

[MEMORANDUM ORDER NO. 90, April 08, 2016]

DIRECTING THE ABOLITION OF THE ARMED FORCES OF THE PHILIPPINES-RETIREMENT AND SEPARATION BENEFITS SYSTEM (AFP-RSBS), PRIVATIZATION OF ITS SUBSIDIARIES, AND FOR OTHER PURPOSES

WHEREAS, Presidential Decree (PD) No. 361 (s. 1973) established the Armed Forces of the Philippines-Retirement and Separation Benefits System (AFP-RSBS) and gave it the mandate to provide a self-reliant funding scheme and continuous financial support to the AFP retirement system;

WHEREAS, in 2003, it was established by the *Feliciano Commission Report* that AFP-RSBS was "fundamentally flawed" and had not discharged its mandate;

WHEREAS, Executive Order (EO) No. 590 (s. 2006) and EO No. 590-A (s. 2007) were issued mandating the deactivation of AFP-RSBS, including its winding down and liquidation, but the same were not fully implemented;

WHEREAS, the interest liability of AFP-RSBS continues to grow and the GOCC now faces a depletion of its retained earnings by the end of November 2016;

WHEREAS, the pension and benefits of retired AFP personnel continue to be funded through the General Appropriations Act;

WHEREAS, Section 5(a) of Republic Act (RA) No. 10149, otherwise known as the "GOCC *Governance Act of 2011*," empowers the GCG, in consultation with the department or agency to which a GOCC is attached, to determine whether a GOCC should be reorganized, merged, streamlined, abolished or privatized;

WHEREAS, the GCG finds the abolition of AFP-RSBS to be in the best interest of the State in order to improve national productivity and reduce ineffective and inefficient spending of public funds; and

WHEREAS, pursuant to Section 5(a)(3) of RA No. 10149, the GCG recommended the abolition of AFP-RSBS, and upon approval of the President, GCG will implement such abolition unless another agency is otherwise designated.

NOW THEREFORE, the following are hereby ordered:

SECTION 1. Abolition of AFP-RSBS. The AFP-RSBS is hereby abolished.

SECTION 2. Privatization of Subsidiaries. Pursuant to the liquidation of AFP-RSBS's assets which includes its shares in its wholly-owned subsidiaries, namely, Monterossa Development Corp. (MDC) and Southern Utility Management and Services, Inc. (SUMSI), the privatization of said subsidiaries is hereby approved.

SECTION 3. Winding Down and Liquidation. The AFP-RSBS Board shall act as a Board of Liquidators, subject to oversight by the Governance Commission, and is hereby directed to:

a. Cease collecting members' contributions and accrual of interest thereon upon the effectivity of this Order;

b. Maintain such number of personnel necessary to wind-down its corporate affairs and cease the hiring of new personnel unless first approved by the Governance Commission;

c. Collect all indebtedness due to the AFP-RSBS;

d. Continue a corporate operating budget for the purpose of the following:

1.) Continuation of leasing services, for the purpose of preservation of its assets;

2.) Collection of all indebtedness;

3.) Release of penalties to loans and inter-company receivables due to AFP-RSBS, provided it is not manifestly prejudicial to the government, and in compliance with existing auditing rules and regulations;

4.) Refund of AFP-RSBS members' contributions as they fall due; and

5.) Servicing of existing Membership Loan Programs;

e. For its Board of Trustees to act as Board of Liquidators, who shall recommend to the GCG dispositive actions for its subsidiaries and affiliates;

f. Enter contracts for the following purpose:

1. Sell all its real estate assets, such as, but not limited to, subdivision lots, house and lots, memorial lots, raw lands and all acquired assets in accordance with the existing internal policies of AFP-RSBS;

2. Sell its golf and country club shares, and all other personal properties;

3. Manage, preserve and maintain its buildings, facilities and equipment in line with the winding down activities;

4. Complete deliverables to subdivisions, and turn over completed subdivisions to LGUs and homeowners association; and

5. Maintenance and preservation of existing projects and properties, including security services, insurance, etc.

g. Pursue activities necessary to perfect the ownership of its real estate assets such as, but not limited to, Land Use Conversion, Comprehensive Agrarian Reform Program (CARP) Exemption, Reconveyance, Segregation, and Transfer of TCTs;