



BUTI NA LANG, MAY SSS!

P2,000 SSS Pension Increase (House Bill 5842)

Financial Impact of the P2000 ATBP

Financial Impact of Proposed P2000 Pension Increase (based on the veto message)

- Total payout of P56 Billion annually
- Compared against investment income of P30 billion-P40 billion*, deficit will be P16 billion-P26 billion annually

** P40 billion based on 2014 financial statements*



Cost of P2000 Pension Increase for the First Year

Number of Pensioners	2.15 Million
Multiplied by: Across-the Board Pension Increase	Php2,000
Monthly Cost of Pension Increase	Php 4.3 Billion
Multiplied by: Number of Months	13
Cost of Pension Increase	Php56 Billion*

**Required funding is expected to further increase as the number of pensioners grow every year.*



Projected Net Loss in 2016 (without maternity benefits increase).

2016 Projected Profit & Loss Statement	in Billion Pesos	
	Original	With Legislated Benefits
Revenues		
Contributions	141	141
Investment Income	30 171	19 160
Expenditures		
Benefits	118	118
Operational expenses	12	12
P2000 pension increase	<u>130</u>	<u>56</u> <u>186</u>
NET REVENUE (LOSS)	<u>41</u>	<u>(26)</u>



Actuarial Impact of the P2000 ATBP

Actuarial Impact

- Previous study presented to Congress: P2,000 across-the-board-pension increase for existing and prospective pensioners will shorten the fund life by 13 years, from **2042** to **2029**.
- Due to current low market sentiment and divestment plan, fund life is projected to decrease to **2027** (11 years from today).



- To maintain the fund life at 2042, contribution rate needs to increase from **11%** to **15.8%**.



Reversal of Gains Achieved since 2010

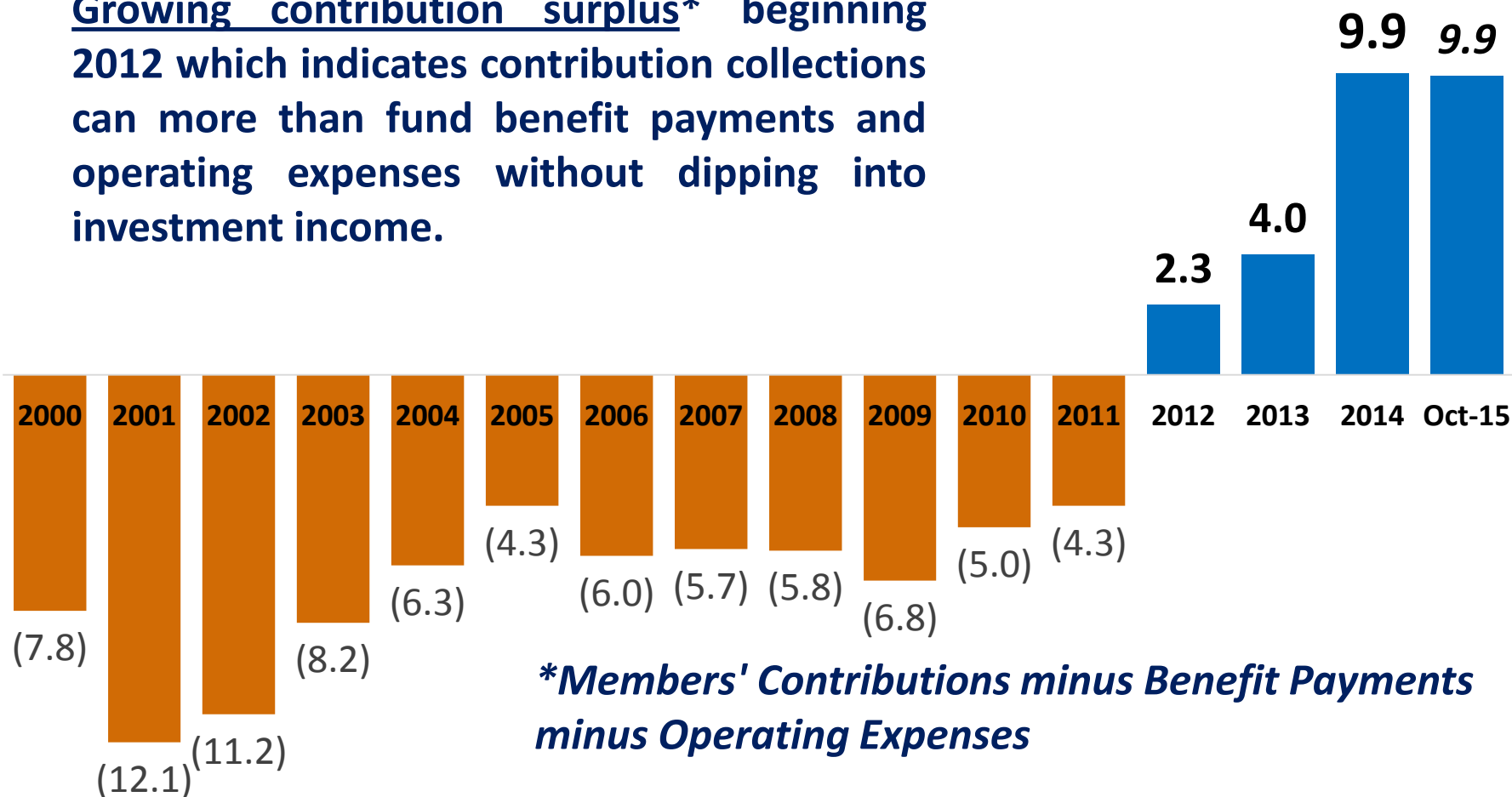
Reversal of gains achieved since 2010

- The P2000 increase would negate the gains attained under the present administration.



SSS Accomplishments

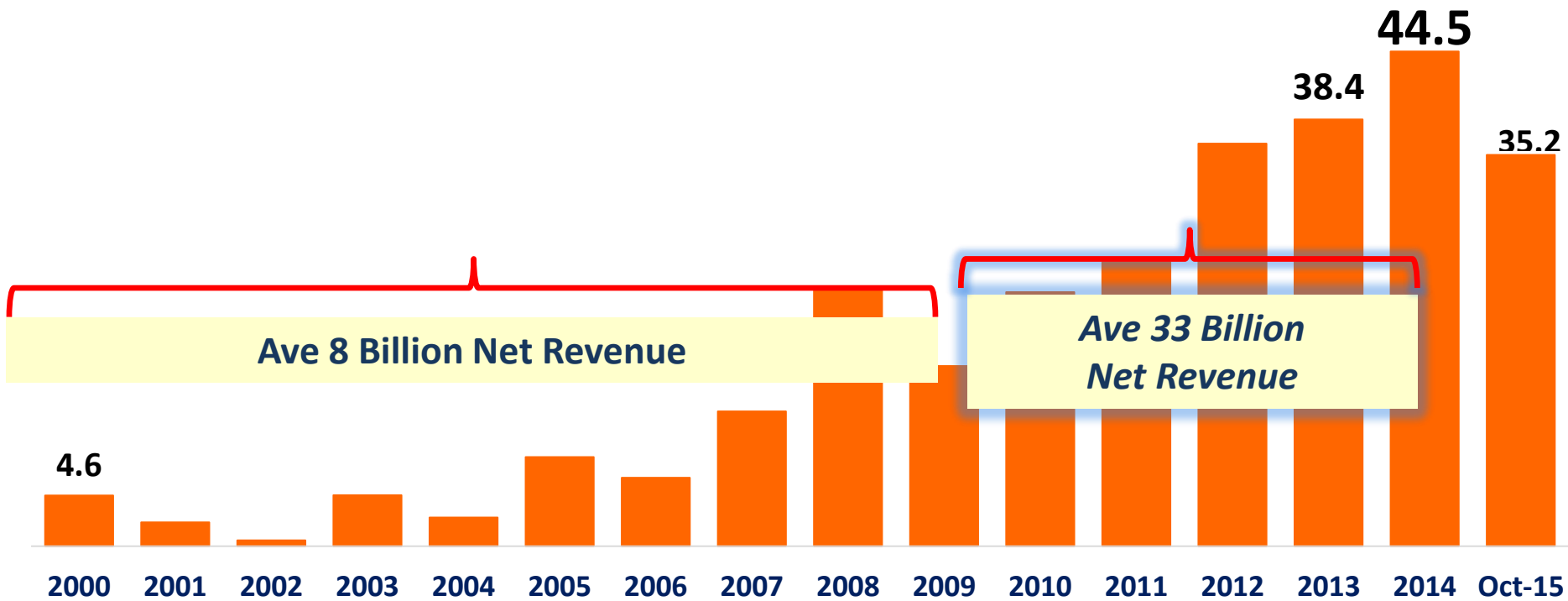
Growing contribution surplus* beginning 2012 which indicates contribution collections can more than fund benefit payments and operating expenses without dipping into investment income.



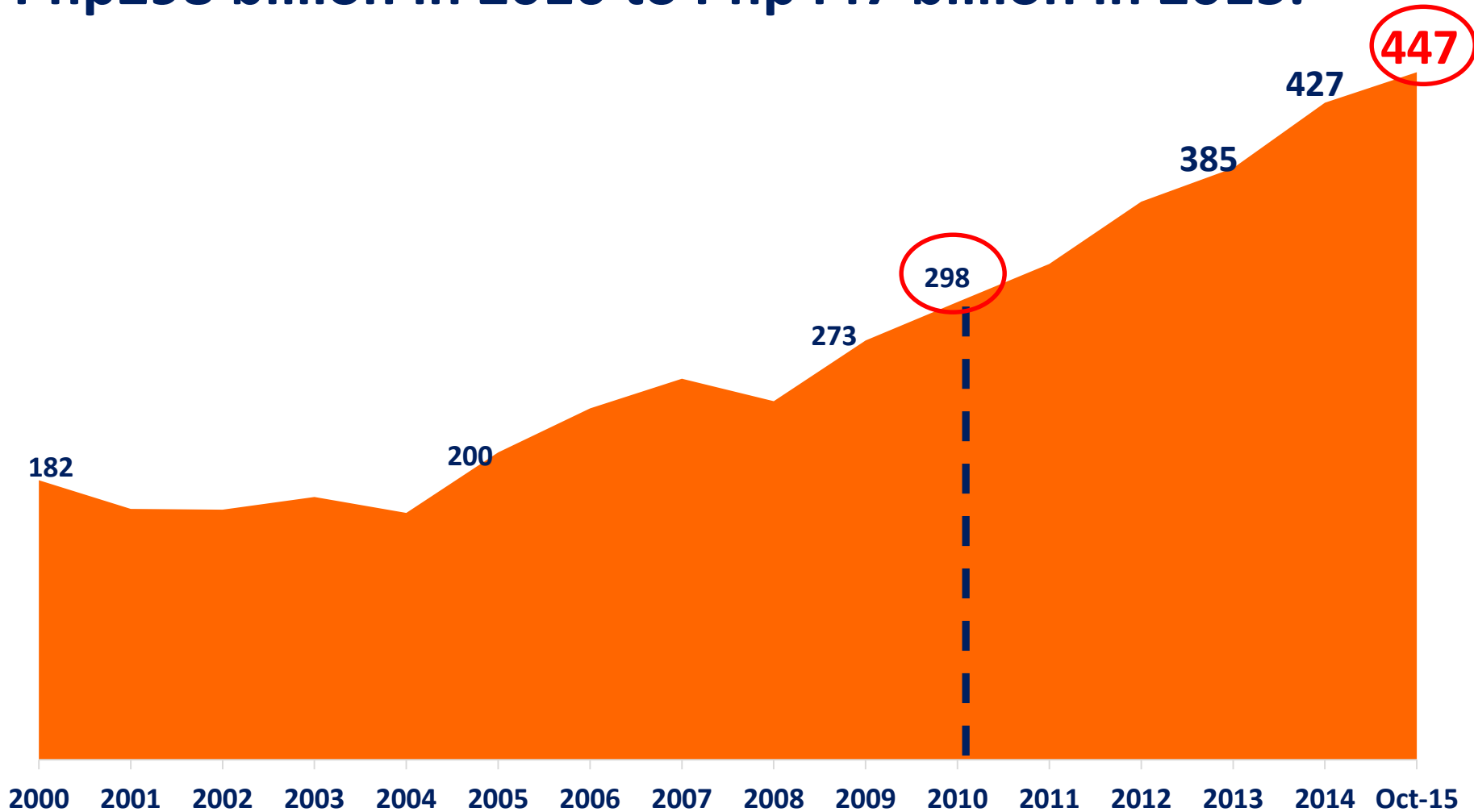
****Members' Contributions minus Benefit Payments minus Operating Expenses***



Increased net revenue averaging at P33 billion from 2010 to 2014 versus an average of P8 billion from 2000-2009

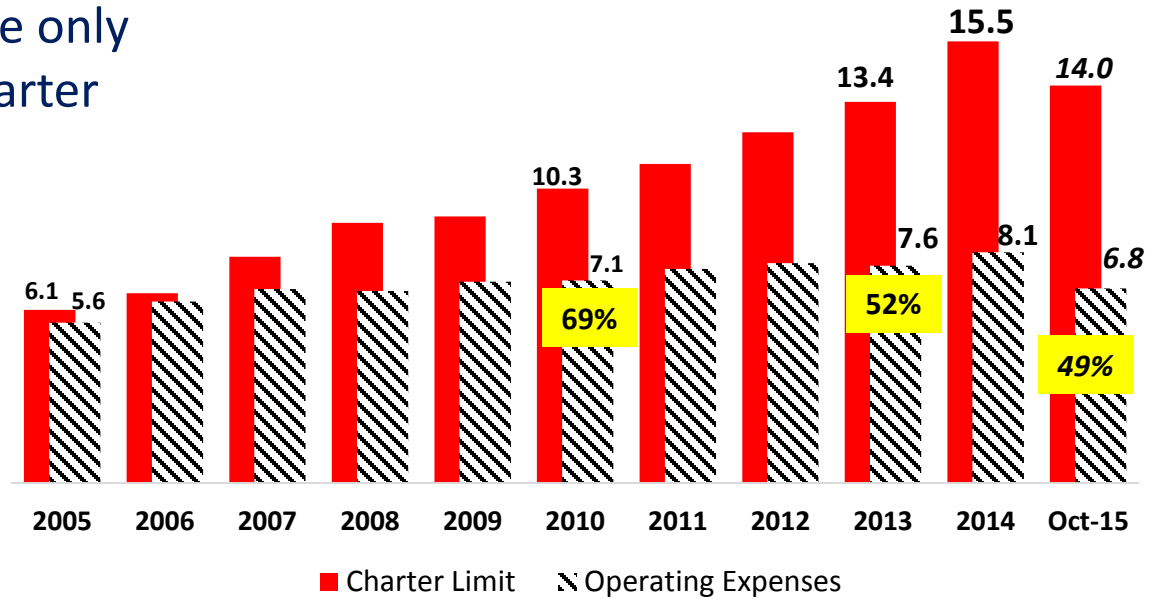


50% Growth in Assets over a 5- year period from Php298 billion in 2010 to Php447 billion in 2015.



Prudent Management of Operating Expenses

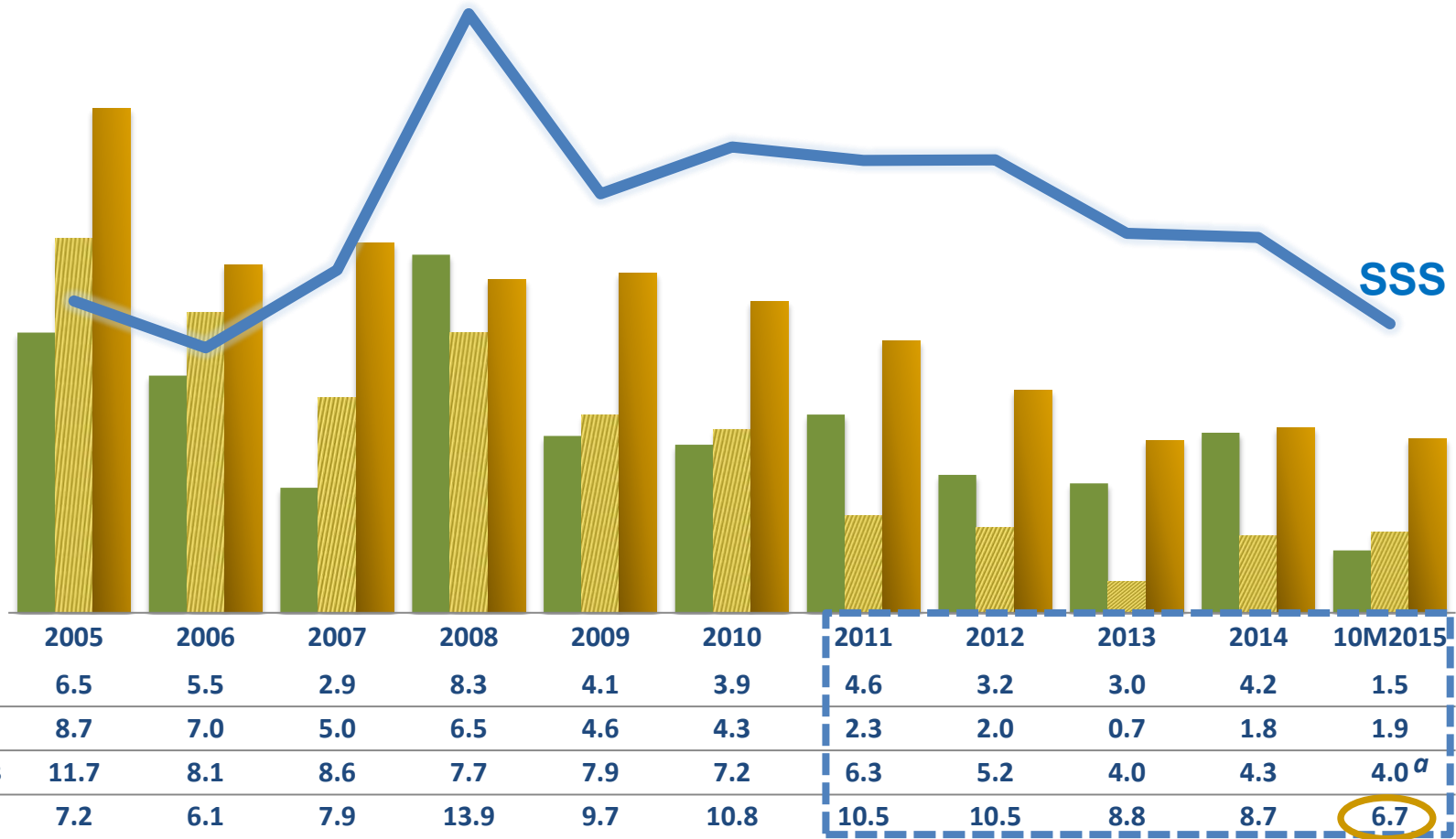
- Operating expenses are only 49% of the allowed charter limit vs. 69% in 2010



...while membership has grown steadily through the years



SSS Investments Yield Outperformed Benchmarks



^aPDS 10-Y



Buti na lang may SSS!
Aming kontribusyon, ipong nagbibigay proteksyon!

Other Major Accomplishments

- Strict enforcement of benefit payouts to pensioners;
- Increase in contribution rate from 10.4% to 11% and increase in maximum monthly salary credit from Php15,000 to Php16,000;
- 5% across-the-board-pension increase in July 2014;
- Increase in funeral benefit from a fixed amount of P20,000 to a maximum amount of P40,000 in August 2015;



Other Major Accomplishments

- A voluntary provident fund (PESO Fund) for SSS members to provide more avenues for retirement security;
- Together with the National Government, a Php7-billion Educational Assistance Loan Program in 2012 benefitting 67,299 qualified students as of June 2015;
- Opening of additional 109 branches since 2010 providing greater convenience and accessibility to SSS services.

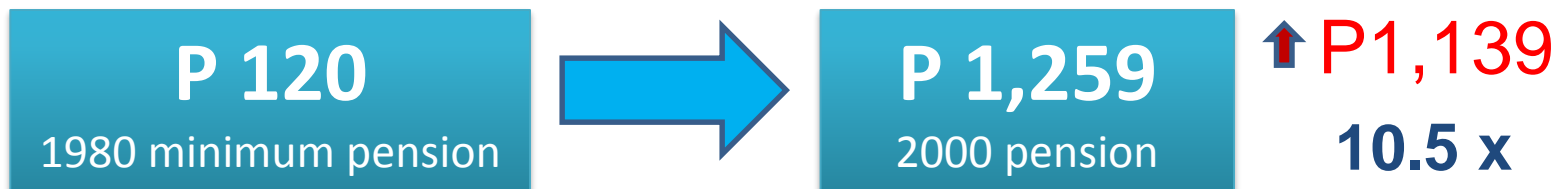


Historical Contribution and Pension Increases

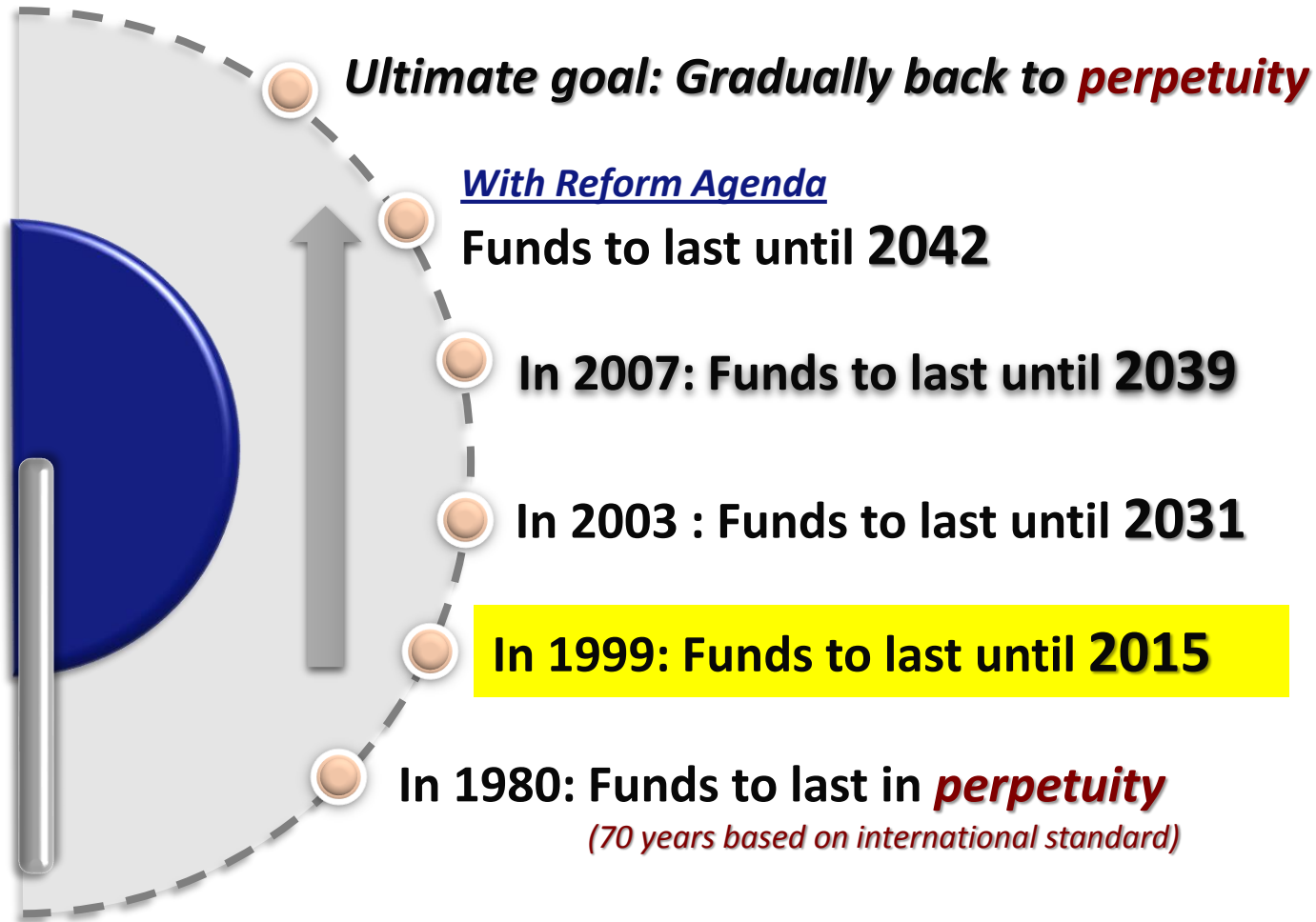
SSS Historical Across-the-Board Pension Increases

Effectivity	Rate	Effectivity	Rate
JAN 1980	20%	MAY 1991	15%
JUN 1981	20%	SEPT 1991	10%
JUN 1982	20%	SEPT 1992	10%
JUN 1984	15%	MAY 1993	10%
JAN 1986	20%	SEPT 1993	10%
JAN 1987	20%	MAY 1994	5%
SEPT 1987	20%	SEPT 1996	10%
SEPT 1989	15%	SEPT 1997	8%
SEPT 1990	15%	SEPT 1999	10%

Illustration:



What is the Life of the SSS Fund?



FVR cronies bled SSS of P35B: Erap

Joseph Estrada yesterday said investments by the Social Security System to the tune of P28 billion occurred in business.

President son the losses. He said Ramon Panlilio former Abadia, loans, unpaid the money went back management



John Haley, president and chief executive officer of Watson Wyatt & Co., said the administration should address the problem ahead of 2015 so more options could be considered.

Aside from these, SSS also invested in the graft-riddled Centennial, Expro, priant and Urban

ments in the stock market, Estrada said.

"Malaki ang kinita ng SSS sa

head Federico C. Pascual into investing in Belle Corp.

Fortun said he has documents

Plundered pension funds

LIKE Winnie Mussod's idea to have the board and senior the SSS and GSIS the shareholders. I comes senator and legislaed — so llions of contribu- ally be able to de- ontability from eir money. have always been

There is scarcely any margin of error left for the present managers to nurse the SSS and the GSIS back to financial sustainability.

SSS may run dry before 2015

By Jennifer B. Austria

The Social Security System could run out of funds before 2015 if the government does not approve an increase in the monthly contribution of members, a Washington-based international human resources benefits consulting firm said.

ount the alleged misuse of SSS funds during the Estrada administration.

Haley said among the options that could be considered are reducing the benefits given to SSS members and raising their contributions.

The SSS fund's deterioration is blamed on poor compliance, decreasing interest rates, increasing benefits without an increase in contribution rates, and increasing life expectancy.

Haley warned that if the government does not resolve the problem, social security benefits for current and future generations would

Heavy losses forced SSS to borrow P7.4B last year

BY JERRY ESLANADA

FOR THE first time in its 44-year history, the Social Security System was forced to borrow billions last

term credit lines" from the Land Bank of the Philippines, the Philippine Health Insurance Corp. (Philhealth) and the First Metro Investment Corp., the documents showed.

Although there is no provision in its charter that authorizes the SSS to borrow money, Carlos Arellano, the agency's former chair and president, ordered the borrowing on Jan. 2, 2000.

the loans, "with repayment periods of not more than one year," were necessary to "satisfy the liquidity requirements of the SSS."

Employees of the 23-million-member SSS have asked the Office of the Ombudsman and the Presidential Commission Against Graft and Corruption to look into the alleged "irregular transaction."

They urged government investigators to zero in on top SSS offi-

SSS deficit balloons to P18B

Pension body dipping into reserve fund, says top House leader

By CYNTHIA D. BALANA

THE SOCIAL Security System incurred its biggest deficit ever last year at P5.6 billion, bringing the pension fund's cumulative deficit to P18.49 billion since 1992, according to House Majority Leader Eduardo Gullas.

The huge deficit forced the SSS to again dip into its investment reserve fund (IRF) earnings to pay future benefits and support operations.

In expressing his concern over the continuing losses being incurred by the pension fund, Gullas said the biggest deficit was incurred by the SSS after spending P32.76 billion for benefits and operations and collecting only P27.12 billion in member contributions.

The Cebu congressman earlier urged the SSS to push for the universal coverage of all employed Filipinos as a way of expanding its base of contributors quickly, warning the pension fund could face financial problems in the future.

From 1992 to 1998, the SSS posted an aggregate deficit of P12.25 billion after spending P129.57 billion for benefits and operations while collecting only P116.72 billion in contributions.

It also suffered a P1.58 billion, or 11 percent, drop from P14.97 in 1998 to P13.39 billion last year due to the P5.6-billion deficit in contribution collections.

"I would stem IRF earnings are steadily being eroded. There might come a time when all IRF earnings would have to be used to cover the deficit, in which the IRF growth would be threatened," said Gullas.

Gullas said the sustained growth of IRF, which

more funds will be required for

Gullas has urged Congress to provide a provision to meet a growing retirement benefits and ease pre its earnings.

He also urged the SSS to be investment decisions. He noted fund's costly mistakes—the fa equity investment in Urban Bank

closed by the Bangko Sentral ng Pilipinas from Urban Bank, the in Equitable PCI Security Bank National Bank.

The SSS has reportedly been its reserve fund by 11 percent u through active participation in it other forms of investment.

Labor groups have criticized

SSS incurs worst deficit in 1999, solon says

The Social Security System (SSS) incurred last year a deficit amounting to P5.64 billion, its biggest ever, a House leader said yesterday.

Majority Leader Eduardo Gullas (LAMP, Cebu) said the SSS spent P32.76 billion for operations and payment of benefits in 1999; while collecting only P27.12 billion in member contributions.

It had to use P5.64 billion or 39 percent of its P18.86 billion in investment earnings to fund the deficit, he said.

He said, ideally, investment earnings are reinvested or are returned to the reserve fund, which is used for future and not current benefits.

Earlier, Gullas urged the SSS to expand member coverage so it can collect more contributions and avoid dipping into its reserves.

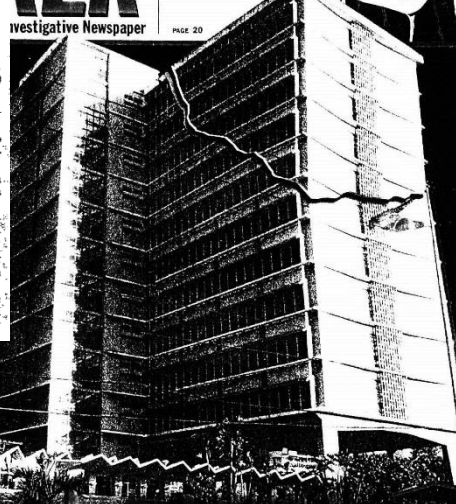
He said last year's deficit brought to P18.49 billion the total accumulated deficit since 1992. He stressed that if the SSS continues to dip into its reserve funds, that would adversely affect its long-term stability.

The sustained growth of those funds, which amounted to P166 billion as of the end of last year, is important to such stability, he added.

At the same time, the House leader urged SSS officials to be more cautious in their investment decisions.

"They should avoid costly mistakes, such as their failed P17.5 million equity investment in Urban Bank," he said.

He said such wrong decisions make matters worse for the SSS and its millions of members. — Jess Diaz



investigative Newspaper PAGE 20

Unsecured security

Imagine the financial impact of enacting a law that would significantly enhance benefits without necessarily increasing contribution rates. Do you blame our lawmakers? They're politicians, not arithmetic experts.

Republic Act 8282, which was penned before a major national election, increased the minimum pension of P2,400 monthly. At the same time, it increased the dependent's pension from P150 to P250 each, and gave beneficiaries the option to receive P18 monthly pension payments in lump sum. Definitely, a lot of votes were won that year.

BizLinks
By Rey Gamboa

BILLIONS IN LOSSES

SSS ON THE BRINK OF COLLAPSE

Increases in Contribution Rate vs. Pension

CONTRIBUTION RATE

2014: 11.0%

2007: 10.4%

2003: 9.4%

No increase in
23 years

1980: 8.4%

PENSION INCREASES

2007: 10%

2000: 10%

1997: 8%

1994: 5%

1993: 10%

1991: 10%

1990: 15%

1987: 20%

1986: 20%

1982: 20%

1980: 20%

2014: 5%

2006: 10%

1999: 10%

1996: 10%

1993: 10%

1992: 10%

1991: 15%

1989: 15%

1987: 20%

1984: 15%

1981: 20%

Rate increased **3 times**

Pensions increased **22 times**



Buti na lang may SSS!

Aming kontribusyon, ipong nagbibigay proteksyon!

SSS Actions on HB 5842- Chronology of Events

House of Representatives

- 5 Feb 2014 (5:50 pm)- HB 3851 proposing P5K atbp increase was filed in the HoR.
- Jun 2014 - Cong Colmenares instructed SSS to present study on P1K pension increase
- August 18, 2014- SSS submitted position statement on the P1K atbp as required by **HoR**
- 27 May 2015 - During the TWC Meeting, the proposed pension increase was raised to P2K. SSS was not given the opportunity by the HoR to present its actuarial study on the P2k atbp despite a categorical request during the TWC meeting.
- June 4, 2015- HoR GEPC issued Com Report No. 763 recommending the 2k pension increase without asking SSS comment thereto and adopted as HB 5842 proposing P2K atbp increase, as the the substitute bill and referred to the Committee on Rules on the same date was likewise approved on 2ND READING and copies were immediately distributed to house members
- 9 Jun 2015- HB 5842 approved on 3rd reading without debate (refer to HOR website for legis history)
- June 11, 2015- Bill transmitted to Senate

Senate

- 11 June 2015 - HB 5842 was received by Senate.
- Note that even prior to transmittal, SSS submitted position statement to **Senate** against **HB 5842**
- 18 Aug 2015 – Public Hearing on Sen Villar’s Committee – SSS extensive presentation
- HB 5842 was adopted w/o amendment under Com Report No. 213
- 30 Sep 2015 – Sen Enrile’s Manifestation strongly opposing HB 5842
- Jul 2015 – Sen Villar, on the last minute, cancelled a meeting with SSS re HB 5842
- 18 Aug 2015 – Public hearing on Sen Villar’s committee, SSS’ position regarding its true state of affairs, the serious negative impact of HB 5842, the clear absence of any idea/guidance on how the huge increase would be financed was not given consideration
- HB 5842 was adopted w/o amendment under Com Report No. 213
- 8 Sep 2015 – Sen Recto’s sponsorship speech endorsed the 2K increase
- Jul to Oct 2015 - SSS wrote letters/held presentations & meetings for Senators, PLLO and staffs against HB 5842
- Sep to Oct 2015 – Series of meetings with Sen Recto on the adverse impact of the bill
- 1 Oct 2015 – After Sen Enrile’s Manifestation strongly opposing HB 5842 was SP Drilon’s media interview – Senate cannot approve the measure that might put the SSS into bankruptcy (<http://politics.com.ph/drilon-says-p2k-pension-hike-will-drive-sss-out-of-business>)
- 9 Nov 2015 - HB 5842 passed 3rd reading at Senate

Background on Social Security Law

1) Background on Social Security Law

Defined benefit scheme, not defined contribution

Problem: **Mismatch** between contributions & benefits

	Approximate Benefit Payout per P1 Contribution
Minimum Contributor	P 15
Maximum Contributor	P 6

Result: **Unfunded Liability**



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AFP shutting down soldiers' pension fund

December 10, 2015 9:49 pm
by KATRINA MENNEN A. VALDEZ

INQUIRER.net NEWS OPINION SPORTS LIFESTYLE PREEN ENTERTAINMENT BUSINESS TECHNOLOGY GLOBAL NATION

Military pension crisis seen as payouts outpace budget

By: Ronnel W. Domingo Philippine Daily Inquirer
@inquirerdotnet 03:21 AM October 11th, 2011



Budget Secretary Florencio Abad Jr. INQUIRER FILE PHOTO

There could be payouts are expected to be the active service personnel Monday.

In a statement personnel—our and the Philippine Retirement and Pension Fund (PRPF) P67 billion by.

He said that at requirements billion.

The

budget chief said the current pension system is "unsustainable" since the government shoulders the benefits paid to retired military personnel.

In particular, the military pension system is faced with a growing amount in unpaid pensions caused primarily by retirement benefits being pegged to the salaries of active personnel.

Abad said that based on projections, the pension requirements of military, police and other uniformed personnel was projected to grow to P111 billion in 2016 from the proposed budget of P52 billion for 2012.

INQUIRER.net NEWS OPINION SPORTS LIFESTYLE PREEN ENTERTAINMENT BUSINESS TECHNOLOGY

Gov't owes PNP, AFP retirees P18B in pension

By: Jovic Yee Philippine Daily Inquirer
@inquirerdotnet 03:26 AM February 21st, 2015

Friday's chilly midmorning breeze in Taytay town, Rizal province, failed to temper the anxiety felt by a group of retired soldiers who have been waiting these past 14 years for the Commission on Audit's decision affirming the release of their accumulated pension arrears.

Retired Maj. Alfonso Besario, the national president and chair of the Conference-Assembly for Unity and Solidarity of Associations in the Armed Forces and Police Retirees, Veterans Pensioners Inc., said that their group of 120,000 retired soldiers and pensioners all over the country, has been "at the mercy of the government for the past 14 years," as it held back their pension arrears that have so far ballooned to at least P18 billion.

In his address before a small crowd of about 30 retirees and pensioners in Taytay during the organization's second anniversary, 64-year-old Besario said the arrears have ballooned to P18.4 billion to date, after the government "failed to implement well Presidential Decree No. 1638 or the AFP Retirement Law, and Republic Act No. 9166, which allows for an increase of base pay rate and benefits among AFP officers and enlisted personnel."

The long wait has decimated their ranks, the retired major said, adding that two weeks ago, they lost another colleague to advanced age.

SOME OF AFP-RSBS NEWS CLIPPINGS



Philippines Indonesia

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PHILIPPINES

Military pensions in danger as COA reports P47-B fund shortfall

COA says assets of the AFP Retirement and Separation Benefits System falls short of estimated funding requirements

INQUIRER.net NEWS OPINION SPORTS LIFESTYLE PREEN ENTERTAINMENT

AFP to stop collecting pension funds

By: Jaymee T. Gamil Philippine Daily Inquirer
@inquirerdotnet 02:27 AM December 15th, 2015

THE ARMED Forces of the Philippines is expected to discontinue the collection of contributions to the Retirement and Separation Benefits System (RSBS) in what is considered an overdue deactivation of the 1979 pension plan for military personnel.

In a media interview on Friday, AFP-RSBS president Norman Legaspi confirmed that the military pension fund had submitted a deactivation and liquidation plan to the Governance Commission for Government-Owned and -Controlled Corporations (GCG).

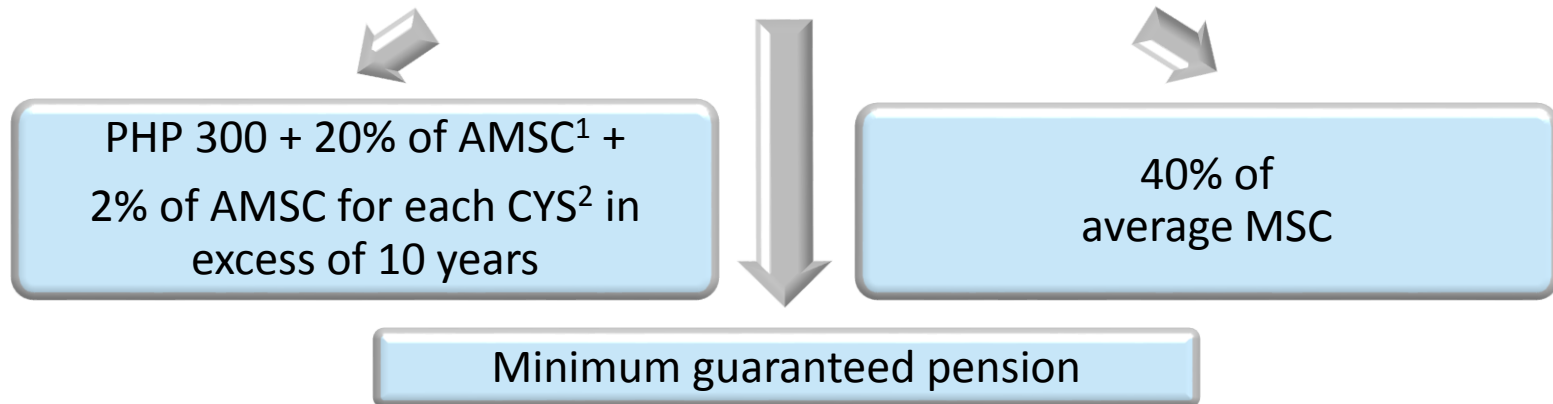
The plan includes a recommendation for RSBS contributions to be stopped by January 2016; the refund of RSBS contributions with 6-percent interest amounting to around P12 billion, and the liquidation of around P6 billion worth of RSBS assets to be paced over the next three to four years, Legaspi said.

The development is way behind schedule as former President Gloria Macapagal Arroyo had already ordered the deactivation of the RSBS effective December 2006.

Legaspi said the RSBS had become "useless" ("walang pakinabang") since the government takes care of the soldiers' retirement benefits.

Pension Formula

SSS Pension formula: The highest of :



Retirement

- PHP 1,200/month if $10 < \text{CYS} < 20$
- PHP 2,400/month if $\text{CYS} \geq 20$

Disability & Death

- PHP 1,000/month if $3 < \text{CYS} < 10$
- PHP 1,200/month if $10 \leq \text{CYS} < 20$
- PHP 2,400/month if $\text{CYS} \geq 20$

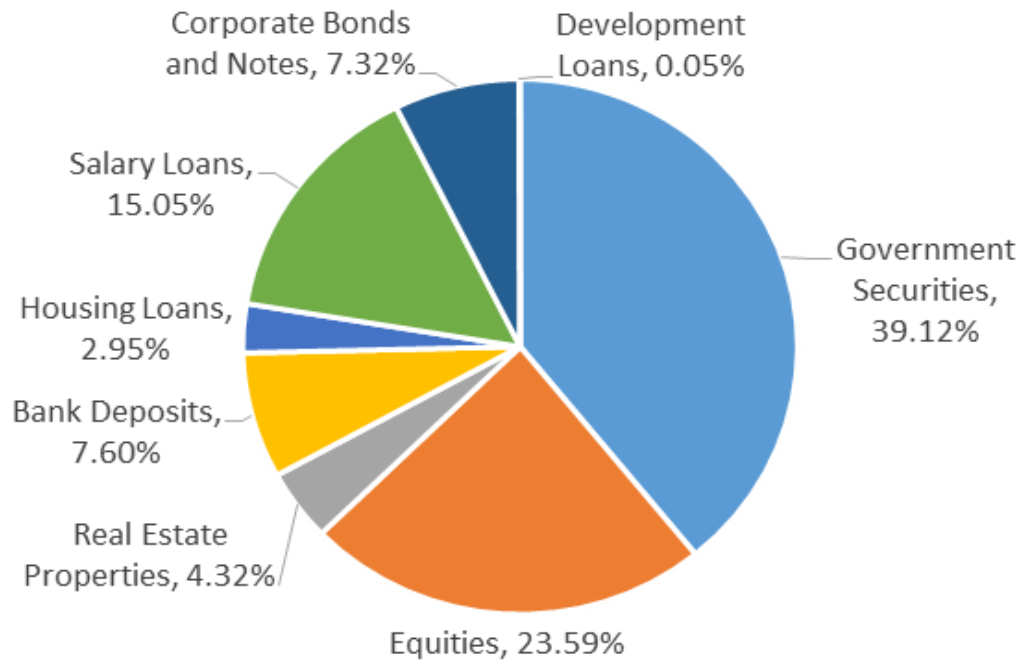
¹Average Monthly Salary Credit

²Credited Years of Service



Investment Portfolio

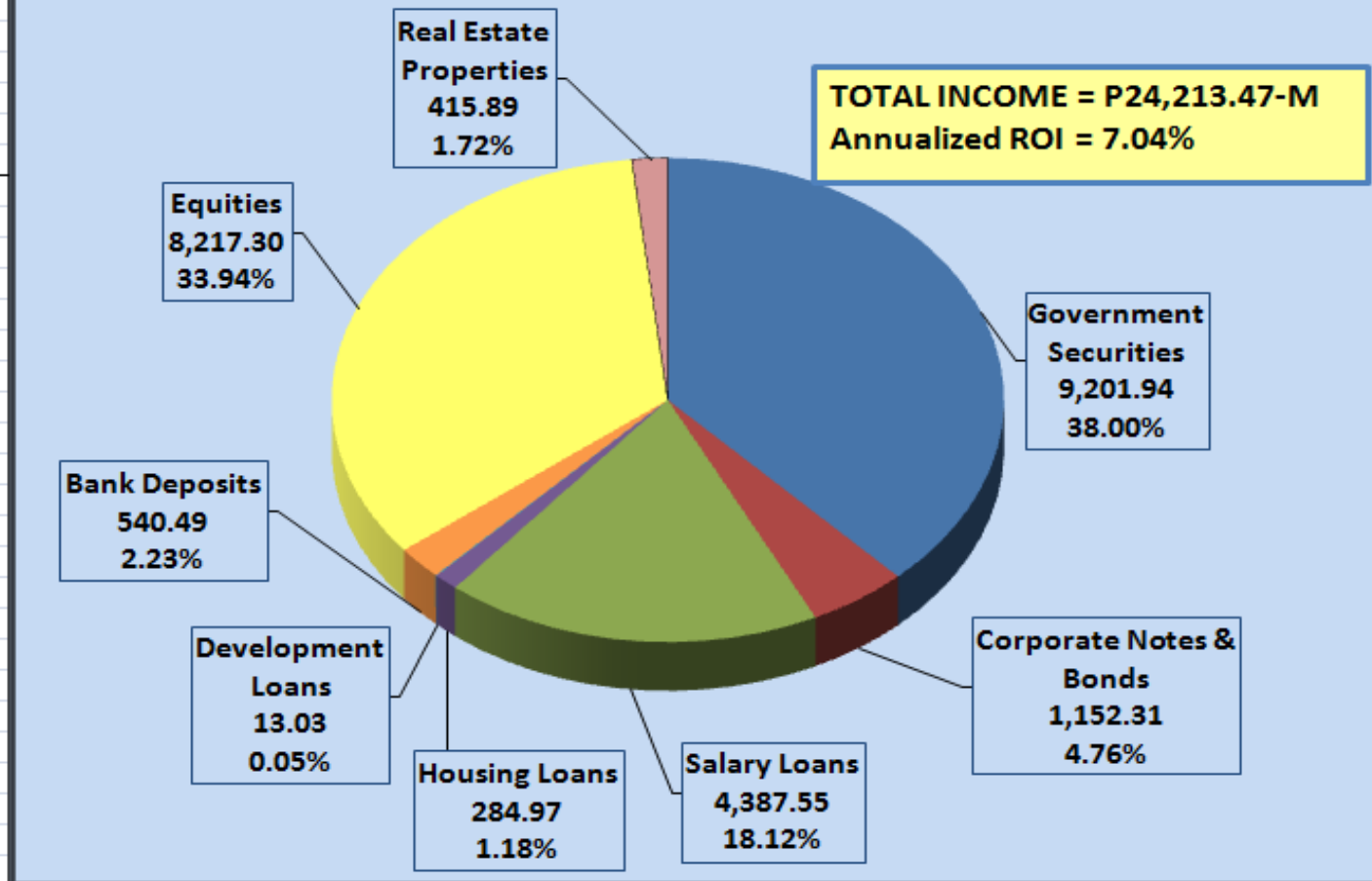
Investment Portfolio



INVESTMENT INCOME: CONSOLIDATED

January - October 2015

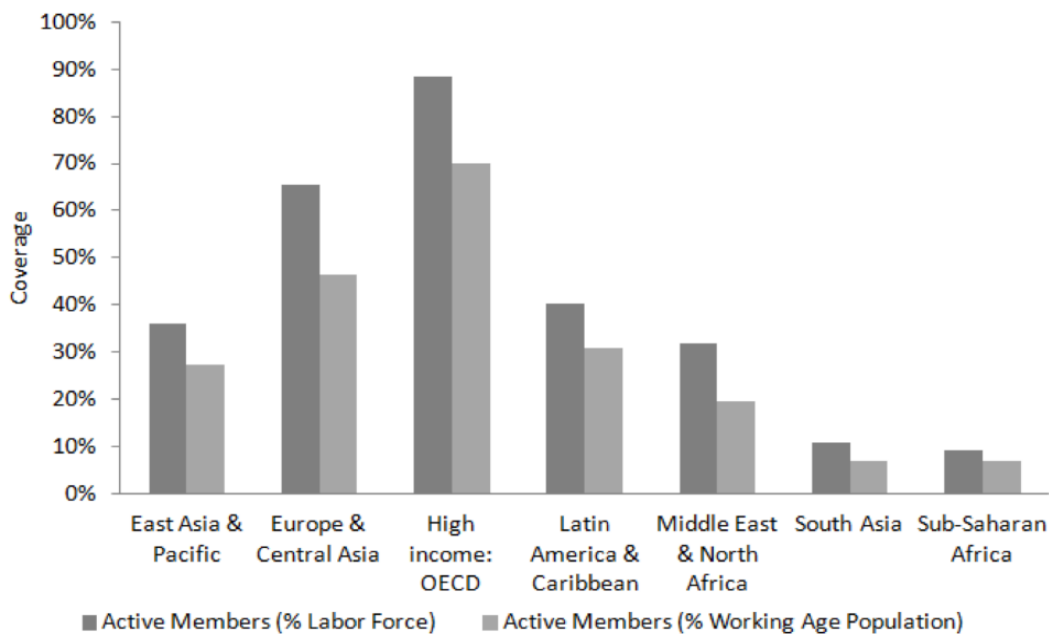
(Amount in Million Pesos)



World Bank Study on Coverage Rates

Coverage Rates by Region (World Bank Study 2012)

Figure 18: Average coverage rates by region



Source: World Bank Pension Database

SOCIAL SECURITY SYSTEM

58 years 1957-2015

“ “ miyembro na ako dahil sa AlkanSSSyá ” ”

“ “ may Maternity benefit ako ” ”

“ “ may Sickness at Disability Benefit ako ” ”

“ “ SSS PESO Fund, extra savings ako ” ”

“ “ may pension kami! ” ”

“ “ dagdag ipon ko sa SSS Flexi-Fund ” ”

BUTI NA LANG, MAY SSS!

End of presentation. Thank you.