

**MALACAÑANG
MANILA**

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 641

**AUTHORIZING THE ESTABLISHMENT AND ADMINISTRATION OF PROVIDENT FUNDS IN
THE GOVERNMENT**

WHEREAS, Provident Funds were established in government banking institutions pursuant to Republic Act (RA) No. 4537, funded out of the contributions made by the bank and its officers and employees;

WHEREAS, Section 41, General Provisions of RA No. 7180, the FY 1992 General Appropriations Act (GAA), authorized that any surplus of service fees deposited with the National Treasury be constituted into a Provident Fund which shall be available for loaning purpose and Administrative Order No. 279, s. 1992 prescribed the attendant rules and regulations;

WHEREAS, subsequent GAAs reiterated the constitution of Provident Funds, now charged against service fees, which shall be available also for welfare benefits' purposes;

WHEREAS, other government-owned and/or controlled corporations (GOCCs) and government financial institutions (GFIs) were authorized to establish Provident Funds;

WHEREAS, Provident Funds supplement retirement or separation benefits and provide alternative sources of loan financing;

WHEREAS, there is a need to prescribe uniform rules and regulations for the establishment and administration of Provident Funds in the government;

WHEREAS, the Committee on the Protection of Income of Government Employees created pursuant to Executive Order No. 462 dated September 19, 2005, advocates the "Institutionalization of the Agency Provident Fund" as one of the measures to provide supplementary benefits to government employees;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. Purpose – A Provident Fund is hereby authorized to be established in each government agency to be administered in accordance with the objectives, policies, governing structure and general guidelines indicated herein.

SECTION 2. Objectives. – The Provident Fund shall serve as a savings and loan credit facility that may cater to the needs of government officials and employees; and shall provide supplementary welfare benefits from the Fund.

SECTION 3. Policies. – The establishment and administration of the Provident Fund shall be guided by the following policies consistent with established management principles and practices:

- a. Membership in the Provident Fund shall be voluntary;
- b. Employees and employers alike shall share roles in the establishment and administration of Provident Funds;

- c. Reasonable regulatory structures shall be established to ensure uniformity, integrity and viability of the operation of the Provident Fund;
- d. Consistent with the principles of fair remuneration and equity, all officers and employees should have guaranteed access to the Provident Fund and should have the same rights and privileges under the Fund. There should be no special rules to benefit executives or a select group of employees;
- e. The Provident Fund should be managed prudently by a Board of Trustees with equal representation from the employer and employees to preserve Fund accounts, safeguard the viability of the fund and ensure the security of members;
- f. To encourage employees to contribute as much as they can to the Fund, as well as preserve their Provident Fund accounts and not withdraw their share before retirement or separation, advocacy measures should be instituted;
- g. Members should have strong legal protections with government enforcement capabilities against the loss of Provident Fund assets due to fraud, theft or fiduciary mismanagement.

SECTION 4. Funding Sources. – The Provident Fund shall be sourced from the following:

- (a) Members' contributions;
- (b) Initial government agency counterpart contributions in the form of support for reasonable operating requirements in the administration and operation of the fund such as the part-time assignment of existing personnel and the use of necessary agency facilities and equipment; and
- (c) Such other fund sources as may be provided by the laws, and those which the Board of Trustees of the Fund may thereafter identify as legal, valid and authorized funding sources.

Government cash contributions to be sourced from savings may be authorized in the future as the government's financial position would allow, subject to the guidelines that will be issued by the Department of Budget and Management (DBM).

SECTION 5. Governance – The Provident Fund shall be managed by a Board of Trustees, hereafter referred to be as the Board, with adequate representation from the employer and employees. The agency's highest official directly responsible for financial affairs may be designated as Chairman of the Board of Trustees.

SECTION 6. Functions and Responsibilities of the Board. – The Board shall be directly responsible for the efficient and effective administration of the Provident Fund. Its functions shall be as follows:

- a. Promulgate, implement and enforce the rules and regulations governing the use, operation, and investment of the Fund;
- b. Identify and secure other legal, valid and authorized sources of funds to provide better credit facility and welfare benefits for the members;
- c. Determine the type, use and amounts of loans that may be granted and prescribe the applicable repayment schedule and interest rates;
- d. Determine the benefits due to members of the Fund;

- e. Establish the eligibility requirements for membership, claimants and grantees of the fund;
- f. Approve membership, loans to employees after considering the poverty threshold limit, benefits, and expenditures from the Fund;
- g. Designate or appoint officers and staff of standing committees for the Fund from among the regular personnel of the agency, and prescribe their duties, and responsibilities;
- h. Create and constitute regional boards if and when the size and spread of operations so warrant and delegate such functions as may be necessary;
- i. Determine sanctions/liabilities of officers managing the Fund and of violators of the rules and regulations of the Fund; and
- j. Perform such other functions as may be necessary to carry out the objectives and purposes of this Order.

SECTION 7. Restriction on Compensation and Expenses – All members, officers and staff of the Board shall serve without compensation, except for payment of actual overtime services rendered by the support staff. Reasonable expenses incurred by the members of the Board in connection with Board activities may, however, be reimbursed upon presentation of receipts and other documentary evidences in support of claims. Any claim for reimbursement of actual and necessary expenses incurred in connection with activities of the Board shall be evaluated and processed in accordance with existing accounting and auditing rules and regulations.

SECTION 8. Accounting and Auditing Requirements. – The Provident Fund and its operations shall be subject to existing accounting and auditing rules and regulations.

SECTION 9. Reporting Requirement. – The Board of Trustees shall submit to the members thereof an annual report on the operation of the Fund and its financial condition at the end of each year, copy furnished the Office of the President and the Department of Budget and Management.

SECTION 10. Implementing Rules and Regulations. – The DBM shall issue the necessary implementing rules and regulations within sixty (60) days from the issuance of the Order, without prejudice to the immediate establishment or setting-up of a Provident Fund by the agencies.

SECTION 11. Separability Clause. – If any part or provision of this Executive Order is held invalid or unconstitutional, the other parts or provisions not affected shall remain valid and effective.

SECTION 12. Effectivity. – This Executive Order shall take effect fifteen (15) days following its publication in a national newspaper of general circulation.

DONE in the City of Manila, this 25th day of July in the year of Our Lord, Two Thousand Seven.

(Sgd.) **GLORIA MACAPAGAL-ARROYO**

By the President:

(Sgd.) **EDUARDO R. ERMITA**
Executive Secretary