

AN ACT AMENDING FURTHER COMMONWEALTH ACT NO. 186 AS AMENDED

REPUBLIC ACT NO. 4968, June 17, 1967*

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/db1efcdfd52f/>

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Subparagraph (e) of the first paragraph of Section two of Commonwealth Act Numbered One hundred eighty-six, as amended, is further amended to read as follows:

"(e) 'Life Insurance' shall mean any form of insurance on life authorized herein, such as limited payment life, endowment, etc. 'Retirement Insurance' shall mean any form of insurance on retirement as authorized herein. Benefits granted by this Act by virtue of such life or retirement insurance shall not be considered as compensation or emolument."

SEC. 2. Subsection (a) of Section four of the same Act, as amended, is hereby further amended to read as follows:

"(a) Membership in the System shall be compulsory upon all appointive officers and employees in the executive, legislative, and judicial branches of the government, including those whose tenure of office is fixed or limited by the Constitution or by law; upon all regular employees of the Philippine Tuberculosis Society and the Philippine National Red Cross, and other employees of the government-owned or controlled corporations: upon all regular officers and enlisted men of the Armed Forces of the Philippines; and upon all elective officials receiving compensation as defined in this Act: Provided That casual, substitute, or temporary employees and substitute or temporary teachers shall be hereby covered for purposes of term insurance for two thousand seven, hundred and fifty pesos If appointed for a period of not less than two months: the term insurance to be effective in the month next following the month in which the premium prescribed in Section five hereof has been paid: And provided, further, That said casual, substitute or temporary employees and substitute or temporary teachers shall not be covered by the retirement insurance plan provided for in this Act: Provided, finally, That the term 'appointive officer and employee' as used herein shall include those extended permanent appointments and provisional 'appointments as used in the civil service law but excluding those without any kind of civil service eligibility when so required.

SEC. 3. Subsection (a) of Section five of the same Act is hereby further amended to read as follows:

"SEC. 5. (a) Rates of contribution or premiums.—For the benefits described hereunder, each official or employee who is a member of the System and his employer shall pay the monthly rates of contributions or premiums specified In the following schedule:

Percentage of Monthly
Salary Payable By:

Employee

Employer

I. Life Insurance

1

1

Applicable in the case of a civilian Employees insured on or after June 16, 1951, but prior to September 30, 1956, unless he chooses to change his old membership policy and be reinsured under a new one, in which case the next succeeding rate shall apply.

3

3

Applicable in the case of a civilian employee insured prior to June 16, 1951, or on or after September 30, 1956.

5

5

Applicable in the case of an officer or an enlisted man of the Armed Forces.

P12.00

P12.00

Fixed annual premium rates regardless of age and salary, applicable to an employee insured under term insurance renewable yearly.

II. Retirement Insurance

4.5

7.5

If employee's monthly salary is P200.00 or less.

5.5

6.5

If employee's monthly salary is more than P200.00 but his premium for this benefit shall not exceed P56.00 per month.

"It shall be compulsory for each employer to pay its share of the premiums or contributions in accordance with the rates indicated above, unless it requests reduction of said rates and the System finds, after an examination of said employer's financial condition, that it cannot afford to pay said rates, in which case it shall pay only such rates of premiums or 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 actuarially in accordance with such rules and regulations as the System shall adopt. "Payment of premium for retirement insurance shall begin on the last

day of June, nineteen hundred and fifty-one or of the calendar month the employee entered the service or became covered by his retirement plan, whichever is the later date, and that for life insurance shall begin on the last day of the calendar month preceding the month in which one's insurance takes effect: Provided, however, That retirement premiums shall not be required of Justices of the Supreme Court and the Court of Appeals, and Judges of the Courts of First Instance, Agrarian Relations, Industrial Relations, Tax Appeals and Juvenile and Domestic Relation Courts, officers and enlisted men of the Armed Forces of the Philippines who are hereby excluded from said benefit. "Unpaid premiums or contributions shall bear such rate of interest not exceeding six per centum per annum as the Board may prescribe."

SEC. 4. Subsection (a) of Section seven of the same Act is hereby further amended to read as follows:

"SEC. 7. Additional amounts or premiums.— (a) For the amount of annuity corresponding to the services rendered by an employee prior to June sixteen, nineteen hundred and fifty-one, the National Government shall pay the necessary additional amounts or premiums as may be determined by the System, which shall be paid in equal annual amortizations at the rate of seventeen million three hundred thousand pesos beginning with the year nineteen hundred and sixty-seven for a period of fifty years or until the said additional amounts or premiums shall have been fully paid which amounts of seventeen million three hundred thousand pesos is hereby set aside and appropriated out of any funds in the National Treasury. "The increase in the additional amounts or premiums for the annuity corresponding to the services rendered prior to the approval of this amendatory Act due to increase in retirement benefits provided for in this amendatory Act, as may be determined by the System, shall likewise be paid by the National Government in equal yearly amortizations for a period of forty years, in the same manner as provided for in the next preceding paragraph, such amortization to commence not earlier than ten years from the date of approval of this amendatory Act. The sums necessary for this purpose are deemed appropriated in accordance with Section twenty-seven of this Act."

SEC. 5. Subsections (a), (b) and (c) of Section eleven , of the same Act, as amended, are hereby further amended to read as follows:

"SEC. 11 (a). Amount of annuity.—Upon retirement after faithful and satisfactory service a member shall be automatically entitled to a life annuity guaranteed for at least five years and thereafter as long as he lives. The amount of the monthly annuity at the age of fifty-seven years shall be thirty pesos, plus for each year of service after the sixteenth of June, nineteen hundred and fifty-one, two per centum of the average monthly salary received by him during the last three years of, service, plus for each year of service rendered prior to the sixteenth of June, nineteen hundred and fifty-one, one and two-tenths per centum of said average monthly salary: Provided, That this amount shall be adjusted actuarially if retirement be at an age other than fifty-seven years: Provided, further, That the maximum amount of monthly annuity at age fifty-seven shall not in any case exceed three fourths of said average monthly salary; And provided, finally, That retirement benefit shall be paid not earlier than one year after the approval of this Act In lieu of this annuity, he may prior to his retirement elect one of the following equivalent benefits:

"(1) Monthly annuity during his lifetime;

"(2) Monthly annuity during the joint-lives of the employee and his or her spouse guaranteed for at least five years, which annuity, however, shall, upon the death of either and after the five-year guaranteed period, be reduced to one-half and be paid to the survivor.

"(3) For those who are at least sixty-three years of age, lump-sum payment of present value of annuity for first five years, and for those who are at least sixty but below sixty-three years of age, lump-sum payment of the present value of the annuity for the first three years, with the balance of the five-year guaranteed annuity payable in lump sum upon reaching sixty-three years of age, and annuity after the guaranteed period to be paid monthly : Provided, That said lump-sum payment of annuity may be made to a retired employee only if the premiums paid by and for him are sufficient to cover said payment or payments: Provided, further, That it shall

be compulsory for an employer to pay on the date of retirement in preference to all other obligations, except salaries and wages of its employees, its share of at least the premiums required to permit an employee to enjoy this option:

"(4) Such other benefits as may be approved by the System.

"(b) Survivors benefit.—Upon death before he becomes eligible for retirement, his beneficiaries as recorded in the application for retirement annuity filed with the System shall be paid his own premiums with interest of three per centum per annum, compounded monthly. If he has served at least five years and his death is not due to his own misconduct, gross negligence, intemperate use of drugs or alcoholic liquor, or vicious or immoral habits, his beneficiaries shall also be paid by the employer his one month's salary for every year of service, based on the highest rate he received. If on his death he is eligible for retirement, then the automatic retirement annuity or the annuity previously chosen by him shall be paid accordingly.

"(c) Disability benefit.—If he becomes permanently and totally disabled and his services are no longer desirable, he shall be discharged and paid his own contributions with interest of three per centum per annum, compounded monthly, if he has served less than five years. If he has served at least five years but less than fifteen years, he shall be paid also the corresponding employer's premiums, without interest, described in subsection five hereof: Provided, That if his disability is not due to his own misconduct, gross negligence, intemperate use of drugs or alcoholic liquor, or vicious or immoral habits, he shall also be paid by the employer one month's salary for every year of service, based on the highest rate received. If he has served at least fifteen years he shall be retired and be entitled to the benefit provided under subsection (a) of this section, unless he is qualified to receive and choose the benefit provided for in the next preceding sentence."

SEC. 6. Subsection (c) of Section twelve of the same Act, as inserted by Republic Act Numbered One thousand six hundred and sixteen, as amended, is hereby further amended—to read as follows:

(c) Retirement is likewise allowed to any official or employee, appointive or elective, regardless of age and employment status, who has rendered a total of at least twenty years of service, the last three years of which are continuous. The benefit shall, in addition to the return of his personal contributions with interest compounded monthly and the payment of the corresponding employer's premiums described in subsection (a) of Section five hereof, without interest, be only a gratuity equivalent to one month's salary for every year of the first twenty years of service, plus one and one-half month's salary for every year of service over twenty but below thirty years and two month's salary for every year of service over thirty years in case of employees based on the highest rate received and in case of elected officials on the rates of pay as provided by law. This gratuity is payable by the employer or office concerned which is hereby authorized to provide the necessary appropriation or pay the same from any unexpended items of appropriations or savings in its appropriations. Officials and employees retired under this Act shall be entitled to the commutation of the unused vacation and sick leave, based on the highest rate received, which they may have to their credit at the time of retirement.

"An employee who retires under this Subsection (c) may not be eligible for retirement with gratuity or pension under Subsection (a) of Section eleven of this Act, as amended, or vice versa, unless he makes a written application therefore within one year after retirement and reimburses the retirement gratuity or pension previously received by him, as well as refunds the personal and employer's premiums as the case may be."

SEC. 7. Subsection (e) of Section twelve of the same Act, as amended, is hereby further amended to read as follows:

"(e) Retirement shall be automatic and compulsory at the age of sixty-five years with lump-sum payment of present value of annuity for the first five years and future annuity to be paid monthly, and other benefits given to a compulsorily retired member as provided for in Republic Act Numbered Six hundred and sixty, as amended, if he has completed fifteen. years of service and if he has not been separated from the service during the last three years of service prior to retirement; otherwise he shall be allowed to continue in the service until

he shall have completed the required length of service, unless he is otherwise eligible for disability retirement. This paragraph shall not apply to elective officials and constitutional officers whose tenure of office is guaranteed. Upon specific approval of the President of the Philippines, the President of the Senate, the Speaker of the House of Representatives or the Chief Justice of the Supreme Court, as the case may be, an employee may be allowed to continue to serve in the executive, legislative or judicial branch of the government after the age of sixty-five years if he possesses special qualification and the corresponding Department Secretary certifies in writing that his service are needed. "The automatic and compulsory retirement age for members of the judiciary shall be seventy years under the conditions and with all the benefits provided for in the next preceding paragraph. "If a member exercises the option to retire pursuant to the provisions of Subsection (a) above at age sixty-three years, he shall likewise be entitled to all the benefits provided for in the first paragraph of this subsection. If the option is exercised at age sixty or over but below sixty-three years, the retiree shall be entitled to a lump-sum payment of present value of annuity for the first three years, with the balance of the five-year guaranteed annuity payable in lump-sum upon reaching the age of sixty-three years, and future annuity to be paid monthly, in addition to other benefits provided for in Republic Act Numbered Six hundred and sixty, as amended. "It shall be the duty of the employer concerned to notify each employee under its direction of the date of his automatic separation from the service at least sixty days in advance thereof.

" SEC. 8. Section eighteen of the same Act, as amended, is hereby further amended so as the first sentence thereby shall read as follows:

"SEC. 18. The Board shall have the power to appoint a president who shall be a person of recognized experience and capacity in the subject of life and social insurance, and who shall be the chief executive of the System, an executive vice president, a senior vice president and actuary, one or more vice presidents, one or more assistant vice presidents, one or more managers, a medical director, and fix their compensation."

SEC. 9. A new paragraph is hereby added after subsection (a) of Section twenty-eight of the same Act, as amended, which shall read as follows:

Republic Act Numbered One thousand five hundred and sixty-eight, as amended, and Republic Act Numbered Three thousand and sixteen are also hereby declared inoperative or abolished; Provided, That the rights of those already retired thereunder shall not be affected; And provided, further, That an official or person who is eligible for retirement under any of the aforementioned acts or any other acts may elect and reserve his right to retire thereunder and shall be entitled to the retirement benefit described therein only if he so chooses and notifies the System in writing within one year from the date of approval of this amendatory Act, otherwise it shall be deemed that he elects to be retired under this Act."

SEC. 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: That the rights of those who are already eligible to retire thereunder shall not be affected."

SEC. 11. All laws or parts of laws which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly. SEC. 12. This Act shall take effect upon its approval.

Approved, June 17, 1967.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.