address 1

Address 2

NOTICE OF DEFAULT

Sir/Madam:

Our records show that your agency, (Name of Agency) has not paid the compulsory premium contributions and interest due to the GSIS, as stipulated under Section _____ of Article _____ of the Memorandum of Agreement (MOA) executed between GSIS and your agency dated _____. The amount due from your agency is as follows:

Due Month	Due Date	Amortization Due	No. of Month/s Delayed	Penalty	Total
Total					

Kindly settle the foregoing amount, the remaining balance, including the condoned amount, penalties, and other charges, within thirty (30) calendar days from receipt of this Notice of Default. Your failure to do so shall constrain us to immediately refer the matter to the GSIS Legal Services Group for filing of the appropriate legal action/s.

If you have questions or concerns, please coordinate with < AMD / BRCD – Division Chief / Officer I > of < Department / Branch Office > email address < @gsis.gov.ph > at Telephone Number < _____ >.

Very truly yours,

Department / Branch Manager

Operations Group

Noted by:

CERTIFIED TRUE COPY
Rhasquez
M.A. RUTH ALMIRA G. VASQUEZ
Records Officer
Office of the Corporate Secretary
28 April 2021



Vice President

Operations Group

Senior Vice President

Operations Group

Received by:

Signature over Printed Name

Designation

Date

Copy furnished:

Agency Authorized Officer (AAO)

Head of the employees' union or association*

Commission on Audit

* In case the agency does not have an employees' union or association, a notice shall be sent to the Human Resources unit of the agency for posting in its bulletin boards.

CERTIFIED TRUE COPY

M.A. RUTH ALMIRA G. VASQUEZ
Records Officer
Office of the Corporate Secretary
28 April 2021





GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

(Date)

HEAD OF AGENCY

Address 1

Address 2

NOTICE OF MEETING

Sir/Madam:

Our records show that your agency, (Name of Agency) has not paid the required monthly compulsory contributions of Php _____ for the month of _____. As such, a penalty in the amount of _____ shall be charged for the delayed payment.

Please be reminded that Section _____ of Article _____ of the Memorandum of Agreement (MOA) executed between GSIS and your agency dated _____, states that upon failure to settle the deficiency within thirty (30) calendar days from receipt of the Notice of Default (NOD), the remaining balance including the condoned amount, penalties, and other charges shall be due and demandable.

In order to assist you on this matter, we respectfully request a meeting with the concerned officers of your agency at a date and time to be agreed upon by both parties.

If you have questions or concerns, please coordinate with < AMD / BRCD – Division Chief / Officer I > of < Department / Branch Office > email address < @gsis.gov.ph > at Telephone Number < _____ > on your most convenient time.

Very truly yours,

Department / Branch Manager

Operations Group

Noted by:

Vice President

Operations Group

Senior Vice President

Operations Group

Received by:

Signature over Printed Name

Designation

Date

CERTIFIED TRUE COPY
Rhasquez
M.A. RUTH ALMIRA G. VASQUEZ
Records Officer
Office of the Corporate Secretary
28 April 2021





GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

(Date)

HEAD OF AGENCY

Address 1

Address 2

FINAL DEMAND LETTER

Sir/Madam:

Our records show that despite service of the Notice of Default (NOD) dated _____, which was received on _____, (Name of Agency) has not paid the compulsory premium contributions and penalty due to the GSIS, as stipulated under Section ____ of Article ____ of the Memorandum of Agreement (MOA) executed between GSIS and your agency dated _____. The total amount due and demandable from your agency is Php _____, with details as follows:

Due Month	Due Date	Amortization Due	No. of Month/s Delayed	Penalty	Total
Total					

In view of your agency's failure to settle the deficiency within thirty (30) calendar days from receipt of the NOD, the MOA is hereby effectively cancelled. Kindly remit the due and demandable amount, including the condoned amount, penalties, and other charges payable within ____ (____) days from receipt of this letter. Your continued refusal to remit the compulsory premiums will constrain the GSIS to file the necessary collection case, criminal and/or administrative cases and/or revive the conditionally dismissed case (as applicable).

Chief Legal Counsel

Copy furnished:

Agency Authorized Officer (AAO)

Head of the employees' union or association*

Commission on Audit

CERTIFIED TRUE COPY

Ruth Almiras Vasquez
MA. RUTH ALMIRAS G. VASQUEZ
Records Officer
Office of the Corporate Secretary
28 April 2021

* In case the agency does not have an employees' union or association, a notice shall be sent to the Human Resources unit of the agency for posting in its bulletin boards.





GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

GSIS Memorandum Circular No. 025 Series of 2021

PPG 368-21

TO : HEADS OF CONSTITUTIONAL BODIES; BUREAUS AND AGENCIES OF THE NATIONAL GOVERNMENT; LOCAL GOVERNMENT UNITS; GOVERNMENT OWNED OR CONTROLLED CORP.; STATE UNIVERSITIES AND COLLEGES; AND ALL OTHERS CONCERNED

SUBJECT : THE 2020 GUIDELINES ON SETTLEMENT OF UNREMITTED PREMIUM CONTRIBUTIONS BY AGENCIES THROUGH MEMORANDUM OF AGREEMENT WITH GSIS AND ADMINISTRATION OF MOA ACCOUNTS

Pursuant to Board Resolution No. 37 dated 09 March 2021 approving Policy and Procedural Guidelines (PPG) No. 368-21 on the "2020 Guidelines on Settlement of Unremitted Premium Contributions by Agencies through Memorandum of Agreement (MOA) with GSIS and Administration of MOA Accounts" dated 20 April 2021, the GSIS approved the following guidelines:

A. Coverage

This shall cover suspended or delinquent agencies without existing MOA with GSIS, which defaulted in the payment of their regular premiums, including agencies with pending cases with the GSIS due to non-remittance of premiums and those agencies previously covered by the SSS that are now covered by the GSIS.

Suspended agencies shall refer to agencies already tagged as "suspended" due to non-remittance of mandatory premium contributions of its employees prior to the implementation of PPG No. 227-13¹.

Delinquent Agencies shall refer to agencies that failed to:

- A. Remit one hundred percent (100%) of the mandatory premium contributions for a due month; or
- B. Comply with the terms and conditions of their respective MOA under PPG No. 227-13.

Upon specific approval by the Board, this shall also cover agencies requesting to enter into a new MOA with GSIS despite defaulting on their obligations under a previous MOA due to just reasons.

B. General Policies

1. Agencies with premium arrearages shall have the option to enter into a MOA with the GSIS to fully settle its premium arrearages.

¹ PPG on Non-Suspension of Loan Privileges of Employees of Agencies that Failed to Remit the Mandatory Premium Contributions dated 04 May 2013.

CERTIFIED TRUE COPY

M.A. RUTH ALMIRA G. VASQUEZ
Records Officer
Office of the Corporate Secretary

28 April 2021



2. Agencies which have previously entered into a MOA under applicable relevant policies of the GSIS, and which have failed to comply with the terms and conditions of the MOA shall no longer be eligible to enter into another MOA pursuant to these guidelines.

However, cases of agencies requesting to enter into a new MOA despite failure to comply with the terms of their previous MOA due to valid reasons shall be elevated to the Board for approval.

C. Submission of Letter Request

An agency, which intends to enter into a MOA with the GSIS to settle its premium arrearages, shall submit a written request expressing its intent to settle its obligations with GSIS and to reconcile the accounts of affected employees.

The submission by a suspended or delinquent agency of a written request to enter into a MOA and other documentary requirements shall not stop the charging of interest, which is a form of penalty (*hereinafter referred to as "penalty"*) for the premium arrearages.

D. Reconciliation of Accounts and Preparation of Statement of Account (SOA)

To facilitate the updating of Member Service Profiles (MSPs), the requesting agency shall submit updated service records (SRs) of all its employees to be covered by a MOA.

If the SR cannot be produced, a certified true copy of the member's Letter of Appointment or a certification from the Civil Service Commission (CSC) on the non-availability of the records and the details of the members' appointment (i.e., dates of the government service, position/s held, salary, and other related information) shall be submitted.

Based on the updated MSP and available records in the GSIS, the handling GSIS office shall validate, reconcile and, if in order, initially compute the amounts due from the agency, prepare a SOA and submit the same to the agency.

The agency shall review the SOA and, if necessary, reconcile its records and computation with the GSIS.

E. Determination of Amount of Obligation and Finalization of SOA

To determine the amount of obligation and facilitate the finalization of the SOA, the following shall be observed:

1. The list of members to be covered in the MOA shall be signed by the GSIS and the agency.
2. The amount of obligation shall be calculated by adding all the premium arrearages and the penalty, thereon, and deducting the total payments made by the agency for the same period.

Penalties shall be charged up to the date of signing by the Head of Agency of the final SOA which signifies his or her agreement thereto.

3. Penalty on premium arrearages shall be charged at the rate of two percent (2%) simple interest per month. Simple interest shall be derived using the following formula:

$$\text{Simple Interest} = (p) (r) (t)$$

where:

p = principal
r = rate of interest
t = time the interest is being charged (number of days of delay/number of days of the month when the remittance should have been made)

The penalty to be imposed shall be computed on a pro-rated basis where the delay corresponds to the exact number of days of the month following the due month and every month thereafter until the required premiums are paid. However, the delay incurred on the first month shall exclude the first ten (10) days owing to the grace period given to agencies to remit to GSIS its premium payments.

For example:

For the first month of delay

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	January 2020
Remittance Due Date :	10 February 2020
No. of Days in the Month :	29 Days
Days of Delay :	19 Days (29 days less 10 days)

$$\begin{aligned} \text{Simple Interest} &= \text{Principal} \times \text{Rate of Interest} \times \text{Time} \\ &= \text{Php } 3,141.66 \times .02 \times 19/29 \\ &= \text{Php } 41.17 \text{ (penalty due/to be collected or charged for February 2020)} \end{aligned}$$

For the succeeding months until full payment of required premiums

a. Computation of penalty for March 2020

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	February 2020
No. of Days in the Month :	31 Days
Days of Delay :	31 Days

$$\begin{aligned} \text{Simple Interest} &= \text{Principal} \times \text{Rate of Interest} \times \text{Time} \\ &= \text{Php } 3,141.66 \times .02 \times 31/31 \end{aligned}$$

= **Php 62.83** (penalty due/to be collected or charged for March 2020)

b. Computation of penalty for April 2020

Unpaid Premiums for the Given

Due Month/Principal :	Php 3,141.66
Penalty Rate :	2%
Due Month :	March 2020
No. of Days in the Month :	30 Days
Days of Delay :	30 Days

Simple Interest = *Principal x Rate of Interest x Time*

= Php 3,141.66 x .02 x 30/30

= **Php 62.83** (penalty due/to be collected or charged for April 2020)

The penalty shall be computed following the aforementioned policy and examples until the required premiums are fully paid.

4. Said penalty shall not be charged if the cause of delayed remittance of premium contributions is any of the following instances:
- Difficulties encountered during the first month of implementation of enhancements to the Electronic Billing and Collection System (eBCS), subject to applicable conditions under the existing policies on grace period in the implementation of eBCS and its enhancements;
 - Payments made in good faith due to a different interpretation of an enabling law, resulting in underpayment of premium contributions;
 - Fortuitous events such as act of war, hostilities, civil war, insurrection, or other artificial disaster, or natural phenomenon of an exceptional, inevitable and irresistible character such as pandemic, and force majeure; or
 - Such other future analogous instances, subject to the approval of the Board.

These exemptions shall be in addition to the justified causes of delayed agency remittance under the existing guidelines on non-charging of interest on identified delayed remittances.

- If there are discrepancies, supporting documents shall be required from the agency for further verification or validation.
- The amount indicated in the final SOA shall be the amount of obligation to be stipulated by the agency in the MOA.

F. **Prepayment**

Prepayment shall be optional and shall be paid on or before the day of the execution of the MOA. It shall be deducted from the principal amount stated in the MOA.

G. Condonation Rate

A percentage of the computed penalty of the total amount of obligation of the agency shall be condoned.

The condonable amount shall be computed based on the following rates:

Base Condonation Rate (BCR):

Age of Account (in months)*	BCR
7 to less than 25	40%
25 to less than 37	35%
37 to less than 60	30%
60 and Above	20%

**Refers to the number of months the account is in arrears, based on the oldest due month.*

An additional condonation shall be given to agencies with the intention to settle which shall meet the prescribed percentage of prepayment.

Additional Condonation Rate (ACR):

Prepayment (% of Total Obligation)*	ACR
At least 20%	10%
At least 15%	5%

**Percentage of the total obligation (principal+penalty) which is paid by the agency on or before the day of the execution of the MOA.*

The total condonation rate shall be equal to the sum of the resulting BCR and ACR.

However, notwithstanding the BCR and ACR, the maximum condonation rate may be extended, as follows, subject to the approval of authorized GSIS approving authorities:

Condonation Rate and Term of Payment
Maximum of 60% of penalty on premium arrearages but the amount to be condoned does not exceed Php 20 Million and/or term of payment of 120 months (10 years) or less
Maximum of 60% of penalty on premium arrearages and the amount to be condoned is more than Php 20 Million but not exceeding Php 50 Million and/or term of payment of 120 months (10 years) or less
More than 60% of penalty on premium arrearages and/or the amount to be condoned exceeds Php 50 Million and/or term of payment of more than 120 months (10 years)

The following parameters shall be considered by officials concerned in recommending the maximum condonation rates:

1. Agencies shall have entered into a Memorandum of Undertaking with the GSIS pursuant to the existing policies on non-suspension of loan privileges of employees of agencies that failed to remit the mandatory premium contributions, if applicable; and
2. Agencies are updated in the payment of their current premiums.

H. Interest and Penalty Charges

The interest rate on the MOA account of the agency shall be twelve percent (12%) per annum compounded monthly based on a diminishing balance. However, when the agency fails to pay any monthly amortization, either in part or in whole, the unpaid amount shall be subject to an additional penalty at the rate of two percent (2%) simple interest per month.

I. Mode of Payment

Payments may be made under any or a combination of the following modes:

1. Cash Payment

a. Full Payment

The agency may make a one-time cash payment to the GSIS within the day the MOA is executed. The full payment shall be payable to GSIS through Cash and/or Cashier's or Manager's checks.

b. Installment payments on a monthly or quarterly basis.

The agency can opt for a monthly or quarterly payment, for a term not exceeding 120 months or 10 years. However, any term exceeding 120 months or 10 years shall be subject to the approval of the BOT, upon recommendation and endorsement of authorized GSIS officials.

The monthly or quarterly amortization shall be payable to GSIS through Cash and/or Cashier's or Manager's checks.

2. Non-Cash Payment

a. Service

An agency may be allowed to request for payment through financial offsetting against an existing payable, if the said agency has an outstanding receivable with GSIS arising from a service it rendered to the System during the normal course of its business. The financial offsetting against a recorded payable in the books of the GSIS shall be supported by a documented billing from the said agency.

Acceptance of payment under this mode shall be subject to the approval of the BOT upon recommendation of the authorized GSIS officials.

b. Real Properties

- 1) In case the payment will be in the form of real properties of the agency, the GSIS shall appraise the value of the property based on careful analysis of

the real property market. It shall take into consideration the best interest of the fund in assessing the effective acquisition value of the property.

Acceptance of payment through real properties shall be subject to the approval of the BOT, upon the recommendation of the functional group concerned acquiring the asset and the PGM.

If the appraised value of the real property is less than the total obligation of the agency, the GSIS shall collect the difference from the agency.

If the appraised value of the real property is equal to or more than the total obligation of the agency, the GSIS shall inform the agency that its total obligation shall be considered paid or settled once the ownership of the real property is transferred to GSIS.

- 2) The agency can request to settle the obligation in the form of a sale of its real property asset to the GSIS at a value mutually agreed upon subject to the approval of the BOT upon recommendation of the functional group responsible for managing real properties as part of its investments.

All expenses to be incurred including but not limited to the transfer of title and registration of proposed property or properties in the name of GSIS shall be paid by the agency.

J. Due Date of Amortizations

The first amortization shall be due on or before the 10th day of the month following the signing of the MOA.

The succeeding amortizations shall be due on or before the 10th day of every month thereafter, until the obligation is fully settled.

K. Submission of Documents

After final reconciliation, the agency shall submit within (15) calendar days the following documents which are mandatory attachments and annexes to the MOA:

1. Proposal Letter to enter into a MOA signed by the Head of Agency addressed to the GSIS President and General Manager (PGM) stating the proposed terms and conditions of the MOA;
2. In cases wherein there exists a governing board or council, a resolution of the governing board or council authorizing the Head of Agency to enter into a MOA with the GSIS;
3. Copy of the Law, Executive Order (EO) or Original Charter that created the Agency;
4. Signed Table of Amortization Schedule;
5. Signed Final SOA with details (i.e., amount that should have been paid and list of payments considered) duly conformed to by GSIS and Head of Agency; and
6. Signed List of all Members covered by the MOA with period of coverage showing the premium account per member for each due month.

L. Amortization

The required monthly amortization based on the total obligation of the agency shall be computed, as follows:

$$\text{Monthly Amortization} = \frac{\text{Amount to be Amortized}}{\text{Annuity Factor}}$$

$$\text{Annuity Factor} = \frac{1}{r} - \frac{1}{r(1+r)^n}$$

where:

r = monthly compounding rate of 1%

n = Term of payment in months

M. Execution of the MOA

The MOA shall be prepared by the GSIS after receipt of the documents stated in Item K hereof and the list of members subject of MOA. The MOA shall be reviewed by the GSIS Legal Services Group (LSG).

The MOA between the GSIS and the agency shall contain the terms and conditions of the settlement including the condonable rate or amount and term of payment as approved by proper authorities.

All MOAs shall be signed by the Executive Vice President – Core Business Sector and by the Head of Agency for and on behalf of the GSIS and the agency, respectively. The Head of the Agency shall ensure the availability of the budget necessary to fund the MOA obligation. Once the MOA has been signed by the GSIS and the agency, there shall be no further reconciliation for the period covered. The signed and notarized MOA shall be final and binding between the GSIS and the agency.

N. Dialogue with Agency

The GSIS shall conduct a dialogue within fifteen (15) calendar days from MOA signing with the head of agency, the union officers and the human resource head to discuss the MOA provisions, particularly, the implication of non-payment of the MOA obligation.

O. Application of Payments

Application of payments shall be in the following order:

1. Penalty on arrears on the MOA account;
2. Interest on amortizations for the MOA account; and
3. Principal.

In case payments are made two (2) or more months after the due date, payments shall be applied starting from the first to the last open item of penalty on arrears. Any remaining amount shall be applied to the next open item following the same order until the total amount paid has been applied.

P. Events of Default

Events of Default shall be the result of failure of the agency to:

1. Pay the required monthly amortization as stipulated in the MOA, except when due to a declared state of calamity or state of emergency, or analogous fortuitous events that prevented the agency to remit properly; or
2. Comply with the other terms and conditions stated in the signed MOA.

Q. Consequence of Default

In case an agency fails to remit the required monthly amortizations under the Agreement on time, the GSIS shall send the following:

1. **First Breach. Notice of Default (NOD). – Failure to remit the required monthly amortization on the 10th day of the following month.**

a. Sending of NOD

- 1) The GSIS shall send NOD, within five (5) calendar days after due date, to the head of the suspended or delinquent agency, copy furnished the Agency Authorized Officer (AAO) and the head of the employees' union or association, and the Commission on Audit (COA)².

In case the agency does not have an employee's union or association, a notice shall be sent to the Human Resources unit of the agency for posting in its bulletin boards.

- 2) The NOD shall contain the amount of unremitted contributions, penalty due, and the period/s covered.

Likewise, the NOD shall state that upon failure to settle within thirty (30) calendar days from receipt of the NOD:

- a) The remaining balance, including the condoned amount, penalties and other charges payable shall be due and demandable; and
- b) The matter shall be referred to the LSG for the filing of appropriate legal action against the head of the suspended or delinquent agency and all responsible officers and employees, as stated in the penal provision of RA 8291.

b. Meeting with Suspended or Delinquent Agency

The GSIS, through its department or branch managers, shall send a written request for a meeting, within seven (7) calendar days from due date, to inform the head of suspended or delinquent agency that:

- 1) GSIS has not received the required monthly amortization contributions for a due month;
- 2) Penalty shall be charged on the delayed payment;

² In support of COA Memorandum No. 2017-015 dated 08 August 2017 mandating all COA auditors to report delinquent agencies who are remiss in paying premiums and loan amortizations and those who fail to remit on time.

- 3) NOD was sent; and
- 4) Upon failure to settle the deficiency within thirty (30) calendar days from receipt of the NOD, the remaining balance, including the condoned amount, penalties and other charges payable shall be due and demandable. The matter shall be referred to LSG for the filing of appropriate legal action.

c. Cancellation of MOA Account

- 1) After the expiration of the period to settle, the GSIS shall effect the following:
 - a) Contract withdrawal in order to cancel the MOA account and close the agency receivable originally created; and
 - b) Reverse the posted MOA payments individually (per member).
- 2) After cancellation of MOA Account, the GSIS shall perform the following:
 - a) Compute the proportionate amount to be credited by distribution of payments from the cancelled MOA.

For Example:

Total Amount Paid	Php 2,510,527.15
Total Amount Due (Open Debit Items)	Php 2,813,592.90
Amount Due (per member/line, based on amount of validated premium arrearages, reconciled number of members and due months)	Php 146.66

Formula:

$$\begin{aligned}
 \text{Proportionate Amount} &= \frac{(\text{Amount Due (Open Debit/Line/Member)} \times \text{Total Amount Paid})}{\text{Total Amount Due}} \\
 &= \frac{(\text{Php } 146.66 \times \text{Php } 2,510,527.15)}{\text{Php } 2,813,592.90} \\
 &= \text{Php } 130.86
 \end{aligned}$$

- b) Proportionally post the premium payments to member's account.
 - c) Collect from the agency the total unpaid amount including penalties for the MOA period.
- 3) The GSIS shall re-compute the pension of those members who had retired or separated from service and overpayments resulting from the reversal of posted payments.
- 4) Agencies which suspension were lifted by virtue of executing the MOA shall be re-tagged as "suspended" by the GSIS as a consequence of default under the existing Agreement.

2. Second Breach. Final Demand Letter (FDL). – Failure to settle the obligation within thirty (30) calendar days from receipt of the NOD.

a. Sending of FDL

- 1) The LSG shall send the FDL to the head of the suspended or delinquent agency within fifteen (15) calendar days from referral of the GSIS units concerned.
- 2) The agency's AAO and head of employee's union, association, or HR unit, as the case may be, and the COA shall be furnished a copy of the FDL.
- 3) The FDL shall state the following:
 - a) The suspended or delinquent agency has failed to settle its deficiency within thirty (30) calendar days from receipt of the NOD;
 - b) The GSIS cancelled the MOA;
 - c) The remaining balance including the condoned amount, penalties and other charges payable are due and demandable; and
 - d) The GSIS shall file the necessary collection case, criminal and/or administrative cases and/or revive the conditionally dismissed case (as applicable).

b. Filing of Legal Action

- 1) The GSIS LSG shall file the appropriate legal action within thirty (30) calendar days from receipt by the agency of the FDL against the head of the suspended or delinquent agency and all responsible officers and employees, as stated in the penal provision of RA No. 8291.
- 2) The referral shall include a copy of the SOA, NOD with proof of receipt, and other pertinent documents required by LSG.

After the GSIS recovers the amounts due from the agency, the GSIS shall post proportionate premium payment to be credited to members' individual accounts and update his or her MSP.

R. Proof of Liability

The agency shall agree and authorize the GSIS to use the MOA as an acknowledgment of liability and/or indebtedness in any proceedings and on the basis of which judgment may be rendered.

Please be guided accordingly.

ORIGINAL SIGNED
ROLANDO L. MACASAET
President and General Manager

Date Signed: APR 20 2021