

## THIRD DIVISION

[ G.R. No. 217949, February 20, 2019 ]

**GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS),  
PETITIONER, VS. REYNALDO P. PALMIERY, RESPONDENT.**

### DECISION

**REYES, A., JR., J.:**

By their very nature, retirement laws are humanitarian in character. They reward an employee's loyalty and long service to their employer. For government service in particular, the retirement benefits are meant to attract qualified individuals and promote longevity in the government. Most important is their function to support retirees, especially those who are in their twilight years; during which time, gainful employment is not only difficult to find, but also impractical. The administration of retirement laws should, therefore, always lean on the side of the beneficiary in order to achieve these purposes.<sup>[1]</sup>

Before the Court is a petition for review on *certiorari*<sup>[2]</sup> filed under Rule 45 of the Rules of Court, seeking to reverse and set aside the Decision<sup>[3]</sup> dated January 21, 2015 and the Resolution<sup>[4]</sup> dated April 17, 2015 of the Court of Appeals (CA) in CA-G.R. SP No. 129755.

### Factual Antecedents

The facts of the case are essentially undisputed. Respondent Reynaldo P. Palmiery (Reynaldo) began his government service on May 2, 1961 as a Laborer in the Philippine Veterans Administration.<sup>[5]</sup> On January 1, 1987, or after more than 25 years of service, he retired as a Manager of the Development Bank of the Philippines (DB-P) when the bank underwent reorganization.<sup>[6]</sup> The DBP paid his gratuity benefit under Republic Act (R.A.) No. 1616<sup>[7]</sup> in the amount of Php 189,618.46. Reynaldo received the refund of his contributions amounting to Php 60,395.85.<sup>[8]</sup> In total, he received Php 250,014.31.

On January 2, 1987, Reynaldo re-entered government service when he was appointed as Manager III in the Social Security System (SSS). He continued to work in the SSS until his retirement as a Deputy Administrator effective June 1, 1994.<sup>[9]</sup> Reynaldo then claimed retirement benefits under R.A. No. 660;<sup>[10]</sup> pursuant to which, he was granted a five (5)-year lump sum pension in the amount of Php 532,491.28. This amount was subject to the following deductions: (a) the amount of benefits he received prior (*i.e.* Php 250,014.31); and (b) his outstanding accountabilities (*i.e.* Php 57,774.64).<sup>[11]</sup> Thus, Reynaldo received the aggregate amount of Php 224,836.73 on July 4, 1994.<sup>[12]</sup>

After four (4) years, or on July 7, 1998, Reynaldo was appointed as a member of the Government Service Insurance System (GSIS) Board of Trustees. During his tenure as a member of the board, he began to concurrently serve as the GSIS Executive Vice-President after his appointment to this position on July 16, 1998.<sup>[13]</sup>

On July 11, 2001, Reynaldo refunded to GSIS the amount of Php 895,320.78, or the benefits he previously received from his retirement.<sup>[14]</sup> He also requested for the suspension of his monthly pension, which became effective on July 1, 1999, or five (5) years after the payment of his lump sum pension.<sup>[15]</sup> Reynaldo likewise refunded the pension he received on various dates, pending the GSIS' action on his request. All in all, the total amount Reynaldo refunded to GSIS was Php 920,566.72.<sup>[16]</sup>

Reynaldo retired upon reaching the compulsory retirement age on May 28, 2005. On May 14, 2010, he applied for retirement benefits under R.A. No. 8291.<sup>[17]</sup> Included in his application was his request for full credit of his government service starting on July 1, 1961 until his mandatory retirement on May 28, 2005, or approximately 38 years.<sup>[18]</sup>

### **Ruling of the GSIS**

In a letter<sup>[19]</sup> dated June 3, 2010, the GSIS Claims Department rejected Reynaldo's application for retirement benefits under R.A. No. 8291, for failure to meet the service requirement. The Claims Department stated that the GSIS would only credit Reynaldo's service after his re-entry to the government in 1998. Reynaldo was likewise informed that the amount previously refunded to the GSIS would be returned to him without interest. Reynaldo replied through a letter<sup>[20]</sup> dated June 21, 2010, in order to protest the denial of his retirement application.

There being no response from the GSIS, Reynaldo filed a petition on January 18, 2011,<sup>[21]</sup> which was later forwarded to the GSIS Committee on Claims.<sup>[22]</sup> The GSIS Committee on Claims, thereafter, denied Reynaldo's claim.<sup>[23]</sup> Unsatisfied with their decision, Reynaldo filed a petition<sup>[24]</sup> dated November 11, 2011 with the GSIS Office of the Corporate Secretary. The petition was then forwarded to the GSIS Chief Legal Counsel for appropriate action.<sup>[25]</sup>

Acting on Reynaldo's petition, the GSIS Board of Trustees promulgated its Decision<sup>[26]</sup> dated February 28, 2013, which ruled to dismiss the petition for lack of merit, *viz.*:

WHEREFORE, the petition is hereby DISMISSED for lack of merit. The GSIS Claims Department is hereby ordered to refund to [Reynaldo] the amount of Php920,566.72, which he returned to the GSIS. The acceptance of the refund shall be deemed as a constructive filing of the claim for separation benefits.

SO ORDERED.<sup>[27]</sup>

According to the GSIS Board of Trustees, it has approved Policy and Procedural Guidelines (PPG) No. 183-06 on January 4, 2006, which established a clear

procedure in the processing of retirement claims of re-employed government officials. Under these guidelines, government employees who re-entered on or after the effectivity of R.A. No. 8291, or on June 24, 1997, cannot claim their previous years of service upon retirement.<sup>[28]</sup> Since Reynaldo re-entered government service after June 24, 1997, the GSIS Board of Trustees excluded the years of service prior to his re-entry in the computation of his service under R.A. No. 8291.<sup>[29]</sup>

### **Ruling of the CA**

Reynaldo appealed to the CA via a petition for review<sup>[30]</sup> under Rule 43 of the Rules of Court. In a Decision<sup>[31]</sup> dated January 21, 2015, the CA granted his appeal and ruled as follows:

WHEREFORE, in light of all the foregoing, the petition is GRANTED. Accordingly, the decision dated February 28, 2013 of [GSIS] in GSIS Case No. 005-11 is hereby REVERSED and SET ASIDE.

Respondent GSIS is DIRECTED to process the total retirement benefits accruing in favor of [Reynaldo], based on his total length of government service.

SO ORDERED.<sup>[32]</sup>

The CA held that under Section 12(g) of Commonwealth Act (C.A.) No. 186,<sup>[33]</sup> a reinstated government employee may receive full credit for the years of service, provided that the retirement and pension benefits previously received are refunded to the GSIS. This is the applicable policy, despite the amendments enacted under R.A. No. 660 and R.A. No. 728.<sup>[34]</sup> The CA further found that later laws, such as Presidential Decree (P.D.) No. 1146,<sup>[35]</sup> P.D. No. 1981,<sup>[36]</sup> and R.A. No. 8291, all failed to expressly repeal this provision of C.A. No. 186. Finally, as a piece of social legislation, the CA held that retirement laws should be liberally construed in favor of their beneficiaries.<sup>[37]</sup>

In a motion dated February 12, 2015, the GSIS sought the reconsideration of the CA's decision.<sup>[38]</sup> The CA denied this motion in its Resolution<sup>[39]</sup> dated April 17, 2015:

WHEREFORE, the instant Motion for Reconsideration is hereby DENIED for lack of merit.

SO ORDERED.<sup>[40]</sup>

Disagreeing with the adverse rulings of the CA, the GSIS filed the present petition before the Court. According to the GSIS, Section 10(b) of R.A. No. 8291 is clear with respect to employees who re-enter government service after retirement. The law supposedly considers these employees as new entrants, as a consequence of which, the GSIS excludes the services credited to the previous retirement in the computation of benefits.<sup>[41]</sup> Furthermore, the GSIS argues that there is a distinction between those who re-entered government service before the effectivity of R.A. No. 8291, and those who re-entered and retired after its effectivity.<sup>[42]</sup> Since Reynaldo

falls under the latter category, his previous years of service cannot be included in the computation of his retirement benefits.<sup>[43]</sup>

In his comment, Reynaldo submits that the GSIS erroneously interpreted Section 10(b) of R.A. No 8291. He argues that only the service credited for retirement for which corresponding benefits have been awarded is excluded in the computation.<sup>[44]</sup> He likewise subscribes to the CA's finding that the Primer on the GSIS Act of 1997 allows the refund of previously received benefits for the purpose of giving full credit in the computation of retirement benefits.<sup>[45]</sup> Lastly, he submits that the GSIS Board of Trustees cannot rely on PPG No. 183-06 to deny his claim because at the time he refunded the previously received benefits to GSIS, this policy was not yet in place.<sup>[46]</sup>

The Court must, therefore, resolve whether Reynaldo's previous years in government should be included in the computation for his retirement benefits.

### **Ruling of the Court**

The Court finds the petition without merit. The GSIS should give full credit to Reynaldo's years of service in the government.

***In computing the years of service, the present GSIS Law excludes only services credited for retirement for which the corresponding benefits have been awarded.***

The current governing law for retirees in the government service is R.A. No. 8291, otherwise known as "*The Government Service Insurance System Act of 1997*" It amended P.D. No. 1146, or the "*Revised Government Service Insurance Act of 1977.*" Under this law, all government employees who have not reached the mandatory retirement age are compulsorily required to become members of the GSIS. This membership entitles employees, except those in the judiciary and constitutional commissions, to life insurance, retirement, and other benefits (e.g. disability, survivorship, separation, and unemployment).<sup>[47]</sup>

For retirement benefits, in particular, R.A. No. 8291 provides the following conditions before a member may become qualified to receive this benefit, viz.: (a) the employee must have rendered at least 15 years of service; (b) the employee must be at least 60 years old at the time of retirement; and (c) the employee must not be receiving a monthly pension as a result of permanent total disability.<sup>[48]</sup> R.A. No. 8291 further provides for the manner by which service is computed, thus:

**SECTION 10. *Computation of Service.*** — (a) The computation of service for the purpose of determining the amount of benefits payable under this Act shall be **from the date of original appointment/election, including periods of service at different times under one or more employers**, those performed overseas under the authority of the Republic of the Philippines, and those that may be prescribed by the GSIS in coordination with the Civil Service Commission.

(b) **All service credited for retirement, resignation or separation for which corresponding benefits have been awarded under this**

**Act or other laws shall be excluded in the computation of service in case of reinstatement in the service of an employer and subsequent retirement or separation which is compensable under this Act.**

For the purpose of this section the term service shall include full time service with compensation: *Provided*, That part time and other services with compensation may be included under such rules and regulations as may be prescribed by the GSIS.<sup>[49]</sup> (Emphases Ours)

Pursuant to this provision, the GSIS argues that there is no longer "any exemption or condition such as refund of previously received benefits[,] as a restorative recourse of adding previous services in the computation of service [for reinstated employees]."<sup>[50]</sup> The provision in Section 12(g) of C.A. No. 186, which allows for the refund of previously received benefits, is no longer found in the present law. Thus, the GSIS argues that this recourse is not available to those who re-entered government service after the effectivity of R.A. No. 8291.<sup>[51]</sup>

The Court does not agree.

While it is true that Section 12(g) of C.A. No. 186 explicitly provides for giving full credit to the prior years of service upon the refund of benefits previously received, **the absence of a similar provision in R.A. No. 8291 does not necessarily mean that the law has abandoned this policy.** A review of Section 12 of C.A. No. 186 shows that it covered the conditions for retirement. This provision prescribed the requirements for an employee-member to avail of the retirement benefits under C.A. No. 186, as well as the specific benefits to which such member may be entitled, given the various enumerated conditions.

Section 12(g) of C.A. No. 186 specifically makes reference to Section 12(f), which disqualifies separated employees *receiving the annuity under Section 11* of C.A. No. 186,<sup>[52]</sup> from being appointed to another appointive position, unless he or she possesses special qualifications. During the period of new employment, the annuity payment is suspended. Payment of the annuity resumes only after the termination of the employment.

But under Section 12(g) of C.A. No. 186, the GSIS should give full credit to the services rendered prior to the reinstatement, if such separated employee is *not receiving the annuity* mentioned in Section 11. The full credit of services is conditioned upon the refund of contributions for retirement, and the benefits previously received under any pension or retirement plan.

Thus, taken in its proper context, Section 12(g) of C.A. No. 186 applies to a specific category of employees and their corresponding benefits. The provision's subsequent absence in R.A. No. 8291 is attributable to the revised conditions for retirement under the new law, which was streamlined to only three (3) requirements for eligibility.<sup>[53]</sup> The Court cannot interpret its absence in R.A. No. 8291 as an express prohibition against refunding previously received benefits for purposes of claiming retirement benefits under the law. The GSIS, therefore, erroneously relied on the absence of this provision to deny the claim of Reynaldo.