

**THE PHILIPPINE ASSOCIATION OF GOVERNMENT RETIREES, INC.,
PETITIONER AND APPELLEE, VS. THE GOVERNMENT SERVICE
INSURANCE SYSTEM (GSIS), ET AL., RESPONDENTS AND
APPELLANTS; SIMEON ...**

G.R. Nos. L-20503 and L-20632. June 30, 1965

Ponente: CONCEPCION, J.

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CONCEPCION, J.:

This is an appeal taken by the Government Service Insurance System, its General Manager and its Board of Trustees, in G. R. No. L-20503, and by the first two (2), in G. R. No. L-20632, from the decisions rendered by the Court of First Instance of Manila in both cases in favor of the plaintiffs therein. The facts in G. R. No. L-20503, are set forth in appellants' brief therein from which we quote:

"On August 29, 1958, the Supreme Court rendered its decision in the case of Flaviano Bautista vs. Auditor General and General Manager, GSIS (104 Phil. 428), holding that Bautista, who was compulsorily retired at the age of 65 years under Commonwealth Act No. 180, as amended, is entitled to the refund of 5% discount made by the GSIS from his five-year lump sum annuity under Section 11 (a)-3 of Commonwealth Act No. 186, as amended.

"Shortly after, many government retirees filed claims with the GSIS for the refund of the 5% discount made from their five-year lump sum annuities. On October 29, 1958, a group of government retirees called on the General Manager of the GSIS to explore the possibility of amicable settlement of their claims. While the General Manager was desirous to seek a re-examination of the ruling in the Bautista case, he was amenable to find a solution thereto, provided that the retirement insurance fund of the GSIS would not be impaired thereby prejudicing the lights of more than 270,000 government employees still in the active service. It was agreed that panels of the GSIS Staff and the retirees would study and negotiate on the matter and thereafter, meetings were had between the GSIS panel consisting of Atty. Abdon Angeles, 1st Assistant General Manager, Dr. Manuel Hizon, Artuary and Atty. Lcovigildo Monasterial, Legal Counsel, and the retirees panel, consisting of Atty. Pedro de Guzman, Judge Bonifacio Enriquez and Mr. Ricardo Castro. In the last panel meeting on November 24, 1958, the parties, considering the manifestations of the GSIS panel that payment of the five years annuity without discount would seriously impair the retirement fund, tentatively agreed that the GSIS would work out a formula for making payment on the claims of the retirees (TSN, p. 330).

"In its meeting on December 2, 1958, the GSIS Board of Trustees passed Resolution No. 2944, to wit:

'2944. This has reference to the memorandum dated December 2, 1958 of the Actuary, Legal Counsel, and 1st Assistant General Manager of the System, submitting the following propositions in connection with the petition of the Retired Employees Association for the refund of discount deducted from the five-years lump sum payment of their retirement annuities:

- In lieu of the refund of discount, the GSIS will pay retirement benefits in accordance with the formula adopted by the Board of Trustees on May 20, 1952 and reaffirmed in Resolution No. 2279 adopted on September 18,

1958. This formula will be applied retroactively to all cases of retirees who were automatically retired from the service for having reached the age 61-65 years or over.

- If we apply the formula mentioned in No. 1 retroactively, the 5,892, retirees concerned will be entitled to retirement annuity differentials totalling P4,718,910.23. But in view of the limited cash available, these differentials may be paid as follows:

a) Immediate cash payment of P500 or less to each retiree whose differentials amounts to P500 or less and P500 to each retiree whose differentials is over P500. This will necessitate immediate cash outlay of P2,771,408.64.

b) The balance (if the differentials may be paid in full payment depending upon the availability of cash and in the following order—the retiree whose differentials is less should be entitled to preference in payment.

'Upon recommendation of the General Manager of the System, the Board resolved to approve the above-mentioned proposition.' (Exh. 1, Petitioner-Appellee.)

whereby the GSIS proposed to pay to the retirees a retirement annuity differential in lieu of refund of discount, to be computed and paid in the manner provided in said resolution. To implement this resolution, the GSIS sent to the government retirees concerned copies of quitclaim forms embodying the terms of Resolution No. 29

.....

(Address)

The Government Service Insurance System
Arroceros St., Manila

Gentlemen:

'In connection with the claim for refund of the discount from my retirement annuity, I hereby agree to the following:

'1. That I agree to be paid my retirement benefit in accordance with the formula embodied in Res. No. 200, adopted by the GSIS Board of Trustees on May 20, 1952 and re-affirmed in Res. No. 2279, adopted by the same Board of September 19, 1958, the contents of which formula I was duly informed;

'2. That I consider the payment of my retirement benefit in accordance with the aforesaid formula as a full and final settlement of any and all amounts due and to be due me under the provisions of Commonwealth Act No. 186, as amended;

'3. That I agree to have the differential annuity resulting from the application to my case of the formula mentioned above paid to me in accordance with the provisions of Res. No. 2944, adopted by the GSIS Board of Trustees on December 2, 1958; and

'4. That I consider the payment to me of the differential annuity mentioned in the preceding paragraph as a final and full settlement of my claim for refund of the discount made from my retirement annuity for the first five years from the date of my retirement.

Very truly yours,

.....

(Signature of retiree)

Manila, December, 1958'

requesting that the retirees sign and send them back to the GSIS so that their retirement annuity differential may be paid. Many retired employees including most members of the petitioner association accepted the offer of the GSIS. Upon their acceptance manifested on the quitclaim form, the GSIS paid to the retiree concerned his corresponding retirement annuity differential.

"However, some retirees in the meantime formed themselves into the Philippine Association of Government Retirees, Inc. (PAGR), the petitioner in this case. PAGR objected to the terms of Resolution No. 2944, and upon reiteration by the GSIS of its stand, PAGR filed the instant petition."

In the petition in G. R. No. L-20503, it is prayed that judgment be rendered compelling the respondents therein to:

"(a) Refund to each member of the PHILIPPINE ASSOCIATION OF GOVERNMENT RETIREES, inc., the petitioner in this case, numbering more than 5,780, as can be seen in the Resolution Annex 'A' the full amounts equivalent to the '5% discount' deducted from their respective retirement annuities with legal interest from the date of retirement until fully paid (records of the full amounts and effective dates of retirement are only available from respondent corporation) ;

"(b) Pay the petitioner Association the amount of P300,000.00 for exemplary and moral damages;

"(c) Pay the petitioner Association the amount of P50,000.00. as attorney's fees; and

"(d) Pay the costs of this suit."

After appropriate proceedings, the Court of First Instance of Manila rendered judgment therein in favor of the petitioners and against the respondents ordering the respondents to refund to all government retirees, who were compulsorily retired at the age of 65 years and similarly situated as Flaviano Bautista, all the discount of 5% from their five-year lump sum annuities, with costs against the respondents. Hence, this appeal by respondents.

Upon the other hand, the facts in (i. It. No. L-20632 are, in the language of appellants' brief therein, as follows:

"Plaintiff-appellee was a former employee in the Bureau of Internal Revenue. He attained the age of 05 on September 4, 1952 and on that date was automatically and compulsorily retired under Commonwealth Act No. 180, as amended by Republic Act No. 000 on June 10, 1951, and was further amended by Republic Act No. 728 on June 18, 1952.

"On his retirement, he became entitled to an annuity of P155.29 payable monthly for at least five years and thereafter for life, but he chose that the 'present value of his annuity for the first five years' be paid to him in lump sum. Defendants-appellants computed the 'present value' of his annuity for five years to be P3,251.15, and deducting therefrom a premium amount of P564.95, paid to him the net amount of P7,080.20. In computing the present value of annuity for five years, defendants-appellants deducted a discount of 5% per

annum which amounted to P1,006.25, under the authority of Section 11 (a)-3 of Commonwealth Act No. 186, as amended by Republic Act No. 660 and Republic Act No. 728, and as implemented by Resolution No. 203 dated February 19, 1900 of the GSIS Hoard of Trustees, which fixed 5% per annum as the interest to be used in computing the present value of annuity for five years, as authorized under said provision.

"Plaintiff-appellee claims that the 'present, value' of his annuity for five years, which he computes by multiplying his monthly annuity of P155.29 by 60 months, is P9,317.40, and that after deducting his aforesaid premium account of P564.95, he should be entitled to P8,752.45 not P7,686.20 as paid to him; hence to an alleged balance of P1,066.25.

"Plaintiff-appellee demanded from defendants-appellants the payment of the amount of P1,066.25 and upon refusal of the latter, filed an action of November 3, 1953 for the recovery thereof in the Municipal Court of the City of Manila (Civil Case No. 62604 'Simeon Morales vs. Government Service Insurance System, et al').

"Said Municipal Court decided the case in plaintiff-appellee's favor, so defendants-appellants appealed to the Court of First Instance of Manila where the case was docketed as Civil Case No. 41618.

"On July 9, 1960, the Court of First Instance of Manila rendered judgment ordering defendants-appellants 'to pay to the plaintiff the amount of P1,066.25, * * * plus interest at the rate of 6% per annum from October 10, 1958, the date of the last demand-letter made by the plaintiff to the defendants, until the amount is fully paid, and another sum of P200.00 as attorney's fees, with proportionate costs against defendants'.

The appeal in G.R. No. L-20632 was originally taken to the Court of Appeals, which subsequently certified the case to us, only questions of law being raised in the appeal.

The issue in both cases is the same—whether a government employee compulsorily retired at the age of 65 years under the provisions of Commonwealth Act No. 186, as amended, is entitled to the refund of the 5% discount made by the GSIS from his five-year lump sum annuity under Section 11 (a)-3 of said Act, as amended.

It is conceded that such issue has been squarely decided by this Court in *Bautista vs. Auditor General* (L-10859, 55 Off. Gaz., 8119) in which we said:

"Flaviano Bautista was an Auditor in the General Auditing Office who was 'automatically and compulsorily retired on June 1(5, 1952, at the age of 65 years, 5 months and 21 days with a creditable service of 46 years, 6 months and 2 days.' He chose to receive a lump sum payment of the present value of his annuity for the first five years, as provided for in Article II, Section 11, paragraph (a), No. 3, of Commonwealth Act No. 186, as amended by Republic Act No. 660, the law in force at the time he was retired. The Government Service Insurance System paid to the petitioner the sum of P14,853.61, base upon the following computation:

"Amount of annuity, 1st 5 year

..... **P18,007.80**

Loss: Discount at 5% per annum computed annually..... 2,000.75

Present value of annuity, 1st 5 years

..... **P15,947.05**

Less: Premium account P1,093.44

Net annuity paid P14,853.61

The petitioner objected to the deduction of the sum of P2,060.75 and requested that the same be paid to him, invoking the rule laid down in *Espejo vs. Auditor General* 51 Off. Gaz. 2862. The System denied his request for the following reasons:

* * * In advancing to you your first 13 year? annuity under (he said Act which, otherwise, would have been paid to you monthly for 60 months, the system paid to you only the 'present value' of said first 5 years annuity. This is pursuant to section 11 (a), paragraph (3) of C.A. No. 186, as inserted by section 8 of R.A. No. 660, which was the law then in force on the date of your retirement, which reads:

'(3) For those "who are at least sixty-five years of age, lump sum payment of present value of annuity for first five years and future annuity to be paid monthly; or ...

The term 'present value' as used in (lie law has a technical meaning. It is that amount which, if invested now to earn a fixed rate of interest, will be equivalent to a specific I amount due on a specific date in the future. In other words, to pay the present value of the annuity for first 5 years is synonymous to discounting said annuity. In computing the present value of annuity under C.A. No. 186, as amended, the System pursuant to Section 17(d) thereof, is authorized to charge interest at the rate of 5% per annum, compounded annually, as was due in your case.

With the enactment of H.A. No. 728, which was made effective on June 18, 1952, section 11 (a), paragraph (3) above-quoted, was amended to read:

'(3) For these who are at least sixty-five years of age, lump sum payment of present value of annuity for first five years and future annuity to be paid monthly: Provided, however, that there shall be no discount from the annuity for the first five years of those who are sixty-five years of age or over on the date of approval of Republic Act Numbered Six Hundred Sixty.

Even granting, therefore, for the sake of argument that this law has a retroactive effect, still you are not covered by the exemption thereunder as to be paid in lump sum the annuity for first 5 years without discount inasmuch as you did not attain the age of 65 years on June 10, 1951, the date of approval of R.A. No. 660, your date of birth being December 25, 1886. This provision was again further amended on June 16, 1954 by R.A. No. 1123, in which the law now stands as was originally enacted. He appealed to the Auditor General. The latter upheld the decision of the System. Hence this petition.

"A similar question was passed upon by this Court in *Espejo vs. Auditor General*, supra, in favor of the retired employees. This Court said:

'The last issue posed by the petitioner-appellant is whether the Government Service Insurance System had the right to subject the lump payment of the first five years of his gratuity to a discount of 5 per cent compounded annually, amounting in this case to P1,430.18. The appellee Auditor General defends the action of the Insurance System by invoking Section 11 (a) (3), Republic Act No. 728 amendatory to Commonwealth Act 186 and Republic Act No. 600, to the effect that employees retiring are entitled:

'(3) For these who are at least sixty-five years of age, lump sum payment of present value of annuity for first five years and future annuity to be paid monthly. Provided, however, That there shall be no discount from the annuity for the first five years of those who are sixty-five years of age or over on the date of approval of Republic Act Numbered Six Hundred Sixty;

and it is not denied that when Republic Act 660 was approved on June 16, 1951, petitioner *Espejo* was not yet 65 years old.

It is a fact, however, that *Espejo*, did reach the age of compulsory retirement, before Republic Act 728 was enacted, and that at such time Republic Act 660 merely provided for lump sum payment of the annuity for the

first five years, without any mention whatsoever of discounts. When the retirement rights of petitioner became vested, therefore, he became entitled to a full payment of the first five years of his annuity, and the proviso inserted by Republic Act No. 728 (restricting no discount privileges) could not operate retroactively to the prejudice of the vested rights of petitioner herein. Hence, this appeal from the order imposing the discount should be sustained.

"There is cogent reason for abandoning the foregoing rule. Republic Act No. 660, which took effect on 16 June 1951, amending Commonwealth Act No. 186, the law in force at the time the petitioner was automatically and compulsorily retired on 16 June 1952, establishes a retirement system for officers and employees of the Government, 'designed primarily to provide for old age and disability . . .' It sets the optional retirement age at 57 years, provided the retiring officer or employee has rendered thirty years of service, and the automatic and compulsory retirement age of 65 years, provided the retiring officer or employee has rendered fifteen years of service. To those who are automatically and compulsorily retired the law grants the choice of receiving a lump sum payment of the present value of their annuity for the first five years or an annuity to be paid monthly. The law grants this benefit only to those who are automatically and compulsorily retired, because one who reaches that age is generally disabled and approaching the end of his natural life. If he is disabled or sick, he needs medical care and attention. Unlike an officer or employee who is a member of the System and retires at 57 years, he may no longer engage in another occupation to supplement his income that has been greatly reduced by his retirement, since the monthly annuity a retired officer or employee gets is much lower than the monthly salary he used to receive. It is during these remaining days that the law grants to a retired officer or employee a substantial sum which he may spend for his sustenance. To adopt the respondents' reasoning and allow the deduction made from the petitioner's lump sum annuity for the first five years would run counter to the spirit of the law.

"Moreover, the term 'present value' is used in its ordinary and not in its technical and restrictive sense. Furthermore, in the subsequent amendatory acts, Republic Act No. 1123, approved on 16 June 1954, and Republic Act No. 1573, approved on 10 June 1950, the proviso in Republic Act No. 728 relied upon by the respondents has been stricken out, thereby removing whatever doubt there might have been in the intent and meaning of the term 'present value' of the lump sum annuity for the first five years to which the petitioner is entitled. The striking out of such provision only means that no such deduction may be made. Finally, Commonwealth Act No. 186, as amended, has been enacted for the benefit of the officer or employee and all doubts as to the intent of the law should be resolved in his favor.

"The decision of the Auditor General under review, sustaining that of the General Manager of the Government Service Insurance System, is reversed, and the latter ordered to pay to the petitioner the sum of P2,000.75, without pronouncement as to costs."

The main reason adduced by appellants in urging a reconsideration and reversal of the view taken by this Court in the Bautista case is that, subsequently, the rendition of our decision therein, appellants herein found some facts allegedly unknown to them before, which facts, they believe, indicate that the intent of Congress in enacting the legal provision under consideration is other than that set forth in said decision. These new facts are said to consist of some views expressed on the floor of the House of Representatives, during the consideration of the bill, which, upon subsequent approval by the two (2) Houses of Congress, became Republic Act No. 660, regarding the purpose and effect thereof. This Court has already held, however, that such views do not necessarily reflect the feeling of the House of Representatives, much less that of the Senate, and that, accordingly, they are not controlling in the interpretation of the law in question (*Casco Phil. Chemical Co., Inc. vs. Gimenez*, L-17931, February 28, 1963; *Manila Jockey Club, Inc. vs. Games & Amusement Board*, 107 Phil., 151. Inasmuch, moreover, as the other arguments of appellants herein are a substantial reiteration of those invoked before this Court and considered by the same in the Bautista case, we find no reason to modify or disturb the doctrine therein

laid down.

WHEREFORE, the decisions appealed from must be, as they are hereby affirmed, with costs against respondents-appellants in G.R. No. L-20503 and defendants-appellants in G.R. No. L-20632. It is so ordered.

Bengzon, C.J., Bautista Angelo, Reyes, J.B.L., Paredes, Dizon, Regala, Makalintal, Bengzon, J.P., and Zaldivar, JJ., concur. Judgments affirmed.

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