Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

WINSTON F. GARCIA, in his capacity as President and General Manager of the GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS),
Petitioner,

G.R. NO. 153810

-versus-

ANGELITA TOLENTINO, EDELITO ZOILO EDRALINDA, KATHLYN A. UMALI, VIVIAN ROSIELLE CERVANTES, EDITH MEDINA, ROMELO CABANGON, *ET AL.*,
Respondents.

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MELINA I. GARCIA, CECILIA V. LAS, NIMFA PEÑALOSA, ROSANA R. ZEPEDA, RACHELLE L. JACOB, MARIBEL B. TENA, and EDUVIGIS S. ANGELES (in lieu of Angelita Tolentino for the National Forestation Development Office-Department of Environment and Natural Resources, *et al.*),
Petitioners,

G.R. NO. 167297

-versus-

WINSTON GARCIA, *ET AL.*,
Respondents.

Present:
VELASCO, JR., *J.*, *Chairperson*
PERALTA,
VILLARAMA, JR.,
PEREZ,* and
JARDELEZA, *JJ.*

Promulgated:

August 12, 2015

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* Designated as Acting Member in view of the leave of absence of Hon. Bienvenido L. Reyes, per Special Order No. 2084 dated June 29, 2015.

DECISION

JARDELEZA, *J.*:

Before us are consolidated cases originating from the *Decision*[1] dated March 11, 2002 rendered by Branch 88 of the Regional Trial Court of Quezon City in Civil Case No. Q-99-39153 which annulled Joint Circular No. 99-3 for violating Republic Act No. 8291, otherwise known as "The Government Service Insurance System Act of 1997" (RA 8291).

Case Antecedents

Enacted by Congress on May 30, 1997, RA 8291 provided for, among others, the compulsory Government Service Insurance System (GSIS) coverage of all government employees, regardless of employment status.

Tolentino *et al.*, all contractual employees of the various projects and programs within and under the control and supervision of the Department of Environment and Natural Resources (DENR), wrote the GSIS to inquire about their standing, since, prior to RA 8291, they were not under compulsory GSIS coverage.

The GSIS, in a letter dated January 8, 1998 through its Senior Vice President for the Social Insurance Group Lourdes G. Patag ("SVP Patag"), advised that while casual and contractual employees paid from the regular lump-sum appropriation are covered under RA 8291, contractual employees who were hired co-terminus with projects and are receiving additional 20% pay were not.[2] The GSIS communicated SVP Patag's view to the DENR in a letter dated January 12, 1998.[3]

On April 30, 1999, the GSIS and the Department of Budget and Management (DBM) issued Joint Circular No. 99-3 ("JC No. 99-3") which set forth the guidelines in the payment of the government statutory expenditures on personal services of contractual employees.[4] JC No. 99-3 provided:

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4.0 Guidelines

4.1 **Effective January 1, 1999, the required government share of premiums on RLIP, ECIP, MEDICARE and PAG-IBIG of contractual personnel shall be paid out of the 20% premium given them pursuant to Section 44 of the 1999 GAA.**

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1 Penned by Judge Abednego O. Adre.
2 *Rollo* (G.R. No. 167297), p. 53
3 *Id.* at 54.
4 *Id.* at 55.

> 4.2 No additional funds shall be released by the DBM for the purpose. The premium pay to be received by a contractual employee shall be adjusted accordingly net of the government statutory expenditures on Personal Services consistent with Item 4.1 above.
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> 4.3 It is understood that the employee's share for RLIP, MEDICARE and PAG-IBIG shall be paid by the individual contractual employees.
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> (Emphasis supplied.)

The DENR, through a Memorandum dated September 16, 1999, accordingly informed its Project/Program Directors that deductions from the premium pay shall be "reflected in the payroll starting October 1999 to include arrearages for the months of January to September 1999."[5] On October 4, 1999, Tolentino *et al.,* again, wrote to the GSIS[6] and the DENR[7] requesting the deferment of the deduction of the monthly GSIS contributions pending resolution of the issue regarding their membership coverage.

Before the concerned government agencies could act on their letters, Tolentino *et al.*, on October 28, 1999, filed a Petition for *Certiorari* and Prohibition with very Urgent Prayer for a Temporary Restraining Order and Writ of Preliminary Injunction[8] against then GSIS President and General Manager Frederico C. Pascual ("Pascual"), then Secretary of Budget and Management Benjamin E. Diokno ("Diokno") and then Secretary of Environment and Natural Resources Antonio H. Cerilles (Cerilles), among others. This case, entitled *Angelita Tolentino, et al., v. Frederico Pascual et al.*,[9] was docketed as Civil Case No. Q-99-39153.

In their petition before the trial court, Tolentino *et al.* essentially argued that "the GSIS and the DBM committed grave abuse of discretion in ordering the government's share on GSIS contributions to be paid out of the 20% premium on the monthly salary of contractual employees."[10]

In his *Answer*[11] and *Motion to Dismiss*,[12] Pascual pleaded that the trial court did not have jurisdiction over the case because RA 8291 vests in the GSIS the original and exclusive jurisdiction to settle any dispute arising

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5 *Id.* at 58.
6 *Id.* at 67-68.
7 *Id.* at 59-66.
8 *Id.* at 72.
9 Respondents are sued in their official capacities: Frederico B. Pascual as President and General Manager of GSIS; Benjamin E. Diokno as Secretary of DBM; Antonio H. Cerilles as Secretary of DENR; Adrian B. Nava as Asst. Secretary of DENR; Elvira Caparas as Chief, Accounting Division, DENR.
10 *Rollo* (G.R. No. 197297), p. 77.
11 RTC records, p. 69-71
12 *Id.* at 87-91.

under the said Act.[13] This motion was, however, denied by the RTC in an *Order* dated July 24, 2000.[14] Meanwhile, the concerned DENR officials argued that they cannot be held to have acted with grave abuse of discretion because they merely implemented JC No. 99-3.[15]

Ruling of the trial court

On August 29, 2000, the trial court issued a writ of preliminary injunction restraining the concerned government agencies from implementing JC No. 99-3.[16] Subsequently, or on March 11, 2001, the trial court rendered a *Decision* making permanent the preliminary injunction it issued earlier. It ruled thus:

> xxx the Court finds merit in the petitioners' contention **that indeed the joint circular runs afoul of the provisions of RA 8291**. xxx
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> Under this circular, the contractual personnel shall in effect be paying the government's share of the contributions inasmuch as no additional funds shall be appropriated for the purpose. This is a clear contravention of the very law it seeks to implement.
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> GSIS as an administrative agency vested with quasi-legislative powers shall exercise such delegated legislative power with no discretion as to what the law shall be, but merely the authority to fix the details in the execution of enforcement of a policy set out in the law itself.
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> Clearly, the joint circular had been issued with grave abuse of discretion amounting to lack or excess of jurisdiction for being violative of the letter of the law it seeks to implement. "Indeed, administrative regulations must not override, but must remain consistent with the law they seek to apply and implement. They are intended to carry out, not to supplant nor to modify the law." (Commissioner of Internal Revenue vs. Court of Appeals, 240 SCRA 149)
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> Finally, respondents assail the jurisdiction of this Court

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13 Section 30. Settlement of Disputes. – The GSIS shall have original and exclusive jurisdiction to settle any dispute arising under this Act and any other laws administered by the GSIS.

The Board may designate any member of the Board, or official of the GSIS who is a lawyer, to act as hearing officer to receive evidence, make findings of fact and submit recommendations thereon. The hearing officer shall submit his findings and recommendations, together with all the documentary and testimonial evidence to the Board within thirty (30) working days from the time the parties have closed their respective evidence and filed their last pleading. The Board shall decide the case within thirty (30) days from the receipt of the hearing officer's findings and recommendations. The cases heard directly by the Board shall be decided within thirty (30) working days from the time they are submitted by the parties for decision.

14 RTC records, p. 118.

15 *Id.* at 84.

16 *Id.* at 127-128.

> citing Sec. 30 of RA 8291 and Sec. 14.1 and 14.3 of the Implementing Rules. **Granting *arguendo* that the GSIS has primary jurisdiction over the instant case as it appears that petitioners did not avail nor exhaust the administrative remedies by not moving for the reconsideration of their coverage under RA 8291, the Court, however, deemed it just and equitable under the circumstances to give due course to the instant petition because the petitioners had no other speedy and adequate remedy available to them in view of the impending implementation of the questioned circular.**
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> Moreover, the Court's act to take cognizance of the instant case finds justification in the provisions of the (sic) par. 2, Sec. 1, Article II of the 1987 Constitution which provides:
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> WHEREFORE, premises considered, the GSIS-DBM Joint Circular No. 99-3 is hereby annulled for being contrary to law. The preliminary injunction previously issued is hereby made permanent.
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> SO ORDERED.[17]
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> (Emphasis and underscoring supplied.)

The DBM and the GSIS each filed their respective Motions for Reconsideration[18] but these were denied by the RTC in an *Order* dated May 27, 2002.[19] The DBM filed a Notice of Appeal[20] of the trial court's *Decision*. Its appeal was docketed with the Court of Appeals as CA-G.R. SP No. 72089. The GSIS, on the other hand, filed a Petition for Review on *Certiorari,* docketed as G.R. No. 153810, before this Court.[21] In a *Resolution* dated November 10, 2003,[22] we referred G.R. No. 153810 to the Court of Appeals for consolidation with CA-G.R. SP No. 72089.

Proceedings before the Court of Appeals

On February 7, 2003, the Court of Appeals issued a *Resolution* directing the Office of the Solicitor General (OSG) to comment on whether the DBM's appeal may be given due course.[23]

The OSG, in its *Manifestation and Motion (In Lieu of Comment)* dated July 1, 2003,[24] argued that the trial court exceeded its jurisdiction in taking cognizance of Tolentino *et al.*'s petition "considering the subject matter

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17 *Id.* at 281-285.
18 *Id.* at 286-288 and 293-296, respectively.
19 *Id.* at 307.
20 *Id.* at 310.
21 Dated July 11, 2002, *rollo*, p. 97-110.
22 *CA rollo,* p. 103.
23 *Id.* at 47-48.
24 *Id.* at 78-100.

thereof pertains to the original and exclusive jurisdiction of the GSIS."[25] Moreover, the OSG asserted that even assuming arguendo that the trial court had jurisdiction over the subject matter of Tolentino *et al.*'s petition, the government could legally "rechannel" the funds provided for said purpose in the 1999 General Appropriations Act (GAA) "to answer the government share of the GSIS contributions for that same year."[26]

On February 10, 2004, the Court of Appeals rendered its *Decision*[27] reversing that of the trial court. The decretal portion of its *Decision* reads:

> WHEREFORE, the assailed Decision dated March 11, 2002, and the Order dated May 27, 2002 denying the Motion for Reconsideration of the said Decision, in Civil Case No. Q-99-39153 of Branch 88 of the Regional Trial Court of Quezon City are hereby ANNULLED and SET ASIDE, and a new one is entered DISMISSING the petition for lack of merit, prematurity and lack of cause of action.
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> SO ORDERED.[28]

Tolentino *et al.* sought reconsideration,[29] but their motion was denied by the Court of Appeals in its *Resolution*[30] dated February 23, 2005. Hence, G.R. No. 167297[31] was filed before this Court seeking the review, on *certiorari*, of the Court of Appeals' *Decision* and *Resolution.*

Issues

The issues, as raised in the pleadings, are as follows:

1. Whether or not the GSIS is guilty of forum-shopping;[32]
2. Whether or not the trial court had jurisdiction to resolve the petition filed by Tolentino *et al.* in Civil Case No. Q-99-39153;[33] and
3. Whether or not JC No. 99-3 is valid (assuming the trial court has jurisdiction to hear Tolentino *et al.*'s petition).[34]

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25 *Id.* at 88.

26 *Id.* at 14-17.

27 Penned by Associate Justice Sergio L. Pestaño with Associate Justices Marina L. Buzon and Jose C. Mendoza, concurring. *Rollo* (G.R. No. 167297), pp. 34-45.

28 *Id.* at 45.

29 CA *rollo*, pp. 127-136.

30 *Rollo* (G.R. No. 167297), pp. 47-48.

31 G.R. No. 167297 was filed by Melina I. Garcia, *et al.*, also contractual employees of the various projects and programs under the DENR, in lieu of Angelita Tolentino, *et al.* For purposes of consistency, however, we will continue to refer to contractual employees-parties as Tolentino *et al.*

32 Comment to G.R. No. 153810, *rollo* (G..R. No. 167297), pp. 159-171.

33 Petition for Review on Certiorari, *rollo* (G..R. No. 167297), p. 15.

34 *Id.* at 17.

Ruling of the Court

The GSIS committed forum shopping in this case

In their comment on the GSIS's Petition for Review, Tolentino *et al.* argued that GSIS committed forum shopping in this case.[35] At the time GSIS filed its petition on July 23, 2002, it already had knowledge that a co-party (DBM) had already filed an appeal[36] (docketed as CA GR No. 720894) before the Court of Appeals. Despite this knowledge, the GSIS filed G.R. No. 153810;[37] more, contrary to its undertaking in its certification against forum-shopping, the GSIS did not inform this Honorable Court of the pending case before the Court of Appeals.[38]

The GSIS vehemently denied that there is forum shopping. It argued that while the GSIS has already decided that it will be filing a Petition for Review before the Supreme Court as early as June 20, 2002,[39] its counsel only received a copy of the DBM's Notice of Appeal on June 21, 2002.[40]

This argument fails to persuade.

Applying the logic and analysis used in *Chemphil v. CA,*[41] it is clear that the GSIS committed forum shopping in this case. In *Chemphil*, a bank consortium (which includes PCIB) on the one hand, and CEIC on the other, vied for the ownership of the disputed shares of stock of the Chemical Industries of the Philippines. The Regional Trial Court ruled in favor of the bank consortium, but dismissed their counter-claims against CEIC. Thus, the bank consortium, with the exception of PCIB, appealed, *via* a Notice of Appeal, the dismissal before the Court of Appeals. PCIB separately filed with the Court of Appeals a petition for *certiorari,* prohibition and *mandamus* with a prayer for the issuance of a writ of preliminary injunction. The two separate actions assailed the very same orders of the Regional Trial Court. In holding PCIB guilty of forum-shopping, we held:

> We uphold the decision of the Court of Appeals finding PCIB guilty of forum-shopping.
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> The Court of Appeals opined:
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> > True it is, that petitioner PCIB was not a party to the appeal made by the four other banks belonging to the consortium, but equally true is the rule that **where the rights**

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35 *Supra* note 31.

36 DBM Notice of Appeal, RTC records, pp. 310-311.

37 *Rollo* (G.R. No. 153810), pp. 56-68.

38 *Id.* at 100.

39 Reply to Respondents' Comment, *rollo* (G.R. No. 153810), p. 119-124.

40 Citing a photocopy of Case Status, attached as annex "A" to GSIS' Reply to Respondents' Comment, *id.* at 119.

41 G.R. Nos. 112438-39 December 12, 1995, 251 SCRA 257.

equally true is the rule that **where the rights and liabilities of the parties appealing are so interwoven and dependent on each other as to be inseparable, a reversal of the appealed decision as to those who appealed, operates as a reversal to all and will inure to the benefit of those who did not join the appeal. Such principal, premised upon communality of interest of the parties, is recognized in this jurisdiction.** The four other banks which were part of the consortium, filed their notice of appeal under date of March 16, 1990, furnishing a copy thereof upon the lawyers of petitioner. **The petition for certiorari in the present case was filed on April 10, 1990, long after the other members of the consortium had appealed from the assailed order of December 19, 1989.**

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PCIB cannot hide behind the subterfuge that Supreme Court Circular 28-91 was not yet in force when it filed the certiorari proceedings in the Court of Appeals. The rule against forum-shopping has long been established. Supreme Court Circular 28-91 merely formalized the prohibition and provided the appropriate penalties against transgressors.

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Forum-shopping or the act of a party against whom an adverse judgment has been rendered in one forum, of seeking another (and possibly favorable) opinion in another forum (other than by appeal or the special civil action of certiorari), or the institution of two (2) or more actions or proceedings grounded on the same cause on the supposition that one or the other court would make a favorable disposition, has been characterized as an act of malpractice that is prohibited and condemned as trifling with the Courts and abusing their processes. It constitutes improper conduct which tends to degrade the administration of justice. It has also been aptly described as deplorable because it adds to the congestion of the already heavily burdened dockets of the courts.[42]

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42 Citations omitted.

(Emphasis and underscoring supplied.)

Here, the commonality of interests among the DBM, the GSIS and the DENR cannot be denied. The pleadings filed from the inception of the case will show that they have essentially the same arguments and defenses and seek the same reliefs. More, in terms of the issuance of JC No. 99-3, these agencies have equal stakes should the challenged circular be declared invalid. Without a doubt, the different modes of appeal taken by the GSIS and the DBM will, in the process, create the possibility of conflicting decisions being rendered by different *fora* upon the same issue. Indeed, a final decision in one would constitute *res judicata* in the other.[43] For this reason, we dismiss the petition in G.R. No. 153810,[44] with a warning to the GSIS that a repetition of the same or similar acts in the future shall be dealt with more severely.

The trial court has no jurisdiction to resolve Tolentino et al.'s petition

Citing Section 30 of RA 8291,[45] the Court of Appeals reversed the trial court's finding of jurisdiction, to wit:

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> Basic is the rule in statutory construction that **where the law is clear and categorical, there is no room for construction, only application**. xxx
>
> Thus, [the concerned government agencies] are correct in their contention that **the GSIS has the original and exclusive jurisdiction to settle any dispute arising from the implementation of R.A. No. 8291.**
>
> Indeed, **the doctrine of primary jurisdiction or prior resort and, its corollary doctrine, exhaustion of administrative remedies, are applicable in the instant case.**
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> [Tolentino *et al*], therefore, should have first ventilated their complaint or grievance before the GSIS as R.A. No. 8291 expressly provides that it is the agency which has the primary jurisdiction to rule on any dispute arising from the implementation of the said law and other laws administered by the GSIS. The jurisdiction includes the determination of the employees covered by the GSIS, which the law itself delimited under Section 3 thereof.

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43 *FPIC v. CA*, G.R. No. 115849, January 24, 1996, 252 SCRA 259.
44 Rules of Court, Rule 7, Sec. 5.
45 *Supra* note 13.

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> Be it noted that [Tolentino *et al*] did not at the first instance bring their grievance to the proper government agency, which is the GSIS. They did not even bother to have the matter resolved within their department (DENR). Thus, their failure to resort to administrative remedies available to them belies the pronouncement of the court a quo that there was no other speedy and adequate remedy available to them.[46]

(Emphasis supplied.)

We agree with the Court of Appeals.

Jurisdiction over subject matter is determined by law.[47] In *Bank of Commerce v. Planters Development Bank*, we stated:

> In the exercise of its plenary legislative power, Congress may create administrative agencies endowed with quasi-legislative and quasi-judicial powers. Necessarily, Congress likewise defines the limits of an agency's jurisdiction in the same manner as it defines the jurisdiction of courts. **As a result, it may happen that** either a court or **an administrative agency has exclusive jurisdiction over a specific matter** or both have concurrent jurisdiction on the same. xxx[48]

(Emphasis supplied.)

A statute may vest exclusive original jurisdiction in an administrative agency over certain disputes and controversies falling within the agency's special expertise.[49] In this case, the law vested exclusive and original jurisdiction over disputes arising from RA 8291 or related laws with the GSIS. Section 30 of RA 8291 provides:

> SEC. 30. *Settlement of Disputes.* – The GSIS shall have **original and exclusive jurisdiction** to settle any dispute arising under this Act and any other laws administered by the GSIS. xxx

(Emphasis supplied.)

Sections 14.1 and 14.3 of the 1997 Implementing Rules and Regulations (IRR) of RA 8291 also read:

> Section 14.1 *Quasi-Judicial Functions of the GSIS.* – The

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46 CA Decision, *rollo* (G.R. No. 167297), pp. 40-44.

47 *Garcia v. Ferro Chemicals, Inc.*, G.R. No. 172505, October 1, 2014, citing *People v. Sps. Vanzuela*, G.R. No. 178266, July 21, 2008, 559 SCRA 234.

48 G.R. No. 154470-71, September 24, 2012, 681 SCRA 521, 548, 564.

49 *United Housing Corporation v. Dayrit*, G.R. No. 76422, January 22, 1990, 181 SCRA 285, 292, citing *Tropical Homes Inc. v. National Housing Authority*, 152 SCRA 540.

> settle any dispute arising under Republic Act No. 8291, Commonwealth Act No. 186, as amended, and other laws administered by the GSIS with respect to:
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> 1. Coverage of employers and employees;
> 2. Entitlement of members to the following benefits under these rules:
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> xxx
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> 3. Collection and payment of contributions;
> 4. xxx;
> 5. Any other matter related to any or all of the foregoing which is necessary for their determination.
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> xxx
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> Section 14.3 *Body vested with quasi-judicial functions.* – The quasi-judicial function of the GSIS shall be vested in its Board of Trustees.[50]
>
> (Emphasis supplied.)

In case a party feels aggrieved by an order, ruling or decision of the GSIS Board, he may file a petition for review under Rule 43 of the Rules of Court before the Court of Appeals.[51]

The main issue raised by Tolentino *et al.* in their petition before the trial court was the validity of JC No. 99-3 insofar as it provided for the deduction of the government's share on GSIS contributions from the 20% premium given to contractual employees, in lieu of leave benefits. Such issue, pertaining as it does to the coverage, collection and payment of GSIS contributions, is a dispute over which the GSIS exercises exclusive and original jurisdiction. This jurisdiction of the GSIS was also recognized by this Court in *Government Service Insurance System v. Commission on Audit.*[52] It was therefore error for the trial court, though it is a court of general jurisdiction,[53] to assume jurisdiction over the same.

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50 Now Sections 27 and 27.1, respectively, of the Revised Implementing Rules and Regulations of RA 8291.

51 **RULE 43: Appeals From the Court of Tax Appeals and Quasi-Judicial Agencies to the Court of Appeals**

> **Section 1.** *Scope.* — **This Rule shall apply to appeals** from judgments or final orders of the Court of Tax Appeals and **from awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in the exercise of its quasi-judicial functions.** Among these agencies are the Civil Service Commission, Central Board of Assessment Appeals, Securities and Exchange Commission, Office of the President, Land Registration Authority, Social Security Commission, Civil Aeronautics Board, Bureau of Patents, Trademarks and Technology Transfer, National Electrification Administration, Energy Regulatory Board, National Telecommunications Commission, Department of Agrarian Reform under Republic Act No. 6657, **Government Service Insurance System**, Employees Compensation Commission, Agricultural Invention Board, Insurance Commission, Philippine Atomic Energy Commission, Board of Investments, Construction Industry Arbitration Commission, and voluntary arbitrators authorized by law. (Emphasis and underscoring supplied.)

52 G.R. No. 138381, November 10, 2004, 441 SCRA 532, 542-543.

53 *Bank of Commerce v. Planters Development Bank*, G.R. No. 154470-71, September 24, 2012, 681 SCRA 521, 548 citing Section 19(6) of BP 129.

general jurisdiction,[53] to assume jurisdiction over the same.

Tolentino *et al.* nevertheless claim that, in view of Section 21 of Batas Pambansa Blg. 129 ("BP 129"), the trial court correctly exercised jurisdiction over their petition (which is, admittedly, one for certiorari and prohibition) based on the doctrine of primary jurisdiction.[54] Section 21 of BP 129 reads:

> Sec. 21. *Original jurisdiction in other cases.* – **Regional Trial Courts shall exercise original jurisdiction**:
>
> (1) In the issuance of writs of ***certiorari, prohibition***, *mandamus, quo warranto, habeas corpus* and injunction which may be enforced in any part of their respective regions; xxx
>
> (Emphasis supplied.)

Tolentino *et al.*'s reliance on Section 21 of BP 129 and the doctrine of primary jurisdiction is misplaced.

First. Under the doctrine of primary jurisdiction, a remedy within the administrative machinery must be resorted to give the administrative officer every opportunity to decide a matter that comes within his jurisdiction. Such remedy must be exhausted first before the court's power of judicial review can be sought.[55] Thus, under this doctrine, Tolentino *et al.* should have *first* brought the dispute regarding the validity of a circular implementing the GSIS Law to the GSIS Board (and not the courts) for resolution as required by law. Contrary to what Tolentino *et al.* assert, the doctrine of primary jurisdiction precludes the courts from resolving a controversy over which jurisdiction has initially been lodged with an administrative body of special competence.[56]

Second. While it is true that the trial court had jurisdiction over the petition for certiorari and prohibition filed by Tolentino *et al.*, the issue in the case was **not** whether the trial court had jurisdiction over such class of actions. The issue, rather, was whether the government's share in the GSIS contributions for contractual employees can be validly sourced from the 20% premium pay given to such employees, in lieu of leave benefits. The validity of JC No. 99-3, which directed such deduction, is a dispute arising under (or at the very least, related to) the GSIS Law. Resolution of this issue comes within the ambit of the quasi-judicial powers of the GSIS as provided

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53 *Bank of Commerce v. Planters Development Bank*, G.R. No. 154470-71, September 24, 2012, 681 SCRA 521, 548 citing Section 19(6) of BP 129.

54 *Supra* note 31 at 169.

55 *Samar II Electric Cooperative, Inc. (SAMELCO) v. Seludo, Jr.*, G.R. No. 173840, April 25, 2012, 671 SCRA 78, 88. See also *Province of Zamboanga del Norte v. Court of Appeals*, G.R. No. 109853, October 11, 2000, 342 SCRA 549, 557, citing, among others, *Paat v. Court of Appeals*, 266 SCRA 167.

56 *Ros v. Department of Agrarian Reform*, G.R. No. 132477, August 31, 2005 468 SCRA 471, 483-484, citing *Bautista v. Mag-isa Vda. De Villena*, G.R. No. 152564, September 13, 2004, 483 SCRA 259.

under Section 30 of RA 8291 and its implementing rules.

Ruling on the substantive legal issue

The primary substantive issue in this case calls for a determination of whether the deduction of the government share in the GSIS contributions, as provided under JC No. 99-3, is repugnant to RA 8291. The doctrine of primary jurisdiction would ordinarily preclude this Court from resolving a matter which calls for a ruling to first be made by the GSIS Board.

We note, however, our ruling in *China Banking Corporation v. Court of Appeals,*[57] where we held:

> At the outset, the Court's attention is drawn to the fact that since the filing of this suit before the trial court, none of the substantial issues have been resolved. To avoid and gloss over the issues raised by the parties, as what the trial court and respondent Court of Appeals did, would unduly prolong this litigation involving a rather simple case of foreclosure of mortgage. Undoubtedly, this will run counter to the avowed purpose of the rules, i.e., to assist the parties in obtaining just, speedy and inexpensive determination of every action or proceeding. The Court, therefore, feels that the central issues of the case, xxx, should now be settled specially as they involved pure questions of law. Furthermore, the pleadings of the respective parties on file have amply ventilated their various positions and arguments on the matter necessitating prompt adjudication.

Thus, considering (1) the long period of time that the issue has been pending, (2) the remaining issue left to be resolved is a purely legal question,[58] (3) the concerned parties have extensively discussed the merits of the case in their respective pleadings and did not confine their arguments to the issue of jurisdiction,[59] and finally, (4) no useful purpose would be served if we remand the matter to the board only for its decision to be elevated to the Court of Appeals and subsequently to this Court,[60] we deem it sound and more in the interest of justice to resolve the merits of the controversy.

On the Validity of JC No. 99-3

RA 8291 mandates that the sources of funds for contributions to the GSIS should be taken from employees' and employers' share as follows:

> SEC. 5. *Contributions.* - (a) It shall be mandatory for the member and employer to pay the monthly contributions specified in the following schedule:

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57 G.R. No. 121158, December 5, 1996, 265 SCRA 327, 335.

58 *Government Service Insurance System v. Commission on Audit,* G.R. No. 138381, November 10, 2004, 441 SCRA 532, 543.

59 *Id.*

60 *Id.* at 544.

Monthly Compensation		*Percentage of Monthly Compensation Payable by*	
		Member	*Employer*
I.	Maximum Average Monthly Compensation (AMC) Limit and Below	9.0%	12.0%
II.	Over the Maximum AMC Limit		
	-Up to the Maximum AMC Limit	9.0%	12.0%
	-In Excess of the AMC Limit	2.0%	12.0%

> Members of the judiciary and constitutional commissioners shall pay three percent (3%) of their monthly compensation as personal share and their employers a corresponding three percent (3%) share for their life insurance coverage.
>
> (b) **The employer shall include in its annual appropriation the necessary amounts for its share of the contributions indicated above**, plus any additional premiums that may be required on account of the hazards or risks of its employee's occupation.
>
> (c) **It shall be mandatory and compulsory for all employers to include the payment of contributions in their annual appropriations.** Penal sanctions shall be imposed upon employers who fail to include the payment of contributions in their annual appropriations or otherwise fail to remit the accurate/exact amount of contributions on time, or delay the remittance of premium contributions to the GSIS. The heads of offices and agencies shall be administratively liable for non-remittance or delayed remittance of premium contributions to the GSIS.
>
> (Emphasis and underscoring supplied.)

JC No. 99-3, on the other hand, directs the payment of the government share in GSIS contributions to be sourced from the twenty percent (20%) premium pay. Tolentino *et al.* argue that (1) the government, being the employer, must pay for its share of the contribution and not charge this to the 20% premium on the monthly compensation of contractual employees; (2) Section 4.2[61] in JC No. 99-3 is in direct contravention of Section 5(b) of RA 8291; and (3) the deduction is prohibited under Section 3.3.2 of the 1997 IRR[62] of RA 8291.

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[61] Section 4.2 No additional funds shall be released by the DBM for the purpose. The premium pay to be received by a contractual employee shall be adjusted accordingly net of the government statutory expenditures on Personal Services consistent with Item 4.1 above.

[62] Section 3.3 **Collection of Contributions**

3.3.1 – xxx

3.3.2 – It is prohibited for the Employer to deduct, directly or indirectly, from the compensation of an employee or otherwise recover from him, the

Premium pay was granted in lieu of leave benefits

The OSG, in its *Manifestation and Motion (In Lieu of Comment),* argued for the validity of JC No. 99-3, stating:

> Before dealing on the issue of whether payment of the government share corresponding to the GSIS contributions of [Tolentino *et al.*] can be validly sourced from the twenty percent (20%) of their premium pay, it is imperative to revisit the origin of the twenty percent (20%) premium pay and the rationale for the grant thereof.
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>
> xxx the rationale behind the grant of the twenty percent (20%) premium pay to contractual employees was that they were not then entitled as a matter of right to vacation, sick and other special leave privileges like the regular government personnel. xxx
> Subsequently, however, or on August 23, 1999, the Civil Service Commission (CSC) issued Memorandum Circular No. 14, Series of 1999, granting contractual employees the same special and privilege leave benefits being granted to regular personnel in the government service. xxx
>
> Of necessity, therefore, **the rationale for the grant of the twenty percent (20%) premium pay to contractual employees ceased to exist with the issuance of the aforesaid resolution.**
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> xxx
>
> There is no dimunition of benefits to speak of in this case because effective August 23, 1999, all contractual employees were already entitled to leave benefits in lieu of the twenty percent (20%) premium pay. In fact, pursuant to CSC Memorandum Circular No. 14, Series of 1999, the DENR granted its contractual employees leave benefits starting September 1999. **Thus, the government share on the GSIS contributions could be validly sourced from the twenty percent (20%) premium pay effective September of 1999.**[63]
>
> (Emphasis supplied.)

We agree.

Due to the nature of their employment, contractual employees (unlike their counterparts in the regular government service) were previously not entitled to leave credits as a matter of right. To balance this seemingly

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Employer's contribution in behalf of such employee. xxx

63 CA *rollo*, pp. 12-17.

inequitable situation, contractual employees, under CSC Resolution No. 983142 (otherwise known as the Omnibus Rules on Leave) were allowed to receive compensation twenty percent (20%) higher than the salaries of regular employees occupying equivalent positions. The grant of one benefit, however, appears to preclude entitlement to the other:

> SEC. 4. *Contractual employees are not entitled to leave credits as a matter of right.* – In view of the nature of their employment, employees hired on contractual basis are not entitled to vacation, sick, and other special leave privileges. To offset their non-entitlement to leave benefits, contractual employees may be paid compensation twenty percent (20%) higher than the salaries of regular employees occupying equivalent positions. **If contractual employees are not given the 20% premium, they should be entitled to vacation and sick leave.**
>
> (Emphasis supplied.)

Thus, and consistent with the grant of premium pay to contractual employees, Section 44 of the 1999 GAA[64] provided that such personnel **may** be paid compensation, inclusive of fees, honoraria, per diems and allowances *not exceeding 120% of the minimum salary of a regular employee in an equivalent position*:

> SEC. 44. *Employment of Contractual Personnel.* – Heads of departments, bureaus, offices or agencies, when authorized in their respective appropriations provided in this Act, may hire contractual personnel as part of the organization to perform regular Agency functions and specific vital activities or services which cannot be provided by the regular or permanent staff of the hiring agency.
>
> The contractual personnel employed pursuant to this Section shall be considered as an employee of the hiring agency, limited to such period when their services are reasonably required. **Such contractual personnel may be paid compensation, inclusive of fees, honoraria, per diems and allowances not exceeding 120% of the minimum salary of an equivalent position** in the Position Classification and Compensation System, but not to exceed the salary of his immediate superior, chargeable against the Personal Services funds of the Agency in accordance with the National Government Chart of Accounts.
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> (Emphasis and underscoring supplied.)

Similar provisions can also be found in the GAA for the previous years.[65]

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64 Republic Act No. 8745 (1999).

65 See Section 42 of Republic Act No. 8250 (1997 GAA) and Section 44 of Republic Act No. 8522 (1998 GAA).

On August 23, 1999, the Omnibus Rules on Leave were amended, which included the grant of leave privileges not previously given to contractual personnel.[66] Perforce, contractual employees who are now granted leave benefits are no longer entitled as a matter of right to the twenty percent (20%) premium pay. This position finds support in the GAAs passed by Congress for the years subsequent, which no longer included provisions for said premium pay.[67]

Since the expense for premium pay was rendered unnecessary by the grant of leave benefits to contractual employees, funds initially set aside under the 1999 GAA for said purpose remain public funds (under the appropriation for DENR Personal Services) and may, as correctly argued by the DBM and the DENR,[68] be legally rechanneled to answer for other personnel benefits costs, including government share in GSIS contributions. This is supported by Section 34 of the 1999 GAA which reads:

> **SEC. 34.** *Funding of Personnel Benefits.* – **The personnel benefits costs of government officials and employees shall be charged against the respective funds from which their compensations are paid.** All authorized supplemental or additional compensation, fringe benefits and other personal services costs xxx shall similarly be charged against the corresponding fund from which their basic salaries are drawn and in no case shall such personnel benefits costs be charged against the General Fund of the National Government. Officials and employees on detail with other offices, including the representatives and support personnel of auditing units assigned to serve other offices or agencies, shall be paid their salaries, emoluments, allowances and the foregoing supplemental compensation, fringe benefits and other personal services costs from the appropriations of their parent agencies, and in no case shall such be charged against the appropriations of the agencies where they are assigned or detailed, except when authorized by law.
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> (Emphasis and underscoring supplied.)

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66 CSC Memorandum Circular No. 14 (1999).
Section 4. *Leave of Contractual Employees.* – Contractual employees are likewise entitled to vacation and sick leave credits as well as special leave privileges provided in Section 21 hereof.

67 Section 44 of Republic Act No. 8760 (2000 GAA) reads:
Section 44. *Employment of Contractual Personnel.* – Heads of departments, bureaus, offices or agencies, when authorized in their respective appropriations provided in this Act, may hire contractual personnel as part of the organization to perform regular Agency functions and specific vital activities or services which cannot be provided by the regular or permanent staff of the hiring agency.

The contractual personnel employed pursuant to this Section shall be considered as an employee of the hiring agency, limited to such period when their services are reasonably required.
See also Republic Act No. 9137 (2001 GAA), which, save for additional appropriations, re-enacted the provisions of RA 8760. See also Republic Act No. 9162 (2002 GAA).

68 DBM/DENR Comment, *rollo* (G.R. No. 167297), p. 302.

Laws and regulations read into contracts

Tolentino *et al.* argue that they are contract-based employees with salaries (pegged at a maximum of 120% of the minimum salary of an equivalent position) stipulated in their respective employment contracts and whose tenure is coterminous with the project. They claim that the withdrawal of the grant cannot be done by simply issuing a Memorandum taking it away without violating the terms of the employment contract.[69]

Tolentino *et al.* err.

While they claim entitlement to the twenty percent (20%) premium pay based on their employments contracts, it does not appear that the employees presented the contracts in evidence. There is thus nothing on the available record by which this Court can validate their alleged contractual entitlement to premium pay. In any case, it is already well-settled that provisions of existing laws and regulations are read into and form an integral part of contracts, more so in the case of government contracts.[70] They cannot invoke exemption from the application of RA 8291, JC No. 99-3 and the relevant CSC Memoranda based on their contracts with their employer-agencies.

Prospective application of JC No. 99-3

While Tolentino *et al.* do not dispute the rationale behind the grant of premium pay (as set forth in the Omnibus Rules on Leave),[71] they claim that JC No. 99-3 providing for the deduction of the government share from their premium pay should be made prospectively on new or renewed contracts.[72]

> **What respondents had done was, effective the October 1999 payroll, the 20% premium pay would be deducted and applied retroactively for the months of January to September 1999 when, during said period, petitioners were not entitled to leave credits.** This situation "undeniably created an absurdity" because petitioners did not enjoy leave credits and yet they are being made to return the 20% premium pay contrary to CSC Resolution No. 983142.
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> In order to give justice to the rationale for the grant of the 20% premium pay vis-à-vis the entitlement to leave credits of contract-based project employees, the removal thereof should be made prospectively on new or renewed contracts and not retroactively as Respondents GSIS, DBM and

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69 *Rollo* (G.R. No. 167297), p. 379.
70 *Guadines v. Sandiganbayan*, G.R. No. 164891, June 6, 2011, 650 SCRA 422, 442.
71 Rollo (G.R. No. 167297), p. 379.
72 *Id.* at 380.

> DENR intend to do or worst, have already done. What is disturbing is, respondent GSIS required petitioners to pay their contributions, including penalties and surcharges to the GSIS retroactive to the year 1997 even when petitioners were exempted by the GSIS from the coverage of RA 8291 xxx Individually, petitioners were being denied by the GSIS to avail of benefits unless they would pay for their contributions retroactive to year 1997. It must be noted that as of October 25, 1999, the exemption granted to petitioners has not been revoked.
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> xxx
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> **Based on the foregoing, to give retroactive effect to the assailed circular is prejudicial to the substantial rights of herein petitioners.**
>
> The antecedent facts show that the government exempted herein petitioners from the coverage of RA 8291 xxx as early as January 8, 1998 and the unnumbered Memorandum that will enforce the GSIS-DBM circular was disseminated to the contractual employees concerned only on September 16, 1999. **Thus, the circular, if valid, should only be made to apply prospectively - that is on the date the contract-based project employees were informed that they are now being covered by the circular and with a new contract indicating the changes in their compensation package.** Assuming without admitting that the said exemption had been revoked, the GSIS-DBM failed to inform the DENR administrative services of the alleged revocation. In fact, the DENR was officially informed about the GSIS-DBM circular sometime in September 1999. Thus, it would be contrary to due process and fair play if the circular is implemented retroactively as the contract-based employees are not at fault. xxx
>
> (Emphasis supplied.)

We reject Tolentino *et al.*'s claim of exemption from RA 8291. Section 3 of RA 8291 is clear that, save for specified officials of the Government, membership in the GSIS shall be compulsory for all employees, regardless of employment status. Neither can they claim exemption based on the letter dated January 8, 1998 sent by then GSIS SVP Patag advising them of their non-coverage. We agree with the OSG's argument thus:

> [Tolentino *et al.*] cannot invoke the letter dated January 12, 1998 of Atty. Quilatan citing the letter-opinion of Senior Vice President Lourdes G. Patag of the GSIS as basis for claiming that they are exempted from the coverage of compulsory membership with the GSIS.
>
> To begin with, R.A. No. 8291 does not provide any exception to the applicability of the compulsory

> membership of government employees with the GSIS.
>
> Assuming arguendo that such an issue may be legitimately raised, the same can only be passed upon by the GSIS Board of Trustees pursuant to Section 30 of R.A. No. 8291:
>
> xxx
>
> Thus, **Senior Vice President Patag is absolutely devoid of authority to make an official determination of whether [Tolentino *et al.*] are exempt from compulsory membership with the GSIS.**[73]
>
> (Emphasis supplied.)

Tolentino *et al.*'s arguments on the prospective application of JC No. 99-3, however, are partly meritorious.

JC No. 99-3 (effective January 1, 1999), which directed the payment of the required government share of GSIS premiums out of the 20% premium given to contractual employees under Section 44 of the 1999 GAA, was issued on April 30, 1999. CSC Memorandum Circular No. 14, which granted leave benefits to contractual personnel, was issued only on August 23, 1999 or *nearly four months after the JC No. 99-3 was issued.*

At the time of the issuance of JC No. 99-3, Tolentino *et al.* did not as yet have leave credits and were still entitled to the twenty percent (20%) premium pay. To deduct the government share in GSIS contributions from the premium pay of said contractual employees even before they were granted leave benefits would effectively make the employees "assume the payment of the full contribution in violation of law."[74]

Every statute must be so construed and harmonized with other statutes as to form a uniform system of jurisprudence.[75] In *Vda. de Urbano v. Government Service Insurance System,*[76] citing our earlier ruling in *C&C Commercial Corporation v. National Waterworks and Sewerage Authority,*[77] we held:

> On the presumption that whenever the legislature enacts a provision it has in mind the previous statutes relating to the same subject matter, it is held that in the absence of any express repeal or amendment therein, the new provision was enacted in accord with the legislative policy embodied in those prior statutes, and they all should be construed together. Provisions in an act which are omitted in another act relating to the same subject matter will be applied in a

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73 *Id.* at 155-156.

74 RTC Petition, *rollo* (G..R. No. 167297, p. 81.

75 *United Harbor Pilots' Association of the Philippines, Inc. v. Association of International Shipping Lines, Inc.*, G.R. No. 133763, November 13, 2002, 391 SCRA 522, 532-533.

76 G.R. No. 137904, October 19, 2001, 367 SCRA 672.

77 G.R. No. L-27275, November 18, 1967, 21 SCRA 984.

> proceeding under the other act, when not inconsistent with its purpose. **Prior statutes relating to the same subject matter are to be compared with the new provisions; and if possible by reasonable construction, both are to be construed that effect is given to every provision of each.** Statutes *in pan (sic) materia*, although in apparent conflict, are so far as reasonably possible construed to be in harmony with each other.[78]
>
> (Emphasis supplied.)

We rule that the same principle is applicable to administrative rules and regulations issued by government agencies in their duty to implement laws.

The policies behind the pertinent laws and regulations in this case show that the same can be harmonized to give effect to every relevant provision of law or regulation. Section 5 of RA 8291 shows a clear intent to divide responsibility for payment of the required GSIS premiums between the government employer and the covered employee. The pertinent CSC rules, on the other hand, show a clear policy to equitably balance the benefits given to regular and contractual personnel of the government. This was evident, first, in the provision of premium pay to contractual employees in lieu of leave benefits and, ultimately, in the eventual grant of leave benefits to such personnel.

In light of the above policies, JC No. 99-3 should be understood to have meant to apply prospectively, that is, payment of the government share out of the twenty percent (20%) premium pay should start *only after the contractual employees' entitlement to said pay was considered withdrawn with the grant of leave benefits.* Thus, payment of the government share in GSIS contributions from the premium pay of contractual employees cannot be made earlier than the effectivity of CSC Memorandum Circular No. 14, s. 1999.

WHEREFORE, premises considered, the petition in **G.R. No. 153810** is hereby **DISMISSED** on the ground of forum shopping, with a warning to the GSIS that a repetition of the same or similar acts in the future shall be dealt with more severely. This Court also resolves to **DENY** the petition in **G.R. No. 167297**. Consequently, the appealed *Decision* in CA-G.R. 72089 is hereby **AFFIRMED** with **MODIFICATION** that the deduction of the government share in GSIS contributions from the twenty percent (20%) premium pay granted to contractual employees may only be made upon the effectivity of CSC Memorandum Circular No. 14, s. 1999 granting leave benefits to such employees.

SO ORDERED.

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78 *Supra* note 75 at 691.

SO ORDERED.

FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P.A. SERENO
Chief Justice