

SUPREME COURT OF THE PHILIPPINES  
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Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

**CARISSA E. SANTO,**  
*Petitioner,*

**G.R. No. 232522**

**Present:**

-versus-

CARPIO, *Chairperson,*  
CAGUIOA,  
REYES, J., JR.,  
LAZARO-JAVIER, and  
ZALAMEDA, *JJ.*

**UNIVERSITY OF CEBU,**  
*Respondent.*

Promulgated:  
28 AUG 2019

X-----*M. Cabalag Perfecto*-----X

**DECISION**

**LAZARO-JAVIER, J.:**

**The Case**

This petition seeks to nullify the following dispositions of the Court of Appeals in CA-G.R. SP No. 09693:

1. Decision<sup>1</sup> dated December 20, 2016 which affirmed the ruling of the National Labor Relations Commission (NLRC) finding that the computation of petitioner's optional retirement package under respondent's Faculty Manual is not subject to the computation prescribed under Article 287<sup>2</sup> of the Labor Code, as

<sup>1</sup> Penned by Associate Justice Marilyn B. Lagura-Yap with Associate Justices Gabriel T. Ingles and Germano Francisco D. Legaspi concurring, *Rollo*, pp. 39-50.

<sup>2</sup> Pursuant to Department of Labor and Employment (DOLE) Advisory No. 1, Series of 2015, Renumbering of the Labor Code of the Philippines, As Amended, Art. 287 has been renumbered to Art. 302.

amended by Republic Act No. 7641 (RA 7641) otherwise known as the "New Retirement Pay Law";<sup>3</sup> and

2. Resolution<sup>4</sup> dated May 30, 2017, denying petitioner's motion for reconsideration.

### Antecedents

The facts are undisputed.

In May 1997, respondent University of Cebu hired petitioner Carissa E. Santo as a full-time instructor. During her employment, as such, she studied law and passed the 2009 Bar Examinations. She continued working for respondent until she got qualified for optional retirement under respondent's Faculty Manual, *viz*:

#### Optional Retirement

**A permanent employee may, upon reaching his fifty-fifth (55<sup>th</sup>) birthday or after having completed at least fifteen (15) years of service, opt for an early retirement (which is a resignation with separation pay) considering that separation before reaching 15 years of full-time service does not entitle an employee to any separation pay, except that which is contributed by the University to PAG-IBIG), and shall be entitled to the retirement pay equivalent to a total of fifteen (15) days for every year of service based on the average monthly salary to the employee computed for the past three years.<sup>5</sup> (emphasis supplied)**

In April 2013, she applied for optional retirement; she was then only forty-two (42) years old but had already completed sixteen (16) years of service with respondent. The latter approved her application and computed her optional retirement pay at fifteen (15) days for every year of service per provisions of the Faculty Manual. She asserted, though, that her retirement pay should be equivalent to 22.5 days per year of service in accordance with Article 287<sup>6</sup> of the Labor Code. Respondent refused to accept her

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<sup>3</sup> Entitled "An Act Amending Article 287 of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, by Providing for Retirement Pay to Qualified Private Sector Employees in the Absence of Any Retirement Plan in the Establishment."

<sup>4</sup> *Rollo*, pp. 51-53.

<sup>5</sup> *Id.* at 44-45.

<sup>6</sup> Art. 302 [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.

computation. Thus, she initiated the complaint<sup>7</sup> below for payment of retirement benefits under Article 287<sup>8</sup> of the Labor Code, damages and attorney's fees against respondent.

For its part, respondent argued that petitioner was not covered by the Retirement Pay Law being less than sixty (60) years old at the time of her retirement.<sup>9</sup>

### **Labor Arbiter's Ruling**

By Decision<sup>10</sup> dated July 28, 2014, Labor Arbiter Vitto A. Kintanar found that respondent's retirement package was less than what Article 287<sup>11</sup> of the Labor Code prescribed, i.e., 22.5 days for every year of service<sup>12</sup> viz:

WHEREFORE, premises considered, judgment is hereby rendered in favor of complaint against respondent UC ordering the latter to pay complainant her retirement benefits plus 10% thereof as Attorney's fees, in the total amount of P402,824.43 (P366,204.48 Retirement benefit + 36,620.40 Attorney's fees).

All others claims are dismissed for lack of merit.

SO ORDERED.<sup>13</sup>

### **The NLRC's Ruling**

On appeal, the NLRC reversed.<sup>14</sup> It ruled that Article 287<sup>15</sup> was not intended to benefit petitioner who voluntarily resigned not to rest in the twilight years of her life but to actively engage in the practice of the legal profession.<sup>16</sup> Thus, petitioner was bound to accept whatever optional retirement benefits were provided under respondent's Faculty Manual. Nothing more. The NLRC ruled:

WHEREFORE, PREMISES CONSIDERED, respondents' appeal is given due course. The Decision of the Labor Arbiter is hereby **REVERSED, SET ASIDE and VACATED** and a new one entered ordering respondent University of Cebu to pay complainant the sum of P192,401.97 representing her optional retirement benefits plus whatever additional financial assistance it has offered the complainant. xxx.<sup>17</sup>

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Unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves.

<sup>7</sup> *Rollo*, pp. 54-55.

<sup>8</sup> Now Article 302 of the Labor Code, as renumbered.

<sup>9</sup> *Rollo*, p. 155.

<sup>10</sup> *Id.* at 112-119.

<sup>11</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>12</sup> *Rollo*, p. 116.

<sup>13</sup> *Id.* at 119.

<sup>14</sup> *Id.* at 250-256.

<sup>15</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>16</sup> *Rollo*, p. 254.

<sup>17</sup> *Id.* at 255.

## The Proceedings Before the Court of Appeals

Aggrieved, petitioner went up to the Court of Appeals via Rule 65 of the Rules of Court. She maintained her reliance on Article 287 of the Labor Code as basis in the computation of her retirement package.<sup>18</sup> Respondent, on the other hand, insisted that the provision is not applicable to her.<sup>19</sup>

### The Court of Appeals' Ruling

By Decision<sup>20</sup> dated December 20, 2016, the Court of Appeals affirmed.<sup>21</sup> It found that respondent's Faculty Manual referred to the optional retirement benefit as "*resignation with separation pay*." It was a form of gratuity which respondent granted to its employees who wished to voluntarily terminate their services upon reaching the age of fifty-five (55) or after rendering at least fifteen (15) years of service.<sup>22</sup> As such, the Court of Appeals ruled that it was different from the retirement benefits granted under Article 287<sup>23</sup> of the Labor Code which were intended to help the employee enjoy the remaining years of his or her life after he or she had completely stopped working.<sup>24</sup>

Petitioner moved for a reconsideration but the Court of Appeals denied the same through its Resolution dated May 30, 2017.<sup>25</sup>

### The Present Petition

Petitioner now seeks affirmative relief from the Court. She maintains that Article 287<sup>26</sup> of the Labor Code should be applied in the computation of her retirement pay since the provision is more favorable to her than that provided under respondent's Faculty Manual.<sup>27</sup>

In its Comment,<sup>28</sup> respondent ripostes that the optional retirement benefit granted under its Faculty Manual is a form of resignation with separation pay and not the kind of retirement pay contemplated under Article 287<sup>29</sup> of the Labor Code. It is a mere gratuity to its employees who voluntarily terminate their services upon reaching the age of fifty-five (55) or after rendering at least fifteen (15) years of service.<sup>30</sup>

<sup>18</sup> Petition for Certiorari; *Rollo*, pp. 266-286.

<sup>19</sup> Comment; *Rollo*, pp. 287-303.

<sup>20</sup> Penned by Associate Justice Marilyn B. Lagura-Yap with Associate Justices Gabriel T. Ingles and Germano Francisco D. Legaspi concurring, *Rollo*, pp. 39-50.

<sup>21</sup> *Rollo*, pp. 39-50

<sup>22</sup> *Id.* at 45.

<sup>23</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>24</sup> *Rollo*, p. 46.

<sup>25</sup> *Id.* at 51-53.

<sup>26</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>27</sup> *Rollo*, p. 26.

<sup>28</sup> *Id.* at 340-351.

<sup>29</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>30</sup> *Rollo*, p. 45.

### Issue

Did the Court of Appeals err in upholding the computation of petitioner's retirement benefit based on the Faculty Manual rather than Article 287<sup>31</sup> of the Labor Code?

### Ruling

***The Faculty Manual provides for payment of optional retirement benefits***

Retirement benefits are a form of reward for an employee's loyalty and service to an employer and are earned under existing laws, Collective Bargaining Agreements (CBA), employment contracts and company policies.<sup>32</sup> It is the result of a bilateral act of the parties, a voluntary agreement between the employer and the employee whereby the latter, after reaching a certain age or length of service, agrees to sever his or her employment with the former.<sup>33</sup>

The optional retirement benefits granted under respondent's Faculty Manual squarely fits the definition, viz:

#### **Retirement Pay**

##### Compulsory Retirement

Retirement from the service of the University shall be compulsory upon the regular employee's attainment of his sixtieth (60) birthday or twenty (20) years of service, whichever comes first, provided that depending on the exigency of the service, the University has the option to extend the service of the employee concerned beyond the retirement period on a year-to-year basis.

Upon retirement, an employee shall be entitled to the retirement pay in an amount equal to that which is required by law or that granted by the PAG-IBIG and the PERAA Retirement Plan, whichever is higher. xxx.

##### Optional Retirement

A permanent employee may, upon reaching his fifty-fifth (55<sup>th</sup>) birthday or after having completed at least fifteen (15) years of service, opt for an early retirement (which is a resignation with separation pay), considering that separation before reaching 15 years of full-time service does not entitle an employee to any separation pay, except that which is contributed by the University to PAG-IBIG) (sic), and **shall be entitled to the retirement pay equivalent to a total of fifteen (15) days for every year of service based**

<sup>31</sup> Should be Article 302, as per LABOR CODE (Amended and Renumbered), dated July 21, 2015.

<sup>32</sup> *Abanto v. Board of Directors of the Development Bank of the Philippines*, G.R. Nos. 207281 & 210922, March 5, 2019.

<sup>33</sup> *Banco De Oro Unibank, Inc. v. Sagaysay*, 769 Phil. 897, 906 (2015).

on the average monthly salary of the employee computed for the past three years.<sup>34</sup>

#### Retirement Plan

The University has insured the retirement pay of its employees with the PERAA Retirement Plan and continued with the PAG-IBIG law (RA7742). For purposes of computing the retirement pay, only the University's PERAA and PAG-IBIG contribution and its increments shall be considered, as mandated by DOLE's 1996 Guidelines for the Effective Implementation of RA7641, the retirement pay law. In case the PERAA and PAG-IBIG retirement pay is higher than the computed retirement pay the institution grants herein, the employee gets the total amount granted by the retirement plan under PERAA and/or PAG-IBIG. **However, in case the retirement pay from PERAA and/or PAG-IBIG is lower than the institutional computation as mentioned above, the University shall provide the deficiency or difference as required by DOLE's 1996 Guidelines for the Effective Implementation of the Retirement Pay Law (RA 7641). This policy applies likewise to the computation of the early retirement pay.**<sup>35</sup> (emphasis supplied)

Clearly, the Faculty Manual intends to grant retirement benefits to qualified employees. It entitles an employee to retire after fifteen (15) years of service or upon reaching the age of fifty-five (55) and accordingly collect retirement benefits. It even mandates compliance with RA 7641<sup>36</sup> such that when the computation of its retirement plan is found to be lower than what the law requires, respondent is bound to pay the deficiency.

Respondent's claim -- that its optional retirement benefit is actually a form of separation pay to qualified employees who wish to resign is belied by its own company policy. This benefit clearly falls within the category of "Retirement Pay," specifically under "Optional Retirement." For sure, respondent is precluded from claiming otherwise.

In another vein, the conflict between respondent's own categorization of the benefit as "retirement pay," on the one hand, and its description of it as "*a resignation with separation pay*," on the other, could only be taken against respondent. For settled is the rule that ambiguities in a contract are interpreted against the party that caused the ambiguity.<sup>37</sup>

Too, in controversies between a laborer and his master, doubts reasonably arising from the interpretation of agreements and writing should be resolved in the former's favor. The State policy is to extend the doctrine to a greater number of employees who can avail of the benefits under the law to give maximum aid and protection to labor.<sup>38</sup>

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<sup>34</sup> *Rollo*, p. 142.

<sup>35</sup> *Rollo* pp. 29 and 142.

<sup>36</sup> Entitled "An Act Amending Article 287 of Presidential Decree No. 442, as amended, otherwise known as the Labor Code of the Philippines, by Providing for Retirement Pay to Qualified Private Sector Employees in the Absence of Any Retirement Plan in the Establishment."

<sup>37</sup> *Fortune Medicare, Inc., v. Amarin*, 729 Phil. 484, 494 (2014).

<sup>38</sup> *C.F. Sharp Crew Management, Inc. v. Legal Heirs of Repiso*, 780 Phil. 645, 668 (2016).

The optional retirement under respondent's Faculty Manual, therefore, should not be taken as anything else but a retirement benefit within the ambit of Article 287<sup>39</sup> of the Labor Code.

***Petitioner's retirement pay should be computed based on Article 287 of the Labor Code***

We are confronted with two (2) retirement schemes here: 1) Article 287 of the Labor Code; and 2) Respondent's Faculty Manual. The riveting question is "*which retirement scheme applies to petitioner?*"

Article 287 of the Labor Code.

As amended by RA 7641, the provision bears two (2) types of retirements: 1) optional at age sixty (60); and 2) compulsory at age sixty-five (65). The law does not make a distinction as to the retirement benefits granted in either case. In both cases, the retirement benefit is equivalent to  $\frac{1}{2}$  month salary for every year of service, the  $\frac{1}{2}$  month being computed at 22.5 days<sup>40</sup> provided the employee has worked with his or her employer for at least five (5) years prior to retirement, thus:

**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 herein.**

In the absence of a retirement plan or agreement plan 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 as 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 ( $\frac{1}{2}$ ) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Unless the parties provide for broader inclusions, the term one-half ( $\frac{1}{2}$ ) month salary shall mean fifteen (15) days plus one-twelfth ( $\frac{1}{12}$ ) of the 13<sup>th</sup> month pay and the cash equivalent of not more than five (5) days of service incentive leaves. xxx (emphasis supplied)

Similarly, respondent's Faculty Manual provides for two (2) types of retirements: 1) Optional Retirement; and 2) Compulsory Retirement. To be

<sup>39</sup> Now Article 302, as renumbered.

<sup>40</sup> One-half ( $\frac{1}{2}$ ) month salary means 22.5 days: 15 days plus 2.5 days representing one-twelfth ( $\frac{1}{12}$ ) of the 13<sup>th</sup> month pay and the remaining 5 days for service incentive leave; see *Elegir v. Philippine Airlines, Inc.*, 691 Phil. 58, 73 (2012).

entitled to optional retirement benefits, an employee must have rendered service for at least fifteen (15) years or must have reached fifty-five (55) years of age. To be entitled to compulsory retirement benefits, an employee must have rendered at least twenty (20) years of service or must have reached sixty (60) years of age, whichever comes first. The Faculty Manual further provides that the compulsory retirement benefit shall be in an amount equal to that which is required by law or that granted by the PAG-IBIG and the PERAA Retirement Plan, whichever is higher. For optional retirement benefit however, it shall be equivalent to fifteen (15) days per year of service.<sup>41</sup>

Now, comparing the optional retirement benefits under the two (2) retirement schemes, it is apparent that fifteen (15) days' worth of salary for every year of service provided under respondent's Faculty Manual is much less than 22.5 days' worth of salary for every year of service provided under Article 287 of the Labor Code. Obviously, it is more beneficial for petitioner if Article 287's retirement plan will be applied in the computation of her retirement benefits.

In *Beltran v. AMA Computer College-Biñan*,<sup>42</sup> the Court ruled that while the employer is free to grant retirement benefits and impose different age or service requirements, the benefits should not be lesser than those provided in Article 287 of the Labor Code.

Too, in *Elegir v. Philippine Airlines, Inc.*,<sup>43</sup> the Court decreed that the determining factor in choosing which retirement scheme to apply is *superiority in terms of benefits provided*. Thus, We ruled that even if the employer has an existing retirement scheme but the same does not provide for retirement benefits equal or superior to that which is provided under Article 287 of the Labor Code, the latter will apply. In this manner, the employee can be assured of a reasonable amount of retirement pay for his or her sustenance.

The retirement benefits under Article 287 of the Labor Code, therefore, should be applied in the computation of petitioner's retirement pay. It is more advantageous to petitioner and it is what the law commands.

So must it be.

***The Retirement Pay Law does not bar a retired employee from pursuing a livelihood or practicing a profession after receiving retirement benefits***

In reversing the labor arbiter's ruling, both the NLRC and the Court of Appeals ruled that the retirement benefits under Article 287 of the Labor Code, as amended, is not applicable to petitioner's case. For it was supposedly not intended to benefit petitioner who voluntarily resigned not to rest in the

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<sup>41</sup> *Rollo*, p. 142.

<sup>42</sup> G.R. No. 223795, April 3, 2019.

<sup>43</sup> *Supra* note 40.



twilight years of her life but to actively engage in the practice of the legal profession.

We disagree.

Indeed, retirement benefits are intended to help the employee enjoy the remaining years of his or her life, releasing the retiree from the burden of worrying for his or her financial support.<sup>44</sup> Petitioner's situation, however, is not unusual. The Court has long recognized retirement plans which set the minimum retirement age of employees below sixty (60).<sup>45</sup> In one case,<sup>46</sup> the Court even upheld the compulsory retirement of two (2) employees at the ages of forty-five (45) and thirty-eight (38) for being consistent with Article 287 of the Labor Code.

Clearly then, petitioner's age at forty-two (42) years coupled with her admission that she intends to practice law after retiring as a college instructor, do not affect, nay, diminish her entitlement to retirement benefits under the law. Sixteen (16) years is more than an ideal length of service an employee can render to his or her employer.<sup>47</sup> A retirement plan entitling an employee to retire after fifteen (15) years of service and accordingly collect retirement benefits is "reward for services rendered since it enables an employee to reap the fruits of her labor - particularly retirement benefits, whether lump-sum or otherwise, at an earlier age, when said employee, in presumably better physical and mental condition, can enjoy them better and longer."<sup>48</sup>

All told, the New Retirement Pay Law intends to give the minimum retirement benefits to employees not otherwise entitled thereto under the collective bargaining and other agreements. Its coverage also applies to establishments with existing collective bargaining or other agreements or voluntary retirement plans whose benefits are less than those prescribed by the law, as in this case. Thus, retirement plans under any employment contract or agreement are not absolutely beyond the ambit of judicial review. A retirement plan, as a labor contract, is not merely contractual in nature but impressed with public interest. If the retirement provisions of the company run contrary to law, public morals, or public policy, such provisions may be reviewed and even voided.<sup>49</sup> Neither will the Court sustain a retirement clause that entitles the retiring employee to benefits less than what is guaranteed under the law.<sup>50</sup>

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<sup>44</sup> See *Sta. Catalina College and Sr. Loreta Oranza v. NLRC*, 461 Phil. 720, 734 (2003).

<sup>45</sup> See *Cainta Catholic School v. Cainta Catholic School Employees Union*, 523 Phil. 134, 150 (2006); *Pantranco North Express, Inc. v. NLRC*, 328 Phil. 470, 482-483 (1996); *Progressive Development Corporation v. NLRC*, 398 Phil. 433, 437 (2000); and *Philippine Airlines, Inc. v. Airline Pilots Association of the Phils.*, 424 Phil. 356, 363 (2002).

<sup>46</sup> *Progressive Development Corporation v. NLRC*, 398 Phil. 433, 437 (2000).

<sup>47</sup> *Pantranco North Express, Inc. v. NLRC*, 328 Phil. 470, 482-483 (1996).

<sup>48</sup> *Cainta Catholic School v. Cainta Catholic School Employees Union*, 523 Phil. 134, 152 (2006).

<sup>49</sup> *Id.* at 151-152.

<sup>50</sup> *Id.*

**ACCORDINGLY**, the petition is **GRANTED**. The Decision dated December 20, 2016 and Resolution dated May 30, 2017 of the Court of Appeals in CA-G.R. SP No. 09693 are **REVERSED** and **SET ASIDE**. The Decision of the Labor Arbiter dated July 28, 2014 in NLRC RAB VII No. 01-0236-14 is **REINSTATED**.

Respondent University of Cebu is ordered to **PAY** Petitioner Carissa E. Santo her retirement benefits of Php366,204.48 plus 10% Attorney's Fees of Php36,620.40 in the total amount of Php402,824.88.

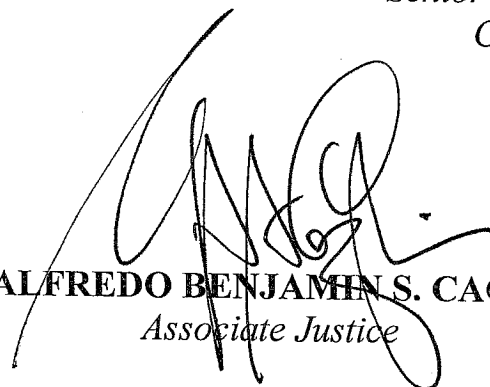
This amount shall earn six percent (6%) interest *per annum* from finality of this Decision until fully paid.

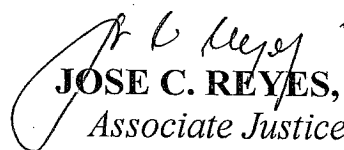
**SO ORDERED.**

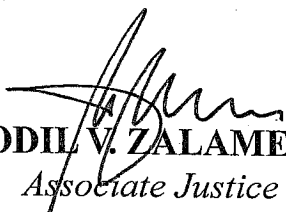
  
**AMY C. LAZARO-JAVIER**  
*Associate Justice*

**WE CONCUR:**

  
**ANTONIO T. CARPIO**  
*Senior Associate Justice*  
*Chairperson*

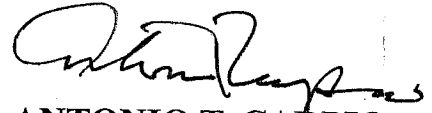
  
**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*

  
**JOSE C. REYES, JR.**  
*Associate Justice*

  
**RODIL V. ZALAMEDA**  
*Associate Justice*

**ATTESTATION**

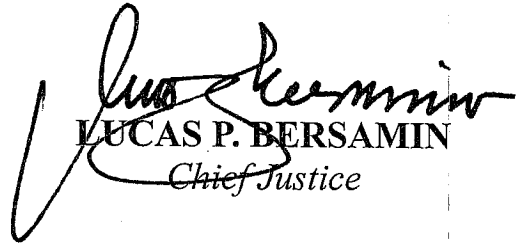
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**ANTONIO T. CARPIO**

*Senior Associate Justice  
Chairperson, Second Division*

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the above Division Chairperson's Attestation, I certify 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.

**LUCAS P. BERSAMIN**  
*Chief Justice*

