

AMENDING, EXPANDING, INCREASING AND INTEGRATING THE SOCIAL SECURITY AND INSURANCE BENEFITS OF GOVERNMENT EMPLOYEES AND FACILITATING THE PAYMENT THEREOF UNDER COMMONWEALTH ACT NO...

PRESIDENTIAL DECREE NO. 1146, May 31, 1977

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WHEREAS, the Government Service Insurance System in promoting the efficiency and welfare of the employees of the Government of the Philippines, administers the laws that grant to its members social security and insurance benefits;

WHEREAS, it is necessary to preserve at all times the actuarial solvency of the funds administered by the System; to guarantee to the government employee all the benefits due him; and to expand and increase the benefits made available to him and his dependents to the extent permitted by available resources;

WHEREAS, provisions of existing laws have impeded the efficient and effective discharge by the System of its functions and have unduly hampered the System from being more responsive to the dramatic changes of the times and from meeting the increasing needs and expectations of the Filipino public servant; WHEREAS, provisions of existing laws that have prejudiced, rather than benefited, the government employee; restricted, rather than broadened, his benefits, prolonged, rather than facilitated the payment of benefits, must now yield to his paramount welfare;

WHEREAS, the social security and insurance benefits of government employees must be continuously re-examined and improved to assure comprehensive and integrated social security and insurance program that will provide benefits responsive to their needs and those of their dependents in the event of sickness, disability, death, retirement, and other contingencies; and to serve as a fitting reward for dedicated public service;

WHEREAS, in the light of existing economic conditions affecting the welfare of government employees there is a need to expand and improve the social security and insurance programs administered by the Government Service Insurance Systems, specifically, among others, by increasing pension benefits, expanding disability benefits, introducing survivorship benefits, introducing sickness income

benefits, and eventually extending the compulsory coverage of these programs to all government employees regardless of employment status;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

SECTION 1. Title. —The short title of this Act shall be the "Revised Government Service Insurance Act of 1977."

A. DEFINITIONS

SEC. 2. Definition of Terms. —Unless the context otherwise indicates, the following terms shall mean:

- (a) System —The Government Service Insurance System created and established by Commonwealth Act No. 186;
- (b) Board —The Board of Trustees of the Government Service Insurance System;
- (c) Employer —The National Government, its political subdivisions, branches, agencies or instrumentalities, corporations owned and/or controlled by the Government, the Philippine Tuberculosis Society, the Philippine National Red Cross and the Philippine Veterans Bank;
- (d) Employee —Any person in the service of an employer who receives compensation for such service;
- (e) Member —any person compulsorily covered by the System under Section 3 of this Act;
- (f) Dependent —the legitimate, legitimate, legally adopted, acknowledged natural or illegitimate child who is unmarried, not gainfully employed, and not over twenty-one years of age or is over twenty-one years of age but physically or mentally incapacitated and incapable of self-support; the legitimate spouse dependent for support upon the member, and the legitimate parent/s wholly dependent upon the member for support;
- (g) Primary beneficiaries —the dependent spouse until he remarries and the dependent children;
- (h) Secondary beneficiaries —the dependent parents and legitimate descendants other than dependent children;
- (i) Compensation —the basic pay or salary received by an employee, pursuant to his employment/appointment/s, excluding per diems, bonuses, overtime pay, and allowances;
- (j) Contribution —the amount payable to the System by the member and the employer in accordance with section five of this act;
- (k) Average monthly compensation —the quotient after dividing the aggregate compensation received by the member for the last three years immediately preceding his death/separation/disability/retirement, by the number of months he received said compensation, or three thousand pesos, whichever is smaller;
- (l) Revalued average monthly compensation —an amount equal to one hundred seventy percent of the first two hundred pesos of the average monthly compensation plus one hundred percent of the average monthly compensation in excess of two hundred pesos;
- (m) Lump sum —the present value of the basic monthly pensions for five years discounted at a rate of interest to be determined by the System but not less than six percent per annum;
- (n) Pensioner —any person who receives old-age or disability pension whether in lump sum or otherwise;
- (o) Disability —any loss or reduction of earning capacity due to impairment of the normal functions of the physical and/or mental faculties which reduces a member's ability to engage in any gainful occupation;
- (p) Total disability —accrues or arises when the loss or reduction of earning capacity amounts to at least seventy-five percent; or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amounts to at least one hundred percent;
- (q) Permanent total disability—accrues or arises when recovery from the impairment mentioned in section 2(o) is medically remote;
- (r) Temporary total disability —accrues or arises when the impaired physical and/or mental faculties can be

rehabilitated and/or restored to their normal functions;

(s) Permanent partial disability—accrues or arises when the loss or reduction of earning capacity amounts to less than seventy-five percent or when the aggregate loss or reduction of earning capacity resulting from more than one injury and/or disease amounts to less than one hundred percent, as a result of an irrecoverable anatomical loss;

B. COVERAGE OF THE SYSTEM

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: Provided, That upon approval by 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 or controlled corporations may be covered upon approval by the System upon request of their respective Governing Boards; Provided, Finally, that the coverage of temporary employees under R.A. No. 49 shall remain in force.

SEC. 4. Effect of Separation from the Service. —A member shall continue to be a member, notwithstanding his separation from the service and, unless the terms of his separation provide otherwise, he shall be entitled to whatever benefits which shall have accrued or been earned at the time of his separation in the event of any contingency compensable under this Act.

C. SOURCES OF FUNDS

SEC. 5. Contributions. —(a) It shall be mandatory for the employee to pay the monthly contributions specified in the following schedule:

Monthly
Compensation

Percentage of Monthly Compensation Payable
by Employee

Employer

I

P200 or less

7.5%

10.5%

II

Over P200 up to P3,000

8.5%

9.5%

III

Over P3,000

IV

First P3,000

8.5%

9.5%

In excess of P3,000

3.6%

9.5%

(b) The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above, plus any extra premiums that may be required on account of the hazards or risks of its employees' occupation, plus the additional amounts, if any, required in the next following paragraph and shall remit the same to the System: Provided, That, if after an examination of its financial condition, the System finds that the employer cannot afford to pay said contributions in full, then it shall pay only such rates of 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 actually in accordance with the rules and regulations prescribed by the System.

(c) For the amounts of pensions corresponding to the services rendered by a member prior to June Sixteen, nineteen hundred and fifty-one, increases in retirement benefits provided for in Republic Act numbers forty-nine hundred sixty-eight, fifty-nine hundred sixty-nine and Presidential Decree number seven hundred twelve, the National Government shall pay the necessary additional amounts as may be determined by the System and in such manner as may be agreed upon by the National Government and the System.

SEC. 6. Collection and Remittance of Contributions. — (a) It shall be compulsory upon the employer to deduct and withhold each month from the monthly salary of each employee the contributions payable by him and to remit the same and its share to the System within the first ten days of each calendar month following the month to which the contributions apply. The remittance of the contributions may be made in advance quarterly or semi-annually or annually, the contributions payable by the employee to be advanced by his employer: Provided, That, upon separation of an employee, any contributions so paid in advance but not due shall be credited or refunded to his employer. The remittance by the employer of said contributions to the System shall be in preference to the payment of other obligations, except salaries and wages of its employees.

(b) In case an employer defaults in the payment of its obligations to the System, the Secretary of Finance or the

Chairman of the Commission on Audit shall take such steps as may be necessary to have said obligation paid promptly. Said officials or their duly designated representatives are hereby authorized and directed to withhold from revenues and/or incomes of a defaulting employer such amounts as may be necessary to pay its obligations under this Act and remit the same immediately to the System. In case of insolvency of an employer, its obligations under this Act shall be paid in preference to all other obligations, except salaries and wages of its employees.

SEC. 7. Penalty for Non-remittance or Delayed Remittances. — Unremitted collections shall earn such interest as the Board may prescribe, not exceeding two percent per month from their due date to the date of payment, payable by the employer.

SEC. 8. Government Guarantee. —The Government of the Republic of the Philippines hereby guarantees the fulfillment of the obligations of the System to its members as and when they fall due.

D. BENEFITS

SEC. 9. Computations of Basic Monthly Pension. —(a) The basic monthly pension is equal to:

(1) thirty-seven and one-half percent of the revalued average monthly compensation; plus
(2) two and one-half percent of said revalued average monthly compensation for each year of service in excess of fifteen years: Provided, That, the basic monthly pension shall not exceed ninety percent of the average monthly compensation.

(b) The basic monthly pension may be adjusted upon the recommendation of the President and General Manager of the System and approved by the President of the Philippines in accordance with the rules and regulations prescribed by the System.

SEC. 10. Computation of Service. —The computation of service for calculating the pension shall be from the date of original service with an employer, including:

(1) periods of honorable service in the Philippines under the authority of the United States Government if rendered prior to July four, nineteen hundred and forty-six; and
(2) period from January one, nineteen hundred and forty-two, to February twenty-eight, nineteen hundred and forty-six for these who were in the service on December eight, nineteen hundred and forty-one;

but excluding:

(i) period of military service for which an employee receives separation, retirement or disability pay; and
(ii) periods of service rendered after June sixteen, nineteen hundred and fifty-one during which contributions were not then required, unless the contributions with interest be later on paid to the System.

For the purpose of this section, the term service shall include only full time service with compensation: Provided, That part-time and other services with compensation may be included under such rules and regulations prescribed by the System.

Retirement Benefits

SEC. 11. Conditions for Old-Age Pension. —(a) Old-age pension shall be paid to a member who:

(1) has at least fifteen years of service;

(2) is at least sixty years of age; and

(3) is separated from the service.

(b) Unless the service is extended by appropriate authorities,

retirement shall be compulsory for an employee at sixty-five years of age with at least fifteen years of service: Provided, That if he has less than fifteen years of service, he shall be allowed to continue in the service to complete the fifteen years.

SEC. 12. Old Age Pension. —(a) A member entitled to old-age pension shall receive the basic monthly pension for life but in no case a period less than five years: Provided, That, the member shall have the option to convert the basic monthly pensions for the first five years into a lump sum as defined in this Act: Provided, further, That, in case the pensioner dies before the expiration of the five-year period, his primary beneficiaries shall be entitled to the balance of the amount still due to him. In default of primary beneficiaries, the amounts shall be paid to his legal heirs.

(b) A member who has rendered at least three years but less than fifteen years of service at the time of separation shall, upon reaching sixty years of age or upon separation after age sixty, receive a cash payment equivalent to one hundred percent of his average monthly compensation for every year of service with an employer.

(c) If a pensioner receiving a monthly pension is reemployed by an employer, the payment of his pension shall be suspended. When a pensioner who receives a lump sum is re-employed by an employer prior to the expiration of the period covered by such lump-sum, he shall refund to the System the amount corresponding to the unexpired period. In either case, when his compensation

is less than the pension, he shall receive the difference:

Provided, That, upon the termination of his re-employment, the pension shall be resumed.

SEC. 13. Retirement Option. —Employees who are in the government service upon the effectivity 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 previously amended.

Permanent Disability Benefits

SEC. 14. Conditions for Permanent Disability Benefits. — A member shall be entitled to the permanent disability benefits effective from the date of his disability, Provided, That:

(1) he has paid at least thirty-six monthly contributions within the five-year period immediately preceding his disability; or

(2) he has paid a total of at least one-hundred eighty monthly contributions prior to his disability; and

(3) his disability is not compensable under any other law.

SEC. 15. Permanent Disability Benefits. —(a) A member who becomes permanently disabled before he is qualified for old-age pension but entitled to permanent disability benefits shall receive the basic monthly pension for life, if the disability is total. If the disability is partial, the basic monthly pension shall be payable in accordance with the rules and regulations prescribed by the System.

(b) If at the time of his disability, he is qualified for old-age pension he shall be entitled to the basic monthly pension for life but in no case for a period less than five years: Provided, That, the member shall have the option to convert the basic monthly pensions for the first five years into a lump sum as defined in this Act.

(c) The basic monthly pension shall be suspended when:

- (1) The is re-employed by an employer and receives a monthly compensation at least equal to his basic monthly pension, otherwise, he shall receive the difference; or
- (2) he recovers from his disability as determined by the System, whose decision shall be final and binding; or
- (3) he fails to present himself for medical examination when required by the System.

(d) When at the time of his disability, he is not entitled to any of the benefits under paragraphs (a) and (b) of this section, he shall receive a cash payment equivalent to one hundred percent of his average monthly compensation for each year of service he paid contributions, but not less than five hundred pesos.

Survivorship Benefits

SEC. 16. Survivorship Benefits. —When a member or pensioner dies, the beneficiary shall be entitled to survivorship benefits provided for in sections seventeen and eighteen hereunder. The survivorship pension shall consist of:

- (1) basic survivorship pension which is fifty percent of the basic monthly pension; and
- (2) dependent's pension not exceeding fifty percent of the basic monthly pension payable in accordance with the rules and regulations prescribed by the System.

SEC. 17. Death of a Member. —(a) Upon the death of a member, the primary beneficiaries shall be entitled to:

- (1) the basic monthly pension which is guaranteed for five years; Provided, That, at the option of the beneficiaries, it may be paid in lump sum as defined in this Act; Provided, further, That, the member is entitled to old-age pension at the time of his death; or
- (2) the basic survivorship pension which is guaranteed for thirty months and the dependent's pension: Provided, That, the deceased had paid at least thirty-six monthly contributions within the five-year period immediately preceding his death, or a total of at least one hundred eighty monthly contributions prior to his death.

(b) At the end of the guaranteed periods mentioned in the preceding sub-section (a), the survivorship pension shall be paid as follows:

- (1) when the dependent spouse is the only survivor, he shall receive the basic survivorship pension for life or until he remarries;
- (2) when only dependent children are the survivors, they shall be entitled to the survivorship pension for as long they are qualified;
- (3) when the survivors are the dependent spouse and the dependent children, they shall be entitled to the survivorship pension so long as there are dependent children, and, thereafter, the surviving spouse shall receive the basic survivorship pension for life or until he remarries.

(c) In the absence of primary beneficiaries, the secondary beneficiaries designated by the deceased and recorded in the System, shall be entitled to:

- (1) a cash payment equivalent to thirty times the basic survivorship pension when the member is qualified for old-age pension; or
- (2) a cash payment equivalent to fifty percent of the average monthly compensation for each year he paid contributions, but not less than five hundred pesos; Provided, That, the member paid at least thirty-six monthly

contributions within the five-year period immediately preceding his death or paid a total of at least one hundred eighty monthly contributions prior to his death.

(d) When the primary beneficiaries are not entitled to the benefits mentioned in paragraph (a) of this section, they shall receive a cash payment equivalent to one hundred percent of the average monthly compensation for each year the member paid contributions, but not less than five hundred pesos. In the absence of primary beneficiaries, the amount shall revert to the funds of the System.

Sec. 18. Death of a Pensioner. —Upon the death of a pensioner, the primary beneficiaries shall receive the applicable pension mentioned under paragraph (b) of section seventeen of this Act: Provided, That, the dependent spouse shall not be entitled to said pension if his marriage with the pensioner is contracted within three years before the pensioner qualified for the pension. When the pensioner dies within the period covered by the lump sum, the survivorship

pension shall be paid only after the expiration of the said period. This shall also apply to the pensioners living as of the effectivity of this Act, but the survivorship benefit shall be based on the monthly pension being received at the time of death.

Funeral Benefit

SEC. 19. Funeral Benefit. —A funeral benefit of one thousand pesos shall be paid upon the death of a member of pensioner.

Sickness Benefits

SEC. 20. Sickness Income Benefits. —(a) A member who suffers a non-work connected sickness or injury resulting in temporary total disability, shall be entitled to sixty-five percent of his current daily compensation for each day or fraction thereof of sickness or injury but not exceeding sixty days in one calendar year after exhausting all his sick leave credits but not earlier than the fourth day of his sickness or injury; provided he has paid at least six monthly contributions in the twelve-month period immediately preceding his sickness or injury: Provided, however, That the member cannot enjoy the sickness income benefits and sick leave pay simultaneously;

(b) The sickness income benefit shall not be less than four pesos nor more than twenty pesos a day.

(c) The notices required of the member and the employer, the mode of payment, and the other requirements for entitlement to sickness income benefits shall be provided in the rules and regulations prescribed by the System.

Life Insurance Benefits

SEC. 21. Compulsory Life Insurance. —Subject to the rules and regulations prescribed by the System, all employees shall be compulsorily covered with life insurance which shall automatically take effect as follows:

(1) for those employed after this Act, their insurance shall take effect on the date of their employment;

(2) for those whose insurance matured and not renewed prior to this Act, their insurance shall be deemed renewed on the day following the effectivity of this Act;

(3) for those whose insurance will mature or will expire after this Act, their insurance shall be deemed renewed on the day following the maturity or expiry date of their previous insurance;

(4) for those without any life insurance as of the effectivity of this Act, their insurance shall take effect on the day following said effectivity.

SEC. 22. Optional Life Insurance. —Subject to the rules and regulations prescribed by the System, a member may at any time apply for optional life insurance for himself and/or his dependents and the payment of the premiums therefore may be made by the insured or his employer and/ or any person acceptable to the System.

E. ADJUDICATION OF CLAIMS AND DISPUTES

SEC. 23. Facility of Payment. —The System shall prescribe such rules and regulations to facilitate payment of benefits, proceeds, and claims under this Act and any other laws administered by the System. Payments made by the System prior to its receipt of an adverse claim, to a beneficiary or claimant subsequently found not entitled thereto, shall free the System from any liability to the Person or persons legally entitled to such payment who shall, have a right to institute the appropriate action in a court of law against ineligible recipient of the benefits, proceeds, or claims.

SEC. 24. Settlement of Disputes. — The System shall have original and exclusive jurisdiction to settle any dispute arising under this Act.

The Board may designate any member of the Board of official of the System to act as hearing officer to receive evidence; make findings of facts and submit recommendations thereon. The hearing officer shall submit his findings, 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 therefrom. The cases heard directly by the Board shall be decided within thirty working days from the time they are submitted by the parties for decision.

SEC. 25. Appeals. —Within fifteen days from receipt of notice of decision or award, the aggrieved party may appeal the same to the Court of Appeal's on questions of law and facts following the procedures for appeals from the Court of First Instance to the Court of Appeals as far as practicable and consistent with the purposes of this Act. If the appeal is only on questions of law, the same shall be brought directly to the Supreme Court on certiorari. No appeal bond shall be required. The appeal shall take precedence over all other cases except criminal cases wherein the penalty of life imprisonment or death has been imposed by the trial court. Appeal shall not stay the decision of the Board unless so ordered by the Board, by the Court of Appeals or by the Supreme Court.

SEC. 26. Execution of Decision. —When no appeal is perfected and there is no order to stay by the Board, by the Court of Appeals or by the Supreme Court, any decision or award of the Board shall be enforced and executed in the same manner as decisions of the Court of First Instance. For this purpose, the Board shall have the power to issue to the city or provincial sheriff or its appointed sheriff such writs of execution as may be necessary for the enforcement of such decision or award, and any person who shall fail or refuse to comply with such decision, award, writ or process after being required to do so, shall, upon application by the System, be punished for contempt.

SEC. 27. Oaths, Witnesses, and Production of Records. — When authorized by the Board, an official or employee of the System shall have the power to administer oath and affirmation, take dispositions, certify to official acts, and issue subpoena and subpoena duces tecum to compel the attendance of witnesses and the production of books, papers, correspondences, and other records deemed necessary as evidence in connection with any question arising under this Act. Any case of contumacy shall be dealt with in accordance with the provisions of section five hundred eighty of the Revised Administrative Code.

F. FUNDS OF THE SYSTEM

SEC. 28. Funds. —The funds administered by the System shall consist of old-age, disability, survivorship, health insurance state insurance, life insurance, and general insurance funds.

The reserves and/or networth of said funds shall be used to finance the benefits administered by the System. For purposes of effective administration of said benefits, any amount in excess of the required reserves in any fund, as determined by the Actuary of the System, may be subject to interfund borrowing at an imputed interest to be determined by the Board.

SEC. 29. Deposit and Disbursements. —All revenues collected and all accruals thereto shall be deposited, administered and disbursed in accordance with the law. A maximum expense loading of twelve percent of the yearly revenues from all sources may be disbursed for administrative and operational expenses except as may be otherwise approved by the President of the Philippines on the basis of actuarial and management studies.

SEC. 30. Investment of Funds. —Funds of the System not needed to meet the current obligations may be invested under such terms and conditions as may be determined by the Board.

SEC. 31. Records and Reports. —The System shall keep and cause to keep such records as may be necessary for the purpose of making actuarial studies, calculations and valuations of the funds of the System including such data needed in the computation of rates of disability, mortality, morbidity, separation and retirement among the members and any other information useful for the adjustment of the benefits of the members. Separate and distinct records of the operation of each branch of social security and insurance shall be maintained. The System shall also maintain appropriate books of accounts to record its assets, liabilities, income, expenses, receipts and disbursement of funds and other financial transactions and operations.

SEC. 32. Examination and Valuation of the Funds. —The System shall make a periodic actuarial examination and valuation of the funds of the System in accordance with accepted actuarial principles.

Sec. 33. Exemption from Tax, Legal Process and Lien. — It is hereby declared to be the policy of the State that the actuarial solvency of the funds of the System shall be preserved and maintained at all times and that the contribution rates necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members of the System and/or their employees. Taxes imposed on the System tend to impair the actuarial solvency

of its funds and increase the contribution rate necessary to sustain the benefits under this Act. Accordingly, notwithstanding any laws to the contrary, the System, its assets, revenues including all accruals thereto, and benefits paid, shall be exempt from all taxes, assessments, fees, charges or duties of all kinds. These exemptions shall continue unless expressly and specifically revoked and any assessment against the System as of the approval of this Act are hereby considered paid.

The benefits granted under this Act shall not be subject, among others, to attachment, garnishment, levy or other processes. This, however, shall not apply to obligations of the member to the System, or to the employer, or when the benefits granted herein are assigned by the member with the authority of the System.

G. ADMINISTRATION

SEC. 34. Implementing Body. —The Government Service Insurance System as created and established under Commonwealth Act No. 186 shall implement the provisions of this Act.

SEC. 35. Powers and Functions of the System. —The System shall have the following powers and functions

specified in this Act and the usual general corporate powers:

- (a) To adopt, amend and rescind such rules and regulations as may be necessary to carry out the provisions and purposes of this Act;
 - (b) To adopt from time to time a budget for the administration and operation of the System;
 - (c) To invest its funds, directly or indirectly, in accordance with this Act;
 - (d) To acquire, utilize or dispose of, in any manner recognized by law, real or personal properties in the Philippines or elsewhere necessary to carry out the purposes of this Act;
 - (e) To conduct continuing actuarial and statistical studies and valuations to determine the financial condition of the System and taking into consideration such studies and valuations and the limitations herein provided, re-adjust the benefits, contributions, premium rates, interest rates or the allocation or the re-allocation of the funds to the contingencies covered;
 - (f) To have the power of succession;
 - (g) To sue and be sued;
 - (h) To enter into, make, perform and carry out contracts of every kind and description with any person, firm or association or corporation, domestic or foreign;
 - (i) To carry on any other lawful business whatsoever in pursuance of, or in connection with the provisions of this Act;
 - (j) To have one or more offices in and outside of the Philippines,
- and to conduct its business and exercise its powers throughout and in any part of the Republic of the Philippines and/or in any or all foreign countries, states and territories;
- (k) To borrow funds from any source, private or government, foreign or domestic;
 - (l) To invest, own or otherwise participate in equity in any establishment, firm or entity; to form, organize invest in, establish and maintain subsidiary or subsidiaries;
 - (m) To exercise such powers and perform such acts as may be necessary, useful, incidental or auxiliary to carry out the provisions of this Act.

SEC. 36. The Board of Trustees; Its Composition; Tenure and Compensation. —The Corporate powers and functions of the System shall be vested in, and exercised by the Board of Trustees composed of the President and General Manager of the System and seven other members to be appointed by the President of the Philippines, three of whom shall represent three leading organizations or associations of government employees. The Trustees shall elect from among themselves a chairman and vice-chairman.

The Trustees, except the President and General Manager of the System who shall cease as trustee upon his separation, shall hold office for three years or until their successors are duly appointed and qualified. Vacancy, other than through the expiration of the term, shall be filled for the unexpired term only. The members of the Board shall be entitled to a per diem of five hundred pesos for each board meeting actually attended by them, but not to exceed two thousand pesos a month, and reasonable transportation and representation allowances as shall be fixed by the Board.

The Board of Trustees as presently constituted shall continue to hold office until their successors shall have been

appointed and duly qualified.

SEC. 37. Appointment, Qualifications, and Compensation of the President and General Manager and of Other Personnel. — The President and General Manager of the System shall be the Chief Executive Officer of the System who shall be appointed by the President of the Philippines. He shall be a person experienced in technical and administrative fields related to the purposes of this Act.

The President and General Manager of the System shall be assisted by one or more executive vice-presidents, senior vice-presidents and vice-presidents who shall be appointed and removed by the President and General Manager of the System with the approval of the Board.

The position classification and compensation rates of the President and General Manager, and of the officers and employees of the system shall be subject to approval of the President of the Philippines under the provisions of P.D. No. 985.

SEC. 38. Powers and Duties of the President and General Manager. — The President and General Manager of the System shall among others, execute and administer the policies and resolutions approved by the Board and direct and supervise the administration and operations of the System. The President and General Manager of the System, subject to the approval of the Board, shall appoint the personnel of the System, remove, suspend or otherwise discipline them for cause and prescribe their duties and qualifications to the end that only competent persons may be employed.

SEC. 39. Auditor. —(a) The Chairman of the Commission on Audit shall be the ex-officio auditor of the System. For this purpose, he may appoint a representative who shall be the auditor of the System, and the necessary personnel to assist said representative in the performance of his duties. The number of salaries of the auditor and said personnel shall be determined by the Chairman of the Commission on Audit, subject to appropriation by the Board; in case of disagreement, the matter shall be submitted to the President of the Philippines whose decision shall be final. Said salaries and all other expenses of maintaining the auditor's office shall be paid by the System.

(b) The Chairman of the Commission on Audit or his authorized representative, shall submit to the Board soon after the close of each calendar year, an audited statement showing the financial condition and progress of the System for the calendar year just ended.

SEC. 40. Legal Counsel. —The Government Corporate Counsel shall be the legal counsel of the System. For the performance of his duties and the services of the Legal Staff of the office of the Government Corporate Counsel, the Board shall appropriate, and the President and General Manager of the System shall remit, such amount as shall be determined by the Government Corporate Counsel with the approval of the Secretary of Justice.

H. GENERAL AND PENAL PROVISIONS SEC. 41. Government Assistance to the System. —The System may call upon any employer for such assistance as may be necessary in the discharge of its duties and functions.

SEC. 42. Penalty. — (a) Any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the System whether for him or for some other persons, shall suffer the penalties provided for in Article one hundred seventy two of the Revised Penal Code.

(b) Whoever shall obtain or receive any money or check invoking any provision of this Act or any agreement thereunder, without being entitled thereto with the intent to defraud any member, any employer, the System, or any third party, shall be punished by a fine of not less than five hundred pesos nor more than five thousand pesos or by imprisonment of not less than six months nor more than one year, or both, at the discretion of the court.

(c) Whoever fails or refuses to comply with the provision of this Act or with the rules and regulations adopted by

the System shall be punished by a fine of not less than five hundred pesos nor more than five thousand pesos, or by imprisonment of not less than six months nor more than one year, or both, at the discretion of the court.

(d) The treasurer, finance officer, cashier, disbursing officer, or other employee who fails or refuses or delays by more than three months, to deduct the contributions of the employee shall be punished by a fine of not less than one thousand pesos nor more than five thousand pesos, or by imprisonment of not less than one year nor more than five years, or both, at the discretion of the court and shall, moreover, be disqualified from holding public office and from practicing any profession or calling licensed by the Government.

(e) Any employee or member who receives or keeps fund or property belonging, payable or deliverable to the System and appropriates the same, or takes or misappropriates or uses the same to any purpose other than that authorized by this Act, or permits another person to take, misappropriate or use said fund or property by expressly consenting thereto, or through abandonment or negligence, or is otherwise guilty of the mis-appropriation of said fund or property, in whole or in part, shall suffer the penalties provided in Article two hundred seventeen of the Revised Penal Code.

(f) Any employee, who, after deducting the monthly contribution or loan amortization from a member's compensation fail's to remit the same to the System within thirty days from the date they should have been remitted under section 6 (a) shall be presumed to have misappropriated such contribution or loan amortization and shall suffer the penalties provided in Article three hundred fifteen of the Revised Penal Code.

(g) Criminal actions arising from violations of the provisions of this Act may be commenced by the System or by the aggrieved member, either under this Act or, in appropriate cases, under the Revised Penal Code.

SEC. 43. Implementing Rules and Regulations. —The implementing rules and regulations to carry out the provisions of this Act shall be adopted and promulgated by the System not later than ninety days after the approval of this Act.

sec. 44. Non-impairment of Benefits. —Powers, jurisdiction, Rights, Privileges, Functions and Activities. Nothing this Act shall be construed to repeal, amend or limit any provision of existing laws, Presidential Decrees and Letters of Instructions, not otherwise specifically inconsistent with the provisions of this Act.

SEC. 45. Exclusiveness of Benefits. —Whenever other laws provide similar benefits for the same contingencies covered by this Act, the member who qualifies for the benefit shall have the option to choose which benefits will be paid to him. However, if the benefits provided by the law chosen are less than the benefits provided under this Act, the System shall pay only the difference: Provided, however, That, when the disability or death of an employee or member is work-connected as defined in Presidential Decree No. 626, as amended, he shall be entitled to the benefits therefore as provided herein, chargeable against the State Insurance Fund.

SEC. 46. Appropriations. —There is hereby appropriated for the current fiscal year, and annually thereafter, out of any fund in the National Treasury or other depository not otherwise appropriated, such sums as may be necessary to pay the contributions or premiums and interests payable by each employer under this Act, as well as obligations which the Republic of the Philippines assumes or guarantees to pay under this Act.

SEC. 47. Saving Clause. —Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable from the invalid ones, shall remain in force.

SEC. 48. Repealing Clause. —All laws or parts of law specifically inconsistent herewith shall be considered amended or repealed accordingly.

SEC. 49. Effectivity. — This Act shall take effect upon its approval.

Done in the City of Manila, Philippines, this 31th day of May, in the year of Our Lord, nineteen hundred and seventy-seven.

(SGD.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(SGD.) JACOBO C. CLAVE
Presidential Executive Assistant

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