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[G.R. No. 183517, June 22, 2010]

PHILIPPINE INTERNATIONAL TRADING CORPORATION, PETITIONER, VS. COMMISSION ON AUDIT, RESPONDENT.

D E C I S I O N

PEREZ, J.:

The inclusion of allowances in the computation of the retirement/separation benefits of the employees of petitioner Philippine International Trading Corporation (PITC) is at issue in this petition for certiorari filed pursuant to Rules 64 and 65 of the *1997 Rules of Civil Procedure*, seeking the nullification and setting aside of the adverse rulings dated July 4, 2003 and February 15, 2008 issued by respondent Commission on Audit (COA).

The Facts

Created pursuant to Presidential Decree No. 252 dated July 21, 1973, petitioner is a government-owned and controlled corporation tasked with promoting and developing Philippine trade in pursuance of national economic development. Subsequent to the repeal of said law with the May 9, 1977 issuance of Presidential Decree No. 1071, otherwise known as the *Revised Charter of the Philippine International Trading Corporation*, then President Ferdinand E. Marcos issued Executive Order No. 756 on December 28, 1981, authorizing the reorganization of petitioner pursuant to his legislative powers to amend charters of government corporations through executive orders in turn issued pursuant to Presidential Decree No. 1416, as amended by Presidential Decree No. 1772. On February 18, 1983, President Marcos issued Executive Order No. 877, authorizing further the reorganization of petitioner for the purpose of accelerating and expanding the country's export concerns.[1]

On December 31, 1983, Eligia Romero, an officer of petitioner, opted to retire under Republic Act No. 1616 and received a total of P286,780.00 as gratuity benefits for services rendered from 1955 to 1983. Immediately re-hired on contractual basis, it appears that said employee remained in the service of petitioner until her compulsory retirement on April 27, 2000. In receipt of retirement benefits in the total sum of P1,013,952.00 for the period July 1, 1955 to April 27, 2000, net of the P286,70.00 gratuity benefits she received in 1983, Ms. Romero filed a July 16, 2001 request, seeking from petitioner payment of retirement differentials on the strength of Section 6 of Executive Order No. 756. Said provision states that "any officer or employee who retires, resigns, or is separated from the service shall be entitled to one month pay for every year of service computed at highest salary received including allowances, in addition to the other benefits provided by law, regardless of any provision of law or regulations to the contrary."[2]

Confronted with the question of whether the computation of Ms. Romero's retirement benefits should include the allowances she had received while under its employ, petitioner sent queries to respondent and the Office of the Government Corporate Counsel regarding the application of Section 6 of Executive Order No. 756. On August 20, 2002, then Government Corporate Counsel Amado D. Valdez issued Opinion No. 197, Series of 2002, espousing a literal interpretation and application of the aforesaid provision. Invoking the principle that retirement laws should be liberally construed and administered in favor of the persons intended to be benefited thereby, said opinion declared that, pursuant to the subject provision, the basis for the computation of the retirement benefits of petitioner's employees should be the highest basic salary received by them, including allowances not integrated into the basic pay.[3]

On the other hand, on July 4, 2003, COA Assistant Commissioner and General Counsel Raquel R. Habitan issued the first assailed ruling, the 6th Indorsement dated July 4, 2003, finding the denial of Ms. Romero's claim for retirement differentials in order. Taking appropriate note of the fact that the Reserve for Retirement Gratuity and Commutation of Leave Credits of petitioner's employees did not include allowances outside of the basic salary, said officer ruled that Executive Order No. 756 was a special law issued only for the specific purpose of reorganizing petitioner corporation. Although it was subsequently adverted to in Executive Order No. 877, Section 6 of Executive Order No. 756 was determined to be intended for employees retired, separated or resigned in connection with petitioner's reorganization and was not meant to be a permanent retirement scheme for its employees.[4]

Elevated by petitioner on appeal before the respondent,[5] the foregoing ruling was affirmed in the second assailed ruling, the Decision No. 2008-023 dated February 15, 2008,[6] which likewise discounted the legal basis for Ms. Romero's claim for retirement differentials. Finding that Section 6 of Executive Order No. 756 was simply an incentive to encourage employees to resign or retire at the height of petitioner's reorganization, said decision went on to make the following pronouncements, to wit:

> "Moreover, RA No. 4968 prohibits the creation of any insurance retirement plan by any government agency and government-owned or controlled corporation other than the GSIS, viz.:
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> > `Section 10. Subsection (b) of Section twenty-eight of the same Act, as amended is hereby amended to read as follows:
> >
> > (b) Hereafter no insurance or retirement plan for officers or employees shall be created by the employer. All supplementary retirement or pension plans heretofore in force in any government office, agency, or instrumentality or corporation owned or controlled by the government, are hereby declared inoperative or abolished: *Provided*, That the rights of those who are already eligible to retire thereunder shall not be affected.'

The Supreme Court explained the rationale of the above provisions in Avelina B. Conte et al. vs. Commission on Audit, G.R. No. 116422, November 4, 1996, thusly:

> `Said Sec. 28 (b) as amended by RA 4968 in no uncertain terms bars the creation of any insurance or retirement plan - other than the GSIS - for government officers and employees, **in order to prevent the undue and iniquitous proliferation of such plans.** It is beyond cavil that Res. 56 contravenes the said provision of law and is therefore invalid, void and of no effect. To ignore this and rule otherwise would be tantamount to permitting every other government office or agency to put up its own supplementary retirement benefit plan under the guise of such `financial assistance.' (Emphasis ours)

To hold that Section 6 of E.O. 756 is a retirement law for PTIC employees other than the GSIS law would run counter to the policy of the state to prevent the undue and iniquitous proliferation of retirement plans that would unduly promote the inequality of treatment in the retirement benefits of government employees."[7]

Hence, this petition.

The Issues

Petitioner seeks the nullification and setting aside of the assailed rulings on the following grounds, to wit:

A.

RESPONDENT COMMISSION GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN ISSUING THE FIRST ASSAILED RULING, OPINING THAT SECTION 6 OF EO 756 WAS NOT MEANT TO BE A PERMANENT RETIREMENT SCHEME OF THE PITC.

B.

RESPONDENT COMMISSION GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN ISSUING THE SECOND ASSAILED RULING DENYING PITC'S REQUEST FOR RECONSIDERATION OF THE ABOVE OPINION OF COA GENERAL COUNSEL RAQUEL HABITAN, LIKEWISE HOLDING THAT SECTION 6 of EO 756 WAS NOT MEANT TO BE A PERMANENT SCHEME OF THE PITC.

C.

RESPONDENT COMMISSION GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN ISSUING THE ASSAILED RULINGS WHICH ARE CONTRARY TO SETTLED JURISPRUDENCE THAT RETIREMENT LAWS ARE LIBERALLY CONSTRUED AND ADMINISTERED IN FAVOR OF THE PERSONS INTENDED TO BE BENEFITTED AND THAT ALL DOUBTS AS TO THE INTENT OF THE LAW SHOULD BE RESOLVED IN FAVOR OF THE RETIREE TO ACHIEVE ITS HUMANITARIAN PURPOSES.

D.

RESPONDENT COMMISSION GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN RELYING ON SECTION 10 of RA 4968 AS TO THE ALLEGED PROHIBITION AGAINST ANY INSURANCE OR RETIREMENT PLAN OR RETIREMENT PLAN OTHER THAN THE GSIS, SAID LAW HAVING BEEN PASSED PRIOR TO THE ISSUANCE OF EO 756. OTHERWISE STATED, SECTION 10 OF RA 4968 IS DEEMED REVISED, AMENDED, SUPERSEDED OR REPEALED BY EO 756 PURSUANT TO THE REPEALING CLAUSE OF SAID EO 756.[8]

The Court's Ruling

We find the petition bereft of merit.

It is a rule in statutory construction that every part of the statute must be interpreted with reference to the context, ***i.e.***, that every part of the statute must be considered together with the other parts, and kept subservient to the general intent of the whole enactment.[9] Because the law must not be read in truncated parts, its provisions must be read in relation to the whole law. The statute's clauses and phrases must not, consequently, be taken as detached and isolated expressions, but the whole and every part thereof must be considered in fixing the meaning of any of its parts in order to produce a harmonious whole.[10] Consistent with the fundamentals of statutory construction, all the words in the statute must be taken into consideration in order to ascertain its meaning.[11]

Applying the foregoing principles to the case at bench, we find it well worth emphasizing at the outset that Executive Order No. 756[12] was meant to reorganize petitioner's corporate set-up. While incorporating amendments of petitioner's Revised Charter under Presidential Decree No. 1071 with provisions relating to the subscription of its capital,[13] the establishment of subsidiaries, including joint ventures,[14] the composition[15] and grant of additional powers to its Board of Directors,[16] the appointment of its President,[17] the grant of incentive scheme to its officers and employees[18] as well as its authority to deputize commercial attaches[19] and to grant franchises to operate Philippine trade houses abroad,[20] Section 4 (1) of Executive Order No. 756 specifically authorized petitioner's Board of Directors to " reorganize the structure of the Corporation, in accordance with its expanded role in the development of Philippine trade, with such officers and

employees as may be needed and determine their competitive salaries and reasonable allowances and other benefits to effectively carry out its powers and functions." For this purpose, Section 6 of the same law provides as follows:

> SECTION 6. Exemption from OCPC. -- In recognition of the special nature of its operations, the Corporation shall continue to be exempt from the application of the rules and regulations of the Office of the Compensation and Position Classification or any other similar agencies that may be established hereafter as provided under Presidential Decree No. 1071. Likewise, *any officer or employee who retires, resigns, or is separated from the service shall be entitled to one month pay for every year of service computed at highest salary received including all allowances, in addition to the other benefits provided by law, regardless of any provision of law or regulations to the contrary*; Provided, That the employee shall have served in the Corporation continuously for at least two years: Provided, further, That in case of separated employees, the separation or dismissal is not due to conviction for any offense the penalty for which includes forfeiture of benefits: and Provided, finally, That in the commutation of leave credits earned, the employees who resigned, retired or is separated shall be entitled to the full payment therefor computed with all the allowances then being enjoyed at the time of resignation, retirement of separation regardless of any restriction or limitation provided for in other laws, rules or regulations. (Italics supplied)

As an adjunct to the reorganization mandated under Executive Order No. 756, we find that the foregoing provision cannot be interpreted independent of the purpose or intent of the law. Rather than the permanent retirement law for its employees that petitioner now characterizes it to be, we find that the provision of gratuities equivalent to "one month pay for every year of service computed at highest salary received including all allowances" was clearly meant as an incentive for employees who retire, resign or are separated from service during or as a consequence of the reorganization petitioner's Board of Directors was tasked to implement. As a temporary measure, it cannot be interpreted as an exception to the general prohibition against separate or supplementary insurance and/or retirement or pension plans under Section 28, Subsection (b) of Commonwealth Act No. 186,[21] amended. Pursuant to Section 10 of Republic Act No. 4968[22] which was approved on June 17, 1967, said latter provision was amended to read as follows:

> Section 10. Subsection (b) of Section twenty-eight of the same Act, as amended is hereby further amended to read as follows:
>
> (b) Hereafter no insurance or retirement plan for officers or employees shall be created by any employer. All supplementary retirement or pension plans heretofore in force in any government office, agency, or instrumentality or corporation owned or controlled by the government, are hereby declared inoperative or abolished: Provided, That the rights of those who are already eligible to retire thereunder shall not be affected."