

****Title: 2nd Lt. Salvador Parreño vs. Commission on Audit and Chief of Staff, Armed Forces of the Philippines****

****Facts:****

Salvador Parreño served in the Armed Forces of the Philippines (AFP) for 32 years and retired in 1982 with the rank of 2nd Lieutenant, receiving a lump sum pension equivalent to three years' pay. In 1985, he started receiving a monthly pension of P13,680. Parreño migrated to Hawaii and became a naturalized American citizen. Consequently, in January 2001, the AFP stopped his pension payments in accordance with Section 27 of Presidential Decree No. 1638 (PD 1638), as amended, which mandates the termination of retirement benefits upon loss of Filipino citizenship. Parreño requested reconsideration, which the Judge Advocate General (JAG) of the AFP denied.

He subsequently filed a claim before the Commission on Audit (COA) for the continuance of his monthly pension. The COA dismissed his claim due to lack of jurisdiction, emphasizing that the issue involved the constitutionality of Section 27 of PD 1638, best adjudicated by the judiciary. Parreño filed a motion for reconsideration, arguing that COA had the authority to rule on the constitutional issue indirectly because it pertained to government funds. The COA denied the motion, maintaining the necessity of judicial review for constitutional issues. Thereafter, Parreño petitioned to the Supreme Court.

****Issues:****

1. Whether Section 27 of PD 1638, as amended, is constitutional.
2. Whether the COA had jurisdiction to rule on the constitutionality of Section 27 of PD 1638, as amended.
3. Whether PD 1638, as amended, should be applied retroactively or prospectively.

****Court's Decision:****

1. ****Jurisdiction of COA:****

The Supreme Court affirmed that COA does not have jurisdiction to decide on the constitutionality of laws, which is a power vested in the judiciary. The COA properly dismissed Parreño's claim as it fundamentally questioned the constitutionality of Section 27 of PD 1638.

2. ****Prospective Application of PD 1638:****

The court held that PD 1638 should be applied prospectively but not restricted to those who joined the military after its effectivity. Section 2 of PD 1638 explicitly states its applicability

to all military personnel in the AFP at its approval. Since Parreño retired after the decree's approval, it applies to him as well. Thus, his pension termination was lawful as per Section 27 of PD 1638.

3. **Constitutionality of Section 27 of PD 1638:**

The Court upheld the constitutionality of Section 27, noting that the classification requiring retirees to maintain Filipino citizenship to keep receiving pensions was reasonable. This requirement for Filipino citizenship had substantial distinctions vital to state policies, such as national defense, and did not violate equal protection or due process rights. Parreño can restore his pension by reacquiring Filipino citizenship under Republic Act No. 9225.

Doctrine:

1. **Jurisdictional Limitation:** The jurisdiction of COA is strictly on auditing and settling accounts related to the government funds, and it does not extend to determining the constitutionality of laws.
2. **Prospective Application:** Statutes involving retirement benefits apply prospectively but affect all relevant personnel employed till the law's effectivity.
3. **Reasonable Classification:** A law requiring Filipinos to retain citizenship for receiving certain benefits does not violate equal protection if the classification is based on substantial distinctions relevant to the law's purpose.

Class Notes:

- **Money Claims:** COA's jurisdiction (Commonwealth Act No. 327, as amended by PD No. 1445).
- **Constitutional Review:** 1987 Constitution, Article VIII, Section 5 grants sole power to judiciary for constitutional review.
- **Equal Protection:** Four-fold test - substantial distinctions, purpose-germane, related to existing conditions, apply equally (RA 7077).
- **Prospective Application of Laws:** (Article 4, Civil Code): "Laws shall have no retroactive effect, unless the contrary is provided."
- **Due Process and Vested Rights:** Pension rights are not vested till the terms of service are met; future benefits only.

****Historical Background:****

- ****PD 1638 of 1979:**** Part of reforms establishing a system for retirement and separation from the AFP.
- ****1987 Constitution:**** Established judicial review powers exclusive to the judiciary.
- ****RA 9225 of 2003:**** Citizenship retention and reacquisition act reflecting newer perspectives on dual citizenship.

The case reflects tensions between administrative adjudication boundaries and constitutional guarantees, contextualizing evolving interpretations of legal provisions affecting military retirees and their entitlements in the Philippines.