

FURTHER AMENDING PRESIDENTIAL DECREE NO. 1116. AS AMENDED. OTHERWISE KNOWN AS THE REVISED GOVERNMENT SERVICE INSURANCE ACT OF 1977

PRESIDENTIAL DECREE NO. 1981, July 19, 1985

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WHEREAS, the Government Service Insurance System (GSIS) was established to guarantee the well-being of all government employees through the effective and systematic administration of the laws granting social security and insurance benefits to its members;

WHEREAS, Presidential Decree No. 1146 expanded and improved the social security and insurance programs being implemented by the GSIS;

WHEREAS, there have been conflicting interpretations of certain provisions of Presidential Decree No. 1146, particularly as to: whether or not elective public officials are covered by the GSIS for the duration of their term of office; whether or not a public officer or employee who is separated for cause or considered resigned automatically forfeits his retirement benefits; and whether or not public officers and employees in the government service at the time Presidential Decree No. 1146 took effect have the option of retiring either under the said Decree or Commonwealth Act No. 186, as amended;

WHEREAS, conflicting claims for benefits have invariably been filed under the different laws administered by the GSIS which have oftentimes resulted in unnecessary litigation, delay and inconvenience on the part of the GSIS and the rightful claimants;

WHEREAS, the continued tax exemption of the GSIS is vital to its actuarial solvency;

WHEREAS, the GSIS Board of Trustees should be vested with powers and authority necessary or proper to ensure a fair and profitable return of the investments of the funds administered by the GSIS, and, for this purpose, the GSIS Board of Trustees should be given the full sole responsibility of controlling and monitoring insurant investments operations, and fixing and determining the terms and conditions of financial accommodations to its members, including the power to compromise or release any claim or settled liability to the GSIS;

WHEREAS, it has thus become necessary to amend Presidential Decree No. 1146 to clarify some of its provisions to make it more responsive to the needs of the members of the GSIS and to assure the actuarial solvency of the Fund administered by the GSIS during these times of grave economic crisis affecting the country;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following amendments to Presidential Decree No. 1146:

SECTION 1. Sub-section (d) of Section 2 is hereby amended to read as follows:

“(d) Employee – Any person, whether elected or appointed, in the service of an employer who receives compensation for such service.”

SEC. 2. Section 3 is hereby amended to read as follows:

“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, and for all elective officials, for the duration of their tenure: Provided, That, upon approval of 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 and controlled corporations may be covered upon approval by the System at the request of their respective Governing Boards: Provided, finally, That the coverage of temporary employees under R.A. No. 4968 shall remain in force.”

SEC. 3. Section 4 is hereby amended to read as follows:

“Sec. 4. Effect of Separation from the Service. – A member separated from the service shall continue to be a member, and he shall be entitled to whatever benefits which shall have accrued been earned at the time of his separation in the event of any contingency compensable under this Act: Provided, however, That if he is separated for cause or considered resigned, he automatically forfeits said benefits, unless the terms of his resignation or separation provide otherwise. In case of forfeiture of benefits, the separated employee shall still be entitled to received one-half of the cash surrender value of his life insurance.”

SEC. 4. Section 13 is hereby amended to read as follows:

"SEC. 13. Retirement Option. — Employees who are in the government service upon the affectivity of this Act shall, at the time of their retirement, have the option to retire under this Act or under Commonwealth Act No. 186, as amended, and their benefits and entitlement thereto shall be determine in accordance with the provisions of the law so opted: Provided, however, That in the event of his re-employment, his subsequent retirement shall be governed by the provisions of this Act: Provided, further, That the member may change the mode of his retirement within on year from the date of his retirement in accordance with such rules and regulations as may be prescribed by the System."

SEC. 5. Section 24 is hereby amended to read as follows:

"SEC. 24. Settlement of Disputes.—The System shall have original and exclusive jurisdiction to settle any dispute arising under this Act and any other laws administered by the System.

"In case of conflicting claims for benefits payable under this Act or Commonwealth Act No. 186, as amended, the claim shall be paid in accordance with this Act.

“ The Board may designate any member of the Board, or official of the System who is a lawyer, to act as hearing officer to receive evidence, make findings of fact and submit recommendation thereon. The hearing officer shall submit his findings and recommendations, together with all the documentary and testimonial evidence, to the Board within thirty working days from the time the parties have closed their respective evidence and filed their last pleading. The Board shall decide the case within thirty days from receipt of the hearing officer’s findings and recommendations: The cases heard directly by the Board shall be decided within thirty working days from the time they are submitted by parties for decision.”

SEC. 6. The provisions of Section 33 of Presidential Decree No. 1146 are hereby reiterated in full, and for the purpose, a new second paragraph is hereby inserted in said Section 33, the original second paragraph becoming the third paragraph, the new second paragraph reading as follows:

“ Moreover, these exemptions shall not be affected by subsequent laws to the contrary, such as the provisions of Presidential Decree No. 1931 and other similar laws that have been or will be enacted, unless this section is expressly and categorically repealed by law and a provision is enacted to substitute the declared policy of exemption from any and all taxes as an essential factor for the solvency of the fund.”

SEC. 7. There is hereby incorporated a new paragraph after the third paragraph of Section 36, which shall read as

follows:

“ The Board of Trustees has the following powers and functions, among other:

“(a) To formulate the policies, guidelines and programs of effectively carry out the purposes and objectives of this Act;

“(b) To promulgate such rules and regulations as may be necessary or proper for the effective exercise of the powers and functions as well as the discharge of the duties and responsibilities of the System, its officers and employees;

“(c) Upon the recommendation of the President and General Manager, to approve the annual and supplemental budget of receipts and expenditures of the System, and to authorize such operating and capital expenditures and disbursements of the System as may be necessary or proper for the effective management, operation and administration of the System;

“(d) Upon the recommendation of the President and General Manager, to approve the System's organizational and administrative structure and staffing pattern, and to establish, fix, review, revise and adjust the appropriate compensation package for the officers and employees of the System, with reasonable allowances, incentives, bonuses, privileges and other benefits as may be necessary or proper for the effective management, operation and administration of the System. For the purpose of this and the preceding subsection, the System shall be exempt from the rules and requirements of the Office of the Budget and Management and the Office of the Compensation and Position Classification;

“(e) To fix and periodically review and adjust the rates of interest and other terms and conditions for loans and credits extended to its members or other persons, whether natural or juridical;

“(f) The provisions of any law to the contrary notwithstanding, to compromise or release, in whole or in part, any claim or settled liability to the System, regardless of the amount involved, under such terms and conditions as it may impose for the best interest of the System; and

“(g) To do and perform any and all acts necessary, proper or incidental to the attainment of the purposes and objectives of this Act.”

SEC. 8. There is hereby added a new sub-section to Section 39, to be denominated as (c), which shall read as follows:

“(c) In order that the System can best achieve the purposes and objectives of this Act, the insurance and investment operations of the System shall be under its full and sole responsibility, notwithstanding the provisions of Section 246 of the Insurance Code, as amended.”

SEC. 9. Any provision of laws, decrees, ordinances, executive or administrative orders, letters of instructions, rules and regulations, which is inconsistent with this Decree is hereby repealed, amended, or modified accordingly.

SEC. 10. This Decree shall take effect immediately.

DONE in the City of Manila, this 19th day of July, in the year of Our Lord, Nineteen Hundred and Eighty-Five.

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