

FIRST DIVISION

[G.R. No. 192708, October 02, 2017]

**MANILA PUBLIC SCHOOL TEACHERS' ASSOCIATION (MPSTA),
TEACHERS' DIGNITY COALITION (TDC), MELCHOR V. CAYABYAB,
EVA V. FERIA, ELCIRA A. PONFERRADA, AND NATIVIDAD P.
TALASTAS, IN THEIR BEHALF AND IN BEHALF OF ALL GSIS
MEMBERS AND RETIREES SIMILARLY SITUATED, PETITIONERS,
VS. MR. WINSTON F. GARCIA, IN HIS CAPACITY AS PRESIDENT
AND GENERAL MANAGER OF THE GOVERNMENT SERVICE
INSURANCE SYSTEM (GSIS), GSIS BOARD OF TRUSTEES, AND
SEC. ARMIN LUISTRO, IN HIS CAPACITY AS SECRETARY OF THE
DEPARTMENT OF EDUCATION, RESPONDENTS.**

DECISION

SERENO, C.J.:

This is a Petition for Review on Certiorari^[1] of the Court of Appeals (CA) Decision^[2] rendered in CA-G.R. SP No. 105797. The CA issued a writ of Prohibition against the immediate and retroactive application of the Premium-Based Policy (PBP), Automatic Policy Loan and Policy Lapse (APL) and Claims and Loans Interdependency Policy (CLIP) to the teacher-petitioners' claims, without or prior to a complete determination and reconciliation of the employer-share liabilities of the Department of Education (DepEd).^[3] The appellate court, however, did not grant the following prayers, which petitioners reiterate before this Court:

1. Nullify the PBP, APL and CLIP

2. Order the Government Service Insurance System (GSIS) to do the following:

- a. Restore the creditable service of all GSIS members (not just teachers), reckoned simply from the date of their respective original appointments or elections;
- b. Compute and grant the creditable service, benefits, and claims of GSIS members based on their period of service, regardless of any deficiency in the employer premium share contributions;
- c. Account tee automatic deduction of the employee premium share contributions from their salaries as conclusive compliance with their obligation of premium share payments, and thus entitle them to their full benefits and claims, regardless of the remittance thereof by the agency-employer to the GSIS;
- d. Accept as proof of employee premium share payment and loan repayments the pay slips of the employees and/or remittance lists or certifications from the agency-employer, or other proof of payment as may be provided by the employee and/or the agency, and to update the employee's service records using these documents; and

- e. Refund to the GSIS members those amounts that were deducted from their claims and benefits arising from the implementation of the PBP, APL, and CLIP, with interest at the legal rate of 12% per annum from the time of withholding of each such amount.

3. Order DepEd to procure the appropriation in the national budget of the amounts needed to keep current its employer premium share contributions, and to remit all payment deficiencies to the GSIS.^[4]

FACTS

On 14 November 1936, a government service insurance system was created by virtue of Commonwealth Act (C.A.) No. 186 in order to promote the efficiency and welfare of the employees of the government of the Philippines. On 31 May 1977, then President Marcos approved Presidential Decree (P.D.) No. 1146 amending, expanding, increasing, and integrating the social security and insurance benefits of government employees and facilitating the payment thereof under C.A. No. 186. More than 20 years later, P.D. 1146 was amended, and Republic Act (R.A.) No. 8291, or the "The GSIS Act of 1997," took effect.

Under this Act, the employee-member and the employer-agency are required by law to pay monthly contributions to the system.^[5] The share of the employer ("GS," or government share) is sourced from the national budget, while that of the employee ("PS," or personal share) is *automatically* deducted by the former from the employee's salary.^[6] The employer is mandated to remit the GS and PS directly to the GSIS within the first 10 days of the calendar month following the month to which the contributions apply.^[7]

One of the changes made in R.A. 8291 was the increase in the employer's contribution from 9.5% to 12%.^[8] However, there was no concomitant increase in the budget appropriation.^[9] As a result, DepEd was unable to pay GSIS the equivalent of the 2.5% increase in the employer's share.^[10]

Based on the figures provided in the Memorandum of Agreement (MOA)^[11] executed by DBM, DepEd and GSIS on 11 September 2012, DepEd incurred premium deficiencies totalling P6,923,369,633.15 from 1 July 1997 to 31 December 2010 pertaining to the GS.^[12] GSIS alleges that for the same period, DepEd personnel incurred premium deficiencies totalling P4,511,907,486.98 pertaining to the PS.^[13]

In the meantime, GSIS issued the assailed Resolutions, to wit:

1. Resolution No. 238^[14] - In 2002, the GSIS Board introduced **CLIP**, by which the arrears incurred by members from their overdue loans are deducted from the proceeds of their new loan or retirement benefits. CLIP also involves the collective suspension of the loan privileges of the member when a loan account is in default, except when its proceeds are used to pay for the arrearages.
2. Resolution No. 90^[15] - In 2003, the GSIS Board adopted the **PBP** whereby for the purpose of computing GSIS benefits, the creditable service of a member is

determined by the corresponding monthly premium contributions that were timely and correctly remitted or paid to GSIS.

Petitioners claim that the policy shifted the basis for the claims and benefits of GSIS members from the actual length of service to the creditable years of service.^[16] Section 10 of R.A. 8291, which provided for the computation of service, states:

SECTION 10. Computation of Service. -

(a) The computation of service for the purpose of determining the amount of benefits payable under this Act shall be from the date of original appointment/election, including periods of service at different times under one or more employers, those performed overseas under the authority of the Republic of the Philippines, and those that may be prescribed by the GSIS in coordination with the Civil Service Commission.

(b) All service credited for retirement, resignation or separation for which corresponding benefits have been awarded under this Act or other laws shall be excluded in the computation of service in case of reinstatement in the service of an employer and subsequent retirement or separation which is compensable under this Act.

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

It must be noted that neither DepEd nor GSIS denies that there is a problem with the reconciliation of their records, such that the GSIS database might reflect nonpayment of the PS despite its automatic deduction from the employee's salary and its remittance by DepEd. As for the GS, it is also possible that the database might reflect nonpayment despite remittance. In fact, GSIS itself admitted that "it is public knowledge that previous problems in the Information Technology infrastructure of GSIS have severely affected the efficient servicing of members['] claims."^[17] Further, instead of denying that its nonposting may result in the nonpayment of benefits, GSIS merely offered an excuse:

x x x. The GSIS has around 1,500,000 member-employees. Continuous efforts to make its records accurate are being earnestly taken. The GSIS does not claim perfection and one hundred percent fool-proof precision in its database recording. When millions of entries are involved, a few mistakes due to human error cannot be avoided. What the GSIS assures this Honorable Court is that errors brought to its attention and shown to be existing are promptly rectified. Where benefits are concerned, expeditious corrections of records and payments are done.^[18]

3. Resolution No. 179^[19] - In 2007, the GSIS Board approved the **APL**, which is "a feature of a GSIS life insurance policy that keeps the policy in force in case of nonpayment of premiums by taking out a loan amount against the unrestricted portion of the policy's accumulated cash value (CV) or the termination value (TV)"^[20] until the total APL and policy loan balances exceed the CV of the Life Endowment Policy or the TV of the Enhanced Life Policy. A

6% interest per annum compounded monthly is imposed on the APL, which is independent of the 2% interest per month compounded annually charged to the agency for delayed remittances.^[21]

These Resolutions were not published in a newspaper of general circulation and were enforced before they were even filed with the Office of the National Administrative Register.^[22]

Petitioners seek to nullify the resolutions for being "*intrinsically* unconstitutional, illegal, unjust, oppressive, arbitrary, confiscatory, immoral, *ultra vires*, and unconscionable."^[23] They make the following factual allegations to demonstrate how the policies were applied:

1. **CLIP** - Petitioners Eva Feria, Elcira Ponferrada, and Natividad Talastas obtained policy and/or emergency loans, which they have fully paid for. The loan repayments have been automatically deducted from their salaries as certified by DepEd. Despite full payment, their vouchers indicate underpayment of the loans.^[24]
2. **PBP** - Petitioner Melchor Cayabyab is also a public school teacher.^[25] As of 11 June 2008, his Premium and Loan Accounts Balances Index showed that he had the following arrearages:

PS	P 44,206.73
GS	P 61,327.67
EC	P 3,411.70
TOTAL	P108,946.10

On the other hand, DepEd certified that the monthly contributions for the GS, PS and EC had been deducted from Cayabyab's salary from January 2001 to July 2006.^[26]

Because of the PBP, Cayabyab's creditable service was reduced as follows:

Total Length of Service	7.72678 years
Less: Equivalent Years of Service yet to be reconciled with Agency and Member's Records	4.15462 years
Provisional/Tentative Creditable Years of Service with Retirement Premium Payments	3.57216 year

3. **APL** - As of 6 June 2005, before the APL was approved, the cash surrender value of petitioner Talastas' policy amounted to P51,252.53. In 2008, she inquired about the cash surrender value of her policy and was apprised by GSIS that her policy had resulted in **zero** proceeds because of the following deductions:^[27]

Cash Value as of 6/6/2005			P51,252.53
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Less:	Underpayments		
	Personal Share	P9,045.48	
	Interests	P11,737.88	
	Government Share	P9,710.35	
	Interests	P20,758.82	
	Policy Loan	P0.00	
	Interests on Policy Loan	P0.00	

Another case in point is petitioner Ponferrada, whose Life Insurance Claim Voucher showed that the premium in arrears was deducted from the face value of her policy despite DepEd's certification that she had paid the monthly contributions, including the GS and the EC, from January 2000 to December 2006.^[28]

On 7 July 2008, respondent Garcia, who was then the president of GSIS, wrote a letter^[29] to DepEd alleging that the agency's unpaid premiums, as of 30 June 2008, had reached P21.3 billion, to wit:

Unpaid premiums (GS)	P4,451,361,535.55
Unpaid premium (PS)	P2,946,674,455.57
Interest	P13,926,610,685.47
Total Premium arrearages of DepEd	P21,324,646,676.59

In its reply letter dated 15 July 2008,^[30] DepEd asked the GSIS to break down the P21.3 billion lump sum by naming each and every one of the employees who supposedly had unpaid premiums and thereafter providing the Service Records indicating the months or years in which the PS or the GS of these employees were not paid. DepEd also suggested that the official receipts issued to it by GSIS be reconciled with the latter's records.^[31]

Petitioners claim that while DepEd was still discussing its alleged arrearages with GSIS, the latter converted the entire P21,324,646,676.59 into personal loans of the teachers through the APL, earning interest at 6% per annum compounded monthly, while also effectively reducing the teachers' creditable years of service through the PBP.^[32]

In response to the alleged "chronic" non-remittance of premium contributions resulting in premium deficiencies based on the GSIS records of creditable service, the DBM, DepEd, and the GSIS executed a MOA on 11 September 2012.^[33] The following terms and conditions were agreed upon:

1. The DBM will settle the government share in the premium arrearages of DepEd from 1 July 1997 to 31 December 2010 in the amount of P6,923,369,633.15, half of which shall be advanced upon submission by the GSIS of a billing statement, list of employees covered, and request letter;
2. The GSIS will condone, in its entirety, the interests due on the aforesaid premium deficiencies amounting to 14,041,029,495.73; and