

11 September 2003

MEMORANDUM TO : ALL CATEGORY "A+" and "A" ELECTRIC COOPERATIVES

Subject : **RETIREMENT/GRATUITY PAY LOAN PROGRAM FOR
EMPLOYEES OF ELECTRIC COOPERATIVES (ECs)**

I. RATIONALE

The electric cooperative (EC) employees are partners of the Officials and top Management in implementing electrification in the rural areas. While the Electrification Program had definitely contributed much to improve the quality of life in the countryside, these unsung heroes of the program are experiencing fiscal deficits as manifested by their chronic indebtedness from different creditors and lending institutions as a result of housing loan obligations as well as their educational and health needs as well as those of their family members. With the prevailing high interest rates, their take-home pay had been reduced to a marginal amount; and in some cases, even an overdraft.

This financial problem somehow affects the efficiency level and work attitude of the employees. Taking cognizance of this situation, and in fulfillment of the desire to improve the EC employees' welfare, a plan to adopt a program that would help them alleviate the situation, through the Retirement/Gratuity Pay Loan Program, is formulated.

II. POLICY

To alleviate the financial condition of the electric cooperative employees, whose sacrifices helped make possible the attainment of the mandate of electrifying the countryside, NEA hereby provides the following Guidelines for the Retirement/Gratuity Pay Loan Program for Electric Cooperative (EC) Employees, excluding the General Managers.

III. IMPLEMENTING GUIDELINES

1. The Retirement/Gratuity Pay Loan Program can be availed of by EC employees from electric cooperatives at category A+ and A for at least two consecutive years, provided that the EC has a sinking fund specifically for this program, provided further that it will not result in increased power rates.
2. The purpose/s of the loan may be one or more of the following: for payment of equity on housing loans, for medical needs and for college education of the employee himself/herself, or children or siblings.
3. The loanable amount shall be equal to the amount of the payment of equity for housing loans, educational needs or medical requirement, or 50% of the computed retirement benefits due to the employee at the time of the loan availment, whichever is lesser.

4. The Retirement Loan shall bear an annual interest rate of 6% per annum payable in equal monthly installments as follows:
 - Less than P50,000 = three (3) years to pay;
 - P50,000 to P100,000 = four (4) years to pay; and
 - Above P100,000 = five (5) years to pay
5. No renewal of Retirement Loan shall be granted until the previous loan shall have been paid in full. The employee may opt that the balance of the previous loan shall be deducted from the proceeds of the new loan, but only if at least half of the previous loan shall have been paid.
6. The computation of the retirement pay shall be based on the regular retirement policy approved by the NEA Central Office.
7. For the employee to qualify, he/she must have:
 - a. leave credits of at least 15 days;
 - b. at least ten (10) years service in the cooperative;
 - c. a monthly “take-home” pay or a net pay of at least P3,000 for the past six (6) months;
 - d. one (1) co-maker who shall likewise have a monthly net pay of at least P3,000 for the past six (6) months; and
 - e. no pending criminal or administrative case (involving grave offenses for the latter) as contained in the Code of Ethics for EC employees
8. An employee who qualifies and who wishes to avail of the Program benefits shall
 - a. signify his/her intent through a pro-forma letter; and
 - b. sign a notarized Memorandum of Agreement (MOA) with the cooperative, stipulating the terms and conditions.
9. In case of termination for cause necessitating forfeiture of retirement benefits, the employee who availed of the 50% Retirement Loan and has not fully paid said loan, shall reimburse/pay back the balance of the loan under such terms as may be imposed by, and acceptable to, the cooperative.
10. A Retirement Loan Committee shall be created to perform the following functions:
 - a. Evaluate the employee’s capacity to pay;
 - b. Validate applicant’s qualifications to avail of loans;
 - c. Compute and certify to the retirement benefit of an applicant at the time of loan application,
 - d. Prioritize loan availment; and
 - e. Prepare the Mechanics of Implementation
11. The Composition of the Retirement Loan Committee follows:
 - a. Administrative/Institutional Services Department Manager as Chairperson;

- b. Finance Department Manager as Vice-Chairperson;
- c. Immediate Supervisor of the employee availing of the loan; and
- d. The President or duly-authorized representative of the duly-recognized Employee Union/Association; provided that in case there is more than one union, it shall be the duly-certified Bargaining Unit; provided further that if there is an employee union for rank and file employee and a separate union for the supervisory staff, membership shall be rotated on the basis of the level of the position of the applicant.

The HR/Personnel Chief or Officer, or equivalent position in the cooperative, as the case may be, shall act as Secretariat to the Committee.

- 12. The employee shall authorize management to deduct the loan from the payroll.
- 13. The EC General Manager shall approve the loan after all the requirements shall have been complied with.

IV. ADOPTION

The EC Board of Directors is given the following options in reference to the Retirement/Gratuity Loan Program:

- a. Maintain/continue any existing similar program as approved by NEA ;
- b. adopt this Retirement/Gratuity Loan Program “en toto”; or
- c. adopt a modified version of these Guidelines.

The Policy shall be adopted through a Board Resolution, subject to the express approval of the NEA Central Office.

V. RESPONSIBILITY AND ACCOUNTABILITY

The Finance Manager and the Internal Audit Manager shall be responsible for regular monitoring of the EC’s continuing compliance with these guidelines.

The General Manager shall be accountable for the proper implementation of these guidelines.

VI. EFFECTIVITY

These Guidelines shall take effect after approval by the NEA Board of Administrators, and 15 days upon submission of copies to the University of the Philippines Law Center as required by Executive Order 292.


FRANCISCO G. SILVA
Administrator

MEMORANDUM OF AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Memorandum of Agreement is made and entered into by and between:

_____ ELECTRIC COOPERATIVE, INC. a duly-organized and registered cooperative under the laws of the Philippines, with principal office at _____, herein represented by _____, its General Manager, hereinafter known as _____ COOPERATIVE; and

_____ of legal age, single/married/separated, and presently residing at _____, hereinafter referred to as EMPLOYEE.

WITNESSETH:

WHEREAS, the electric cooperative employees are partners of the Officials and top Management in implementing electrification in the rural areas;

WHEREAS, while the Electrification Program had definitely contributed much to improve the quality of life in the countryside, these unsung heroes of the program are experiencing fiscal deficits as manifested by their chronic indebtedness from different creditors and lending institutions as a result of housing loan obligations as well as their educational and health needs and those of their family members;

WHEREAS, with the prevailing high interest rates, their take-home pay had been reduced to a marginal amount; and in some cases an overdraft;

WHEREAS, this financial difficulty somehow affects the efficiency level and work attitude of the employees;

WHEREAS, taking cognizance of this situation, and in its desire to improve the EC employees' welfare, a program that would help them alleviate the situation, through the Retirement/Gratuity Pay Loan Program, had been adopted by the cooperative;

NOW, THEREFORE, under the foregoing premises, the parties hereto agree as follows:

1. That the availment of the Retirement/Gratuity Pay Loan Program is open to all employees who have:
 - a. leave credits of at least 15 days;
 - b. at least ten (10) years service in the cooperative;
 - c. a monthly "take-home" pay or a net pay of at least P3,000 for the past six (6) months;
 - d. one (1) co-maker who shall likewise have at least a monthly net pay of P3,000 for the past six (6) months; and
 - e. no pending criminal or administrative case (involving grave offenses for the latter) as contained in the Code of Ethics for employees

2. That the EMPLOYEE voluntarily signifies his/her intention to avail of the program through a letter authorizing the Management to process for approval his/her Retirement/Gratuity Pay Loan in an amount equivalent to the payment of:

___ Equity for Housing Loan;
___ Educational Loan; and/or
___ Medical Loan,

or 50% of the computed retirement benefits of the employee at the time of the loan availment, whichever is lesser.

3. That the EMPLOYEE authorizes management to deduct regularly the loan directly from the payroll.

4. That the basis for the computation of the Retirement/Gratuity Benefits shall be the Normal or Regular Retirement Policy approved by the NEA Central Office.
5. That the Retirement/Gratuity Pay Loan shall bear an annual interest rate of 6% per annum, payable in equal monthly installments as follows:
 - Less than P50,000 = three (3) years to pay;
 - P50,000 to P100,000 = four (4) years to pay; and
 - Above P100,000 = five (5) years to pay
6. That no renewal of Retirement/Gratuity Pay Loan shall be granted until the previous loan shall have been paid in full; or that the EMPLOYEE may opt that the balance of the previous loan shall be deducted from the proceeds of the new loan, provided that at least half of the previous loan shall have been paid; and
7. That the EMPLOYEE hereby agrees that in the event that he/she commits any violation of the Cooperative's Code of Ethics and Discipline where the Penalty is TERMINATION, and the employee has not paid fully the retirement loan, he/she shall reimburse/pay back the balance of the loan under such terms as may be imposed by, and acceptable to, the cooperative.

IN WITNESS WHEREOF, the parties herein have hereunto affixed their signatures this _____ day of _____, 200__ at _____, Philippines.

_____ ELECTRIC COOPERATIVE, INC.

Signature over Name of General Manager

Signature over Name of Employee

SIGNED IN THE PRESENCE OF:

Signature over Printed Name of Witness

Signature over Printed Name of Witness

A C K N O W L E D G M E N T

Republic of the Philippines)
_____)

BEFORE ME, on this ____ day of _____, 200__ at _____, personally appeared _____ with Community Tax Certificate No. _____ issued on _____ at _____ and _____ with Community Tax Certificate No. _____ issued on _____ at _____ both known to me and to me known to be the same persons who executed the foregoing instrument, and they acknowledged that the same is their own voluntary act and deed.

WITNESS MY HAND AND SEAL on the date and place first above written.

Doc. No. _____
Page No. _____
Book No. _____
Series of 200__

NOTARY PUBLIC