



# IGP Country Profile

## **Philippines**





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# Statutory benefits

In the Philippines, the social security program provides benefits in the event of death, disability, sickness, maternity, old age and unemployment. The monthly contribution rate is currently set at 15% of the employee's monthly salary credit, of which 10% is contributed by the employer.

Contribution amounts are determined on a tiered basis according to the employee's monthly basic salary, with PHP 5,000 as the upper limit of the lowest tier and PHP 34,749 as the lower limit of the highest tier.

- 13th-Month Pay: All employees must receive a 13th-month bonus by December 24 annually.
- Social Security System (SSS): Provides sickness, maternity, disability, retirement, unemployment, and death benefits. Contribution rates vary by income.
- PhilHealth: Nationwide health insurance covering inpatient/outpatient care; premium - 5% of basic salary as of 2024.
- Pag-IBIG Fund: Savings and housing loans; contributions build dividends and mortgage support.
- Minimum Wage and Overtime: Minimum wage rates are set by the Regional Tripartite Wages and Productivity Boards (RTWPBs) and vary across regions and sectors (e.g., non-agriculture, agriculture, retail).

# Customary employee benefits

In general, employee benefit plans are common and widely accepted as part of the total compensation scheme of private employers, complementing the existing social insurance programs. Private plans provide the whole range of fringe benefits from life insurance and medical benefits to retirement pay. Most plans are formal in nature and are systematically funded.

The most common medium of providing health and medical benefits is through group insurance. Retirement benefits, on the other hand, are typically structured as either insured plans (funded through an insurance policy) or trustee-managed plans (administered via a dedicated trust fund).

## Group life insurance

Coverage is typically based on Monthly Basic Salary (MBS), with common multiples such as  $24 \times \text{MBS}$ ,  $26 \times \text{MBS}$  (including 13th-month pay), or  $36 \times \text{MBS}$ . Double indemnity applies in case of accidental death.

Most group life plans are employer-financed.

Some of the more common supplementary benefits attached to group life policies are:

- Accidental death and disability benefits
- Accidental medical expense & ambulance reimbursement
- Critical illness benefit
- Permanent and total disability income benefits
- Dependents' life insurance providing nominal coverages for an employee's spouse and children

## Dependents' benefits

Dependents' benefits are commonly provided as supplementary benefits attached to a group life policy with nominal coverages for an employee's spouse and children.

## Group disability benefits

Disability benefits can be provided as supplementary benefits attached to group life policies:

- Accidental death and disability benefits
- Permanent and total disability income benefits

## Medical benefits

PhilHealth, the government's National Health Insurance Program, provides statutory health coverage for all employees. However, its benefits are limited in scope and value - it typically covers only a small portion of hospitalization costs and excludes many essential services such as laboratory tests and comprehensive outpatient care.

Because of these limitations, employees and their families rely heavily on employer-sponsored medical plans for meaningful coverage.

Group medical insurance plans in the Philippines generally fall under two categories: basic hospitalization plans and major medical plans. These plans are designed to complement the statutory coverage provided by PhilHealth.

- Basic hospitalization plans typically cover room and board, surgical fees, and physician visits, subject to defined limits. For example:
  - Daily room and board allowance for a specified number of days
  - Fixed maximums for surgical fees, doctor's calls and special hospital services
- Major medical plans provide broader coverage for inpatient and outpatient care. Rather than reimbursing a percentage after a deductible, these plans usually cover the full cost of procedures up to the maximum benefit limit. Certain treatments may have fixed budgets (e.g., PHP 1,000 for minor procedures like wart cauterization). This approach ensures employees have predictable coverage for common medical needs.

A recent development is the prepaid health service plan (HMO – Health Maintenance Organization), offered directly by hospitals or clinics for a fixed retainer fee per employee.

These plans provide bundled services such as hospital accommodations, medicines, and physician care, but limit the employee's choice to the provider's network.

Many companies also extend coverage to dependents, typically structured as:

- Qualified dependents (e.g., spouse, children): contributory basis (e.g., 70% employer / 30% employee)
- Optional dependents (e.g., common-law partners, overaged parents): employee-pay-all basis

## Retirement benefits

Under Philippine law, all private sector employees are entitled to retirement benefits. Employees may opt for early retirement starting at age 60, but retirement becomes mandatory at age 65. Employment beyond age 65 is generally not permitted.

The statutory retirement pay is calculated as one-half month's salary for every year of service, with any period of at least six months counted as a full year. This formula ensures that long-serving employees receive proportionate benefits.

In practice, lump-sum payouts are the most common form of retirement benefit, as they are preferred for convenience and flexibility. Many retirees use this lump sum for personal needs or as a financial cushion for their families. Lump sums can also serve as a death benefit for beneficiaries, since direct relatives may claim the amount if the retiree passes away. While monthly pension options exist, they are rarely chosen due to the administrative burden of processing regular payments. Company-sponsored retirement plans typically do not include widow's or orphans' pensions, focusing instead on providing a single benefit at retirement.

## Financing practices

The majority of retirement plans are non-contributory. Integration with Social Security is seldom done, although many plans reserve the right of the employer to apply plan benefits towards the payment of legally required benefits such as the separation pay.

The funding of private pension plans is generally made through either a trust or an insurance policy, usually a Deposit Administration Contract. Most trusted plans engage the services of a bank.

Retirement fund investments are not subject to any restrictions other than the general prohibition against overseas investment imposed by the Central Bank on all investors. There is a marked trend toward equity and real estate investment.

## Eligibility

Under Philippine law, employees may opt for retirement starting at age 60, but retirement becomes mandatory at age 65. Private company plans often mirror these rules but may include more liberal early retirement provisions - full benefits can be payable after 10 years of service and as early as age 50, depending on plan design.

Although there are no statutory vesting requirements, private plans typically include vesting schedules. New or revised plans often begin vesting after 5–10 years of service and reach full vesting by 20 years. Full vesting also occurs upon death, disability, or involuntary separation. Pre-retirement disability and survivor benefits are uncommon and usually provided through separate group insurance plans.



# Legislative news

## Introduction of Voluntary Provident Fund Program

In December 2022, the Social Security System (SSS) launched the Workers' Investment and Savings Program (WISP) Plus, a voluntary retirement savings scheme designed to complement the mandatory SSS program. Unlike the original WISP, which applies only to members meeting specific criteria, WISP Plus is open to all SSS members who wish to save and invest beyond their regular contributions.

This program offers an affordable, tax-free savings option with returns that typically exceed those of traditional savings accounts and time deposits, while providing additional social security protection.

## Increase in contribution rate and monthly salary credit

Effective January 2025, the Social Security Act of 2018 (Republic Act No. 11199) implemented scheduled adjustments to strengthen retirement benefits:

- Contribution rate increased from 14% to 15%.
- Monthly salary credit range was revised, with the minimum rising from PHP 4,000 to PHP 5,000 and the maximum from PHP 30,000 to PHP 35,000.

These changes aim to enhance future benefits by increasing both employee and employer contributions.

## Local reinsurance requirement

The Philippine government now requires all insurance plans to reinsure at least 10% of coverage locally through the National Reinsurance Corporation (NATRe). This applies regardless of whether the plan is globally reinsured. While companies may request exemptions such as for captive arrangements, approval is challenging and requires strong justification.

# Trends

Employee benefits in the Philippines are undergoing significant transformation, driven by changing workforce expectations, economic pressures, and the strategic role of benefits in attracting and retaining talent. Organizations are focusing on flexibility, well-being, and personalization, while leveraging technology to ensure compliance and enhance employee experience.

## Workplace flexibility and compensation

Hybrid and remote work arrangements have become a post-pandemic norm, supported by Department of Labor and Employment (DOLE) guidelines and digital collaboration tools.

Alongside this shift, compensation strategies are evolving - employers are prioritizing performance-based bonuses and targeted pay adjustments, while cost-of-living allowances remain limited.

## Health and well-being

Mental health and overall well-being are now central to benefits programs. Companies are introducing initiatives such as Employee Assistance Programs (EAPs), fitness and coaching services, and caregiver leave policies.

At the same time, private medical coverage is expanding rapidly, as employees seek more comprehensive healthcare options beyond PhilHealth's limited subsidies. This trend reflects growing concerns about perceived medical inflation and the need for higher coverage.

## Technology and personalization

Smaller firms increasingly rely on technology platforms and Professional Employer Organizations (PEOs) to deliver competitive benefits. Across all sectors, employers are moving toward personalized benefits strategies, using digital tools to tailor offerings and ensure regulatory compliance.

## Benefit design shifts

There is a clear movement away from fixed-amount benefits toward formulas based on Monthly Basic Salary (MBS), often with minimum thresholds. This approach allows for more equitable and scalable benefits, particularly for higher-level employees.

# Typical employee benefits plans and benchmarking

Multinational companies in the Philippines generally align benefits with statutory requirements while offering competitive packages to attract and retain talent. Practices vary by industry, company size, and employee level, but certain benchmarks are widely observed.

Industry	Life Insurance	Accident & Disability	Medical Coverage	Other Benefits
Finance	36 × MBS	Included in life plan	PHP 250,000 annual	Burial benefit, critical illness
Pharmaceutical	30 × MBS	Included in life plan	PHP 200,000 annual	Accidental medical expense
IT / Technology	24–30 × MBS	Included in life plan	PHP 150,000 annual	Wellness programs, EAP
Automotive / Engineering	24 × MBS	Included in life plan	PHP 120,000 annual	PPE allowance, accident cover
Manufacturing	24 × MBS	Included in life plan	PHP 100,000 annual	Burial benefit
BPO	24 × MBS	Included in life plan	PHP 80,000 annual	Shift allowances

Additional market practices:

- Non-Evidence Limits (NEL): Higher NELs for executives to avoid medical exams for coverage above standard limits.
- Medical coverage: Often includes hospitalization, surgical procedures, and outpatient care. Dependent coverage is usually contributory (e.g., 70% employer / 30% employee) or employee-pay-all for optional dependents.
- Trend toward MBS-based benefits: Movement away from fixed-amount benefits toward formulas based on Monthly Basic Salary (MBS), ensuring scalability and fairness.



# Useful links

## **Demographic information and macro-economic indicators**

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

## **Other useful links**

[Philippines Social Security System \(SSS\)](#)

## **More information on Pioneer Life Inc.**

### **Your Local Link to IGP in the Philippines**

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