

UNITED DOCTORS MEDICAL CENTER, PETITIONER, VS. CESARIO BERNADAS, REPRESENTED BY LEONILA BERNADAS, RESPONDENT.

G.R. No. 209468. December 13, 2017

Ponente: LEONEN, J.

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LEONEN, J.:

An employee who has already qualified for optional retirement but dies before the option to retire could be exercised is entitled to his or her optional retirement benefits, which may be claimed by the qualified employee's beneficiaries on his or her behalf.

This is a Petition for Review on Certiorari[1] assailing the June 21, 2013 Decision[2] and the October 4, 2013 Resolution[3] of the Court of Appeals in CA-G.R. SP No. 126781, sustaining the National Labor Relations Commission's finding that Cesario Bernadas' (Cesario) beneficiaries were entitled to his optional retirement benefits.

On July 17, 1986, Cesario started working as an orderly in United Doctors Medical Center's housekeeping department. He was eventually promoted as a utility man.[4]

United Doctors Medical Center and its rank-and-file employees had a collective bargaining agreement (CBA), under which rank-and-file employees were entitled to optional retirement benefits.[5] On retirement pay, the CBA provided:

ARTICLE XI

RETIREMENT AND SEVERANCE PAY

SECTION 1. RETIREMENT AND SEVERANCE PAY. The CENTER shall grant each employee retirement and severance pay in accordance with law. It shall also continue its present policy on optional retirement.[6]

Under the optional retirement policy, an employee who has rendered at least 20 years of service is entitled to optionally retire. The optional retirement pay is equal to a retiree's salary for 11 days per year of service.[7]

In addition to the retirement plan, employees are also provided insurance, with United Doctors Medical Center paying the premiums. The employees' family members would be the beneficiaries of the insurance.[8]

On October 20, 2009, Cesario died from a "freak accident"[9] while working in a doctor's residence. He was 53 years old.[10]

Leonila Bernadas (Leonila), representing her deceased husband, Cesario, filed a Complaint[11] for payment of retirement benefits, damages, and attorney's fees with the National Labor Relations Commission. Leonila and her son also claimed and were able to receive insurance proceeds of P180,000.00 under the CBA.[12]

In a Decision[13] dated August 31, 2011, the Labor Arbiter dismissed Leonila's Complaint. According to the Labor Arbiter, Cesario should have applied for optional retirement benefits during his lifetime, the benefits being optional. Since he did not apply for it, his beneficiaries were not entitled to claim his optional retirement

benefits.[14]

Leonila appealed to the National Labor Relations Commission.[15] In its April 30, 2012 Decision,[16] the National Labor Relations Commission reversed the Labor Arbiter's Decision. It found that the optional retirement plan was never presented in this case, casting a doubt on whether or not the plan required an application for optional retirement benefits before an employee could become entitled to them.[17] Considering the "constitutional mandate to afford full protection to labor,"[18] the National Labor Relations Commission resolved the doubt in favor of Cesario. The dispositive portion of its Decision read:

WHEREFORE, premises considered, the Decision dated August 31, 2011 is REVERSED AND SET ASIDE. Judgment is hereby rendered finding complainant Cesario M. Bernadas is entitled to optional retirement benefit in the amount of P98,252.55 and ordering respondent United Doctors Medical Center to pay the said amount to the complainant.

SO ORDERED.[19]

United Doctors Medical Center's Motion for Reconsideration[20] was denied;[21] hence, it filed a Petition for Certiorari[22] with the Court of Appeals.

On June 21, 2013, the Court of Appeals rendered its Decision[23] sustaining the ruling of the National Labor Relations Commission. According to the Court of Appeals, the retirement plan and the insurance were two (2) "separate and distinct benefits"[24] that were granted to the employees. It held that Leonila's receipt of insurance proceeds did not bar her from being entitled to the retirement benefits under the CBA.[25]

United Doctors Medical Center moved for reconsideration[26] but was denied in the Court of Appeals October 4, 2013 Resolution.[27] Hence, this Petition[28] was filed before this Court.

Petitioner argues that respondent Cesario's beneficiaries do not have legal capacity to apply for Cesario's optional retirement benefits since respondent himself never applied for it in his lifetime.[29] It asserts that even assuming respondent Cesario was already qualified to apply for optional retirement three (3) years prior to his death, he never did. Thus, there would have been no basis for respondent Cesario's beneficiaries to be entitled to his optional retirement benefits.[30] Petitioner likewise argues that to grant respondent Cesario's beneficiaries optional retirement benefits on top of the life insurance benefits that they have already received would be equal to "double compensation and unjust enrichment." [31]

On the other hand, Leonila counters that had her husband died "under normal circumstances,"[32] he would have applied for optional retirement benefits. That Cesario was unable to apply before his death "is a procedural technicality"[33] that should be set aside so that "full protection to labor"[34] is afforded and "the ends of social and compassionate justice"[35] are met.

This Court is tasked to resolve the issue of whether or not Leonila Bernadas as her husband's representative, may claim his optional retirement benefits. However, to resolve this issue, this Court must first resolve the issue of whether or not Cesario Bernadas is entitled to receive his optional retirement benefits despite his untimely death.

This Court denies the Petition.

I

Jurisprudence characterizes retirement as "the result of a bilateral act of the parties, a voluntary agreement between the employer and the employee whereby the latter, after reaching a certain age, agrees to sever his or her employment with the former." [36]

At the outset, retirement benefits must be differentiated from insurance proceeds. One is in the concept of an indemnity while the other is conditioned on age and length of service. "A 'contract of insurance' is an agreement whereby one undertakes for a consideration to indemnify another against loss, damage or liability arising from an unknown or contingent event." [37] On the other hand, retirement plans,

while initially humanitarian in nature, now concomitantly serve to secure loyalty and efficiency on the part of employees, and to increase continuity of service and decrease the labor turnover, by giving to the employees some assurance of security as they approach and reach the age at which earning ability and earnings are materially impaired or at an end. [38] (Citation omitted)

Thus, the grant of insurance proceeds will not necessarily bar the grant of retirement benefits. These are two (2) separate and distinct benefits that an employer may provide to its employees.

II

Within this jurisdiction, there are three (3) types of retirement plans available to employees. [39]

The first is compulsory and contributory. This type of plan is embodied in Republic Act No. 8282 [40] for those in the private sector and Republic Act No. 8291 [41] for those in the government. These laws require a mandatory contribution from the employer as well as the employee, which shall become a pension fund for the employee upon retirement. Considering that the mandatory employee contribution is deducted from the employee's monthly income, [42] "retirement packages are usually crafted as 'forced savings' on the part of the employee." [43]

Under this type of retirement plan, the pension is not considered as mere gratuity but actually forms part of the employee's compensation. [44] An employee acquires a vested right to the benefits that have become due upon reaching the compulsory age of retirement. [45] Thus, the beneficiaries of the retired employee are entitled to the pension even after the retired employee's death. [46]

The second and third types of retirement plans are voluntary. They may not even require the employee to contribute to a pension fund. The second type of retirement plan is by agreement between the employer and the employee, usually embodied in the CBA between them. [47] "The third type is one that is voluntarily given by the employer, expressly as in an announced company policy or impliedly as in a failure to contest the employee's claim for retirement benefits." [48]

The rules regarding the second and third types of retirement plans are provided for in Article 302 [287] [49] of the Labor Code, as amended, [50] which read:

Article 302. [287] Retirement. - Any employee may be retired upon reaching the retirement age established in the collective bargaining agreement or other applicable employment contract.

In case of retirement, the employee shall be entitled to receive such retirement benefits as he may have earned under existing laws and any collective bargaining agreement and other agreements: Provided, however, That an employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided therein.

In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

However, these types of retirement plans are not meant to be a replacement to the compulsory retirement scheme

under social security laws but must be understood as a retirement plan in addition to that provided by law. *Llora Motors, Inc. v. Drilon*,^[51] explained:

Article 287 of the Labor Code also recognizes that employers and employees may, by a collective bargaining or other agreement, set up [a] retirement plan in addition to that established by the Social Security law, but prescribes at the same time that such consensual additional retirement plan cannot be substituted for or reduce the retirement benefits available under the compulsory scheme established by the Social Security law. Such is the thrust of the second paragraph of Article 287 which directs that the employee shall be entitled to receive retirement benefits earned "under existing laws and any collective bargaining or other agreement."^[52]

Unlike the fixed retirement ages in social security laws, Article 302 [287] of the Labor Code allows employers and employees to mutually establish an early retirement age option. The rationale for optional retirement is explained in *Pantranco North Express v. National Labor Relations Commission*:^[53]

In almost all countries today, early retirement, i.e., before age 60, is considered a reward for services rendered since it enables an employee to reap the fruits of his labor - particularly retirement benefits, whether lump-sum or otherwise at an earlier age, when said employee, in presumably better physical and mental condition, can enjoy them better and longer. As a matter of fact, one of the advantages of early retirement is that the corresponding retirement benefits, usually consisting of a substantial cash windfall, can early on be put to productive and profitable uses by way of income-generating investments, thereby affording a more significant measure of financial security and independence for the retiree who, up till then, had to contend with life's vicissitudes within the parameters of his fortnightly or weekly wages. Thus we are now seeing many CBAs with such early retirement provisions.^[54]

Optional retirement may even be done at the option of the employer^[55] for as long as the option was mutually agreed upon by the employer and the employee. Thus:

Acceptance by the employees of an early retirement age option must be explicit, voluntary, free, and uncompelled. While an employer may unilaterally retire an employee earlier than the legally permissible ages under the Labor Code, this prerogative must be exercised pursuant to a mutually instituted early retirement plan. In other words, only the implementation and execution of the option may be unilateral, but not the adoption and institution of the retirement plan containing such option. For the option to be valid, the retirement plan containing it must be voluntarily assented to by the employees or .at least by a majority of them through a bargaining representative.^[56]

III

The issue in this case concerns the second type of retirement plan, or that which was provided under the employer and employees' CBA. To wit, the CBA between the parties provides:

ARTICLE XI RETIREMENT AND SEVERANCE PAY

SECTION 1. RETIREMENT AND SEVERANCE PAY. The CENTER shall grant each employee retirement and severance pay in accordance with law. It shall also continue its present policy on optional retirement.^[57]

The terms and conditions of a CBA "constitute the law between the parties."^[58] However, this CBA does not provide for the terms and conditions of the "present policy on optional retirement." Leonila merely alleged before the Labor Arbiter that petitioner "grants an employee a retirement or separation equivalent to eleven (11) days per year of service after serving for at least twenty (20) years,"^[59] which was not disputed by petitioner. Therefore, doubt arises as to what petitioner's optional retirement package actually entails.

It is settled that doubts must be resolved in favor of labor.^[60] Moreover, "retirement laws should be liberally

construed and administered in favor of the persons intended to be benefited and all doubts as to the intent of the law should be resolved in favor of the retiree to achieve its humanitarian purposes." [61]

Optional, by its ordinary usage, is the opposite of compulsory. It requires the exercise of an option. For this reason, petitioner insists that respondent Cesario would not have been entitled to his optional retirement benefits as he failed to exercise the option before his untimely death.

However, retirement encompasses even the concept of death. [62] This Court has considered death as a form of disability retirement as "there is no more permanent or total physical disability than death." [63] Compulsory retirement and death both involve events beyond the employee's control. [64]

Petitioner admits that respondent Cesario was already qualified to receive his retirement benefits, having been employed by petitioner for 23 years. [65] While the choice to retire before the compulsory age of retirement was within respondent Cesario's control, his death foreclosed the possibility of him making that choice.

Petitioner's optional retirement plan is premised on length of service, not upon reaching a certain age. It rewards loyalty and continued service by granting an employee an earlier age to claim his or her retirement benefits even if the employee has not reached his or her twilight years. It would be the height of inequity to withhold respondent Cesario's retirement benefits despite being qualified to receive it, simply because he died before he could apply for it. In any case, the CBA does not mandate that an application must first be filed by the employee before the right to the optional retirement benefits may vest. Thus, this ambiguity should be resolved in favor of the retiree.

Retirement benefits are the property interests of the retiree and his or her beneficiaries. [66] The CBA does not prohibit the employee's beneficiaries from claiming retirement benefits if the retiree dies before the proceeds could be released. Even compulsory retirement plans provide mechanisms for a retiree's beneficiaries to claim any pension due to the retiree. [67] Thus, Leonila, being the surviving spouse of respondent Cesario, [68] is entitled to claim the optional retirement benefits on his behalf.

WHEREFORE, the Petition is DENIED. The June 21, 2013 Decision and October 4, 2013 Resolution of the Court of Appeals in CA--G.R. SP No. 126781 are AFFIRMED. Petitioner United Doctors Medical Center is ordered to pay respondent Cesario Bernadas, through his beneficiary Leonila Bernadas, optional retirement benefits in the amount of P98,252.55 as provided by the Labor Code.

SO ORDERED.

Velasco, Jr., (Chairperson), Martires, and Gesmundo, JJ., concur.
Bersamin, J., on official leave.

March 7, 2018

NOTICE OF JUDGMENT

Sirs / Mesdames:

Please take notice that on December 13, 2017 a Decision, copy attached hereto, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on March 7, 2018 at 1:56 p.m.

Very truly yours,

(SGD)

WILFREDO V. LAPITAN

Division Clerk of Court

[1] Rollo, pp. 3-27.

[2] Id. at 29-35. The Decision was penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Ramon R. Garcia and Danton Q. Bueser of the Fourth Division, Court of Appeals, Manila.

[3] Id. at 37-38. The Resolution was penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Ramon R. Garcia and Danton Q. Bueser of the Fourth Division, Court of Appeals, Manila.

[4] Id. at 30.

[5] Id.

[6] Id. at 39.

[7] Id. at 115-116. NLRC Decision.

[8] Id. at 30.

[9] Id. at 88.

[10] Id. at 30.

[11] Id. at 265-266.

[12] Id. at 30.

[13] Id. at 88-96. The Decision, docketed as NLRC NCR CASE NO. 01-01538-11, was penned by Labor Arbiter Jenneth B. Napiza.

[14] Id. at 95-96.

[15] Id. at 97-103.

[16] Id. at 113-118. The Decision was penned by Presiding Commissioner Joseph Gerard E. Mabilog and concurred in by Commissioners Isabel G. Panganiban-Ortiguerra and Nieves E. Vivar-De Castro of the Sixth Division, National Labor Relations Commission, Quezon City.

[17] Id. at 116.

[18] Id.

[19] Id. at 117.

[20] Id. at 119-131.

[21] Id. at 132-134.

[22] Id. at 135-160.

[23] Id. at 29-35.

[24] Id. at 33.

[25] Id. at 33-34.

[26] Id. at 306-324.

[27] Id. at 37-38.

[28] Id. at 3-27. Comment was filed on March 3, 2015 (rollo, pp. 336-342) while Reply was filed on May 28, 2014 (rollo, pp. 358-368).

[29] Id. at 9-10.

[30] Id. at 17-18.

[31] Id. at 20-23.

[32] Id. at 339.

[33] Id. at 338.

[34] Id.

[35] Id.

[36] *Cercado v. Uniprom, Inc.*, 647 Phil. 603, 608-609 (2010) [Per J. Nachura, Second Division] citing *Magdadaro v. Philippine National Bank*, 610 Phil. 608 (2009) [Per J. Carpio, First Division]; *Universal Robina Sugar Milling Corporation (URSUMCO) v. Caballada*, 583 Phil. 118 (2008) [Per J. Nachura, Third Division]; *Cainta Catholic School v. Cainta Catholic School Employees Union (CCSEU)*, 523 Phil. 134 (2006) [Per J. Tinga, Third Division]; *Ariola v. Philex Mining Corporation*, 503 Phil. 765, 783 (2005) [Per J. Carpio, First Division]; and *Pantranco North Express, Inc. v. NLRC*, 328 Phil. 470, 482 (1996) [Per J. Panganiban, Third Division].

[37] INS. CODE, sec. 2(1).

[38] *Brion v. South Philippine Union Mission*, 366 Phil. 967, 974 (1999) [Per J. Romero, Third Division].

[39] See *Gerlach v. Reuters Limited, Phils.*, 489 Phil. 501 (2005) [Per J. Sandoval-Gutierrez, Third Division].

[40] Social Security Law (1997).

[41] The Government Service Insurance System Act (1997).

[42] See Rep. Act. No. 8282, sec. 9 and Rep. Act No. 8291, sec. 5 on the mandatory contributions to the Social Security System and the Government Service Insurance System.

[43] *In Re Mrs. Pacita A. Gruba*, 721 Phil. 330, 330 (2013) [Per J. Leonen, En Banc].

[44] *GSIS v. Montesclaros*, 478 Phil. 573, 584 (2004) [Per J. Carpio, En Banc].

[45] Id.

[46] See Rep. Act. No. 8282, sec. 13 on death benefits and Rep. Act No. 8291, sec. 20 on survivorship benefits.

[47] *Gerlach v. Reuters Limited, Phils.*, 489 Phil. 501, 513 (2005) [Per J. Sandoval-Gutierrez, Third Division] citing *Llora Motors, Inc. vs. Drilon*, 258-A Phil. 749 (1989) [Per J. Feliciano, Third Division].

- [48] Id. citing *Allied Investigation Bureau, Inc. vs. Ople*, 180 Phil. 221 (1979) [Per acting C.J. Fernando, Second Division].
- [49] Article 287 of the Labor Code has since been renumbered to Article 302 in view of Rep. Act No. 10151.
- [50] Article 287 was amended by Republic Act No. 7641 (1992).
- [51] 258-A Phil. 749 (1989) [Per J. Feliciano, Third Division].
- [52] Id. at 758.
- [53] 328 Phil. 470 (1996) [Per J. Panganiban, Third Division].
- [54] Id. at 483.
- [55] See *Progressive Development Corporation v. National Labor Relations Commission*, 398 Phil. 433 (2000) [Per J. Bellosillo, Second Division].
- [56] *Cercado v. Uniprom, Inc.*, 647 Phil. 603, 612 (2010) [Per J. Nachura, Second Division].
- [57] Rollo, p. 39.
- [58] *Roche (Philippines) v. National Labor Relations Commission*, 258-A Phil. 160, 171 (1989) [Per J. Gancayco, First Division].
- [59] Rollo, p. 95.
- [60] See LABOR CODE, sec. 4.
- [61] In re Monthly Pension of Justices and Judges, 268 Phil. 312, 317 (1990) [Per J. Regalado, En Banc] citing *Bautista vs. Auditor General, etc.*, 104 Phil. 428 (1958) [Per J. Padilla, En Banc].
- [62] See *In Re Mrs. Pacita A. Gruba*, 721 Phil. 330, 341 (2013) [Per J. Leonen, En Banc].
- [63] Re: Resolution granting automatic permanent total disability benefits to heirs of Judges and Justices who die in actual service, 486 Phil. 148, 156 (2004) [Per J. Garcia, En Banc].
- [64] See *In Re Mrs. Pacita A. Gruba*, 721 Phil. 330 (2013) [Per J. Leonen, En Banc].
- [65] Rollo, p. 17.
- [66] *GSIS v. Montesclaros*, 478 Phil. 573, 584 (2004) [Per J. Carpio, En Banc].
- [67] See Rep. Act. No. 8282, sec. 13 on death benefits and Rep. Act No. 8291, sec. 20 on survivorship benefits.
- [68] See rollo, p. 32, on the presentation of respondent's certificate of marriage.

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