



Republic of the Philippines  
**Supreme Court**  
 Manila

FIRST DIVISION

SUPREME COURT OF THE PHILIPPINES  
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**PHILIPPINE AIRLINES, INC.,**  
 Petitioner,

**G. R. No. 217730**

Present:

- versus -

SERENO, *CJ*, Chairperson,  
 LEONARDO-DE CASTRO,  
 DEL CASTILLO,  
 PERLAS-BERNABE, and  
 CAGUIOA, *JJ*.

Promulgated:

**ARJAN T. HASSARAM,**  
 Respondent.

**JUN 05 2017**

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**DECISION**

**SERENO, *CJ*:**

This resolves the Petition for Review<sup>1</sup> filed by Philippine Airlines, Inc. (PAL), which prays for the reversal of the Court of Appeals (CA) Decision<sup>2</sup> and Resolution<sup>3</sup> in CA-G.R. SP No. 128970. The CA declared that respondent Arjan T. Hassaram (Hassaram), a former PAL pilot, was entitled to receive retirement benefits from PAL under Article 287 of the Labor Code, notwithstanding his earlier receipt of ₱4,456,817.75 under the PAL Pilots' Retirement Benefit Plan (the Plan).

The case stemmed from a Complaint<sup>4</sup> filed by Hassaram against PAL for illegal dismissal and the payment of retirement benefits, damages, and attorney's fees. He claimed that he had applied for retirement from PAL in August 2000 after rendering 24 years of service as a pilot, but that his application was denied. Instead, PAL informed him that he had lost his employment in the company as of 9 June 1998, in view of his failure to comply with the Return to Work Order issued by the Secretary of Labor

<sup>1</sup> *Rollo*, pp. 37-64; Petition for Review under Rule 45 of the Rules of Court.

<sup>2</sup> *Id.* at 66-79; Decision dated 25 September 2014 penned by Associate Justice Romeo F. Barza and concurred in by Associate Justices Hakim S. Abdulwahid and Ramon A. Cruz.

<sup>3</sup> *Id.* at 81-82; Resolution dated 23 March 2015.

<sup>4</sup> *Id.* at 84-85.

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against members of the Airline Pilots Association of the Philippines (ALPAP) on 7 June 1998.<sup>5</sup>

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

In its Position Paper, PAL contended that (a) the LA had no jurisdiction over the case, which was a mere off-shoot of ALPAP's strike, a matter over which the Secretary of Labor had already assumed jurisdiction; (b) the Complaint should be considered barred by *res judicata*, forum shopping, and prescription; (c) the case should be suspended while PAL was under receivership; and (d) if at all, Hassaram was entitled only to retirement benefits of ₱5,000 for every year of service pursuant to the Collective Bargaining Agreement (CBA) between PAL and ALPAP.

#### THE RULING OF THE LA

In a Decision dated 17 February 2004,<sup>10</sup> the LA awarded retirement benefits and attorney's fees to Hassaram. The former explained that Hassaram did not defy the Return to Work Order, as he was in fact already on leave when the order was implemented.<sup>11</sup> As to the computation of benefits, the LA ruled that Article 287 of the Labor Code should be applied, since the statute provided better benefits than the PAL-ALPAP CBA.<sup>12</sup> Hassaram's other claims, on the other hand, were dismissed.<sup>13</sup>

#### THE NLRC RULING

PAL appealed the LA's Decision to the NLRC.<sup>14</sup> Aside from reiterating its arguments on lack of jurisdiction, *res judicata*, and prescription, PAL contended that Hassaram was not entitled to retirement benefits, because he had earlier been terminated from employment for defying the Return to Work Order.<sup>15</sup> It further claimed that the LA's Decision contradicted the ruling in *PAL v. ALPAP*,<sup>16</sup> in which this Court

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<sup>5</sup> Id. at 88, 106.

<sup>6</sup> See Hassaram's Position Paper, *rollo*, pp. 86-99.

<sup>7</sup> Id. at 89-90.

<sup>8</sup> Id.

<sup>9</sup> Id. at 90-91, 100.

<sup>10</sup> Id. at 374-391; penned by Labor Arbiter Gaudencio P. Demaisip, Jr.

<sup>11</sup> Id. at 387.

<sup>12</sup> Id. at 388-390.

<sup>13</sup> Id. at 391.

<sup>14</sup> Id. at 393-422.

<sup>15</sup> Id. at 404.

<sup>16</sup> 424 Phil. 356 (2002).

awarded retirement benefits to qualified PAL pilots under the company's own retirement plans, instead of the Labor Code.<sup>17</sup>

The NLRC initially affirmed the LA's Decision to award retirement benefits to Hassaram under Article 287 of the Labor Code.<sup>18</sup> This affirmation prompted PAL to seek reconsideration of the ruling<sup>19</sup> citing, for the first time, Hassaram's purported receipt of retirement benefits in the amount of ₱4,456,817.75 pursuant to the Plan.<sup>20</sup> PAL likewise alleged that, as a consequence of this newly discovered payment, any claim made by Hassaram for retirement benefits should be deemed extinguished.<sup>21</sup>

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

Hassaram sought reconsideration<sup>25</sup> of the NLRC Resolution, but his motion was denied. He then elevated the matter to the CA via a Petition for Certiorari.<sup>26</sup>

### THE CA RULING

Before the CA, Hassaram asserted that the NLRC acted with grave abuse of discretion amounting to lack of jurisdiction when the latter reversed its previous ruling and set aside the Decision of the LA.<sup>27</sup> While admitting that he received ₱4,456,817.75 under the Plan, he maintained that his receipt of that sum did not preclude him from claiming retirement benefits from PAL, since that amount represented only a return of his share in a distinct and separate provident fund established for PAL pilots.<sup>28</sup>

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

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<sup>17</sup> *Rollo*, p. 404.

<sup>18</sup> See Decision dated 30 January 2012, *rollo*, pp. 480-492.

<sup>19</sup> *Rollo*, pp. 495-503.

<sup>20</sup> *Id.* at 496-498.

<sup>21</sup> *Id.* at 498-499.

<sup>22</sup> Resolution dated 26 September 2012, *rollo*, pp. 528-535.

<sup>23</sup> *Id.* at 532-533.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 537-545; Motion for Reconsideration dated 16 October 2012.

<sup>26</sup> *Id.* at 551-569; Petition dated 6 March 2013.

<sup>27</sup> *Id.* at 558-559.

<sup>28</sup> *Id.* at 561-564.

<sup>29</sup> *Id.* at 721-736; Comment dated 11 January 2014.

<sup>30</sup> *Supra* note 16.

On 25 September 2014, the CA issued the assailed Decision<sup>31</sup> reversing the NLRC and reinstating the ruling of the LA. The appellate court declared that the funds received under the Plan were not the retirement benefits contemplated by law.<sup>32</sup> Hence, it ruled that Hassaram was still entitled to receive retirement benefits in the amount of ₱2,111,984.60 pursuant to Article 287 of the Labor Code.<sup>33</sup>

PAL sought reconsideration of the ruling,<sup>34</sup> but its motion was denied.<sup>35</sup>

### PROCEEDINGS BEFORE THIS COURT

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

In his Comment,<sup>39</sup> Hassaram insists that the sum he received from the Plan was a benefit separate from that provided under Article 287 of the Labor Code. He reiterates that his receipt of ₱4,456,817.75 from the Plan does not preclude him from claiming his retirement pay under the statute, because those benefits he obtained were supposedly meant to reward him for his loyalty and service to PAL.<sup>40</sup> He likewise asserts that the Plan was not truly a retirement plan, but a provident fund “set up for the benefit of the pilots-members by way of saving a portion of their salary [forced savings].” Underlying the Plan, he said, was the understanding that their shares in the fund would be returned upon retirement, disability or unemployment.<sup>41</sup>

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<sup>31</sup> Decision dated 25 September 2014, *supra* note 2.

<sup>32</sup> *Id.* at 76-77.

<sup>33</sup> *Id.* at 77-78.

<sup>34</sup> Motion for Reconsideration (of the Decision dated September 25, 2014), *rollo*, pp. 774-783.

<sup>35</sup> Resolution dated 23 March 2015, *supra* note 3.

<sup>36</sup> *Id.* at 48.

<sup>37</sup> *Rollo*, pp. 737-748.

<sup>38</sup> The 1967 PAL-ALPAP Retirement Plan (*rollo*, p. 271) states:

SECTION 1. Normal Retirement. (a) Any member who completed twenty (20) years of service as a pilot for PAL or has flown 20,000 hours for PAL be eligible for normal retirement. The normal retirement date is the date on which he completes twenty (20) years of service, or on which he logs his 20,000 hours as a pilot for PAL. The member who retires on his normal retirement shall be entitled to either (a) a lump sum payment of ₱100,000.00 or (b) to such termination pay benefits to which he may be entitled to under existing laws, whichever is the greater amounts.

SECTION 2. Late Retirement. Any member who remains in the service of the Company after his normal retirement date may retire either at his option or at the option of the Company and when so retired he shall be entitled either (a) to a lump sum payment of ₱5,000.00 for each completed year of service rendered as a pilot, or (b) to such termination pay benefits to which he may be entitled under existing laws, whichever is the greater amount.

<sup>39</sup> Comment filed on 28 April 2016, *rollo*, pp. 804-809.

<sup>40</sup> *Id.* at 805.

<sup>41</sup> *Id.* at 805-807.

## ISSUES

The following issues are presented for resolution in this case:

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

## OUR RULING

We **GRANT** the Petition.

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

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

The threshold question before this Court concerns the proper characterization of the sum of ₱4,456,817.75 received by Hassaram from the Plan. For its part, PAL avers that this amount formed part of Hassaram's retirement pay, because the Plan was a retirement fund wholly financed by the company. Hassaram, on the other hand, insists that the amount he received from the Plan represented only a return of his share in a distinct and separate provident fund established for PAL pilots.

We rule for petitioner.

It is clear from the provisions of the Plan that it is the company that contributes to a "retirement fund" for the account of the pilots.<sup>44</sup> These

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<sup>42</sup> 691 Phil. 58 (2012).

<sup>43</sup> Supra note 16.

<sup>44</sup> Article II, Section 12 of the Plan, states:

Section 12. "Retirement Fund" shall mean the Company's contributions to the Trust Fund established under or in connection with this Plan in the Participants' behalf plus/minus earnings/losses and less expenses charged to the Fund and benefit payments previously made. The Retirement Fund consist of the participants' equity and forfeitures:

2.12.1. "Participant's Equity in the Retirement Fund" shall mean the Company's contributions to the Retirement Fund for account of the Participant, plus/minus the proportionate share of investment earnings/losses less proportionate share of expenses charged to the Retirement Fund.

2.12.2. "Forfeitures" shall mean that portion of a former participant's equity which has been retained in the Fund and has not yet been applied to the reduction of the Company's contributions to the Fund pursuant to Article X of this Plan.

contributions comprise the benefits received by the latter upon retirement, separation from service, or disability.<sup>45</sup> In *Philippine Airlines, Inc. v. Airline Pilots Association of the Phils.*,<sup>46</sup> the Court utilized these provisions to explain the nature of the Plan:

**The PAL Pilots' Retirement Benefit Plan is a retirement fund raised from contributions exclusively from [PAL] of amounts equivalent to 20% of each pilot's gross monthly pay.** Upon retirement, each pilot stands to receive the full amount of the contribution. In sum, therefore, the pilot gets an amount equivalent to 240% of his gross monthly income for every year of service he rendered to petitioner. This is in addition to the amount of not less than ₱100,000.00 that he shall receive under the 1967 Retirement Plan.<sup>47</sup> (Emphasis supplied and citations omitted)

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

Consistent with the purpose of the law, the CA correctly ruled for the computation of the petitioner's retirement benefits based on the two (2) PAL retirement plans because it is under the same that he will reap the most benefits. Under the PAL-ALPAP Retirement Plan, the petitioner, who qualified for late retirement after rendering more than twenty (20) years of service as a pilot, is entitled to a lump sum payment of ₱125,000.00 for his twenty-five (25) years of service to PAL. xxx.

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**Apart from the abovementioned benefit, the petitioner is also entitled to the equity of the retirement fund under PAL Pilots' Retirement Benefit Plan, which pertains to the retirement fund raised from contributions exclusively from PAL of amounts equivalent to 20% of each pilot's gross monthly pay.** Each pilot stands to receive the full amount of the contribution upon his retirement which is equivalent to 240% of his gross monthly income for every year of service he rendered to PAL. This is in addition to the amount of not less than ₱100,000.00 that he shall receive under the PAL-ALPAP Retirement Plan. (Emphasis supplied and citations omitted)

Considering that the very same retirement plan is involved in this petition, we adopt the pronouncements in the above cases. We therefore rule that the amount of ₱4,456,817.75 received by Hassaram from the PAL Plan formed part of his retirement pay.

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<sup>45</sup> Article I, Section 2 of the Plan, provides:

Section 2. Objective. The object of this Plan is to provide through a Retirement Fund to be established by the COMPANY, for the payment of definite amounts to its pilots or participants as defined in Article II, when they are disabled by accident or sickness or are separated or retired from the service and, in the event of death, the payment of definite ascertainable amounts to their lawful heir or heirs, subject to the conditions and limitations hereinafter set forth.

<sup>46</sup> 424 Phil. 356 (2002).

<sup>47</sup> Id. at 363.

<sup>48</sup> Supra note 42.

***Hassaram's retirement pay should be computed on the basis of the retirement plans provided by PAL.***

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

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

**Art. 287. Retirement.** Any employee may be retired upon reaching the retirement age established in the collective bargaining agreement or other applicable employment contract.

In case of retirement, the employee shall be entitled to receive such retirement benefits as he may have earned under existing laws and any collective bargaining agreement and other agreements: *Provided, however,* That an employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided therein.

In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Interpreting the language of this provision, we declared in *Elegir* as follows:<sup>49</sup>

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

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

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<sup>49</sup> Supra note 42.

CBA 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 sustenance.<sup>50</sup> (Emphasis supplied)

In the assailed Decision and Resolution, the CA declared that Hassaram was entitled to retirement benefits under Article 287, because the benefits provided under that provision were supposedly superior to those granted to him under the PAL retirement plans.

We disagree.

It is clear from the records that Hassaram is a member of ALPAP and as such, is entitled to benefits from both the retirement plans under the 1967 PAL-ALPAP CBA and the Plan.<sup>51</sup>

Parenthetically, we note the declaration of the CA that the agreement had already expired two years before Hassaram's claim.<sup>52</sup> This declaration appears to be inaccurate, as the RTC and the CA themselves declared that the CBA expired only on 31 December 2000,<sup>53</sup> while Hassaram had applied for retirement earlier, on 31 August 2000.<sup>54</sup> The provisions of the CBA are therefore applicable as they would allow Hassaram to claim the following benefits under two separate plans provided under the CBA: (a) the amount of ₱5,000 for every year of service under the PAL-ALPAP Retirement Plan; and (b) an equity equivalent to 240% of his gross monthly salary for every year of employment pursuant to the Plan.

In contrast, Article 287 would entitle a retiring pilot to the equivalent of only 22.5 days of his monthly salary for every year of service. This scheme was thus considered by the Court as inferior to the retirement plans granted by PAL to the latter's pilots in *Elegir* and *PAL*:

In sum, therefore, the petitioner will receive the following retirement benefits:

(1) ₱125,000.00 (25 years x ₱5,000.00) for his 25 years of service to PAL under the PAL-ALPAP Retirement Plan, and;

(2) 240% of his gross monthly salary for every year of his employment or, more specifically, the summation of PAL's monthly contribution of an amount equivalent to 20% of his actual monthly salary, under the PAL Pilots' Retirement Benefit Plan.

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<sup>50</sup> Id. at 71.

<sup>51</sup> See Section 2 of the 1967 PAL-ALPAP Retirement Plan, supra note 38.

<sup>52</sup> See Decision dated 25 September 2014, supra note 2 at 77.

<sup>53</sup> Id. at 68; also see PAL's Position Paper, *rollo*, pp. 108-129, 109.

<sup>54</sup> Id. at 67; also see Complainant's Position Paper, *rollo*, pp. 86-99, 87.

On the other hand, under Article 287 of the Labor Code, the petitioner would only be receiving a retirement pay equivalent to at least one-half (1/2) of his monthly salary for every year of service, a fraction of at least six (6) months being considered as one whole year. **To stress, one-half (1/2) month salary means 22.5 days: 15 days plus 2.5 days representing one-twelfth (1/12) of the 13th month pay and the remaining 5 days for service incentive leave.**

**Comparing the benefits under the two (2) retirement schemes, it can readily be perceived that the 22.5 days worth of salary for every year of service provided under Article 287 of the Labor Code cannot match the 240% of salary or almost two and a half worth of monthly salary per year of service provided under the PAL Pilots' Retirement Benefit Plan, which will be further added to the P125,000.00 to which the petitioner is entitled under the PAL-ALPAP Retirement Plan.** Clearly then, it is to the petitioner's advantage that PAL's retirement plans were applied in the computation of his retirement benefits.<sup>55</sup> (Emphasis supplied and citations omitted)

Following the above pronouncement, we therefore declare that Hassaram's retirement benefits must be computed based on the retirement plans of PAL, and not on Article 287 of the Labor Code.

In view of the undisputed fact that Hassaram has received his benefits under the Plan,<sup>56</sup> he is now entitled to claim only his remaining benefits under the CBA, i.e. the amount of ₱120,000 (24 years x ₱5,000) for his 24 years of service to the company.

**WHEREFORE**, the Petition for Review on Certiorari is GRANTED. The CA Decision and Resolution dated 25 September 2014 and 23 March 2015, respectively, are **SET ASIDE**. Petitioner Philippine Airlines, Inc., is hereby **ORDERED** to **PAY** respondent Arjan T. Hassaram the amount of ₱120,000 representing the balance of his retirement pay, computed based on the 1967 PAL-ALPAP Retirement Plan and the PAL Pilots' Retirement Benefit Plan.

No pronouncement as to costs.

**SO ORDERED.**



**MARIA LOURDES P. A. SERENO**  
Chief Justice

<sup>55</sup> *Elegir v. Philippine Airlines, Inc.*, supra note 42, at 72-74.

<sup>56</sup> See Acknowledgment Receipt dated 15 November 2000, *rollo*, p. 516.

WE CONCUR:

*Teresita Leonardo de Castro*  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

*Mariano C. Del Castillo*  
**MARIANO C. DEL CASTILLO**  
Associate Justice

*Estela M. Perlas-Bernabe*  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

*Alfredo Benjamin S. Caguioa*  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, 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.

*Maria Lourdes P. A. Sereno*  
**MARIA LOURDES P. A. SERENO**  
Chief Justice