

[ **EXECUTIVE ORDER NO. 641, July 25, 2007** ]

**AUTHORIZING THE ESTABLISHMENT AND ADMINISTRATION OF PROVIDENT FUNDS IN THE GOVERNMENT**

**WHEREAS**, Provident Funds were established in government banking institutions pursuant to Republic Act (RA) No. 4537, funded out of the contributions made by the bank and its officers and employees;

**WHEREAS**, Section 41, General Provisions of RA No. 7180, the FY 1992 General Appropriations Act (GAA), authorized that any surplus of service fees deposited with the National Treasury be constituted into a Provident Fund which shall be available for loaning purpose and Administrative Order No. 279, s. 1992 prescribed the attendant rules and regulations;

**WHEREAS**, subsequent GAAs reiterated the constitution of Provident Funds, now charged against service fees, which shall be available also for welfare benefits' purposes;

**WHEREAS**, other government-owned and/or controlled corporations (GOCCs) and government financial institutions (GFIs) were authorized to establish Provident Funds;

**WHEREAS**, Provident Funds supplement retirement or separation benefits and provide alternative sources of loan financing;

**WHEREAS**, there is a need to prescribe uniform rules and regulations for the establishment and administration of Provident Funds in the government;

**WHEREAS**, the Committee on the Protection of Income of Government Employees created pursuant to Executive Order No. 462 dated September 19, 2005, advocates the "Institutionalization of the Agency Provident Fund" as one of the measures to provide supplementary benefits to government employees;

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1. Purpose** - A Provident Fund is hereby authorized to be established in each government agency to be administered in accordance with the objectives, policies, governing structure and general guidelines indicated herein.

**SECTION 2. Objectives.** - The Provident Fund shall serve as a savings and loan credit facility that may cater to the needs of government officials and employees; and shall provide supplementary welfare benefits from the Fund.

**SECTION 3. Policies.** - The establishment and administration of the Provident Fund

shall be guided by the following policies consistent with established management principles and practices:

- a. Membership in the Provident Fund shall be voluntary;
- b. Employees and employers alike shall share roles in the establishment and administration of Provident Funds;
- c. Reasonable regulatory structures shall be established to ensure uniformity, integrity and viability of the operation of the Provident Fund;
- d. Consistent with the principles of fair remuneration and equity, all officers and employees should have guaranteed access to the Provident Fund and should have the same rights and privileges under the Fund. There should be no special rules to benefit executives or a select group of employees;
- e. The Provident Fund should be managed prudently by a Board of Trustees with equal representation from the employer and employees to preserve Fund accounts, safeguard the viability of the fund and ensure the security of members;
- f. To encourage employees to contribute as much as they can to the Fund, as well as preserve their Provident Fund accounts and not withdraw their share before retirement or separation, advocacy measures should be instituted;
- g. Members should have strong legal protections with government enforcement capabilities against the loss of Provident Fund assets due to fraud, theft or fiduciary mismanagement.

**SECTION 4. Funding Sources.** - The Provident Fund shall be sourced from the following:

- (a)** Members' contributions;
- (b)** Initial government agency counterpart contributions in the form of support for reasonable operating requirements in the administration and operation of the fund such as the part-time assignment of existing personnel and the use of necessary agency facilities and equipment; and
- (c)** Such other fund sources as may be provided by the laws, and those which the Board of Trustees of the Fund may thereafter identify as legal, valid and authorized funding sources.

Government cash contributions to be sourced from savings may be authorized in the future as the government's financial position would allow, subject to the guidelines that will be issued by the Department of Budget and Management (DBM).

**SECTION 5. Governance** - The Provident Fund shall be managed by a Board of Trustees, hereafter referred to be as the Board, with adequate representation from the employer and employees. The agency's highest official directly responsible for