



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

BUDGET CIRCULAR

No. 2016 – 2

March 29, 2016

TO : All Heads of Constitutional Bodies; Departments, Bureaus and Agencies of the National Government; Local Government Units (LGUs); Government-Owned/Controlled Corporations (GOCCs) with Original Charters; and State Universities and Colleges

SUBJECT: Computation and Funding of Terminal Leave Benefits and Monetization of Leave Credits

1.0 RATIONALE

In view of the enactment of Republic Act No. 9849 declaring Eidul Adha and Eidul Fitr as regular holidays being observed in the Philippines, the Civil Service Commission issued CSC Resolution No. 1501530 dated December 21, 2015 amending the constant factor in the formula used in computing the terminal leave benefits (TLB) and monetization of leave credits (MLC).

2.0 PURPOSE

To modify Budget Circular No. 2002-1 dated January 14, 2002 on the computation and funding of Terminal Leave Benefits (TLB) and Monetization of Leave Credits (MLC) of government officials and employees, adopting the constant factor as prescribed under CSC Resolution No. 1501530 dated December 21, 2015.

3.0 GUIDELINES

3.1 On the computation

Pursuant to Section 40 of CSC MC No. 14, TLB and MLC shall be computed as follows:

$$TLB = S \times D \times CF$$

Where:

TLB	=	Terminal Leave Benefits
S	=	Highest monthly salary received
D	=	No. of accumulated vacation and sick leave credits
CF	=	Constant factor which is 0.0481927

The constant factor (CF) was derived from this formula:

$$\frac{\text{Number of months in a year}}{\text{No. of days in a year less than the sum of Saturdays and Sundays and Legal Holidays in a year}}$$

365	=	Days in a year
104	=	Weekends in a year
12	=	Legal Holidays in a year (in accordance with RA No. 9849, which includes Eidul Adha and Eidul Fitr)
12	=	Months in a year

$$\frac{12}{365 - (104 + 12)} = \frac{12}{249} = 0.0481927$$

Based on the above formula, the equivalent number of days in a month for purposes of computation of TLB is 20.75.

3.2 On the Funding Source

3.2.1 Funding for TLB shall be charged in the following sources:

3.2.1.1 For compulsory retirees of NGAs, TLB benefits shall initially be covered by agency built-in lumpsums for the purpose. Any deficiency shall be paid from the Pension and Gratuity Fund (PGF).

3.2.1.2 Pursuant to **Special Provision No. 1(b) under PGF, of the 2016 GAA**, TLB (being part of retirement benefits) of the following shall be charged against PGF:

- Optional retirees of NGAs;
- Personnel of GOCCs which are financially unable to pay said benefits, subject to submission of a streamlining program and measures that will enhance the efficiency and effectiveness; and
- Personnel devolved to LGUs in accordance with NBC Nos. 429 and 429-A dated September 30, 1993 and December 29, 1993, respectively.

3.2.2 For MLC

Pursuant to **Special Provision No. 1(d) under PGF, of the 2016 GAA**, payment for (1) MLC of NG personnel and (2) transferred leave credits of NG personnel devolved to the LGUs in accordance with R.A. No. 7160 as implemented by E.O. No. 503, s. 1992 and NBC Nos. 429 and 429-A, shall be **charged against the PGF**.

4.0 RESPONSIBILITY OF THE HEAD OF ENTITY

The Head of entity concerned shall be held personally liable for any payment of the TLB and MLC not in accordance with the provisions of this Circular without prejudice however, to the refund of any excess payment received by the employee concerned.

5.0 EFFECTIVITY

This Circular shall take effect on January 23, 2016 covering employees who will retire after January 22, 2016.


FLORENCIO B. ABAD

Secretary *dr*

