

FIRST DIVISION

[G. R. No. 217730, June 05, 2017]

PHILIPPINE AIRLINES, INC., PETITIONER, V. ARJAN T. HASSARAM, RESPONDENT.

DECISION

SERENO, C.J.:

This resolves the Petition for Review^[1] filed by Philippine Airlines, Inc. (PAL), which prays for the reversal of the Court of Appeals (CA) Decision^[2] and Resolution^[3] in CA-G.R. SP No. 128970. The CA declared that respondent Arjan T. Hassaram (Hassaram), a former PAL pilot, was entitled to receive retirement benefits from PAL under Article 287 of the Labor Code, notwithstanding his earlier receipt of P4,456,817.75 under the PAL Pilots' Retirement Benefit Plan (the Plan).

The case stemmed from a Complaint^[4] filed by Hassaram against PAL for illegal dismissal and the payment of retirement benefits, damages, and attorney's fees. He claimed that he had applied for retirement from PAL in August 2000 after rendering 24 years of service as a pilot, but that his application was denied. Instead, PAL informed him that he had lost his employment in the company as of 9 June 1998, in view of his failure to comply with the Return to Work Order issued by the Secretary of Labor against members of the Airline Pilots Association of the Philippines (ALPAP) on 7 June 1998.^[5]

Before the Labor Arbiter (LA),^[6] Hassaram argued that he was not covered by the Secretary's Return to Work Order; hence, PAL had no valid ground for his dismissal.^[7] He asserted that on 9 June 1998, he was already on his way to Taipei to report for work at Eva Air, pursuant to a four-year contract approved by PAL itself.^[8] Petitioner further claimed that his arrangement with PAL allowed him to go on leave without pay while working for Eva Air, with the right to accrue seniority and retire from PAL during the period of his leave.^[9]

In its Position Paper, PAL contended that (a) the LA had no jurisdiction over the case, which was a mere off-shoot of ALPAP's strike, a matter over which the Secretary of Labor had already assumed jurisdiction; (b) the Complaint should be considered barred by *res judicata*, forum shopping, and prescription; (c) the case should be suspended while PAL was under receivership; and (d) if at all, Hassaram was entitled only to retirement benefits of P5,000 for every year of service pursuant to the Collective Bargaining Agreement (CBA) between PAL and ALPAP.

THE RULING OF THE LA

In a Decision dated 17 February 2004,^[10] the LA awarded retirement benefits and attorney's fees to Hassaram. The former explained that Hassaram did not defy the Return to Work Order, as he was in fact already on leave when the order was

implemented.^[11] As to the computation of benefits, the LA ruled that Article 287 of the Labor Code should be applied, since the statute provided better benefits than the PAL-ALPAP CBA.^[12]

Hassaram's other claims, on the other hand, were dismissed.^[13]

THE NLRC RULING

PAL appealed the LA's Decision to the NLRC.^[14] Aside from reiterating its arguments on lack of jurisdiction, *res judicata*, and prescription, PAL contended that Hassaram was not entitled to retirement benefits, because he had earlier been terminated from employment for defying the Return to Work Order.^[15] It further claimed that the LA's Decision contradicted the ruling in *PAL v. ALPAP*,^[16] in which this Court awarded retirement benefits to qualified PAL pilots under the company's own retirement plans, instead of the Labor Code.^[17]

The NLRC initially affirmed the LA's Decision to award retirement benefits to Hassaram under Article 287 of the Labor Code.^[18] This affirmation prompted PAL to seek reconsideration of the ruling^[19] citing, for the first time, Hassaram's purported receipt of retirement benefits in the amount of P4,456,817.75 pursuant to the Plan.^[20] PAL likewise alleged that, as a consequence of this newly discovered payment, any claim made by Hassaram for retirement benefits should be deemed extinguished.^[21]

The NLRC granted PAL's Motion for Reconsideration.^[22] Reversing its earlier Decision, it set aside the ruling of the LA on account of Hassaram's receipt of retirement benefits under the Plan.^[23] This payment, according to the NLRC, was sufficient to discharge his claim for retirement pay.^[24]

Hassaram sought reconsideration^[25] of the NLRC Resolution, but his motion was denied. He then elevated the matter to the CA via a Petition for Certiorari.^[26]

THE CA RULING

Before the CA, Hassaram asserted that the NLRC acted with grave abuse of discretion amounting to lack of jurisdiction when the latter reversed its previous ruling and set aside the Decision of the LA.^[27] While admitting that he received P4,456,817.75 under the Plan, he maintained that his receipt of that sum did not preclude him from claiming retirement benefits from PAL, since that amount represented only a return of his share in a distinct and separate provident fund established for PAL pilots.^[28]

In a Comment^[29] filed before the CA, PAL belied Hassaram's claims. Citing *PAL v. ALPAP*,^[30] it asserted that the Plan was a retirement fund it "wholly financed"; consequently, the payment Hassaram received therefrom should be considered part of his retirement pay.

On 25 September 2014, the CA issued the assailed Decision^[31] reversing the NLRC and reinstating the ruling of the LA. The appellate court declared that the funds received under the Plan were not the retirement benefits contemplated by law.^[32]

Hence, it ruled that Hassaram was still entitled to receive retirement benefits in the amount of P2,111,984.60 pursuant to Article 287 of the Labor Code.^[33]

PAL sought reconsideration of the ruling,^[34] but its motion was denied.^[35]

PROCEEDINGS BEFORE THIS COURT

In its Petition for Review before this Court, PAL no longer questions the entitlement of Hassaram to retirement benefits.^[36] Its only contention is that the CA erred in declaring that his benefits should be computed on the basis of Section 287 of the Labor Code. PAL asserts, instead, that its own company retirement plans both the PAL Pilots' Retirement Benefit Plan^[37] and the 1967 PAL-ALPAP Retirement Plan^[38] - should have been applied to determine Hassaram's retirement benefits.

In his Comment,^[39] Hassaram insists that the sum he received from the Plan was a benefit separate from that provided under Article 287 of the Labor Code. He reiterates that his receipt of P4,456,817.75 from the Plan does not preclude him from claiming his retirement pay under the statute, because those benefits he obtained were supposedly meant to reward him for his loyalty and service to PAL.^[40] He likewise asserts that the Plan was not truly a retirement plan, but a provident fund "set up for the benefit of the pilots-members by way of saving a portion of their salary [forced savings]." Underlying the Plan, he said, was the understanding that their shares in the fund would be returned upon retirement, disability or unemployment.^[41]

ISSUES

The following issues are presented for resolution in this case:

1. Whether the amount received by Hassaram under the Plan should be deemed part of his retirement pay
2. Whether Hassaram is entitled to receive retirement benefits under Article 287 of the Labor Code

OUR RULING

We **GRANT** the Petition.

Pursuant to the Decisions of this Court in *Elegir v. PAL*^[42] and *PAL v. ALPAP*,^[43] the amount received by Hassaram under the Plan must be considered part of his retirement pay. Combined with the retirement benefits under the CBA between PAL and ALPAP, this scheme would allow Hassaram to receive superior retirement benefits, thereby rendering Article 287 of the Labor Code inapplicable.

The amount received by Hassaram under the PAL Pilots' Retirement Benefit Plan must be considered part of his retirement pay.

The threshold question before this Court concerns the proper characterization of the sum of P4,456,817.75 received by Hassaram from the Plan. For its part, PAL avers that this amount formed part of Hassaram's retirement pay, because the Plan was a

retirement fund wholly financed by the company. Hassaram, on the other hand, insists that the amount he received from the Plan represented only a return of his share in a distinct and separate provident fund established for PAL pilots.

We rule for petitioner.

It is clear from the provisions of the Plan that it is the company that contributes to a "retirement fund" for the account of the pilots.^[44] These contributions comprise the benefits received by the latter upon retirement, separation from service, or disability.^[45] In *Philippine Airlines, Inc. v. Airline Pilots Association of the Phils.*,^[46] the Court utilized these provisions to explain the nature of the Plan:

The PAL Pilots' Retirement Benefit Plan is a retirement fund raised from contributions exclusively from [PAL] of amounts equivalent to 20% of each pilot's gross monthly pay. Upon retirement, each pilot stands to receive the full amount of the contribution. In sum, therefore, the pilot gets an amount equivalent to 240% of his gross monthly income for every year of service he rendered to petitioner. This is in addition to the amount of not less than P100,000.00 that he shall receive under the 1967 Retirement Plan.^[47] (Emphasis supplied and citations omitted)

Based on the foregoing characterization, the Court included the amount received from the Plan in the computation of the retirement pay of the pilot involved in that case. The same rule was later applied to *Elegir v. Philippine Airlines, Inc.*:^[48]

Consistent with the purpose of the law, the CA correctly ruled for the computation of the petitioner's retirement benefits based on the two (2) PAL retirement plans because it is under the same that he will reap the most benefits. Under the PAL-ALPAP Retirement Plan, the petitioner, who qualified for late retirement after rendering more than twenty (20) years of service as a pilot, is entitled to a lump sum payment of P125,000.00 for his twenty-five (25) years of service to PAL. xxx.

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Apart from the abovementioned benefit, the petitioner is also entitled to the equity of the retirement fund under PAL Pilots' Retirement Benefit Plan, which pertains to the retirement fund raised from contributions exclusively from PAL of amounts equivalent to 20% of each pilot's gross monthly pay. Each pilot stands to receive the full amount of the contribution upon his retirement which is equivalent to 240% of his gross monthly income for every year of service he rendered to PAL. This is in addition to the amount of not less than P100,000.00 that he shall receive under the PAL-ALPAP Retirement Plan. (Emphasis supplied and citations omitted)

Considering that the very same retirement plan is involved in this petition, we adopt the pronouncements in the above cases. We therefore rule that the amount of P4,456,817.75 received by Hassaram from the PAL Plan formed part of his retirement pay.

Hassaram's retirement pay

should be computed on the basis of the retirement plans provided by PAL.

Bearing in mind our conclusion that the sum received by Hassaram from the Plan formed part of his retirement pay, we now proceed to determine whether his retirement pay must be computed on the basis of Article 287, or on the retirement plans provided by PAL.

We first examine Article 287 of the Labor Code, which provides in relevant part:

Art. 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.

Interpreting the language of this provision, we declared in *Elegir* as follows:^[49]

It can be clearly inferred from the language of the foregoing provision that it is **applicable only to a situation where (1) there is no CBA or other applicable employment contract providing for retirement benefits for an employee, or (2) there is a CBA or other applicable employment contract providing for retirement benefits for an employee, but it is below the requirement set by law.** The rationale for the first situation is to prevent the absurd situation where an employee, deserving to receive retirement benefits, is denied them through the nefarious scheme of employers to deprive employees of the benefits due them under existing labor laws. On the other hand, the second situation aims to prevent private contracts from derogating from the public law.

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Emphasis must be placed on the fact that the purpose of the amendment is not merely to establish precedence in application or accord blanket priority to existing CBAs in computing retirement benefits. The determining factor in choosing which retirement scheme to apply is still superiority in terms of benefits provided. Thus, even if there is an existing CBA but the same does not provide for retirement benefits equal