

[PRESIDENTIAL DECREE NO. 1146, May 31, 1977]

AMENDING, EXPANDING, INCREASING AND INTEGRATING THE SOCIAL SECURITY AND INSURANCE BENEFITS OF GOVERNMENT EMPLOYEES AND FACILITATING THE PAYMENT THEREOF UNDER COMMONWEALTH ACT NO. 186, AS AMENDED, AND FOR OTHER PURPOSES.

WHEREAS, the Government Service Insurance System in promoting the efficiency and welfare of the employees of the Government of the Philippines, administers the laws that grant to its members social security and insurance benefits;

WHEREAS, it is necessary to preserve at all times the actuarial solvency of the funds administered by the System; to guarantee to the government employee all the benefits due him; and to expand and increase the benefits made available to him and his dependents to the extent permitted by available resources;

WHEREAS, provisions of existing laws have impeded the efficient and effective discharge by the System of its functions and have unduly hampered the System from being more responsive to the dramatic changes of the times and from meeting the increasing needs and expectations of the Filipino public servant; WHEREAS, provisions of existing laws that have prejudiced, rather than benefited, the government employee; restricted, rather than broadened, his benefits, prolonged, rather than facilitated the payment of benefits, must now yield to his paramount welfare;

WHEREAS, the social security and insurance benefits of government employees must be continuously re-examined and improved to assure comprehensive and integrated social security and insurance program that will provide benefits responsive to their needs and those of their dependents in the event of sickness, disability, death, retirement, and other contingencies; and to serve as a fitting reward for dedicated public service;

WHEREAS, in the light of existing economic conditions affecting the welfare of government employees there is a need to expand and improve the social security and insurance programs administered by the Government Service Insurance Systems, specifically, among others, by increasing pension benefits, expanding disability benefits, introducing survivorship benefits, introducing sickness income

benefits, and eventually extending the compulsory coverage of these programs to all government employees regardless of employment status;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

SECTION 1. *Title.* —The short title of this Act shall be the "Revised Government Service Insurance Act of 1977."

A. DEFINITIONS

SEC. 2. *Definition of Terms.* —Unless the context otherwise indicates, the following terms shall mean:

(a) *System* —The Government Service Insurance System created and established by Commonwealth Act No. 186;

(b) *Board* —The Board of Trustees of the Government Service Insurance System;

(c) *Employer* —The National Government, its political subdivisions, branches, agencies or instrumentalities, corporations owned and/or controlled by the Government, the Philippine Tuberculosis Society, the Philippine National Red Cross and the Philippine Veterans Bank;

(d) *Employee* —Any person in the service of an employer who receives compensation for such service;

(e) *Member* —any person compulsorily covered by the System under Section 3 of this Act;

(f) *Dependent* —the legitimate, legitimate, legally adopted, acknowledged natural or illegitimate child who is unmarried, not gainfully employed, and not over twenty-one years of age or is over twenty-one years of age but physically or mentally incapacitated and incapable of self-support; the legitimate spouse dependent for support upon the member, and the legitimate parent/s wholly dependent upon the member for support;

(g) *Primary beneficiaries* —the dependent spouse until he remarries and the dependent children;

(h) *Secondary beneficiaries* —the dependent parents and legitimate descendants other than dependent children;

(i) *Compensation* —the basic pay or salary received by an employee, pursuant to his employment/appointment/s, excluding per diems, bonuses, overtime pay, and allowances;

(j) *Contribution* —the amount payable to the System by the member and the employer in accordance with section five of this act;

(k) *Average monthly compensation* —the quotient after dividing the aggregate compensation received by the member for the last three years immediately preceding his death/separation/disability/retirement, by the number of months he received said compensation, or three thousand pesos, whichever is smaller;

(l) *Revalued average monthly compensation* —an amount equal to one hundred seventy percent of the first two hundred pesos of the average monthly compensation plus one hundred percent of the average monthly compensation in excess of two hundred pesos;

(m) *Lump sum* —the present value of the basic monthly pensions for five years discounted at a rate of interest to be determined by the System but not less than six percent per annum;

(n) *Pensioner* —any person who receives old-age or disability pension whether in lump sum or otherwise;

(o) *Disability* —any loss or reduction of earning capacity due to impairment of the normal functions of the physical and/or mental faculties which reduces a member's ability to engage in any gainful occupation;

(p) *Total disability* —accrues or arises when the loss or reduction of earning capacity amounts to at least seventy-five percent; or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amounts to at least one hundred percent;

(q) *Permanent total disability*—accrues or arises when recovery from the impairment mentioned in section 2(o) is medically remote;

(r) *Temporary total disability* —accrues or arises when the impaired physical and/or mental faculties can be rehabilitated and/or restored to their normal functions;

(s) *Permanent partial disability*—accrues or arises when the loss or reduction of earning capacity amounts to less than seventy-five percent or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amounts to less than one hundred percent, as a result of an irrecoverable anatomical loss;

B. COVERAGE OF THE SYSTEM

SEC. 3. *Compulsory Coverage.* —Membership in the System shall be-compulsory for all permanent employees below 60 years of age upon appointment to permanent status: Provided, That upon approval by the President of the Philippines and subject to the availability of funds, compulsory coverage may be extended to non-permanent employees of national government agencies and local governments, either simultaneously in phases or by groups; Provided, Further, that non-permanent employees of government-owned or controlled corporations may be covered upon approval by the System upon request of their respective Governing Boards; Provided, Finally, that the coverage of temporary employees under R.A. No. 49 shall remain in force.

SEC. 4. *Effect of Separation from the Service.* —A member shall continue to be a member, notwithstanding his separation from the service and, unless the terms of his separation provide otherwise, he shall be entitled to whatever benefits which shall have accrued or been earned at the time of his separation in the event of any contingency compensable under this Act.

C. SOURCES OF FUNDS

SEC. 5. *Contributions.* —(a) It shall be mandatory for the employee to pay the monthly contributions specified in the following schedule:

	Monthly Compensation	Percentage of Monthly Compensation Payable by Employee	Employer
I	P200 or less	7.5%	10.5%
II	Over P200 up to P3,000	8.5%	9.5%
III	Over P3,000		
IV	First P3,000	8.5%	9.5%

In excess of P3,000

3.6%

9.5%

(b) The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above, plus any extra premiums that may be required on account of the hazards or risks of its employees' occupation, plus the additional amounts, if any, required in the next following paragraph and shall remit the same to the System: Provided, That, if after an examination of its financial condition, the System finds that the employer cannot afford to pay said contributions in full, then it shall pay only such rates of contributions as the System may consider within its capacity to pay. In case of such reduction the benefits payable to the member and/or his beneficiaries shall be adjusted actually in accordance with the rules and regulations prescribed by the System.

(c) For the amounts of pensions corresponding to the services rendered by a member prior to June Sixteen, nineteen hundred and fifty-one, increases in retirement benefits provided for in Republic Act numbers forty-nine hundred sixty-eight, fifty-nine hundred sixty-nine and Presidential Decree number seven hundred twelve, the National Government shall pay the necessary additional amounts as may be determined by the System and in such manner as may be agreed upon by the National Government and the System.

SEC. 6. *Collection and Remittance of Contributions.* — (a) It shall be compulsory upon the employer to deduct and withhold each month from the monthly salary of each employee the contributions payable by him and to remit the same and its share to the System within the first ten days of each calendar month following the month to which the contributions apply. The remittance of the contributions may be made in advance quarterly or semi-annually or annually, the contributions payable by the employee to be advanced by his employer: Provided, That, upon separation of an employee, any contributions so paid in advance but not due shall be credited or refunded to his employer. The remittance by the employer of said contributions to the System shall be in preference to the payment of other obligations, except salaries and wages of its employees.

(b) In case an employer defaults in the payment of its obligations to the System, the Secretary of Finance or the Chairman of the Commission on Audit shall take such steps as may be necessary to have said obligation paid promptly. Said officials or their duly designated representatives are hereby authorized and directed to withhold from revenues and/or incomes of a defaulting employer such amounts as may be necessary to pay its obligations under this Act and remit the same immediately to the System. In case of insolvency of an employer, its obligations under this Act shall be paid in preference to all other obligations, except salaries and wages of its employees.

SEC. 7. *Penalty for Non-remittance or Delayed Remittances.* — Unremitted collections shall earn such interest as the Board may prescribe, not exceeding two percent per month from their due date to the date of payment, payable by the employer.

SEC. 8. *Government Guarantee.* —The Government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the System to its members as and when they fall due.

D. BENEFITS

SEC. 9. *Computations of Basic Monthly Pension.* —(a) The basic monthly pension is equal to:

(1) thirty-seven and one-half percent of the revalued average monthly compensation; plus

(2) two and one-half percent of said revalued average monthly compensation for each year of service in excess of fifteen years: *Provided, That,* the basic monthly pension shall not exceed ninety percent of the average monthly compensation.

(b) The basic monthly pension may be adjusted upon the recommendation of the President and General Manager of the System and approved by the President of the Philippines in accordance with the rules and regulations prescribed by the System.

SEC. 10. *Computation of Service.* —The computation of service for calculating the pension shall be from the date of original service with an employer, including:

(1) periods of honorable service in the Philippines under the authority of the United States Government if rendered prior to July four, nineteen hundred and forty-six; and

(2) period from January one, nineteen hundred and forty-two, to February twenty-eight, nineteen hundred and forty-six for these who were in the service on December eight, nineteen hundred and forty-one;

but excluding:

(i) period of military service for which an employee receives separation, retirement or disability pay; and

(ii) periods of service rendered after June sixteen, nineteen hundred and fifty-one during which contributions were not then required, unless the contributions with interest be later on paid to the System.

For the purpose of this section, the term service shall include only full time service with compensation: *Provided, That* part-time and other services with compensation may be included under such rules and regulations prescribed by the System.

Retirement Benefits

SEC. 11. *Conditions for Old-Age Pension.* —(a) Old-age pension shall be paid to a member who:

(1) has at least fifteen years of service;

(2) is at least sixty years of age; and

(3) is separated from the service.

(b) Unless the service is extended by appropriate authorities,

retirement shall be compulsory for an employee at sixty-five years of age with at least fifteen years of service: *Provided, That* if he has less than fifteen years of service, he shall be allowed to continue in the service to complete the fifteen years.

SEC. 12. *Old Age Pension.* —(a) A member entitled to old-age pension shall receive the basic monthly pension for life but in no case a period less than five years: