



PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

Resolution No. 2016 - 34

UNDERSCORING THE REALIGNMENT OF FUNCTIONS, DUTIES, AND RESPONSIBILITIES OF BOARD COMMITTEES

Whereas, PSMBFI has, in the past, maintained and created seven (7) board committees, namely:

	Members
1. Executive Committee	9
2. Organization & Screening Committee	8
3. Investment Committee	8
4. Audit Committee	8
5. Risk Oversight	8
6. Membership Committee	7
7. IT Committee	8
TOTAL	56

Whereas, on 28 April 2015, the Board approved Board Resolution No. 2015-39 confirming the composition of the Board Committees in accordance with the best practices in good corporate governance, resulting in only five (5) committees, namely:

	Members		Members
1. Executive Committee	9	1. Executive Committee	10
2. Organization & Screening Committee	8	2. Governance Committee (Inclusive of functions of Remuneration and Nominating Committees)	8
3. Investment Committee	8	3. Risk and Audit Committee	7
4. Audit Committee	8	4. Membership Committee	7
5. Risk Oversight	8	5. IT Committee	8
6. Membership Committee	7		
7. IT Committee	8		
	56		40

Whereas, pursuant to BR No. 2015-39, the functions of Organization and Screening Committee were subsumed by the newly created Governance Committee together with all other functions of the Remuneration and Nominating Committees. Furthermore, all functions of the Investment Committee, Audit Committee, and Risk Oversight Committee were assumed by the newly created Risk and Audit Committee;

Whereas, this resulted in the reduction of number of and membership in the Board Committees, additional functions, duties, and responsibilities for the newly created committees without any requirement for additional funding, and reduced expenses of the Board of Trustees for the year 2015;

Handwritten signatures and initials:
 - Top right: A large signature.
 - Middle right: A blue checkmark and a blue circle.
 - Bottom right: Several initials and signatures, including 'KMA' and 'B'.
 - Bottom center: A signature 'Jmh' and other initials.



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Whereas, on 01 June 2015, the Board approved Resolution No. 2015-44, approving the increase in honorarium for the meetings of the newly constituted board committees;

Whereas, the increase in the honorarium provided in Board Resolution No. 2015-44 is a mere adjustment and modification of the fees of the committee members as a consequence of the realignment of functions, duties, and responsibilities of the various board committees. Based on the coordination with the Insurance Commission (Statistics and Research Division) on 11 May 2016 , the adjustment and modification of the fees resulting from realignment of functions, duties, and responsibilities, is within the bounds of good governance;


Now, therefore, be it resolved, as it is hereby resolved, that the Board of Trustees underscores the realignment of functions, duties, and responsibilities of the various Board Committees provided in Board Resolution No. 2015-39 resulting in the adjustment and modification of the honorarium of various Board Committees as provided in Board Resolution No. 2015-44;

Be it resolved finally, that copies of this resolution be furnished the Chairman and Vice-Chairman of the Board of Trustees, the President, the Vice-President, the General Manager, and PSMBFI Management for reference and information.

Done in San Juan City, this 3rd day of June 2016.


DIR RICARDO C MARQUEZ
Chairman


DIR ANTONIO P BILLONES
Vice Chairman


DIR MARIO A AVENIDO
President


DIR ARMANDO E RAMOLETE
Vice President


DIR ROBERTO L ALIGGAYU
Treasurer


DIR JUANITO P DIMACULANGAN
Assistant Treasurer


DIR ASHER A DOLINA
Trustee


DIR LEONARDO A ESPINA
Trustee


DIR DOMINADOR E AQUINO JR
Trustee



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DIR JUANITO B. VAÑO JR
Trustee


DIR CEDRICK G. TRAIN
Trustee


DIR JOY E. TOMBO
Trustee


DIR NARCISO A. MALABANAN
Trustee


DIR BERNARDO L. BONIFACIO
Trustee


DIR ROMEO P. ESQUIBEL
Trustee

Attested by:


ATTY ASHER A. DOLINA, CEO VI
Corporate Secretary

INTER-OFFICE

PSMBFI

Memorandum

FOR : THE PRESIDENT
THE VICE-PRESIDENT 5/12
GM/RO

FROM : CLO

SUBJECT : Report on BOT Honorarium

DATE : 11 May 2016

*to: CLO
Approved.
↓*

Please find attached "**REPORT ON INCREASE OF AND EFFECTIVITY OF BOT HONORARIUM**". Based on the directive of the Chairman, Governance Committee and the Corporate Secretary, this will be presented on 19 May 2016 during the committee meeting.

FOR YOUR INFORMATION AND APPROVAL.



ATTY. RIZALINA V. LUMBERA

**REPORT ON INCREASE OF AND EFFECTIVITY OF HONORARIUM
Governance Committee
19 May 2016**

Based on the instructions of the Chairman, Governance Committee and the Corporate Secretary, we prepared the foregoing report on the increase in the amount of Board Honorarium. This will be presented during the committee meeting on 19 May 2016.

I. Background:

A. Pursuant to BR No 2015-33 dated 30 March 2015 and in accordance with the best practices in good corporate governance, the BOT approved the reorganization of the Board Committees from seven (7) to five (5), to wit:

Old	Members	New	Members
Executive Committee	9	Executive Committee	10
Organization & Screening Committee	8	Governance Committee (Inclusive of functions of Remuneration and Nominating Committees)	8
Investment Committee	8	Risk and Audit Committee	7
Audit Committee	8		
Risk Oversight	8		
Membership Committee	7	Membership Committee	7
IT Committee	8	IT Committee	8
7	56	5	40

B. On 01 June 2015, the BOT issued BR No 2015-44, increasing the honorarium of members of Board Committees, as follows:

Meeting	Old Rate		New Rate		Increase	
	Gross	Net	Gross	Net	Gross	Net
Excom:						
Chairman	11,764.71	10,000.00	17,647.06	15,000.00	5,882.35	5,000.00
Secretary	11,764.71	10,000.00	17,647.06	15,000.00	5,882.35	5,000.00
Members	8,823.53	7,500.00	11,764.71	10,000.00	2,941.18	2,500.00
Committees:						
All members	5,882.35	5,000.00	8,823.53	7,500.00	2,941.18	2,500.00

C. As a result, the BOT reduced its total honorarium expenses.

	7 Board Committees	5 Board Committees	Savings
	(at P5,000.00 / member)	(at P7,500.00 / member)	
Committee Meetings	3,191,176.55	2,820,588.24	370,588.31
TOTAL	3,191,176.55	2,820,588.24	370,588.31

II. Concerns

Is the current BOT allowed to increase their honorarium effective their term of office?

Is it legal, reasonable, or proper?

III. Discussions

A. Legality of the Increase and its effectivity

1. The Corporation Code of the Philippines provides that *"in the absence of any provision in the by-laws fixing their compensation, the directors shall not receive any compensation, as such directors, except for reasonable per diems: Provided, however, That any such compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In no case shall the total yearly compensation of directors, as such directors, exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year"*. (Sec. 30, Compensation of Directors, Corporation Code);

2. Under the Corporation Code, there is a distinction between compensation and reasonable per diems of the members of the BOT. As a requirement, compensation may be duly authorized by the By-Laws and in the absence thereof, the stockholders' majority vote during a stockholders' meeting is necessary to grant compensation to the BOT. In either case, the compensation shall not exceed 10% of the net income before tax of the corporation during the preceding year. BOT has no right to grant compensation for themselves and it is within the power of the stockholders to grant compensation to the members of the BOT.

3. On the matter of reasonable per diems other than compensation, the Corporation Code does not require the majority vote of the stockholders to provide for the honorarium or to increase the existing honorarium. Considering that PSMBFI By-Laws provide that *"the members of the Board of Trustees shall be entitled to reasonable allowances and per diems as may be authorized by the Board"* (Article IX Section 15 of the PSMBFI by-Laws), then, it is not illegal for the BOT to provide for the amount of the honorarium or increase the same and make it effective during their term;

B. Reasonableness and Propriety of Increase in Honorarium and its effectivity

1. Section 30 of the Corporation Code does not specify who is to set the amount of the per diems and what amounts shall be considered "reasonable" under the circumstances. If normal corporate circumstances were to be followed, the matter shall be decided by the directors themselves. The stockholders, however, may review a board resolution fixing or increasing the per diems of its members to inquire into its reasonableness. Per diems received without proper authorization or found to be unreasonably excessive may ordinarily be recoverable in a stockholders' or members' suit.

We coordinated with the Insurance Commission (Statistics and Research Division in charge of Governance Scorecard for all insurance companies) on this matter, and according to the IC, as long as we can justify the increase and the effectivity thereof, then, the same shall be considered as appropriate. Based on records of the Corporate Secretary, the number of committees was reduced from seven (7) to five (5) which alignment was premised on the prescribed IC Corporate Governance Scorecard. This resulted in savings in expenses in the total amount of P **370,588.31**. These are sufficient basis to justify the increase, making it effective during the term of the approving BOT, and to consider the increase as reasonable and proper considering the circumstances of PSMBFI.

2. The Insurance Commission prescribed Corporate Governance Scorecard for insurance companies. These scorecards provide for the guidelines on practices of good governance of insurance companies. For the years 2008 to 2011, the scorecards provide for the guideline that "there is no director/trustee involved in deciding his or her own remunerations". This, however, was not indicated in the Scorecard for the year 2012 to 2013. The Scorecard for the years 2012 to 2013 only provide for the following guidelines:

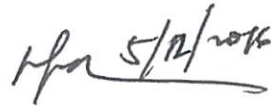
- a. Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy for its executives directors and CEO?

- b. Is there disclosure of the fee structure for non-executive directors/commissioners?
- c. Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or senior executives?
- d. Do independent non-executive directors/commissioners receive options, performance shares or bonuses?

The 2014 ASEAN Corporate Governance Scorecard, also did not provide for the guideline that "there is no director/trustee involved in deciding his or her own remunerations", and instead provided for the composition of the remuneration committee, with the chairman and majority of the members are independent directors, the meetings of the committee.

3. Thus, on the concern of the reasonableness and propriety of the increase and its effectivity during the term of the approving BOT, we are within the bounds of the IC prescribed guidelines on good governance.

FOR YOUR INFORMATION and APPROVAL prior to presentation to the members of the Governance Committee on 19 May 2016.



ATTY. RIZALINA V. LUMBERA

APPROVED/~~DISAPPROVED:~~



DIR MARIO A AVENIDO