



GSIS Government Service Insurance System
Financial Center, Pasay City, Metro Manila 1308

GSIS Memorandum Circular No. 005 Series of 2018

To: HEADS OF CONSTITUTIONAL BODIES; BUREAUS AND AGENCIES OF THE NATIONAL GOVERNMENT; LOCAL GOVERNMENT UNITS; GOVERNMENT OWNED OR CONTROLLED CORP.; STATE UNIVERSITIES AND COLLEGES; AND ALL OTHERS CONCERNED

Subject: RE-ISSUANCE OF GSIS MEMORANDUM CIRCULAR NO. 003, SERIES OF 2015 (MEMORANDUM CIRCULAR-REMINDER TO AGENCIES ON SECURING CLEARANCE FROM THE GSIS FOR SEPARATING EMPLOYEES BEFORE PAYMENT OF THEIR TERMINAL LEAVE)

The GSIS would like to remind and inform all government agencies and instrumentalities the basis for requiring the issuance of a GSIS clearance before payment of the terminal leave benefits as well as the legal basis for deducting GSIS premium arrearages and loan balances therefrom.

The deduction of an employee-member's outstanding GSIS loan balances or obligations from the terminal leave benefits of the employee has been a long standing practice observed by government agencies in their transactions with the GSIS.

The practice of requiring a GSIS Clearance from a retiring or resigning/separating employee prior to the payment of the terminal leave benefit and the deduction of GSIS loan balances therefrom finds support in the following:

A. Practice of securing a clearance from the GSIS

1. Republic Act No. 1616 (An Act Further Amending Section Twelve of Commonwealth Act No. 186, as amended, By Prescribing Two Other Modes of Retirement and for Other Purposes)
 - Prior to RA 8291: The gratuity of an eligible retiree is paid by the last employer and includes the commutation of the unused vacation and sick leave which he may have to his credit at the time of retirement. Since the last employer agency is obliged to pay the gratuity, there is a corresponding duty on the part of the agency to coordinate with the GSIS for the purpose of determining the existence of any loan obligations with the GSIS, Prior to the payment of the gratuity under R.A. No. 1616, clearance from the GSIS, which has the contribution/loan records and which then computes the gratuity benefits and loan balances, was first secured;

- Upon Effectivity of RA 8291: The GSIS issued a Memorandum (14 November 1997) addressed to all heads of government agencies that while it would no longer compute the gratuity benefits, a GSIS Clearance should first be secured prior to payment of the same.

2. Republic Act No. 8291 (GSIS Act of 1997)

- The employer is duty bound to directly remit to the GSIS the employee's and employer's contributions. In case of delay in the remittance of any and all monies due the GSIS, the employer shall be charged interests as may be prescribed by the GSIS Board of Trustees to be paid by the employer concerned.¹ In light of the express provisions of the law, prudence dictates that where an employee retires or severs his employment from the service, the employer reasonably requires the employee to secure the GSIS clearance to ensure that all premium payments or monies due the GSIS have been paid to avoid any penalties, interests and surcharges, resulting from delay or non-remittance thereof or to remedy and correct failure or delay in remittance.

3. COA Circular No. 2012-001 dated 14 June 2012

- The Circular provides the documentary requirements for the payment of the terminal leave benefits of government employees, which include among others, the applicant's authorization (in affidavit form) to deduct all financial obligations with employer/agency/local government unit.

B. Deduction of GSIS loan balances from terminal leave benefits is a sound and practical government practice for the following reasons:

- Ensures collection of any outstanding loan(s) or obligation(s) from the retiring/separating employee by allowing the option of deducting these loans from the terminal leave benefits;
- Benefits the employee insofar as it eliminates or reduces the accumulation of additional penalties, interest or surcharges that ultimately affects any future GSIS benefits the employee may be entitled to;
- Updates and informs the employer and the employee of any unremitted or delayed remittance or mistakes in the recording of remittances and immediately corrects or provides the necessary remedies to avoid additional penalties, interests and surcharges; and
- Promotes accountability of employees in the government.

¹ Sections 6 (b) and 7 of R.A. No. 8291

Note that in case of payment of the terminal leave benefits, the employer (government agency) should comply with existing CSC and COA Rules and Regulations on the matter.

For information and guidance.

Original Signed

ATTY. ~~JESUS~~ CLINT O. ARANAS
President and General Manager

Date Signed: 12.0. NOV 2018