



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
MALACANANG, MANILA



NATIONAL BUDGET CIRCULAR NO. 429  
September 30, 1993

TO : Heads of Departments of Health, Agriculture, Environment and Natural Resources, Social Welfare and Development, Local Government Units and All Others Concerned

SUBJECT : Separation and Retirement Benefits of National Government Agency Personnel Devolved to the Local Government Units

SECTION 1. **Purpose.** This Circular is issued in compliance with Executive Order No. 503, dated January 22, 1992, which provides the rules and regulations implementing Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

SECTION 2. **Coverage.** All officials and employees of national government agencies (NGAs) affected by the devolution of powers, functions and responsibilities to the local government units (LGUs) pursuant to R.A. 7160.

SECTION 3. **Rules and Regulations.**

- 3.1 An official/employee to be devolved, who opts for retirement from the service shall be entitled, if qualified under existing laws, to receive retirement gratuities and other benefits accruing thereon.
- 3.2 An official/employee to be devolved who is not eligible for retirement, but opts to be separated from the service shall be entitled to separation pay equivalent to one (1) month salary for every year of service, plus proportionate amount for any fraction thereof over and above the monetary value of his accumulated leave credits, pursuant to existing laws.

- 3.3 An official or employee who is devolved to the LGU under Section 7 of Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 and other pertinent Civil Service Rules may, at the time of transfer, choose either of the following modes relative to his unused vacation and/or sick leave credits, to wit:
- 3.3.1 Have it commuted; or
  - 3.3.2 Have it transferred to his new agency.
- 3.4 The payment of retirement benefits to an official/employee specified under Sub-Sections 3.1 and 3.2 shall be assumed solely by the NGA concerned. Likewise, the payment of commuted leave credits under Sub-Section 3.3.1 shall be assumed by the NGA concerned.
- 3.5 An official or employee who is transferred to the LGU but who subsequently retires or is separated from the service shall be paid retirement benefits proportionately shared by the NGA and the LGU concerned based on the cumulative length of service in both agencies.

**SECTION 4. Funding Source.**

- 4.1 Retirement Gratuity, Separation Pay and/or Terminal Leave Pay of officials/employees to be devolved but opt to retire/be separated from the service shall be funded from the lump-sum appropriation for Miscellaneous Personnel Benefits Fund (MPBF).
- 4.2 Retirement Gratuity and Terminal Leave Pay of NGA officials/employees who were transferred to the LGU shall be funded as follows:
- A. Retirement Gratuity
    - A.1 MPBF, for services rendered in the national government; and
    - A.2 Local funds, for services rendered in the LGU.
  - B. Terminal Leave Pay
    - B.1 MPBF, for terminal leave pay of officials/employees who opted to have their accumulated leave credits commuted before transferring to the LGU;



B.2 MPBF, for leave credits earned in NGA and transferred to the LGU; and

B.3 Local funds, for leave credits earned in the LGU.

4.3 Illustrative examples of the computation of the retirement/separation and terminal leave benefits are found in "ANNEX A."

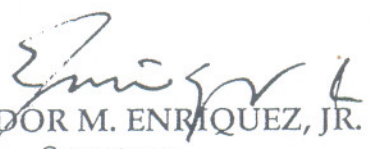
#### SECTION 5. Responsibility.

5.1 The Department of Budget and Management (DBM) shall provide priority funding to the separation/retirement and other benefits of officials/employees specified in Sub-Sections 3.1 and 3.2.

5.2 The DBM shall provide priority funding to the proportionate share of the national government in the retirement and other benefits of an official/employee devolved to the LGU.

5.3 The LGU concerned shall provide priority funding to the proportionate share of the LGU in the retirement and other benefits of an official/employee devolved from the NGA.

SECTION 6. **Saving Clause.** Cases not covered by the provisions of this Circular shall be referred to the DBM for appropriate action.

  
SALVADOR M. ENRIQUEZ, JR.  
Secretary

## ANNEX "A"

## ILLUSTRATIVE EXAMPLES

- 1.1 An employee who is with a national government agency (NGA) from July 8, 1961 was devolved to the LGU effective July 1, 1992. Said employee retired from the government service effective September 10, 1993 with highest monthly salary received of P6,588.00. His leave credits transferred to the LGU pursuant to Section 7 of Rule XVI of the Omnibus Rules implementing Book V of E. O. No. 292 is 200 days and has accumulated additional 22 days while in the LGU.

## COMPUTATION OF TOTAL BENEFITS

## A. Retirement Gratuity

## 1. Creditable Service

## National

06/30/92	-	92.58219	
07/08/61	-	61.60525	30.97694

## Local

09/10/93	-	93.71740	
07/01/92	-	92.58607	1.13133

Total		32.10827	
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## 2. Gratuity Months

1st 20 years	-	20.0 x 1	=	20.0000
21-30 years	-	10.0 x 1.5	=	15.0000
Over 30 years	-	2.10827 x 2	=	4.2165

Total				39.2165
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## 3. Retirement Gratuity

P 6,588 x 39.2165		= P 258,358
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NGA Share = 30.97694/32.10827 x 258,358	= P 249,255
LGU Share = 1.13133/32.10827 x 258,358	= 9,103

Total	P 258,358
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## B. Terminal Leave Pay

P 6,588/22 working days x 222 days	= P	66,479	=====
NGA Share = $30.97694/32.10827 \times 66,479$	= P	64,137	
LGU Share = $1.13133/32.10827 \times 66,479$	=	2,342	-----
	P	66,479	=====

- 1.2 An employee who is with an LGU from January 1, 1972 was absorbed by the NGA by virtue of Executive Order No. 112 of the Office of the President effective January 1, 1987. The same employee is devolved as of June 30, 1992 to the LGU. He retired from the government service effective January 1, 1998 with highest monthly salary received of P10,135.00. Based on certification of leave credits earned, he has unused leave credits of 150 days as a local employee and 15 days as a national government employee which was transferred to the LGU pursuant to Section 7 of Rule XVI of the Omnibus Rules Implementing Book V of E. O. 292.

## COMPUTATION OF TOTAL BENEFITS

### A. Retirement Gratuity

#### 1. Creditable Service

##### Local

12/31/86	-	87.08493		
01/01/72	-	72.08607	14.99886	
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01/01/98	-	98.08607		
07/01/92	-	92.58607	5.50000	20.49886
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##### National

06/30/92	-	92.58219		
01/01/87	-	87.08607		5.49612
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Total				25.99498
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#### 2. Gratuity Months

1st 20 years	-	$20.0 \times 1$	=	20.00000
Over 20 years	-	$5.99498 \times 1.5$	=	8.99247
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Total				28.99247
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### 3. Retirement Gratuity

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P 10,135 x 28.99247 = P 293,839  
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LGU Share =  $20.49886/25.99498 \times 293,839$  = P 231,713  
NGA Share =  $5.49612/25.99498 \times 293,839$  = 62,126

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Total P 293,839  
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#### B. Terminal Leave

P 10,135/22 working days x 165 days = P 76,012  
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LGU Share =  $150/165 \times 76.012$  = P 69,102  
NGA Share =  $15/165 \times 76.012$  = 6,910

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Total P 76,012  
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- 1.3 An employee who is to be devolved to the LGU opted to be separated from the government service. He rendered 10 years government service and unused leave credits of 150 days. His latest monthly salary amounts to P3,540.00.

#### COMPUTATION OF SEPARATION PAY AND MONETARY VALUE OF UNUSED LEAVE CREDITS

##### A. Separation Pay

P 3,540.00 x 10 years = P 35,400  
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##### B. Money Value of Unused Leave Credits

P 3,540/22 working days x 150 days = P 24,136  
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