



# Serbisyong Sulit na Sulit



SOCIAL SECURITY SYSTEM

2018 Annual Report



## Mission

To manage a sound and viable social security system which shall promote social justice and provide meaningful protection to members and their families against the hazards of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden.

## Vision

A viable social security institution providing universal and equitable social protection through world-class service.

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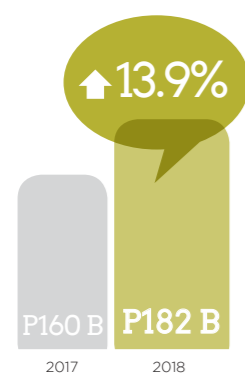
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The infographic features several statistics in colorful speech bubbles: 1.65M NEW COVERED MEMBERS (green bubble), 13.9% INCREASE IN CONTRIBUTION COLLECTIONS (blue bubble), 2.5M PENSIONERS (red bubble), 3.7M INDIVIDUAL BENEFIT CLAIMS (yellow-green bubble), and 332 LOCAL AND FOREIGN OFFICES (purple bubble). A central white text box contains the campaign's message.

The **"Serbisyong Sulit na Sulit"** campaign aims to highlight how SSS members get the most out of their hard-earned contributions. This is the concept of "SULIT" or "worth" that we want to emphasize - that every peso contributed to SSS by members is made "sulit" by the over ten-fold worth of benefits and responsive service that they get in return. We want to emphasize that their trust and confidence in the SSS and its financial stability and long-term viability are made "sulit" by our sustained commitment in delivering their due benefits when they need them, through timely, reliable, and accurate membership services.

# Serbisyong Sulit na Sulit

## PERFORMANCE HIGHLIGHTS & QUICK FACTS



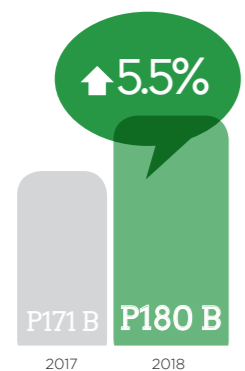
CONTRIBUTION COLLECTIONS



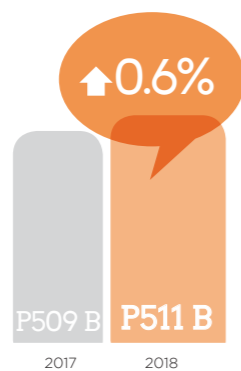
NET REVENUE



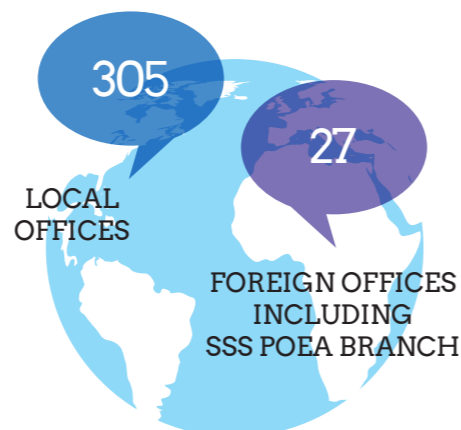
NEW COVERED MEMBERS



BENEFIT PAYMENTS

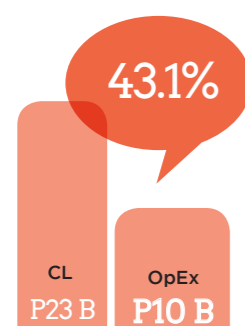


ASSETS



LOCAL OFFICES

FOREIGN OFFICES INCLUDING SSS POEA BRANCH



% OPERATING EXPENSES (OpEx) TO CHARTER LIMIT (CL)



LOAN RESTRUCTURING PROGRAM



PENSION LOAN PROGRAM

## COMPARATIVE HIGHLIGHTS

(Amounts in million pesos)

CONSOLIDATED	For the year		Increase/(Decrease)	
	2018	2017 (restated)	Amount	%
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	212,552.04	201,605.24	10,946.81	5.4
Members' Contributions	181,917.28	159,724.02	22,193.26	13.9
Investment and Other Income	30,634.76	41,881.21	(11,246.45)	(26.9)
Expenditures	189,886.93	180,229.06	9,657.87	5.4
Benefit Payments	180,078.51	170,683.58	9,394.94	5.5
Operating Expenses	9,808.42	9,545.49	262.93	2.8
Net Revenue/(Loss)	22,665.11	21,376.17	1,288.94	6.0
<b>B. ASSETS &amp; RESERVES</b>				
Assets	511,465.95	508,632.03	2,833.91	0.6
Investments	479,647.16	468,344.34	11,302.82	2.4
Property and Equipment	6,089.59	4,735.76	1,353.83	28.6
Others	25,729.20	35,551.93	(9,822.74)	(27.6)
Liabilities	13,107.44	12,778.04	329.40	2.6
Reserves	498,358.51	495,853.99	2,504.52	0.5
<b>SOCIAL SECURITY FUND<sup>1</sup></b>				
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	208,539.19	197,390.57	11,148.62	5.6
Members' Contributions	179,666.12	157,616.53	22,049.58	14.0
Investment and Other Income	28,873.07	39,774.04	(10,900.96)	(27.4)
Expenditures	188,071.02	179,015.34	9,055.68	5.1
Benefit Payments	178,356.71	169,533.61	8,823.10	5.2
Operating Expenses	9,714.31	9,481.73	232.58	2.5
Net Revenue/(Loss)	20,468.17	18,375.23	2,092.94	11.4
<b>B. ASSETS &amp; RESERVES</b>				
Assets	473,049.04	471,015.11	2,033.93	0.4
Investments	442,818.78	433,784.71	9,034.07	2.1
Property and Equipment	6,089.59	4,735.76	1,353.83	28.6
Others	24,140.67	32,494.64	(8,353.97)	(25.7)
Liabilities	13,098.06	12,777.66	320.40	2.5
Reserves	459,950.98	458,237.45	1,713.53	0.4
<b>EMPLOYEES' COMPENSATION AND STATE INSURANCE FUND</b>				
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	4,012.85	4,214.67	(201.81)	(4.8)
Members' Contributions	2,251.17	2,107.49	143.67	6.8
Investment and Other Income	1,761.69	2,107.18	(345.49)	(16.4)
Expenditures	1,815.92	1,213.72	602.19	49.6
Benefit Payments	1,721.81	1,149.97	571.84	49.7
Operating Expenses	94.11	63.75	30.35	47.6
Net Revenue/(Loss)	2,196.94	3,000.94	(804.01)	(26.8)
<b>B. ASSETS &amp; RESERVES</b>				
Assets	38,416.91	37,616.92	799.98	2.1
Investments	36,828.38	34,559.63	2,268.74	6.6
Others	1,588.53	3,057.29	(1,468.76)	(48.0)
Liabilities	9.38	0.38	9.00	2,378.8
Reserves	38,407.53	37,616.55	790.98	2.1

<sup>1</sup>Includes Mortgagor's Insurance Account, Flexi and PESO Funds

<sup>2</sup>Figures may not add up due to rounding

## MESSAGE FROM THE PHILIPPINE PRESIDENT



Malacañan Palace  
Manila



My warmest greetings to the **Social Security System (SSS)** as it publishes its **2018 Annual Report**.

As one of the government's most crucial financial institutions, SSS has provided working class Filipinos the confidence to face sickness, disability, childbirth, old age, death, and other contingencies that would otherwise give them needless financial, emotional and psychological burden.

Credit must be given to the agency for its efforts to maintain the financial viability of our social security fund so that it may fully serve its purpose of being the refuge of more than 36 million members here and abroad. I am likewise pleased with the management's hard work in enforcing employer compliance, expanding membership coverage, enhancing investment options, and reengineering its processes for optimal member satisfaction.

As we celebrate the gains of SSS in the past year, I ask every member, especially employers, to remain committed in remitting contributions so that we may continue to provide adequate social protection to our people. Together, let us realize the vast potential of our workforce as the backbone of a strong and resilient nation.

I wish you all the best in the years to come.

**RODRIGO R. DUTERTE**  
President  
Republic of the Philippines

MANILA  
May 2019

## MESSAGE FROM THE SSC CHAIRPERSON

### Steering the Social Security Commission and Setting the Bar for SSS Performance



I considered it a distinct privilege when President Rodrigo R. Duterte appointed me to the Chairmanship of the Social Security Commission (SSC) in the latter part of 2018. I am equally honored to be the first female Chairperson in the long line of competent men who have held this responsibility.

Despite significant challenges in 2018, the entire SSC busied ourselves in keeping the Social Security System (SSS) on the right track and setting the bar for better performance by its employees and officers. With the 31 board meetings and amid the pressure in pushing for the approval of the new SS Law, I believe that the members of the SSC produced significant accomplishments to keep the SSS growing in relevance and effectiveness.

As part of its mandate, the SSC formulated policies for SSS Management to implement and approved various management-recommended courses of action that delved into the following priority areas:

#### Member Service and Satisfaction

- Approved the pilot implementation of the release and pick-up of Unified Multi-purpose Identification cards in the SSS branches to enable members to get their cards faster and minimize losses through the mail
- Approved enhancements in the Annual Confirmation of Pensioners Program to make it easier for the pensioners to comply
- Approved guidelines on Pension Loan Program for SSS Retiree-Pensioners
- Approved re-implementation of the Member Loan Restructuring Program
- Approved the proposed Quality Management System Implementation Plan for all core processes covering all branches/units system-wide, guidelines on the Recall of Pension from SSS-accredited banks
- Approved Enhanced Real-Time Processing of Contributions program

Despite significant challenges in 2018, the entire SSC busied ourselves in keeping the Social Security System (SSS) on the right track and setting the bar for better performance by its employees and officers.

#### Improved Collection

- Approved Memoranda of Agreement between SSS and collecting partner-banks and agents
- Approved revised contribution payment schedule and deadline for Employers, Self-Employed and Voluntary Members
- Approved new program (of limited duration) on the restructuring of unremitted collections and penalties on delayed remittance of collections by collecting banks and non-bank collecting units
- Amended Section 2, Rule II and Section 1, Rule III of the 2016 Rules of Procedure of the SSC in relation to the Guidelines on the Warrants of Distrain, Levy, and/or Garnishment Program
- Approved policies on the Implementation of the Accounts Management System

#### Investment Priorities

- Required an implementation plan on various investments, the expeditious disposal of SSS acquired assets, and a program on how to increase lease occupancy on various SSS properties
- Approved the following recommendations:
  - a) for certain Investments Sector Officers and Technical Staff to assume dealing/trading duties and responsibilities for Capital Markets Group (with corresponding daily limits) in the interim until Trader positions and Investment Program Officers positions are fully complemented;

- b) renewal of accreditation as SSS Government Securities Broker/Eligible Dealer in the Non-Restricted Trading and Settlement of Peso-Denominated Government Securities;
- c) accreditation of the SSS Investment Counterparties as Arranger/Dealer and Government Securities Broker/Eligible Dealer;
- d) revised SSS Policies and Guidelines on Stockbroker Accreditation;
- e) initiation of hiring of Property Management service provider for various SSS-owned properties handled by the Asset Management Division;
- f) Fund Management Guidelines on Buying and Selling of Government Securities for all SSS-Managed Funds;
- g) Revised Guidelines for Accreditation of Remittance and Transfer Companies as Collection Agents of SSS;
- h) outsourcing of Fund Management;
- i) amendment to the Guidelines on the Disposal of SSS Housing Acquired Assets; and
- j) confirmed various Managements approvals of sale of SSS housing acquired assets and lease of investment properties.

#### Good Governance

- Approved 2017 Monitoring Report of Performance Targets and revised 2018 SSS Strategy Map and Performance Scorecard
- Approved annual procurement plan and the Agency Procurement Compliance and Performance Indicators for submission to the Government Procurement Policy Board
- Approved the SSC Board Committee Assessment System
- Designated SSS representatives to the Integrated Corporate Reporting System in compliance with Governance Commission for GOCCs Memorandum Circular No. 2014-02
- Approved amendments to the SSS Grievance Machinery Guidelines per Civil Service Commission requirement
- Monitored Management's compliance with RA No. 11032 or "Ease of Doing Business and Efficient Government Service Delivery Act of 2018"
- Reviewed the holistic determination of the grant of donations/sponsorship by SSS, as well as the review of the SSS Corporate Social Responsibility programs
- Approved SSS position statements to various legislative bills proposed by the Philippine Congress

#### Adequate Organization and Well-being of SSS Employees

- Directed the conduct of a third-party audit of SSS personnel and the rationalization of the continued engagement of manpower service providers
- Approved employees' participation in local and international training programs
- Directed the formulation of a policy on the acceptance of e-Learning as compliance to training requirements

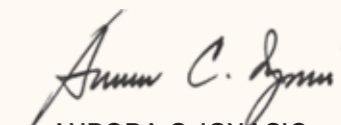
**SSC Rules of Order.** To ensure fair, efficient, and effective conduct of board meetings, the SSC approved its first-ever Rules of Order, which is a system of codified rules governing the preparation, conduct, and recording of meetings of the SSC.

**Quasi-Judicial Function.** Apart from policy-making and administrative responsibilities, the SSC, in the discharge of its quasi-judicial duties, also delved into case records and hearing of dispute cases with respect to coverage, benefits, contributions and penalties thereon, and other related matters. As of 31 December 2018, the SSC issued full Resolutions in disposing 226 cases and 180 Final Orders for Writs of Executions of SSC Judgments and Motions for Reconsiderations filed by litigants. Finally, the SSC, through its Office of the Commission Secretary and Executive Clerk of the Commission, released 2,819 issuances on the handling and disposition of cases.

#### A Final Note

On behalf of the SSC, I wish to express my deep appreciation to the late Commissioner Arthur L. Amansec who passed away this 2018. In the short span of time that I was able to work with him in the SSC, I truly appreciated his insights, expertise, and diligence that he showed in his work. He was dedicated to his job as one of the representatives of the labor sector in the Commission, with a spotless attendance record in our SSC meetings and in the various committees he served, most especially the Committee on Governance, Organization and Appointments, which he chaired since 2017.

Finally, I wish to thank SSS President and CEO (PCEO) Emmanuel F. Dooc for being a steady and responsible steward of this pension institution. Together with the SSC's guidance, PCEO Dooc accomplished notable things during his administration in terms of SSS service innovations, expansion of membership coverage, and more importantly, in keeping the SS Fund financially stable.



**AURORA C. IGNACIO**  
Chairperson, Social Security Commission

# Accomplishments of the SSC Committees

## Audit Committee

The Audit Committee identifies areas of deficient performance by the SSS, resulting from activities/ programs that are uneconomical, inefficient and/ or ineffective, and to identify the sources or causes thereof.

Among its accomplishments in 2018 are:

- Directed the conduct of a briefing on the National Guidelines on the Internal Control System by Deputy Executive Secretary Alberto Bernardo, Internal Audit Service - Office of the President, on 6 November 2018, which was attended by SSS executives and SSC members.
- Reviewed the implementation status of recommendations in the Commission on Audit (COA) Annual Audit Reports for 2016 and 2017, including observations and recommendations wherein the COA expressed an unqualified opinion on the fairness of the presentation of the SSS financial statements.
- Enjoined SSS Management to focus on the uncollected real estate loans aged from over three years to over 25 years, amounting to P1.3-B for 8,489 member-borrowers. A Task Force on Delinquent Housing Loans was subsequently created.
- Assigned an officer of the Internal Audit Service Group (IASG) to join the Real-Time Processing of Contributions (RTPC) team as Adviser.
- Set a special meeting on 12 November 2018 attended by the heads of large branches in NCR to determine the extent of compliance with the standards on employer coverage by various SSS branches.
- Endorsed the designation of a Compliance Officer for Management who will monitor and oversee the compliance of SSS units/officers with the audit recommendations of COA and the SSS IASG.
- Endorsed to the SSC the recommendations of the IASG on SSS Internal Control System, which showed that the five internal control components are present and functioning, although needing improvement in risk management, monitoring and control activities.
- Required SSS Management to review the grantees of sponsorships/donations, and the guidelines on tri-media placement of the Corporate Communications Department to limit these to only organizations composed of SSS stakeholders or those which contribute to the furtherance of SSS' mandate of social protection.

## Committee on Coverage, Collection and Other Related Matters (CCCORM)

- Reviewed the enhanced implementation of the RTPC Program.
- Endorsed the SSS clearance processing fee and other related fees.
- Reviewed and recommended to SSC the policies on the implementation of the Accounts Management System.
- Endorsed the engagement of deposit pick-up services of the Development Bank of the Philippines and Land Bank of the Philippines for the tellering branches of SSS.
- Approved the restructuring of unremitted collections and penalties of certain banks and non-bank collection units as part of the Restructuring Program.
- Conducted an awareness program on the "Issuance of Warrant of Distraint, Levy, and/or Garnishment (WDLG)" in a Labor Forum held on 25 May 2018 at Baguio City.
- Directed the SSS Legal and Enforcement Group to submit a process mapping/risk assessment in implementing the WDLG and to study the possibility of eventually converting the Legal Enforcement Officers to Account Officers to ensure the successful implementation of the WDLG Program.
- Recommended the amendment of 2016 SSC Rules of Procedure to include a provision on payment under protest (particularly Sec. 2, Rule II, and Sec. 1, Rule III of the 2016 Rule of Procedures of the SSC) to give more teeth to the WDLG program.
- Reviewed the various Memoranda of Study on the pay scale of lawyers at the Office of the Commission Secretary/Compliance Officer/ Executive Commission Clerk.

## Governance, Organization and Appointments Committee (GOAC)

- Approved the alignment of existing HR policies, procedures, and practices of SSS with Civil Service Commission Memorandum Circular No. 24-s.2017, or the Omnibus Rules on Appointments and Other Human Resource (HR) Actions. These policies include, among others, the composition of the HR Merit Promotion and Selection Board, the assessment process for executive positions, and the designation or temporary imposition of additional and/or higher duties to be performed by an official/employee either in an Acting Capacity or as Officer-in-Charge.

- Required the conduct of a third-party personnel audit and for the Organizational Planning and Staffing Department to undertake a preliminary personnel count to determine the baseline number of existing personnel, their duties, responsibilities, and assigned sections, and whether these sections are overstaffed or need additional personnel.
- Endorsed the Committee Board Appraisal System that would assess the performance of SSC members as Committee chairpersons and members, as part of governance compliance standard.
- Endorsed the SSS donation to the Philippine Red Cross for the purchase of an ambulance, which will be based in SSS Main Office in Quezon City for emergency needs of SSS members and employees.

## Information Technology Committee (ITC)

- Closely monitored the RTPC project by requiring SSS Management to establish timelines for the procurement and implementation of RTPC-related IT projects, such as the software licenses for the SSS website, Automated Telling Systems for 35 branches, PC workstations for e-center expansion, primary branch connectivity, and 344 display monitors for SSS branches.
- Suggested the implementation of service quality agreements with banks and other collecting agents, the imposition of penalties for non-compliance with RTPC, and the settlement of issues on unpostable transactions.
- Closely monitored the system development of SSS Pension Loan Program (PLP).
- Initiated the policy on members having the option to pick-up their Unified Multi-purpose Identification (UMID) cards from the SSS branch where they applied.
- Monitored the implementation of the Account Management System (AMS) to ensure accuracy/ integrity of billing statements issued to employers.

The following project proposals from the Information Technology and Management Group were approved by the Committee and endorsed for SSC consideration/approval:

- Renewal of Microsoft Office 365 with directives to further negotiate for a substantial price reduction for its three-year subscription
- Disaster Recovery setup for SSS website project

- Oracle Software Support Services Agreement and the Oracle Preventive Maintenance Service Agreement
- Acquisition of Investment Management System
- Acquisition of Branch Queue Management Solution for 175 SSS branches
- Replacement of M9000 Production and Disaster Recovery System
- Acquisition of WES5 licenses
- Acquisition of Ethernet Switches
- Replacement of Core Switch for the DR Site
- Replacement of Web Filers
- Development of Endpoint Security Solution
- Acquisition of Internet, Enterprise, and Web Application Firewalls
- Acquisition of 219 units of scanner sets and 2,579 units of PC workstations
- Directed the conduct of a vulnerability assessment and penetration testing on the SSS website, especially in line with the Data Privacy Law, and its rules and regulations.
- Called for a review of existing policies on monitoring of contracts of SSS specifically on IT-related projects, and introduced a new process flow wherein the Bids and Awards Committee and the Legal Group will work simultaneously on the approval of the award and the drafting of the contract, respectively.

## Investments Oversight Committee

- Initiated the hiring and outsourcing of local fund managers and mutual funds placement.
- Gave policy directions on the management and utilization of SSS real estate properties.
- Directed the cleaning up of delinquent housing and salary loan accounts, which resulted in billing notices now being sent to SSS members with delinquent short-term loans, and the possible outsourcing loan collections.
- Directed SSS Management to exhaust all means to collect claims against Home Guaranty Corporation, National Home Mortgage Finance Corporation, and Benguet Corporation.
- Directed the review of existing policies to streamline processes on leasing properties, disposal of acquired assets, accreditation of depository banks, and investment in dollar-denominated bonds.
- Endorsed for SSC approval and/or consideration the following:
  - Sale and lease of several SSS real properties
  - Guidelines on accreditation of non-life insurance companies for surety/performance bond requirements of bank and non-bank collecting partners



- Guidelines on disposing SSS housing acquired assets
- Revised guidelines on stockbroker management and accreditation
- Revised guidelines on accreditation of remittance and transfer companies as SSS collecting agents
- Guidelines on buying and selling of government securities
- Accreditation of SSS stockbrokers and depository banks
- Annual evaluation of stocks for accreditation
- Expansion of salary loan releases thru the bank via Quick Card

### Media and Communications Committee (MediaCom)

The MediaCom directed SSS to intensify its regional advocacy campaigns to be able to reach the regions to introduce the SSS to the people, and to erase or counter their outdated perceptions of SSS. Among the Committee's other accomplishments were:

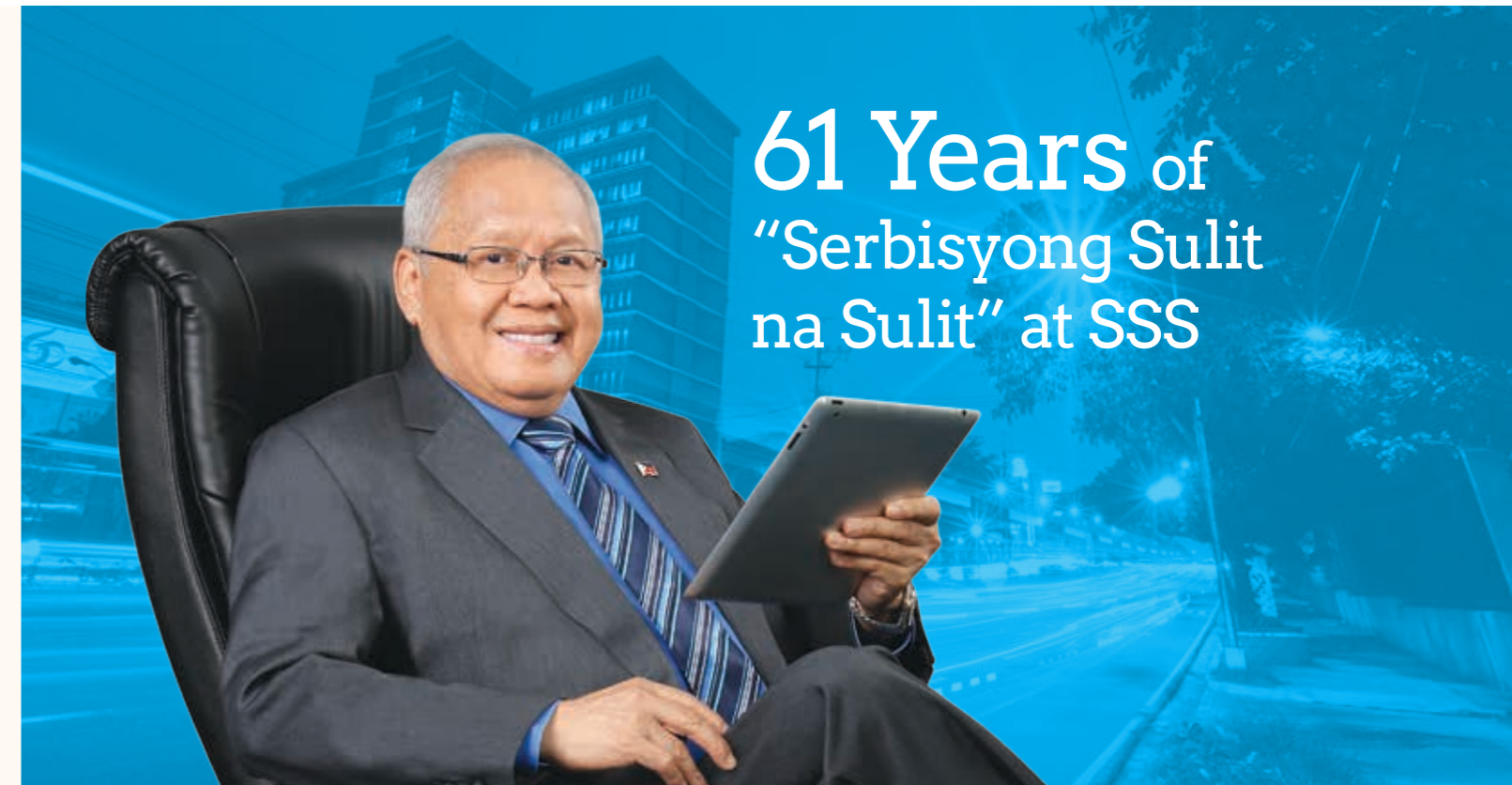
- Reviewed amendments to the Memorandum of Agreement between SSS and Philippine Information Agency.
- Initiated the creation of a task force to come up with the guidelines on Internal Communication.
- Reviewed the guidelines on Corporate Social Responsibility and Media Placements to reinforce the corporate image of SSS and further establish goodwill and positive relations with its partners.

- Directed Management to develop communication plans for the following programs: RTPC, WDLG, PLP, and Accounts Management System.

### Risk Management Committee (RMC)

The RMC deliberated on the risk aspects of the following matters:

- Data Privacy Act and measures to prevent breaches, as well as possible appointment of a third Data Privacy Officer
- Assessment of Makati and Bonifacio Global Center property development
- Risk management tools for SSS equity portfolio
- Proposed enhancement on the Stop-Loss/Cut Loss Policy
- Effects/Risks of the proposed increase in the minimum and maximum monthly salary credit
- Measures to reduce unpaid salary loans of members
- Options for Actuarial and Risk Management Group's Research and Model Valuation
- Unremitted collection and/or non-submission of collection reports by SSS-accredited banks and collecting agents
- Issues in the SSS procurement process and proposal for an SSS Manual of Procurement
- Cleanup of SSS loan portfolio
- SSS Risk Oversight Report
- Proposed Policy on the Designation of Bids and Awards Committee Members
- Amendment to the Policy on Cash Collection



## 61 Years of "Serbisyon Sulit na Sulit" at SSS

A little over two years ago, I entered the hallowed halls of this institution with so many ideas of my own on how best to choose and direct the track that Social Security System (SSS) would take. The challenge became less daunting because I have a group of dedicated, expert, and professional men and women to work with me. Today, I look back at what we have accomplished and look forward to what still needs to be done in order to achieve more for the benefit of SSS members.

The year 2018 marked the 61st Anniversary of the founding of the SSS and was highlighted by reforms and enhancements in policies, systems and procedures critical to sustaining fund viability, achieving universal coverage, and improving service delivery, among others.

To serve as anchor to our undertakings, the SSS chose to mount a corporate campaign revolving on the theme "Serbisyon Sulit na Sulit." We aimed to highlight how SSS members get the most out of their hard-earned contributions. This is the concept of "SULIT" or "worth" that we want to emphasize - that every peso contributed to SSS by members is made "sulit" by the over ten-fold worth of benefits and responsive service that they get in return.

### Financial Position Remains Strong

For the period January to December 2018, total revenue amounted to ₱212.55 billion, 5.4 percent higher than the total revenue posted last year. Of this total, members' contribution amounted to ₱181.92 billion (or 85.6 percent), while investment and other income was at ₱30.63 billion (or 14.4 percent). Members' contribution collection was 13.9 percent higher than year-ago totals.

Investment and other income was lower by 26.9 percent compared to the same period last year, mainly due to reduced income derived from equities and real estate. In 2018, net revenues remained at a substantial level reaching ₱22.67 billion, exceeding the 2017 level by ₱1.29 billion. Consolidated total assets grew to ₱511.47 billion, up slightly by ₱2.83 billion compared to ₱508.63 billion posted last year.

We are pleased that members' contribution collections amounted to ₱181.92 billion in 2018, a significant increase from ₱159.72 billion in 2017. Benefit disbursements were remarkably high at ₱180.08 billion in 2018, compared to ₱170.68 billion in 2017.

### Investments Broadened

On enhancing investment income and other revenues, it would seem like a relatively easy task, if only the investment of the SS Funds was simply a matter of selecting from several options that would generate income flows. But the difficult part is obtaining a certain level of income to compensate for the risks. As in the past, we have been extra careful in treading volatile grounds. We are, after all, managing the members' money. We must find suitable investment instruments that can provide better yields in the short-run, as well as for the long-run, given the diversity of our portfolio.

For the first time in the history of SSS, a modest P3.11 billion of our investment reserve fund was invested in three domestic mutual funds on 27 June 2018. The three fund managers chosen were: PhilEquity Fund, Inc.; Sun Life of Canada Prosperity Balanced Fund, Inc.; and the Philippine Stock Index Fund Corp.

### Market Benchmark Surpassed, Despite Lower Investment and Other Income

Income from loans to members, bank deposits, government, and corporate notes and bonds posted positive gains compared to 2017's totals. Even as equities, real estate, and other income posted negative growth rates, for the year 2018, the total investment efforts of the SSS yielded a significant return on investment of 6.1 percent, outpacing the 364-day T-bill rate at 5.1 percent, but slightly lower by 0.7 percentage point than the Philippine Dealing System 10-year T-bonds at 6.8 percent.

### Manageable Operating Expenses Maintained

Operating expenses (OPEX) for 2018 was at P9.81 billion, higher by 2.8 percent compared to 2017 OPEX, which amounted to P9.55 billion. The increase is partly attributed to the hiring of new employees, including the absorption of the Service Bureau personnel into the regular work force, as well as the promotion of deserving employees. Despite this, the 2018 OPEX is only 43.1 percent of the allowable SSS Charter limit.



### Coverage and Collection from the Informal Sector Intensified

Our continuing implementation of the AlkanSSSy Program for the informal sector and the accreditation of various cooperatives and associations as partner agents, as well as pursuing agreements with professional organizations and select government agencies to increase the coverage of job order and contractual workers in government, who do not fall within the purview of the Government Service Insurance System, through the KaltaSSS-Collect Program have all continually produced positive results. Under the Partner Agent Accreditation Program, paying SSS members as of 31 December 2018 totaled 41,426, generating a total collection amounting to P91.59 million for the year alone. Meanwhile, the AlkanSSSy Program registered a total of 2,597 new members bringing the total AlkanSSSy membership to 107,690 members, with contributions collection amounting to P183.07 million by the end of 2018.

### Partnerships and Bilateral Agreements Forged

The Philippines, through SSS, forged bilateral social security agreements (BSSAs) with Germany and Japan effective June 1 and August 1 of 2018, respectively, ensuring the protection of social security rights for more than 230,000 Filipinos who are working or residing permanently in these two countries. With the BSSAs in place, Filipinos are now entitled to social security benefits under the same conditions applicable to nationals of Germany and Japan. The SSS, in collaboration with the Department of Foreign Affairs, Department of Labor and Employment, and other social security institutions, will continue to pursue BSSAs with other countries to promote the welfare of overseas Filipinos and ensure their social protection in times of contingencies. As of end-2018, we have 13 BSSAs in place.

### Campaigns on Employers' and Members' Compliance Bare Fruits

We need to stop the blatant violation of the SS Law among employers, if only for the sake of their employees whose social security benefits are put in peril. Thus, we continued our push against erring employers, starting with an invigorated conduct of the Run After Contribution Evaders (RACE) Campaign and the "Oplan Tokhang"-SSS style. The latter entails the serving of "alias warrants of arrests" against accused and convicted employers, while the RACE campaign involves the posting of Show-Cause Orders on establishments for non-compliance with the SS Law. By yearend 2018, a total of 10 RACE campaigns were conducted. Further, SSS was able to collect a total of P1.17 billion from more than 12,000 delinquent employers referred for legal action. We recognize

the efforts of the men and women of the Operations Legal Services Division for their unrelenting efforts to run after delinquent employers and ensure the full compliance with the SS Law.

### Pension Loan Program Implemented

The Pension Loan Program (PLP) was implemented in 2018 to provide economic assistance to qualified SSS retirement pensioners by way of loans of up to P32,000 at low interest rate. In connection to this, the SSS signed an agreement with Union Bank of the Philippines (UBP) on 3 September 2018 that will allow loan proceeds of the PLP to be directly credited to the pensioner's UBP Quick Card. By yearend 2018, the PLP released a total amount of P435.03 million to 18,175 pensioner-borrowers, who were potentially spared from usurious rates by commercial loan sharks.

### Loan Restructuring with Penalty Condonation Implemented

The loan restructuring with penalty condonation program (LRP) is our way of helping our members settle their obligations within their financial capacity, recognizing that natural disaster and calamities in the recent years have brought difficulties to a good number of our members. The LRP is also our way of making sure that members have a secured future with their entitlement to full SSS benefits once their delinquent loans are paid off. By the end of the eight-month LRP availment period in December 2018, the program generated an income of P3.31 billion and condoned some P7.12 billion in penalties.

### Service Excellence Recognized

On customer service delivery, we have diligently worked to improve the efficiency of our transactions. We have been dogged by countless complaints on the never-ending queues at our counters and the seemingly endless waiting time of our members. We must regularly look at ourselves through the eyes of our members by way of customer satisfaction surveys.

Service excellence has always been one of our priorities, and we are happy that our diligence has paid off. On 12 December 2018, during the first anniversary celebration of RTVM's Linya ng Pagbabago, the SSS received a Plaque of Recognition from the Presidential Communications Operations Office for being the second-best agency with the most resolved complaints over Hotline 8888. For the period January to November 2018, the resolution rate of all the cases handled by the SSS was 96.68%. This translates to 5,588 out of the 5,781 recorded cases.

### More Efficient Service to Members Delivered

A major initiative in 2018 was the Real-Time Processing of Contributions (RTPC) program, which was launched to ensure the immediate posting of members' contribution payments, thereby preventing delays in the processing of benefit claims. Under the RTPC, all employers and individually-paying members such as self-employed, non-working spouses, overseas Filipino workers, and voluntary members are required to register in the My.SSS facility in the SSS website. Upon validation and confirmation, those registered will be able to generate their Statement of Account with the corresponding Payment Reference Number (PRN) for their contribution payment transactions with the SSS through its branches' automated tellering systems and the various payment channels of banks and non-banks collection partners. Aside from their online account, individually-paying members may receive their PRN via SMS through their updated mobile numbers registered with the SSS.

While there may have been birthpains, by the end of 2018, plenty of employers and individual members have appreciated the positive effects of the RTPC. We shall continue to work out the kinks in the system, particularly in making the issuance of PRN easier and faster for members.



## TIMELY

A vital advocacy of the SSS is to solicit the cooperation and support of its stakeholders by urging them to periodically check and update their personal data, and more importantly, to religiously pay their contributions and loan amortization to ensure timely release of benefits due them.



## RELIABLE

One of the SSS' top priorities is to make sure it delivers its services efficiently, from the moment members make their first contribution up until they file for their final claim, such as retirement benefit. For as long as they meet the qualifying conditions, members can rely on SSS to meet their needs.



## ACCURATE

The SSS makes positive strides in servicing its members promptly and effectively through continuous information technology upgrades to provide more convenience and to allow transparency and accuracy in member records, while ensuring adequate online security.



We shall strive to live up to our promise of prompt, more accurate, and more responsive service, to ensure that your contributions are truly SULIT!

**Faster Access to Members' SSS Accounts Implemented**

Through the Self-Service Information Terminals (SSITs) located in SSS branches nationwide, our members are afforded faster access to their personal accounts to inquire on their contributions, loans, benefits, and ID information. To access their SSS accounts, scanning of the SSS ID or Unified Multi-purpose Identification (UMID) card and fingerprint matching are required.

SSS members can now also access their membership information using their smartphones and tablets with the new SSS Mobile App. The mobile application was launched in September 2018 to provide members with more convenient means to view their personal records and other relevant information through their smartphones or tablets, without the need to visit the SSS branches.

**Calamity Assistance to Pensioner- and Member-Victims Offered**

In 2018, the SSS offered loan assistance to SSS members and pensioners residing in areas declared under the state of calamity due to tropical typhoons Henry, Inday, and Josie in July, and tropical cyclone Karding in August. About P362.92 million was also set aside to cover potential loan exposure and around P500 million for the advance three-month pensions for victims of the three typhoons. Meanwhile, for victims of cyclone Karding, SSS allocated P255.26 million for possible loan exposure and P294.84 million for possible disbursements for the advanced three-month pension. Aside from the calamity loan, Karding-stricken members with damaged homes were allowed to avail of direct house repair and improvement loans with six months moratorium in amortization. The maximum loan amount under the program is P1 million.

**Corporate Social Responsibilities**

Early in 2018, Bicolanos in the surrounding areas of the Mayon Volcano were threatened by the iconic volcano's continuous eruptions. To alleviate their sufferings, more than P600,000 worth of relief packages were distributed to displaced members, pensioners and their beneficiaries. Relief operations are conducted as part of the corporate social responsibility program of the SSS.

The SSS was given a Diploma of Service award by the Philippine Red Cross (PRC) during the latter's Blood Donors Recognition Ceremony held on 27 July 2018. Conducted in celebration of the National Blood Donor's Month, the annual ceremony honors voluntary blood donors - organizations and individuals alike - who make up the foundation of PRC's safe blood supply. The SSS is among the 75 recipients of a Diploma of Service for consistently supporting PRC through donations and partnership with blood-letting programs.

**The Passage of the New Social Security Law of 2018 Pursued**

Throughout 2018, SSS officers and I worked long and hard with legislators and legislative staff in both Houses of Congress in crafting and ensuring the passage of the law that would amend the 21-year old Republic Act 8282 or the Social Security Act of 1997.

The new law seeks to breathe a new life to SSS so that it can continue to better serve its stakeholders, members and pensioners. It aims to strengthen the pension fund through salient features such as the rationalization of the powers of the Social Security Commission (SSC), allowing it to expand the investing capacity of the pension fund to generate better income for the benefit of its members and pensioners.

**Our plate may have been full, but we got a lot of things done.**

All these accomplishments and more would not have come to fruition had it not been for the full support of the SSC and the cooperation of all the officers and staff of our beloved institution. To our members, their beneficiaries, our pensioners, employers, and other stakeholders, thank you for your continuing trust and confidence in SSS!

*Mabuhay at maraming salamat po!*

  
**EMMANUEL F. DOOC**  
 President and Chief Executive Officer

2018 Year-in-Review

**JANUARY**



The SSS and Robinsons Land Corporation (RLC) signed on January 22 a supplemental memorandum of agreement (MOA) that will continue the latter's commitment of providing rent-free spaces for SSS service offices in 12 additional sites. Leading the agreement signing held at Xin Tian Di Crowne Plaza Manila Galleria Ortigas were SSS PCEO Emmanuel F. Dooc (2nd from left) and RLC President Frederick D. Go (2nd from right), together with SSS SVP and Chief Legal Counsel Voltaire P. Agas and RLC SVP and General Manager for Commercial Centers Division Arlene G. Magtibay.

The SSS, in partnership with the Philippine Information Agency (PIA), conducted on January 30 the Sulit Conference 2018 with the theme "Kontribusyon, Sulit na Sulit" at the Crowne Plaza Manila Galleria in Quezon City. The conference served as the launching pad for the various membership campaigns of the SSS. About 500 participants composed of employers and employer-representatives, employees, overseas Filipino workers, self-employed and voluntary members, informal sector workers, social media influencers and traditional media attended the conference. Nine other Sulit Conferences throughout 2018 were conducted in various regions, namely Baguio in May; Puerto Princesa, Palawan in June; Davao, Ilagan City, Isabela, and General Santos City in July; Pagadian and Laoag cities in October; and Naga City and San Pablo, Laguna in November.



**FEBRUARY**

Kicking-off the pension fund's participation in several 2018 media-related events was the DZMM Kapamilya Day on February 24 at the Mandaluyong City Hall wherein SSS set up an information center and offered services that include issuance of SS numbers, online verification of contributions, screening and receiving of loans and benefit applications, attending to queries on benefits and privileges as well as distribution of forms and information materials. The other media-organized events that the SSS took part in were another DZMM Kapamilya Day in September, the GMA News TV "Free Time Public Service" in July, and the ABS-CBN Grand Kapamilya Day in November.



## MARCH

About 1,300 Bicolanos affected by the threats of Mayon Volcano's eruption benefited from the SSS relief operations conducted on March 2 at Ligao City National Technical-Vocational School. More than ₱600,000.00 were allotted for the relief packages given to displaced members, pensioners, and their families in six barangays in Ligao City, namely Nasisi, Binatagan, Tuburan, Nabonton, Basag, and Dunao. Photo shows the handing of relief packages containing rice, canned goods, and sanitary kits to the evacuees led by (2nd to 3rd from left) SSS PCEO Emmanuel F. Dooc and Ligao City Mayor Patricia Gonzalez-Alsua.



## APRIL

SSS members with past-due accounts flocked to the SSS Diliman Branch in Quezon City on the first day of applications for the Loan Restructuring Program (LRP) with Penalty Condonation (bottom photo). On April 2, all 256 SSS branches and service offices nationwide started receiving LRP applications from member-borrowers who have past due salary loans, calamity loans, emergency loans, educational loans (old), Study Now Pay Later Plan, Voc-Tech Loans, Y2K Loans and Investments Incentive loans provided that they have resided or worked in a calamity or disaster-stricken area as declared by the National Disaster Risk Reduction and Management Council. Top photo shows 60-year-old Gloria H. Chua, member-borrower from Caloocan City who applied for the LRP to settle her 18-year unpaid loan. Chua paid in full her outstanding obligations to fully enjoy her benefits when she reaches her retirement.



In anticipation of the economic boom of Camotes Island as a tourist destination in Cebu, the SSS inaugurated a 42 square-meter Service Office (SO) at the island's Public Market area of Eastern Poblacion on April 10. The facility has three personnel handling the accounts of approximately 350 member-employers, an average of 1,750 member-employees, and an estimated 850 voluntary members and self-employed individuals, including fisher folks and informal sector workers from the municipalities of Poro, San Francisco, Tudela, and Pilar. Leading the ribbon cutting ceremony were (from left) SSS VP Alberto L. Montalbo, SSS SVP Helen C. Solito, Poro Municipal Mayor Luciano D. Rama Jr., and SSS Lapu-Lapu Branch Head Eric A. Coronado. The SSS opened another SO in Sablayan, Occidental Mindoro in July 2018.



## MAY

The SSS joined other government institutions in the 116th Labor Day Celebration of the Department of Labor and Employment on May 1 in Cebu City and other cities nationwide. Throughout 2018, the SSS participated in six other government-initiated job fairs, namely Public Employment Service Office (PESO) Valenzuela Mega Job Fair in January; PESO Makati 1st and 2nd Mega Job Fairs in June and November, respectively; Government Express Goes to the Mall in Iloilo in September; Jobs Jobs Jobs x Build Build Build in August; and Metro Laylayan Job Fair in November.



The SSS formally opened its renovated Makati-Gil Puyat branch located at the ground floor of the Employees' Compensation Commission Building along Gil Puyat Avenue, Makati City on May 8. SSS Makati-Gil Puyat was the first branch to be established outside of the Quezon City Main Office back in 1985. Photo shows the blessing and inauguration rites, which was attended by SS Commissioners Michael G. Regino and Anita Bumpus-Quitain (1st to 2nd from right), SSS PCEO Emmanuel F. Dooc (middle), and SSS Makati-Gil Puyat Branch Head Rita S. Aguja (left). Apart from SSS Makati-Gil Puyat, four other branches were likewise inaugurated in 2018, namely, the relocated SSS Antipolo, SSS Pasig-Pioneer and SSS Mandaluyong-New Panaderos branches, as well as the newly-established office of SSS San Carlos Pangasinan.

## JUNE

Over 300 pensioners from the Federation of Senior Citizens Associations of the Philippines Quezon City and NCR Chapters, Senior Citizens Sectoral Council of the National Anti-Poverty Commission, and Unified Senior Citizens of Barangay Gulod, Quezon City District V attended the annual SSS Pensioners' Day. Offered during the program held at the SSS Ramon Magsaysay Hall on June 14 were free consultation and medical services, complimentary basic medicines, as well as lectures on health and wellness.



A total of 10 Run After Contribution Evaders (RACE) Operations were conducted by the SSS in 2018 throughout the country, with the objective of increasing the level of awareness among employers on their legal obligations and need for compliance with the SS Law. In 2018, the campaign expanded to the regions, particularly in the provinces of Batangas in March, Dagupan in May, Palawan in June, Davao and General Santos in July, Bacolod in August, Pagadian and Laoag in October, Naga in November, and Butuan in December. Photos show the SSS RACE Operations held at Island Hop Nido Hostel in Palawan (top) and at Synergy Global Services in Laoag (bottom), both spearheaded by SSS PCEO Emmanuel F. Dooc.



## JULY

The SSS, led by its PCEO Emmanuel F. Dooc (bottom photo, standing) together with officials from the Isabela local government unit (LGU), conducted the groundbreaking of the future site of the SSS office in the capitol compound of the province. In a ceremonial turnover held at the Balai Capitol, Barangay Alibagu, Ilagan, Isabela on July 20, PCEO Dooc thanked Isabela LGU for the donation of the 4,000 square-meter lot. The future SSS office will serve its three cities and 35 municipalities. On December 11, meanwhile, a memorandum of agreement signing ceremony was held between SSS and the Provincial Government of Camarines Norte on the latter's Deed of Lot Donation for a Parcel of Land in Sitio Mat-1, Brgy. Sto. Domingo in Vinzons, which SSS could use to establish its provincial satellite office and processing center in the future.



## AUGUST

The SSS, through its Lending and Asset Management Group and Asset Management Division, invited industry leaders in property construction and development from Metro Manila for a Consultative Conference on August 17 at the SSS Ramon Magsaysay Hall, in line with the pension fund's plan to develop five of its prime real estate properties either through a joint venture development or long-term lease arrangement. During the said event, the SSS solicited the expertise and inputs of the around 70 property developers. Photo shows the event panelists composed of SSS officials led by PCEO Emmanuel F. Dooc (standing).



## SEPTEMBER

The SSS on September 3 launched the Pension Loan Program (PLP) that allows qualified SSS retiree-pensioners to borrow money at a monthly interest rate of 0.83 percent or 10 percent per annum. During the launching ceremonies, some of the pensioner-attendees were able to apply for the PLP through the on-site assistance provided by SSS employees.

In its effort to strengthen ties with its collecting partners, the SSS signed agreements on September 17 with six universal banks, five commercial banks, five thrift banks, one rural bank, and eight remittance and transfer companies, which are now ready to accept contribution payments using the Payment Reference Number under the Real Time Processing of Contributions program.



Senator Richard J. Gordon (top photo, middle) served as the keynote speaker during the SSS' 61st anniversary celebration, which was held at the SSS Ramon Magsaysay Hall on September 21, less than three weeks prior to the approval in the Senate's third and final reading of Senate Bill No. 1753. Senator Gordon, who serves as Chairman of the Committee on Government Corporations and Public Enterprises, said that the bill, also known as the Social Security Act of 2018, would give a "wide leeway of discretion for decision-making to the Social Security Commission" when passed into law.

September 21 saw the signing of a Memorandum of Agreement between SSS and the Philippine Red Cross (PRC) that aimed to promote cooperative and sustainable humanitarian efforts. Led by (top photo) SSS PCEO Dooc and Senator Gordon as PRC Chairman, together with officials from the SSC, SSS, and PRC as witnesses, the MOA signing was highlighted by the turning-over of a P2.5-million check donation (bottom photo) from SSS that will be used to cover the cost of an ambulance unit in support of PRC's socio-civic works.



As part of its 61st anniversary celebration, the SSS recognized its top public and private sector partners for their commitment in ensuring reliable social security protection for Filipino workers during the 2018 Balik at ng Bayan Awards held on September 21 at the SSS Ramon Magsaysay Hall. Photo shows the awardee-representatives for the Top Employer awards, namely PanAsiatic Call Centers Inc., Nitto Denko Philippines, Corp., and Doña Pilar Learning Center Foundation, Inc. for the Large, Medium, and Small Accounts categories, respectively, together with the Top Employer Hall of Fame Awardee Federation of Filipino-Chinese Chambers of Commerce & Industry, holding their trophies during a photo opportunity with Senator Richard J. Gordon (9th from right) and SSS top officials.



Also recognized during the 2018 Balik ng Bayan Awards were the SSS' Best Collection Partners (left photo). Security Bank Corporation, Century Savings Bank, and Rang-ay Bank received the Best Collection Partner recognition for commercial, thrift, and rural banks, respectively. Sky Freight Forwarders, Inc., on the other, won the Best OFW Collection Partner. Meanwhile, SSS' Best Paying Partners (right photo) for 2018 were Philippine National Bank, First Consolidated Bank, Inc., and Country Builders Bank, Inc., for commercial, thrift, and rural banks, respectively.



The SSS housed a gallery exhibition on November 14 titled "Samu't Saring Sining" featuring the works of Pintor Kulapol Tuy, Batangas Artists' Group, Inc. Present during the SSS Gallery's 165th Art Exhibit were SSS VP Ma. Luisa P. Sebastian (right), together with some of the art group's members. Aside from "Samu't Saring Sining," the SSS Gallery hosted 10 other art exhibits throughout the year.

In September 2018, President Rodrigo R. Duterte appointed former Asec. Aurora C. Ignacio (left photo) and veteran lawyer Atty. Ricardo L. Moldez (right photo) as the Chairperson of the Social Security Commission (SSC) and the newest SSC member representing the employer sector, respectively.



Seven members of the Government Employees Pension Services of Korea visited the SSS headquarters in Quezon City on November 29 for a study visit in order to learn from the Philippine pension system. Top photo shows the Korean visitors holding their certificates of appreciation from the SSS during a photo opportunity with SSS EVP Rizaldy T. Capulong (4th from right) after the latter's discussion about the SSS Pension Reform and Fund Management. Prior to this, three other study visits were conducted in March, May, and September 2018 for the benefit of the Ministry of the Disaster Management and Relief of the People's Republic of Bangladesh, the Ministry of Manpower of the Republic of Indonesia, and the BPJS Ketenagakerjaan Indonesian Delegation (bottom photo), respectively.



## OCTOBER

The SSS created in 2018 the SSS Dagupan Processing Center-Extension Office to decongest its Tarlac Processing Center and help reduce the turnaround time in processing SSS claims. The new facility in Central Luzon, which receives and processes various benefit claims of SSS members, already counts as the 13th processing center. Leading the ribbon cutting ceremony were (from left) SS Commissioner Gonzalo T. Duque, SSC Chairperson Aurora C. Ignacio, Dagupan City Mayor Belen T. Fernandez, SSS PCEO Emmanuel F. Dooc, and SS Commissioner Ricardo L. Moldez.

## NOVEMBER

The SSS organized its 3rd Multi-Sectoral Forum on November 13 at San Fernando, Pampanga, which was attended by over 60 officers and representatives from cooperatives, microfinance institutions, local government units, and religious organizations in Pampanga, Bataan, Zambales, and Bulacan. SSS PCEO Emmanuel F. Dooc (standing) shared to the participants the pension fund's hope of increasing the self-employed membership numbers, as well as the identification of 30 organized groups in the Central Luzon area as potential servicing and collecting partners.



## DECEMBER

SSS formalized its partnership with the Philippine National Police (PNP) for better cooperation and sharing of resources, through the signing of the Memorandum of Agreement (MOA) last December 6 at Camp Crame in Quezon City, attended by (top photo, from left) PNP-NCRPO Chief Police Director Guillermo Lorenzo T. Eleazar, SSS PCEO Emmanuel F. Dooc, Police Director for Community Relations Eduardo Serapio M. Garado, SSS SVP Atty. Voltaire P. Agas, and Police Director for Police Community Relations Group Chief Superintendent Rhodel O. Sermonia. Following the MOA signing was the turnover of 762 SSS-sponsored police directional signages, which were then installed in strategic locations nationwide (bottom photo) to increase public awareness of the nearest police stations in these areas and the police force's commitment to fighting criminality.



## Small amount, huge impact

How the Pension Loan Program addresses the needs of SSS pensioners

**A**fter devoting decades to work during their productive years, senior citizens often view retirement with concern for the welfare of their families, as they also inevitably face issues such as rising healthcare costs and medical expenses. Fortunate are those who have planned and saved for their retirement, such as through personal savings or investments, private pension plans, or even contributions to a state-funded pension fund. However, for those who lack the foresight or the financial capability to save, looking forward to retirement with little or no income at all can be a daunting future.

Stories currently proliferate of pensioners who, due to dire financial need, resort to private lending firms that offer loans with steep interest rates, charge processing fees, and require loan repayments coming from their monthly pensions, while requiring the pensioner-borrower's ATM card as collateral.

Well-aware of its pensioners' plight and in response to their appeal for urgently needed support, the Social Security System (SSS) launched on 3 September 2018, its first-ever Pension Loan Program (PLP) that offers financial assistance to qualified SSS retiree-pensioners by offering loans of up to ₱32,000 at only 0.83 percent interest per month.

It seems that the PLP could have not come at a better time as exactly a month after its launch, the Program had already exceeded the ₱100 million-mark, with 4,341 pensioners applying for loans, and pension loan disbursements reaching ₱107.77 million. Moreover, by end of 2018, the number of pension loans granted escalated to a total of 18,175, with loan disbursements amounting to over ₱435 million.

According to SSS President and Chief Executive Officer (PCEO) Emmanuel F. Dooc, "Our pensioners' response to the Pension Loan Program is really overwhelming. We hope that there will be even more pensioners who will avail of the program because it aims to help them with their short-term financial needs like emergency medical expenses."

To qualify for PLP, the retirement pensioner must be 80 years old and below at the end of the month of loan term, without an outstanding SSS loan balance, benefit overpayment payable to SSS, or advance pension under the SSS Calamity Package, and with an "active" pension status by having at least one month posted regular pension. Under the program, eligible pensioner-borrowers may opt to avail of the minimum or maximum loan amount, which respectively amounts to twice or up to six times the value of their basic monthly pension plus the additional ₱1,000 benefit.

For the pensioners' convenience, SSS committed to have the pension loan processed within the day of filing, with the proceeds being credited to the borrower's Union Bank of the Philippines (UBP) Quick Card within five days upon approval.

As for the loan's interest rate of 0.83 percent per month (or 10 percent annually), it is computed on a diminishing principal balance that shall become part of the monthly amortization or repayment either in three, six, or 12 months depending on the multiple of the loan amount. Amortization will be deducted from the monthly pension of the borrower on the second month after the loan was granted. Pensioners will be allowed to renew their pension loan after full payment of the current loan.

### Guaranteed Financial Security

Under the PLP, the financial security of pensioner-borrowers, as well as their beneficiaries is assured through the Credit Loan insurance (CLI), which guarantees that in case of the pensioners' untimely death, the outstanding loan balance is already deemed fully paid and shall not be deducted from the funeral and death benefits to be claimed by the beneficiaries. The one-percent service fee usually charged by the SSS for loan processing has been waived and shall be used instead to subsidize the pensioner-borrowers' CLI premium.

The SSS hopes that more of its 1.3 million member-pensioners will opt to avail of the pension loan program in times of emergency expenses because aside from it having the lowest interest rate in the market, borrowers are assured that they will still be receiving a portion of their monthly pension.

Finally, PCEO Dooc noted, "The ₱32,000 loanable amount may not be as huge as compared to what other lending institutions are offering, but the amount can certainly help them meet their short-term needs, without compromising their financial security."



Sulit ang pagiging miyembro ng SSS. Kahit pensioner na, may additional privilege pa!



Reynaldo G. Estuye

### Over and above satisfied

Retirement pensioner Mr. Reynaldo G. Estuye lives a simple life. After 31 years of working, he decided to quit the proverbial rat race in 2014. Since then, he has spent his time on an "apostolic" mission – meaning, taking care of his "apos" (grandchildren).

With two of his three children already married and with children of their own, Mr. Estuye, who is separated from his wife, is left just supporting himself and his youngest son who is 17 years old and still in senior high school. He finds his SSS retirement pension of over ₱11,000 a month thus far sufficient for their needs.

"Ang pension na natatanggap ko monthly, ginagamit ko mainly para sa aking youngest son para sa kanyang school," he explains. "May natitira pa naman kahit papaano to support ang mga apo at 'yung para sa akin."

Mr. Estuye first learned of the PLP through a radio interview with SSS PCEO Emmanuel F. Dooc.

"Mr. Dooc announced na all retirement pensioners ay pwede na mag-loan and they can just go to the nearest branch to file," he narrates.

His first pension loan amounted to over ₱20,000, which he paid off in three months.

Mr. Estuye considers himself fortunate that he has never had to go to a private lending agency to borrow money. He has heard too many "horror" stories and precautionary tales.

"May kasabihan tayo, 'kung kailangan, kakapit ka sa patalim.' Kaya ang iba, kumakapit sa mga lending. Pero parang nakatali ka na dun, eh," he explains.

"Sa SSS naman, medyo maliit lang ang amount so kayang-kayang bayaran ng pensioner. At dahil through deduction sa pension, hindi na kelangan pumunta sa kung saan-saan pa, kaya madali ang pagbabayad. Saka maliit lang ang interest," he enthuses.

"Sulit ang pagiging miyembro ng SSS. Kahit pensioner na, may additional privilege pa!"

Kaya kung magkano man ang ibigay sa atin na loan ng SSS, ako'y nagpapasalamat na lang at mayroong tayong maipanggagastos. Hindi ko hinahangad na lumaki, sulit na sa akin 'yan.



Antonio H. Lauyon

### Knowing one's limits is key to personal satisfaction

After working as a seaman aboard foreign vessels for 35 years, Mr. Antonio H. Lauyon filed his SSS retirement claim in 2001, and thereafter was granted a monthly pension of over ₱9,400. The additional benefit given by SSS in 2017 raised his pension to ₱10,400.

Like other senior citizens, Mr. Lauyon also struggles with health issues. Most of his monthly pension is spent on his medicines. He considers himself lucky that he has his own home and that his pension goes solely to his welfare, as he is already a widower and his two children are all grown up, with families of their own.

"Ang aking monthly pension ay para sa mga pangangailangan ko, halimbawa, sa gamot. Pero sa totoo lang, kinukulang pa rin 'yan," he explains.

There have also been times when Mr. Lauyon resorted to private lending agencies for pensioners. It was an experience that he deeply regrets.

"Malaking problema 'yang lending. Biro mo ba naman, sa kaka-loan ko sa lending, hindi ko alam, umaabot na sa ₱54,000 ang utang ko! Sila ang may hawak ng ATM card ko, binibigyan lang nila ako ng mga ilang daang piso kada buwan, hindi ko alam nababaon na pala ako," he recounts ruefully.

His discovery of the PLP could not have come at a better time. In September 2018, he went to SSS Alabang on the off-chance that there was a loan program he could avail. He was pleasantly surprised that he was eligible to loan up to ₱20,000. He opted to pay it back in three months.

Using his SSS pension loan, Mr. Lauyon hopes to eventually pay off his loan balance with the private lending agency.

His advice for other pensioners?

"Huwag ninyong iisipin na 'yung makukuha ninyong pera sa SSS ay gagastusin ninyo sa wala, magsusugal kayo o mag-iinom kayo," he opines.

"Kaya kung magkano man ang ibigay sa atin na loan ng SSS, ako'y nagpapasalamat na lang at mayroon tayong maipanggagastos. Hindi ko hinahangad na lumaki, sulit na sa akin 'yan."

By knowing his financial limits, Mr. Lauyon no longer fears going into debt. Especially not if it's an SSS Pension Loan.



## Real-Time Processing of SSS Contribution Payments takes off in 2018

**M**ember contribution is the lifeblood of the pension fund. It is the Social Security System's (SSS) primary source of income, which must be efficiently collected and effectively managed to enable the smooth and timely disbursement of benefits to members.

At the same time, members' contributions are the main basis for their qualification to a benefit or loan, as well as the amount of benefit or loan for which they are eligible.

It is, thus, important to ensure that contribution payments by employers and individually paying members (e.g., self-employed, non-working spouses, and voluntary members such as overseas Filipino workers and members separated from employment) are correctly and immediately posted in their accounts. This way, members are assured that they can receive their benefits in a timely manner.

In 2018, the SSS started implementing the Real Time Processing of Contributions (RTPC) program, which involved major changes in its policies, information technology system, and procedures in order to ensure the immediate processing and posting of contribution payments received in the members' SSS records. Renegotiations with accredited collecting partners, both banks and non-banks, were also needed in order to align their collection systems with SSS requirements to make them RTPC-compliant.

Critical to the smooth implementation of the RTPC is the use of the SSS-generated Payment Reference Number (PRN) every time a contribution payment is made by the employer

or individual member. The PRN is obtained or generated through various ways, such as via Text-SSS, email, the My.SSS facility in the SSS website, SSS Call Center and Local Toll-Free Service Hotlines, as well as requested personally through the Member Service Section (MSS) counters of SSS branches and selected Payment Collecting Partners.

Because of RTPC and its attendant PRN, the old system of submitting collection reports to the SSS through USBs, flash drives, or through paper documents as in the case of most household employers, has been eliminated. Regular and household employers are tasked to create their own accounts in the My.SSS facility so that they can create, review and edit their electronic Collection List (e-CL) for PRN generation. With the help of the e-CL, employers can easily update their employment records by encoding their new and separated employees, and changing the applicable payment period or contribution amount.

Despite some operational issues and confusion during its initial implementation, the RTPC program has taken off successfully in 2018. Members and employers have more ways to obtain their PRN and can now pay their contribution payments at 36 RTPC-compliant SSS collection partners nationwide, and even worldwide for OFWs.

More importantly, there is better appreciation by members for the immediate processing of their contribution payments. Within 24 hours of their paying with the PRN, they receive a text message from SSS confirming receipt and posting of said payment.

Now that's "Serbisyong, Sulit na Sulit!"



**Renante P. Saturno**  
HR Benefits Supervisor

So lesser na 'yung admin (work) namin na napapa-manual posting.



**Jonel Z. Licayan**  
HRIS Administrator

### Realizing the Benefits of RTPC

Sitel Group is one of the renowned Business Process Outsourcing (BPO) companies worldwide. It has a total of 21,000 employees in four major sites in the Philippines, particularly in Baguio, Manila, Tarlac, and Palawan.

Prior to the implementation of RTPC, Sitel's HR benefits group received numerous requests for manual posting due to various employee complaints wherein contribution payments were not readily reflected in the system.

"Sa bangko kasi, kahit hindi buo 'yung SS number, kahit minsan wala, ay napapasukan pa rin ng contributions, so marami kaming requests for manual posting," HR Benefit Supervisor Mr. Renante P. Saturno said.

It was indeed a challenge for the Sitel Group to immediately implement the system change within a short span of time. Luckily, they managed to pull it off and started the full implementation of RTPC in March 2018.

Mr. Saturno witnessed how the special program helped their company improve their administrative functions, particularly in maintaining accurate SSS records of their employees.

"With the real-time posting kasi, pagkasubmit mo ng bayad using the PRN, in a few minutes meron na kaagad confirmation sa mga employees namin. Ang maganda pa, nafiliter 'yung mga number, so nakikita namin kung erroneous 'yung binigay ni employee na SS number. Kapag mali talaga, hindi tatanggapin ng system. So lesser na 'yung admin (work) namin na napapa-manual posting," Mr. Saturno explained.

Company employees were also encouraged to utilize the SSS e-services by creating their own online accounts via My.SSS and SSS Mobile App so that they can directly check their SSS records.

"Kasi before, (ang mindset nila) basta bawasan ninyo na lang ako kasi 'yun ang requirement. Tapos hindi pa nila na-uutilize 'yung sickness claims. 'Yung iba late na mag-file ng maternity. Kaya when we started the real-time posting, we also incorporated information dissemination. We've come up with a campaign, kailangan i-explain kung bakit kayo nagbabayad ng ganitong amount at kung ano 'yung makukuha mo. Kaya ngayon, mas naging aware sila na ito pala ang binabayaran nila, tapos ito pala ang makukuha nila," Mr. Saturno concluded.

Sitel Group approves an average of 100 SSS Salary Loan applications per day. During the initial RTPC implementation in 2018, Mr. Jonel Z. Licayan was one of the Sitel employees who immediately enjoyed this SSS privilege, thanks to the real-time posting of his contributions in his SSS records.

"Wala naman delay kasi online ako nag-apply. Tapos nag-set naman ng proper expectation 'yung Benefits Team namin kung kailan siya mapa-process. Actually 'yung sabi nila, pinakamabilis na 'yung isang linggo. Within one week, ok na nga!" Mr. Licayan said.

# Three-pronged approach to boost employer compliance and delinquency collection

Under Republic Act (RA) 8282, otherwise known as the Social Security (SS) Act of 1997, employers are mandated to comply with their statutory obligations to:

- 1) register their business operations;
- 2) report their workers for coverage;
- 3) remit payments timely; and
- 4) produce employment records when required by SSS. The same obligations are reiterated in RA 11199 or SS Act of 2018.

In 2018, a three-pronged approach was adopted by the SSS to safeguard the welfare of its members as well as to instill awareness and increase the level of compliance among employers. These strategies, all aimed at boosting contribution collection, are: 1) the Run After Contribution Evaders (RACE) campaign; 2) the "Oplan Tokhang"-SSS style; and 3) the progressive collection system of issuing Warrants of Distraint, Levy, and Garnishment (WDLG).

## Order to Show Cause

The RACE campaign is a collection and awareness-raising mechanism that involves the conduct of mapping operations as well as the posting of Show-Cause Orders in public work environments of establishments found delinquent.

Once they have been identified as "delinquent" and Show-Cause Orders have been posted in their premises, owners of these establishments are then given a non-extendible period of 15 days to present themselves before the nearest SSS branch to explain why no legal actions should be taken against them.

SSS President and Chief Executive Officer (PCEO) Emmanuel F. Dooc, who always made it a point to lead the operations, noted that RACE enables the SSS management to personally educate the employers on how to become responsible through full compliance with the law.

The overall collection gathered from 115 delinquent employers subjected to RACE throughout 2018 amounted to ₱4,658,066, more than half of which, or ₱2,345,377, was

paid to SSS even before RACE took place. The prompt compliance came to fore when word spread in business communities that the pension fund would be conducting mapping operations in their areas. Meanwhile, the total amount settled after RACE reached ₱2,312,690.

## Collection via Court Actions

Conducted in partnership with the Philippine National Police (PNP), "Oplan Tokhang" enables the SSS to speed up on court actions and follow the judicial process of filing and prosecuting cases among employers who have not remitted to SSS what they have deducted and collected from their employees.

As a member of the National Law Enforcement Coordinating Committee, the SSS is proactive in about 9,000 pending cases by helping the PNP serve erring employers with warrants of arrest before various courts nationwide. These employers were either convicted or adjudged to have violated the SS Law, or those whom the court has not acquired jurisdiction over due to their hiding or fleeing from the law. Once these delinquent employers are

apprehended, the SSS can then effect the decision of the court or continue prosecuting the case against them.

Atty. Renato Jacinto S. Cuisia, Acting Vice President of the SSS Operations Legal Services Divisions (OLSD) I & II and Chairperson of the "Oplan Tokhang" Task Force, said that upon arrest, the accused will then be immediately brought to the police precinct with jurisdiction over the place of arrest. A ₱72,000.00 bail bond is required for the arrested employer to be able secure temporary liberty to face trial before the court.

Based on 2018 data from OLSD, six companies with a total delinquency, inclusive of penalties, amounting to over ₱8,663,002.49 have been subjected to "Oplan Tokhang", with a total of eight individuals served arrest warrants and three arrested.

## Seizure of Properties

The third and final approach to boosting collection from delinquent employers is the progressive system of WDLG issuance, which is provided for under Section 22 of the SS Law and SSS Circular No. 2018-007.





### Committed to Help Employers

Through this three-pronged approach, the SSS has significantly decreased its collectible accounts and restored the rights of its employed members to their due benefits. But along with the SSS' desire to be relentless in its campaign against erring employers is the institution's commitment to also helping them out as a vital part of the country's economy.

Atty. Cuisia explained that the reason why SSS cases are now open to mediation and why it accepts settlements from employers is because the System is not after damaging the reputation of the employer or causing their financial ruin.

"We want them healthy, current, and religious in the remittance of their SSS contributions. We want to help that's why we have crafted various settlement schemes and options for them to choose from, depending on their financial position. We hope these will give them reprieve," he said.

Implemented in the third quarter of 2018, WLDG involves the distraint of personal properties, levy of real properties, and garnishment of bank accounts, equivalent to the amount of unpaid contributions including penalties, damages, and other expenses. Should the non-compliant employer manage to settle these payments prior to the public sale to be scheduled 60 days after acquisition, the warrants issued will be lifted and the properties levied, distrained, or garnished will be restored to the owner.

According to Atty. Cuisia, the idea of WDLG is "to collect at the earliest possible opportunity what is due or demandable from these erring employers without having to go to court" so as not to miss out on the instance for them to evade having to pay.

Data from the SSS Employer Delinquency Monitoring Department show that out of the 10 delinquent employers who were subjected to WDLG in 2018, only seven were eventually issued Notices of Distraint, Levy, Encumbrance, and/or Garnishment (NDLEG). Two of the identified employers opted to settle their delinquencies even before they were served NDLEG, while one was referred back to the SSS branch of origin.

After issuing them Preliminary Assessment Notices and Final Assessment Notices, the SSS was able to collect over P9,636,572 from delinquent employers thus far. Due to the lengthy WDLG process, wherein employers are given every opportunity to settle their delinquencies outright, full collections are expected starting early 2019.

### SSS' legal approach to employer compliance earns ASSA Recognition



The ASEAN Social Security Association (ASSA) recognized the effectivity of the three-pronged approach used by SSS in enforcing employer compliance, its innovative blend of legal and administrative measures, as well as its cooperative approach with law enforcement agencies. During the 35th ASSA Board Meeting held at Nha Trang Cam Ranh, Vietnam from 18 to 20 September 2018, the ASSA accorded SSS with the ASSA Innovation Recognition Award for the three programs that protected the rights of workers and reminded employers of their legal and moral responsibilities towards their employees.

## Statements of Management's Responsibility for Financial Statements

The management of the Social Security System is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and December 31, 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Social Security System's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Social Security System or to cease operations, or has no realistic alternative to do so.

The Social Security Commission is responsible for overseeing the Social Security System's financial reporting process.

The Social Security Commission reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members.



SEC. CARLOS G. DOMINGUEZ III  
Chairperson, Social Security Commission

AURORA C. IGNACIO  
President and CEO, Social Security System

Date: July 10, 2019

# Independent Auditor's Report



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

## THE SOCIAL SECURITY COMMISSION

Social Security System  
East Avenue, Diliman, Quezon City

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Social Security System (SSS), which comprise the statements of financial position as at December 31, 2018 and 2017, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the SSS as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

The valuation of SSS Investment Properties (IPs) for Pasay City (FCA 7, Site 2) Greenmeadows and Memorial Lots were measured at book value (BV) and not at fair value (FV), contrary to Philippine Accounting Standards (PAS) 40, resulting in the understatement of the balances of both IP and Reserve Fund accounts in CYs 2017 and 2018 by P6.144 billion and P12.174 billion, respectively.

Likewise, the balance of Cash and Cash Equivalent cannot be relied upon because appropriate accounting entries are not taken up to effect adjustments for stale checks amounting to P138.753 million and reconciling items totaling P452.891 million.

Moreover the reliability and validity of the balances of Loans and Interests Receivables-Member Loans (ML), related Penalty income and Other Current Liability (OCL) - ML Collections accounts are doubtful because of unposted collections totaling P1.196 billion and noted duplicate payments totaling P581.545 million that were recorded to OCL-ML Collections.

Lastly, the balance of Receivable Collecting Banks/Collecting Agents account was unreliable due to presence of abnormal balances amounting to P436.554 million brought about by delayed submission of collection documents by the Collecting Banks/Collecting Agents.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SSS in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

In our report dated June 4, 2018, we expressed an opinion that the 2017 financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the SSS in accordance with PFRS. However, in the restated financial statements, various IPs carried at their fair values were adjusted to their book values, resulting in the understatement of the IP account. Accordingly, our present opinion on the 2017 financial statements, as herein presented, is different from that expressed in our previous report.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

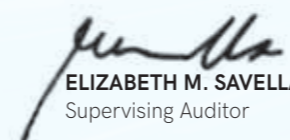
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of Management.

The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

#### COMMISSION ON AUDIT

  
ELIZABETH M. SAVELLA  
Supervising Auditor

Date: July 5, 2019

## Statements of Financial Position

(in Philippine Peso)

As at December 31, 2018 and 2017

	Note	2018	2017 As restated	As at January 1 2017
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	3	15,440,541,241	26,821,426,070	17,830,920,092
Financial assets	4.1	37,059,803,639	16,847,812,051	14,724,581,739
Receivables	5.1	7,530,360,929	5,315,919,475	7,936,704,988
Inventories	6	169,465,093	191,278,628	259,682,586
Non-current assets held for sale	7	1,302,776,661	1,368,887,125	3,643,780,761
Other current assets	8	13,884,559	12,272,251	17,429,982
<b>Total Current Assets</b>		<b>61,516,832,122</b>	50,557,595,600	44,413,100,168
<b>Non-Current Assets</b>				
Financial assets	4.2	309,394,771,976	326,900,661,415	318,857,542,993
Receivables	5.2	92,745,974,541	87,665,909,114	85,028,154,051
Investment property	9	41,354,431,842	38,424,359,615	25,648,748,397
Property and equipment - net	10	5,854,268,084	4,532,663,850	4,540,474,618
Intangible assets - net	11	235,322,104	203,095,350	237,252,642
Other non-current assets	12	364,346,635	347,748,743	335,583,885
<b>Total Non-Current Assets</b>		<b>449,949,115,182</b>	458,074,438,087	434,647,756,586
<b>Total Assets</b>		<b>511,465,947,304</b>	508,632,033,687	479,060,856,754
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Financial liabilities	13	8,203,528,955	8,115,832,971	7,354,906,703
Inter-agency payables	14	149,959,185	178,002,873	172,209,608
Trust liabilities	15	765,344,734	654,719,321	605,437,289
Deferred credits/unearned income	16	59,046,852	122,309,497	28,113,117
Other payables	18	1,990,631,097	1,743,958,037	1,692,514,603
<b>Total Current Liabilities</b>		<b>11,168,510,823</b>	10,814,822,699	9,853,181,320
<b>Non-current liabilities</b>				
Financial liabilities	13	45,390,960	37,179,482	29,687,606
Deferred credits/unearned income	16	382,762,849	409,613,518	436,464,187
Provisions	17	1,460,775,506	1,466,426,806	1,607,005,231
Other payables	18	50,000,000	50,000,000	50,000,000
<b>Total Non-Current Liabilities</b>		<b>1,938,929,315</b>	1,963,219,806	2,123,157,024
<b>Total Liabilities</b>		<b>13,107,440,138</b>	12,778,042,505	11,976,338,344
<b>EQUITY</b>				
Revaluation surplus		4,046,242,799	2,879,088,355	2,879,088,355
Reserve fund		523,865,881,162	500,362,518,604	479,227,014,427
Cumulative changes in fair value		(30,427,023,610)	(8,161,549,950)	(15,650,037,897)
Member's equity		873,406,815	773,934,173	628,453,525
<b>Total Equity</b>	19	<b>498,358,507,166</b>	495,853,991,182	467,084,518,410
<b>Total Liabilities and Equity</b>		<b>511,465,947,304</b>	508,632,033,687	479,060,856,754

The Notes on pages 38 to 69 form part of these financial statements.

## Statements of Comprehensive Income

(in Philippine Peso)

For the Years Ended December 31, 2018 and 2017

	Note	2018	2017 As restated
<b>Income</b>			
Service and business income	20	209,799,560,607	185,984,942,636
Gains	21	6,256,128,490	16,673,012,511
Other non-operating income	22	1,008,100,919	833,984,167
<b>Total Income</b>		<b>217,063,790,016</b>	203,491,939,314
<b>Expenses</b>			
Benefit payments	23	180,078,514,500	170,683,577,389
Personnel services	24	6,531,203,783	6,307,554,940
Maintenance and other operating expenses	25	2,947,696,555	3,001,184,317
Financial expenses	26	129,166,935	178,025,015
Non-cash expenses	27	4,897,456,460	2,486,501,741
<b>Total Expenses</b>		<b>194,584,038,233</b>	182,656,843,402
<b>Profit</b>			
Assistance and subsidy	28	22,479,751,783	20,835,095,912
<b>Net income</b>		<b>22,665,109,426</b>	21,376,171,962
Other comprehensive income (loss) for the period		(20,037,126,495)	7,488,487,947
<b>Comprehensive Income</b>		<b>2,627,982,931</b>	28,864,659,909

The Notes on pages 38 to 69 form part of these financial statements.

# Statements of Changes in Equity

(in Philippine Peso)  
For the Years Ended December 31, 2018 and 2017

	Cumulative Changes in Fair Values of Investment	Revaluation Surplus	Reserve Fund	Member's Equity	Total
<b>BALANCE AT JANUARY 1, 2017</b>	(15,650,037,897)	2,879,088,355	476,562,642,952	628,453,525	464,420,146,935
Adjustment: Effect due to change in accounting policy from cash to accrual of interest income on members loans, housing loans, sales contract and rental receivable of acquired assets Effect of the reclassification of Non-current assets held for sale to Investment Property and Property and equipment	-	-	693,114,522	-	693,114,522
<b>RESTATE BALANCE, JANUARY 1, 2017</b> (Note 2.11b)	(15,650,037,897)	2,879,088,355	479,227,014,427	628,453,525	467,084,518,410
<b>CHANGES IN EQUITY FOR 2017</b>					
Add/(Deduct):					
Members' contribution	-	-	-	169,730,585	169,730,585
Comprehensive income for the year	7,488,487,947	-	21,376,171,962	-	28,864,659,909
Other Adjustments	-	-	(160,664,872)	-	(160,664,872)
SSS' share in ECC & OSHC corporate operating budget	-	-	-	(52,530,545)	(52,530,545)
Withdrawal/Management cost	-	-	(17,255,982)	28,280,608	11,024,626
Guaranteed income/Annual incentive benefit	-	-	(63,652,172)	-	(63,652,172)
Reclassification of property and equipment below P15K capitalization threshold to semi-expendable property	-	-	905,241	-	905,241
Effect of the reclassification of Non-current assets held for sale to Investment property and Property and Equipment	7,488,487,947	-	21,135,504,177	145,480,648	28,769,472,772
<b>RESTATE BALANCE, DECEMBER 31, 2017</b> (Note 2.11b, 19)	(8,161,549,950)	2,879,088,355	500,362,518,604	773,934,173	495,853,991,182
<b>CHANGES IN EQUITY FOR 2018</b>					
Add/(Deduct):					
Members' contribution	-	-	-	141,446,252	141,446,252
Comprehensive income for the year	(22,265,473,660)	1,167,154,444	23,726,302,147	-	2,627,982,931
Other Adjustments	-	-	(202,694,321)	-	(202,694,321)
SSS' share in ECC & OSHC corporate operating budget	-	-	-	(79,960,186)	(79,960,186)
Withdrawal/Management cost	-	-	(19,316,372)	37,986,576	18,670,204
Guaranteed income/Annual incentive benefit	-	-	(928,896)	-	(928,896)
Effect of the reclassification of Non-current assets held for sale to Investment property and Property and Equipment	(22,265,473,660)	1,167,154,444	23,503,362,558	99,472,642	2,504,515,984
<b>BALANCE, DECEMBER 31, 2018</b> (Note 19)	(30,427,023,610)	4,046,242,799	523,865,881,162	873,406,815	493,358,507,166

The Notes on pages 38 to 69 form part of these financial statements.

# Statements of Cash Flows

(in Philippine Peso)

For the Years Ended December 31, 2018 and 2017

	Note	2018	2017 restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Members' contribution		181,917,282,180	159,724,023,283
Investment and other income		8,631,856,649	16,361,954,230
Payments to members and beneficiaries		(180,078,887,666)	(170,684,504,454)
Payments for operations		(9,326,354,122)	(9,161,586,423)
Net cash generated from operating activities		1,143,897,041	(3,760,113,364)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loan releases and other investment purchases, net		(12,060,994,429)	12,957,656,853
Acquisition of property and equipment, net		(265,339,600)	(163,203,579)
Acquisition of intangible assets, net		(75,990,894)	(14,382,445)
Net cash used in investing activities		(12,402,324,923)	12,780,070,829
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Assistance and subsidy			
Employees' Compensation Commission		(66,459,245)	(77,396,200)
Occupational Safety and Health Center		(136,235,076)	(83,268,675)
Flexi-fund members' equity			
Contribution		114,653,652	149,315,183
Withdrawal		(72,930,753)	(46,441,841)
Guaranteed income		20,601,842	12,750,225
Management cost of investment		(7,029,433)	(6,014,460)
Annual incentive benefit		(1,931,638)	(1,725,598)
PESO fund members' equity			
Contribution		26,792,600	20,415,400
Withdrawal		-	(74,270)
Management cost of investment		-	26
Net cash used in financing activities		(122,538,051)	(32,440,210)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		(11,380,965,933)	8,987,517,255
<b>Effects of exchange rate changes on cash and cash equivalents</b>		81,104	2,988,723
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3	26,821,426,070	17,830,920,092
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3	15,440,541,241	26,821,426,070

The Notes on pages 38 to 69 form part of these financial statements.

# Notes to Financial Statements

December 31, 2018 and 2017

(All amounts in Philippine Peso unless otherwise stated)

## 1. GENERAL INFORMATION

The Social Security System (SSS) is a government financial institution which administers social security protection to workers in the private sector. Social security provides replacement income for workers in times of death, disability, sickness, maternity and old age.

On September 1, 1957, Republic Act (RA) No. 1161 or the "Social Security Act of 1954" was implemented. Thereafter, the coverage and benefits given by SSS have been expanded and enhanced through the enactment of various laws. On May 1, 1997, RA No. 8282, otherwise known as the "Social Security Act of 1997", was enacted to further strengthen the SSS. Under this Act, the government accepts general responsibility for the solvency of the SSS and guarantees that prescribed benefits shall not be diminished. Section 16 of RA No. 1161, as amended by RA No. 8282, exempts the SSS and all its benefit payments from all kinds of taxes, fees or charges, customs or import duty.

Pursuant to Section 9 of RA No. 8282, coverage in the SSS shall be compulsory upon all private employees not over 60 years of age and their employers, household-helpers earning at least P1,000 a month, and self-employed persons, regardless of trade, business or occupation, with an income of at least P1,000 a month. It also allows voluntary coverage of separated members, Overseas Filipino Workers (OFWs) and non-working spouses of SSS members.

It is mandatory for the covered employees and employers, household helpers and their employers, and self-employed persons to pay their monthly contributions in accordance with the SSS Contribution Schedule and to remit the same to the SSS on the payment deadline applicable.

Under Section 26-B of RA No. 8282, the SSS as part of its investment operations, acts as insurer of all or part of its interest on SSS properties mortgaged to the SSS, or lives of mortgagors whose properties are mortgaged to the SSS. For this purpose, a separate account known as the "Mortgagors' Insurance Account" was established wherein all amounts received by the SSS in connection with the aforesaid insurance operations are placed in the said account.

Under Section 4.a.2 of RA No. 8282, a voluntary provident fund for OFWs was authorized. The supplementary benefit program known as the "Flexi-Fund" was established and approved by the Social Security Commission (SSC) under Resolution No. 288 dated April 18, 2001 and by the President of the Philippines on September 17, 2001.

Membership to the Flexi-Fund of the SSS is on voluntary basis for those with at least P16,000 monthly earnings either covered under existing program or new entrant with requirement of initial contributions to the SSS program. Voluntary membership starts upon first payment of contribution to the supplementary program.

Another voluntary provident fund program of SSS is the Personal Equity and Savings Option (PESO) Fund which was established and approved by the SSC on March 16, 2011 under Resolution No. 349, and by the President of the Philippines on June 6, 2011. It is offered exclusively to SSS members in addition to the regular SSS Program. It aims to provide SSS members the opportunity to receive additional benefits on their capacity to contribute more.

Membership to the PESO Fund is open to all employees, self-employed, voluntary and OFW members who have met the following qualifications: (a) below 55 years of age; (b) have paid contributions in the regular SSS program for at least six consecutive months within the 12-month period immediately prior to the month of enrollment; (c) self-employed, voluntary and OFW should be paying the maximum amount of contributions under the regular SSS program; and (d) have not filed claim under the regular SSS program. Membership begins with the payment of the first contribution to the PESO Fund. Each member shall be allowed a maximum contribution of P500,000 per annum and a minimum of P1,000 per contribution.

The SSS also administers Employees' Compensation and State Insurance Fund as provided for by Presidential Decree (PD) No. 626, as amended. The Employees' Compensation Commission (ECC), a government corporation, is attached to the Department of Labor and Employment for policy coordination and guidance. It was created on November 1, 1974 by virtue of PD No. 442 or the Labor Code of the Philippines. It, however, became fully operational with the issuance of PD No. 626 which took effect January 1, 1975.

The ECC is a quasi-judicial corporate entity created to implement the Employees' Compensation Program (ECP). The ECP provides a package of benefits for public and private sector employees and their dependents in the event of work-connected contingencies such as sickness, injury, disability or death.

The State Insurance Fund (SIF) was established to provide funding support to the ECP. It is generated from the employers' contributions collected by both GSIS and SSS from public and private sector employers, respectively.

Coverage in the SIF shall be compulsory upon all employers and their employees not over 60 years of age, provided, that an employee who is over 60 years of age and paying contributions to qualify for the retirement of life insurance benefit administered by the System shall be subject to compulsory coverage.

The summary of the financial performance and result of operations of the funds as at December 31, 2018, are as follows. All inter-fund accounts have been eliminated.

	SSS	EC-SIF	Total
<b>Total assets</b>	<b>473,049,041,815</b>	<b>38,416,905,489</b>	<b>511,465,947,304</b>
Liabilities	13,098,064,183	9,375,955	13,107,440,138
Equity	459,950,977,632	38,407,529,534	498,358,507,166
<b>Total Liabilities and Equity</b>	<b>473,049,041,815</b>	<b>38,416,905,489</b>	<b>511,465,947,304</b>

	SSS	EC-SIF	Total
Income	212,963,595,396	4,100,194,620	217,063,790,016
Expenses	192,680,781,096	1,903,257,137	194,584,038,233
Profit/(Loss)	20,282,814,300	2,196,937,483	22,479,751,783
Assistance and subsidy	185,357,643	-	185,357,643
Net Income	20,468,171,943	2,196,937,483	22,665,109,426
Other comprehensive income for the period	(18,833,867,535)	(1,203,258,960)	(20,037,126,495)
<b>Total comprehensive income</b>	<b>1,634,304,408</b>	<b>993,678,523</b>	<b>2,627,982,931</b>

The principal office address of SSS is located at East Avenue, Diliman, Quezon City. It has 173 local branches and 132 service and representative offices located in the various cities and municipalities of the country, and 27 foreign branch offices situated in Asia and Pacific, Europe, Middle East and North America.

The accompanying financial statements as at and for the year ended December 31, 2018 (including the comparative financial statements as at and for the year ended December 31, 2017) were approved and authorized for issue by the SSC on July 5, 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of Preparation of Financial Statements

#### a. Statement of Compliance with Philippine Financial Reporting Standards and Commission on Audit (COA) Circular No. 2017-004

The financial statements of the SSS have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and COA Circular No. 2017-004. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC). COA Circular No. 2017-004 was issued on December 13, 2017 as guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporations classified as Government Business Enterprises (GBE). Under COA Circular No. 2015-003 dated April 16, 2015, SSS is classified as a GBE.

#### b. Presentation of Financial Statements

The financial statements are presented in accordance with PAS 1 - Presentation of Financial Statements. The System presents all items of income and expenses in a single statement of comprehensive income.

#### c. Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following items:

- Financial assets at fair value through profit or loss (FVTPL) are measured at fair value;
- Marketable and government securities at fair value through other comprehensive income (FVTOCI) are measured at fair value;
- Investment properties are measured at fair value; and
- Land under property and equipment are measured at revalued amount.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a non-financial asset is measured on its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The SSS classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1** - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. FVTPL and FVTOCI investments fall under this level.
- Level 2** - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts.
- Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market prices in its valuations where possible. Investment properties and non-current assets held for sale are within this level.

#### d. Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the System's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise stated.

#### e. Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

f. Provisions

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle obligation where the time value of money is material.

SSS recognizes a provision if, and only if: (a) a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event); (b) payment is probable (more likely than not), and (c) the amount can be estimated reliably.

g. Events after Reporting Period

Post year-end events that provide additional information about the System's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

2.2. Adoption of New and Amended PFRS

a. Effective in 2018 that are relevant to the System

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations which the SSS adopted effective for annual periods beginning on or after January 1, 2018:

- PAS 40 (Amendment), *Investment Property – Reclassification to and from Investment Property* – The amendments states that an entity shall transfer property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if a property meets, or ceases to meet, the definition of investment property. A mere change in management's intention for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use.
- PFRS 9 (2014), *Financial Instruments* – This new standard on financial instruments replaces PAS 39, Financial Instruments: Classification and Measurement, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
  - Three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - An expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and
  - A new model of hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an entity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The adoption of the foregoing new and revised PFRS has material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

b. Effective in 2018 that are not relevant to the System

The following new PFRSs, amendments and annual improvements to existing standards are mandatory effective for annual periods beginning on or after January 1, 2018 but are not relevant to SSS financial statements:

- PAS 28, *Investment in Associates (Amendments) – Clarification on Fair Value through Profit or Loss Classification (effective January 1, 2018)*. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.
- Amendments to PFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* – These amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

- PFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice when recognizing the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency.

- PFRS 15, *Revenue from contract customers* – This standard replaces PAS 18, Revenue, and PAS 11, Construction Contracts, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 15, Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standing Interpretations Committee 31, Revenue – This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- PFRS 15 (Amendments), *Revenue from Contracts with Customers – Clarification to PFRS 15*. The amendments address three topics: identifying performance obligations, principal versus agent considerations and accounting for licenses of intellectual property. The amendments also provide some transaction relief for modified contracts and completed contracts.

PFRS 15 requires an entity to identify performance obligations on the basis of distinct promise goods and services to a customer, it requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services, the entity has to determine whether the license is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights.

- Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and deleted the short-term exemptions in paragraph E3-E37 of PFRS 1, because it has now served its intended purpose.

- PFRS 4, *Insurance Contract (Amendments) – Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'* – Amendments to PFRS 4 provided two options for entities that issue insurance contracts. An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

c. Effective subsequent to 2018 but not adopted early

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in the preparation of the financial statements are summarized below.

*Effective for reporting periods beginning or after January 1, 2019:*

- PFRS 16, *Leases* – The new accounting model under PFRS 16 requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating distinction between operating and finance leases. Lessor accounting, however, remains unchanged and the distinction between operating and finance lease is retained. PFRS 16 is likely to have a significant impact on the financial statements of a number of lessees. The new standard will affect both the balance sheet and related ratios, such as debt/equity ratios. Depending on the particular industry and the number of lease contracts previously classified as operating leases under PAS 17, the new approach will result in a significant increase in debt on the balance sheet.
- PFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* – The interpretation specifically addresses (a) whether an entity considers uncertain tax treatments separately (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities (c) how an entity determines taxable profit (tax loss), tax bases unused tax losses, unused tax credits and tax rates and (e) how an entity considers changes in facts and circumstances. Applying the interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the interpretation and make the required disclosures.
- PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI.
- PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture*. The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus the amendment further clarifies that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture.
- PAS 19 *Employee Benefits (Amendments)* – clarification on amendments, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions – i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement.

#### Annual improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations and PFRS 11, Joint Arrangements* – Remeasurement of Previously Held Interest in a Joint Operation. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Company obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Company obtains joint control of the business.
- Amendments to PAS 12, *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
- Amendments to PAS 23, *Borrowing Costs, Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

#### Effective for annual period beginning on or after January 1, 2020.

- Amendments to PFRS 3, *Business Combinations - Definition of a Business*. The amendments clarify the minimum requirements to be a business, remove the assessment of the market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective and asset is not a business.
- Amendments to PAS 1, *Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments refine the definition of material in PAS 1 and align the definition used to PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

#### Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – PFRS 17 is a comprehensive new accounting standard for issuance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*, which currently permits a wide variety of practices in accounting for insurance contracts. The new standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The core model of PFRS 17 is the general model, supplemented by (a) a specific adaptation for contracts with direct participation features (the variable fee approach) (b) a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

#### Effectivity deferred indefinitely:

- PFRS 10 (*Amendments*), *Consolidated Financial Statements and PAS 28 (Amendments), Investment in Associates and Joint Venture*. The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Any gains or loss resulting from the sale or contribution of assets that does not constitute a business is recognized only to the extent of unrelated investor's interest in the associate or joint venture. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that were sold or contributed a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

The SSS plans to adopt prospectively all relevant and applicable standards from the date of its effectivity.

### 2.3. Financial assets

#### a. Date of recognition

The SSS initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the SSS becomes a party to the contractual provisions of the instrument.

#### b. Initial recognition

The SSS initially recognizes a financial asset at fair value. Transaction costs are included in the initial measurement, except for financial assets measured at FVTPL.

#### c. Determination of fair value

The SSS determines fair value based on the nature of the financial assets classified according to the intention of the management following the fair value hierarchy of PFRS 13. This seeks to increase consistency and comparability in fair value measurements and related disclosures. Based on the hierarchy category which considers the inputs used in valuation techniques into three levels. SSS financial assets fall under Levels 1 and 3 only.

#### d. Classification

The SSS classifies its financial assets as subsequently measured at FVTPL or FVTOCI or at amortized cost based on the business model for managing the financial assets and their contractual cash flow characteristics. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### d.1. Financial assets at FVTPL

Financial assets at FVTPL consist of held-for-trading financial assets. Held-for-trading financial assets are financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking.

Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

#### d.2. Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met: (1) the asset is held within the System's business model, the objective of which is to hold the assets in order to collect contractual cash flows; and (2) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interests (SPPI) on the principal amount outstanding.

Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process.

Loans and receivables are financial assets carried at cost or amortized cost less impairment in value. Such assets are with fixed or determinable payments that are not quoted in an active market.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that such loans and receivables are impaired.

#### d.3. Financial assets at FVTOCI

Financial assets are measured at FVTOCI if both of the following conditions are met: (1) the asset is held within the business model, the objective of which is achieved both by collecting contractual cash flows and selling financial assets; and (2) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Subsequent to initial recognition, FVTOCI financial assets are carried at fair value in the statement of financial position. Changes in the fair value of such assets are recognized in other comprehensive income and presented within reserves in the unrealized gain or loss on FVTOCI financial assets portion. When FVTOCI financial asset is derecognized, the cumulative gains or losses are not recognized to profit or loss, instead, it will remain part of the statement of comprehensive income. Dividends on FVTOCI equity instruments are recognized in profit or loss when the right to receive payments is established.

If an FVTOCI financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from reserves to profit or loss and presented as a reclassification adjustment within the statement of comprehensive income. Reversals in respect of equity instruments classified as FVTOCI are not recognized in profit or loss.

#### e. Impairment of financial assets

The System assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss.

If in subsequent period, the amount of accumulated impairment loss has decreased because of an event occurring after impairment has been recognized, the decrease is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined had no impairment been recognized.

The SSS has deferred the adoption of expected credit loss (ECL) model of PFRS 9 in the recognition and measurement of impairment of financial assets. The SSS in its memorandum to COA dated July 11, 2017 requested for an exemption on the application of the ECL on loans and receivables because receivables from member loan borrowers are assured of being paid through deduction from their final benefit claims.

#### f. Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the SSS either has transferred substantially all risks and rewards of ownership or has neither transferred nor retained substantially all the risks and rewards of ownership, but has transferred control of the asset.

### 2.4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposit on call and highly liquid investments with original maturity of three months or less, which are readily convertible to known amount of cash and are subject to an insignificant risk of change in value.

### 2.5. Inventories

Supplies and materials are valued at lower of cost or net realizable value. Cost is determined using the weighted average method. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operation of the SSS.

## 2.6. Investment property

Investment property account consists of land or building held to earn rentals and/or for capital appreciation. This account also includes real properties that were previously subject of mortgage loan, individual real estate loan, commercial and industrial loan which were foreclosed or acquired through *dacion en pago*, cancelled or relinquished by former owners in favor of SSS due to non-payment.

An investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy. After initial recognition, it is measured at fair value with any change therein recognized in profit or loss.

The fair values of investment properties are determined annually at the reporting date by an independent professionally qualified valuer. The market value is estimated using gathered available market evidence giving considerations to the extent, character, and utility of the properties. The zoning and current land usage in the locality and the highest and best use of the property were used to collect data on current prices.

The Sales Comparison Approach was also used to measure land under the investment property category by gathering current values thru analyses of comparable properties recently sold and current asking prices. For buildings and improvements, the appraisers used the Modified Quantity Survey Method, taking into account the current replacement cost of the property.

The fair valuation of these investment properties is considered to represent a Level 3 valuation based on significant non-observable inputs being the location and condition of the property.

Transfers to or from investment property are made when there is a change in use, evidenced by: (a) commencement of owner-occupation; (b) end of owner-occupation; or (c) commencement of an operating lease to another party.

## 2.7. Property and equipment

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is carried at revalued amount. Increase in value as a result of revaluation is credited to reserves under property valuation reserve unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it is recognized as income. On the other hand, a decrease arising as a result of a revaluation is recognized as an expense to the extent that it exceeds any amount previously credited to property valuation reserve relating to the same asset.

Valuations are done by an external independent appraiser every three years or as the need arises. The value of land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator with the subject. This is done by adjusting the differences between the value of the subject property and those actual sales and listings regarded as comparable. Comparisons were premised on the factors of location, land use, physical characteristics of the land, time element, quality, and prospective use. On improvement and building, the Cost Approach was adopted in arriving the market value of the building. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current prices for similar assets including costs of labour, transport, installation, commissioning and consultant's fees. Adjustment is then made for accrued depreciation which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

Construction in progress (CIP) represents building and building/leasehold improvements under construction and is stated at cost. CIP is not depreciated until such time as the relevant assets are completed and put into operational use.

The initial cost of property and equipment consist of its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable cost necessary in bringing the asset to its working condition and location for its intended use. Cost also includes an initial estimate for dismantling and removing the item or restoring the site on which it is located, the obligation for which an entity incurs when the item is acquired. The capitalization threshold for an item to be recognized as property and equipment is P15,000 while items whose amounts are below the capitalization threshold are accounted as semi-expendable property.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the SSS, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

Expenditures incurred after the item has been put into operations, such as repairs and maintenance, are normally recognized as expense in the period such cost are incurred.

Depreciation is calculated over the depreciable amount less its residual value. It is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Consistent with COA Circular No. 2017-004, the estimated useful lives of property and equipment are as follows:

Assets	Useful Life
Building and other structures	30 years
Furniture, office and computer equipment	5-10 years
Fixtures and books	5 years
Land improvements	10 years
Transportation equipment	7 years
Leasehold improvements	5 years or the term of lease whichever is shorter

Property and equipment except land and construction in progress have residual value equivalent to ten per cent of the acquisition cost.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recorded or charged to current operations.

## 2.8. Intangible assets

Acquired computer software/licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Computer software/licenses with finite lives are amortized on a straight-line basis over their estimated useful lives, while those with indefinite useful lives or those used perpetually or for as long as there are computers compatible with them are carried at cost and tested annually for impairment or whenever there is an indication that the assets may be impaired.

## 2.9. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any excess of carrying amount over fair value less costs to sell is an impairment loss. No depreciation is recognized for these assets while classified as held for sale. Upon in-depth assessment that properties classified as non-current held for sale ceases to meet the conditions set under PFRS 5, such assets will be reclassified to other asset classification which best suits the individual assessment criteria of the property. The reclassification will be subject to the approval of the SS Commission.

Non-current assets held for sale acquired in exchange of liability or in settlement of contribution and member/housing/other loan delinquencies (*dacion en pago*) are recognized at its fair value at the time of acquisition. Any difference between the property acquired and the liability is recognized as gain or loss in exchange. Impairment testing is done in subsequent measurement.

## 2.10. Impairment of non-financial assets

The carrying amount of non-financial assets, other than investment property and non-current assets held for sale is assessed to determine whether there is any indication of impairment or an impairment previously recognized may no longer exist or may have decreased. If any such indication exists, then the asset's recoverable amount is estimated. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss unless it relates to a revalued asset where the value changes are recognized in other comprehensive income/loss and presented within reserves in the property valuation reserve portion. Depreciation and amortization charge for future periods is adjusted.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years.

## 2.11. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the SSS and the amount of revenue can be reliably measured. PFRS 15, Revenue from contract customers is inapplicable to SSS mainly because the relationship of SSS and its members is established by the provision of law per RA 8282 and not based on contract while interest and other income from investments are covered by PFRS 9.

The following specific recognition criteria must also be met before revenue is recognized:

### a. Members' contribution

Revenue is recognized upon collection, except for contributions from Flexi-Fund and PESO Fund members which are directly credited to equity.

### b. Interest income

Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Effective January 1, 2018, the SSS changed its accounting policy in the recognition of interest income on Member Loans (ML), Housing Loans (HL), Sales Contract Receivables (SCR) and Rental on Acquired Assets from cash basis to accrual basis to conform to the standard. The accrued interests are computed following the provisions of the BSP Circular No.855 and 941 series of 2014 and 2017, respectively, which states as follows:

- Accrual of interest earned on loans shall only be allowed if the loans and other credit accommodations are current and performing.
- Loans are current and performing if any principal and/or interest are paid for at least ninety (90) days from contractual due date.
- No accrual of interest is allowed if a loan has become non-performing. Interest shall be taken up as income only when actual payments are recovered.

Previously, interest income from ML, HL and SCR are recognized upon collection. The effect of the change on the Statement of Financial Position and Statement of Comprehensive Income are presented in Note 32.

### c. Dividend income

Dividend income is recognized at the time the right to receive the payment is established.

### d. Rental income

Rental income is recognized on a straight-line basis over the lease term.



## 2.12. Expense recognition

Expenses are recognized in the Statement of Comprehensive Income upon utilization of the service or at the date they are incurred.

## 2.13. Operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### a. SSS as lessee

Leases which do not transfer to the SSS substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense on a straight-line basis over the lease term.

### b. SSS as lessor

Leases, where the SSS does not transfer to the lessee substantially all the risk and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term.

In any case, SSS does not enter into a finance lease agreement.

## 2.14. Related party disclosures

PAS 24 ensures that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may be affected by the existence of related parties and by transactions and outstanding balances with such parties. Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A related party is a person or entity that exercises significant influence over the reporting entity. In such a case, SSS considers the following as related party to the organization: (a) Members of the SSC; (b) President and Chief Executive Officer (PCEO); and (c) Executive Vice President.

## 3. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2018	2017
Cash on hand	1,164,088,582	725,166,750
Cash in bank	1,067,522,659	1,810,819,609
Cash equivalents	13,208,930,000	24,285,439,711
	<b>15,440,541,241</b>	<b>26,821,426,070</b>

Cash in banks earns interest at the respective bank deposit rates. Time and special savings deposits are made for varying periods of up to 90 days depending on the immediate cash requirements of SSS and earn interest at the prevailing time and special savings deposit rates. Interest rates per annum range from 0.10 per cent to 0.25 per cent for savings and current accounts and 6.25 per cent to 7.5 per cent for time and special savings deposits.

In consideration of the banks' making their deposit pick up facility available to the SSS, the latter agreed to maintain an average daily balance of P1 million in a non-drawing interest bearing current account/savings account (CASA) with each of the banks' servicing branches. As at December 31, 2018, P129 million is being maintained in several banks for such purpose.

Interest income earned from cash in banks and term deposits amounted to P773.195 million and P499.196 million as at December 31, 2018 and 2017, respectively (see Note 20).

## 4. FINANCIAL ASSETS

### 4.1 Current Financial Assets

This account is composed of equities, government securities and investment in mutual fund which are classified as financial assets at FVTPL.

	2018	2017
Financial assets designated at fair value through profit or loss		
Government securities	19,500,923,120	10,514,602,646
Equities – stocks	8,273,430,506	5,712,048,471
Mutual fund	3,110,972,149	-
Corporate bonds	-	93,065,507
Externally managed fund	-	1,011,565
	<b>30,885,325,775</b>	<b>16,320,728,189</b>
Financial assets – at amortized cost		
Investment in bonds – local		
Corporate bonds	3,700,000,000	-
Corporate notes	2,034,537,470	-
Government bonds	439,940,394	517,050,000
Government notes	-	10,033,862
	<b>6,174,477,864</b>	<b>527,083,862</b>
	<b>37,059,803,639</b>	<b>16,847,812,051</b>

The fair value of financial assets through profit or loss are measured using active quoted market prices, recurring and Level 1 based on the level of fair value hierarchy. They are measured at fair value to properly reflect the changes and actual values of the asset in the market.

Mutual fund investment is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets managed by professional fund managers. Investment in domestic mutual fund was approved by SSC under Resolution Nos. 351 and 509 dated April 25 and June 20, 2018 respectively, with a P3 billion allotment. The said amount is invested and distributed at P1 billion each to the three accredited mutual fund companies, namely: Philequity Fund, Inc., Philippine Stock Index Fund Corp. and Sun Life of Canada Prosperity Balanced Fund, Inc. The release of fund was made in two tranches per Mutual Fund Company with a value amount of P500 million per tranche completed in six transaction days from June 27 to July 4, 2018. As at December 31, 2018, the value of invested fund went up to P3.110 billion or P110.972 million increase due to the appreciation of the Net Asset Value per Share (NAVPS).

The costs of the financial assets are as follows:

	2018	2017
Government securities	19,951,638,456	10,554,284,665
Equities – stocks	9,468,377,242	5,298,347,407
Mutual fund	3,016,108,287	-
Corporate bonds	-	100,472,351
Externally managed fund	-	1,000,000
	<b>32,436,123,985</b>	<b>15,954,104,423</b>

### 4.2 Non-Current Financial Assets

	2018	2017
Financial assets at amortized cost		
Investment in bonds – local		
Government bonds	149,008,814,267	191,756,311,666
Corporate bonds	20,027,377,483	20,843,130,000
Corporate notes	8,886,666,667	10,356,300,000
Government notes	510,000,000	500,000,000
	<b>178,432,858,417</b>	<b>223,455,741,666</b>
Financial assets-FVTOCI	89,222,053,301	104,736,784,277
Allowance for impairment	(1,291,864,528)	(1,291,864,528)
	<b>87,930,188,773</b>	<b>103,444,919,749</b>
Government bonds	42,561,993,428	-
Corporate bonds	469,731,358	-
	<b>130,961,913,559</b>	<b>103,444,919,749</b>
	<b>309,394,771,976</b>	<b>326,900,661,415</b>

The fair value of the FVTOCI financial asset as at December 31, 2018 and 2017 are P129.114 billion and P101.596 billion, respectively, and are measured using active quoted market prices, recurring and level 1 based on the level of fair value hierarchy. They are measured at fair value to properly reflect the changes and actual values of the asset in the market. Fair value gains/losses are recognized in the other comprehensive income.

Notes and bonds earn interest at 1.50 to 12.50 per cent depending on the amount and terms of the investment. Interest income earned from financial asset at amortized cost investments in bonds – local as at December 31, 2018 and 2017 is P10.273 billion and P13.032 billion, respectively.

The SSC in its Resolution No. 310 dated April 16, 2018 approved the implementation of the PFRS 9 effective January 1, 2018. The SSS took advantage of the benefits of the PFRS 9 by categorizing some financial assets from/to other financial assets classes which were based on the best business model applicable to SSS without being affected by the tainting provisions of the accounting standard as well as maximizing the earning/profit potentials of the financial assets. Among the financial assets reclassified are as follows:

Financial Asset	Original Classification	New Classification under PFRS 9	Book Value (in Billion)
Equity securities	Held-for-Trading	FVTOCI	P1.79
Government securities	Held-to-Maturity	FVTOCI	44.54
	Held-for Trading	FVTOCI	0.73
Corporate notes and bonds	Held for Trading	Amortized cost	0.93

## 5. RECEIVABLES

### 5.1 Current Receivables

	2018	2017 Restated
<b>Loans and receivable accounts</b>		
Accounts receivable	520,551	497,688
Interest receivable	4,268,925,781	4,061,067,935
Allowance for impairment	(20,801,340)	-
	4,248,124,441	4,061,067,935
Dividends receivable	16,364,309	33,217,293
Sales contract receivable	4,876,277	10,322,407
	4,269,885,578	4,105,105,323
<b>Lease receivable</b>		
Operating lease receivable	79,475,886	74,748,302
<b>Other receivables</b>		
Receivables – disallowances/charges	25,007,198	27,616,870
Due from officers and employees	1,073,565	1,535,160
Insurance claims receivable	939,691	-
Other receivables	3,153,979,011	1,106,913,820
	3,180,999,465	1,136,065,850
	7,530,360,929	5,315,919,475

The interest receivable account represents the accrued interest from various SSS investments like time and special savings deposits, notes and bonds, sales contract receivables, including those from member and housing loan accounts which are still uncollected as at December 31, 2018 and 2017. This account is credited whenever cash is collected, either monthly, quarterly, semi-annually or annually depending on the interest payment date of the investment.

The interest receivable as at December 31, 2017 was restated for the change in accounting policy set out in Note 2.11b relating to the recognition of interest income for ML, HL and SCR from cash to accrual basis. As at December 31, 2018 and 2017, the accrued interests are as follows:

	2018	2017
Member loans	819,324,701	744,731,493
Housing loans	679,650	3,299,228
Sales contract receivable	5,483,714	1,361,307
	825,488,065	749,392,028

Operating lease receivables represent accrual of rental income from tenants of SSS which are collectible within a year. Rental income is derived from investment property, ROPA and operating assets. Rental income recognized as at December 31, 2018 and 2017 amounted to P739.678 million and P554.542 million, respectively. (see Note 29.2)

Receivable – disallowances/charges are disallowances in audit due from SSS officials and employees which have become final and executory.

Other receivables consisting of Receivable – Collecting Banks/Agents (CB/CA) account represents premiums and loans receivables collected by banks and agents accredited by SSS but not yet remitted to SSS as at December 31, 2018 and 2017. The said account is debited for the amount indicated to the collection documents or electronic data files from CB/CA and credited for the amount of remittances/deposits of the CBs/CAs. The balance of the account was presented net of negative balances totalling to P927.452 million, primarily due to timing differences in the submission of collection documents and remittances for electronic collection reports that did not pass validation criteria.

The electronic Collection System which was implemented last January 16, 2018 facilitated the real-time recording/posting of SSS contribution payments. All accredited bank and non-bank payment channels are mandated to shift from the current process of collecting and reporting into an electronic payment system using the Payment Reference Number (PRN) in the payment of contributions.

### 5.2 Non-Current Receivables

	2018	2017
<b>Loans and receivables accounts</b>		
Accounts receivable	94,141,877,921	87,630,638,578
Allowance for impairment – accounts receivable	(8,423,556,545)	(7,955,144,003)
Net value – accounts receivable	85,718,321,376	79,675,494,575
Interest receivable	12,707,637,960	12,713,176,773
Allowance for impairment – interest receivable	(12,707,637,959)	(12,707,637,959)
Net value – interest receivable	1	5,538,814
Loans receivable – other government corp	10,075,956,292	10,253,702,881
Allowance for impairment – loans receivable - other government corp	(5,037,978,146)	(4,711,440,496)
Net value – loans receivable – other government corp	5,037,978,146	5,542,262,385
Sales contract receivable	1,131,218,427	984,139,142
Allowance for impairment – interest receivable	(54,761,680)	(41,206,524)
Net value – interest receivable	1,076,456,747	942,932,618
Total loans and receivables	91,832,756,270	86,166,228,392

	2018	2017
<b>Lease receivable</b>		
Operating lease receivable	14,037,784	13,880,442
Allowance for impairment – operating lease	(14,037,781)	(13,880,439)
Net value- operating lease receivable	3	3
<b>Other receivable</b>		
Due from officers and employees	253,896,327	251,716,637
Other receivables	1,203,076,048	1,731,546,136
Allowance for impairment – other receivable	(543,754,107)	(483,582,054)
Net value – other receivable	659,321,941	1,247,964,082
Total other receivable	913,218,268	1,499,680,719
	92,745,974,541	87,665,909,114

Accounts receivable account is composed of short-term loans, housing loans, commercial and industrial loans to SSS members and pension loans to SSS retiree pensioners.

	2018	2017
Member loans	91,648,063,718	85,313,922,066
Housing loans	2,002,860,547	2,229,197,190
Pension loans	403,955,977	-
Commercial and industrial loans	69,778,459	70,300,102
Program member assistance for development entrepreneurship (MADE)	17,219,220	17,219,220
Total	94,141,877,921	87,630,638,578
Allowance for impairment	(8,423,556,545)	(7,955,144,003)
Net value – accounts receivable	85,718,321,376	79,675,494,575

Loans and receivables earn interests at their respective rates, as follows:

	Interest Rate (Per Annum)
Member loans	3.0 to 10.0
Housing loans	3.0 to 12.0
Pension loans	10.0
Commercial and industrial loans (CIL)	2.5 to 14.0
Loan to other govt. corp – NHMFC	4.0
Sales contract receivable	6.0 to 9.0

On March 7, 2018, the SSC under its Resolution No. 214-s.2018 approved the re-implementation of the Penalty Condonation Program/ Loan Restructuring Program (LRP) by virtue of the approval of the President of the Republic of the Philippines through a Memorandum of Executive Secretary Salvador C. Medialdea dated 24 January 2018. Its implementing guidelines were issued under Officer Order No. 2018-023 covering member-borrowers affected by previous calamities/disaster. The objective of the program is to provide relieve to members with past due calamity loans and other short-term member loans residing or working in calamity/disaster-stricken areas as declared by the National Disaster Risk Reduction Management Council or by the National Government. The total principal and accrued interest of all past due short-term loans of the member-borrower shall be consolidated into one Restructuring Loan (RL1). Penalties shall be condoned after full payment of outstanding principal and interest of RL1 within the approved term. The balance of RL1 should be zero at the end of the term. Otherwise, the unpaid principal of RL1 and the proportionate balance of condonable penalty shall become part of a new principal under Restructured Loan 2 (RL2). The original availment period of the program is up to six months from April 2, 2018 until October 1, 2018 but was re-extended for another six months from October 2, 2018 to April 1, 2019.

As at December 31, 2018 member-borrowers availment of the LRP re-implementation reached to 490,751 with total loanable amount of P8.190 billion and condonable penalty of P7.124 billion.

On September 3, 2018 the Pension Loan Program (PLP) was launched which aims to provide financial aid to qualified SSS retiree pensioners by way of low interest loan. The program was approved by the SSC under Resolution No. 341 dated April 25, 2018 and its implementing guidelines were issued under Office Order No. 2018-033 dated May 8, 2018. The loanable amount that may be availed is based on the basic monthly pension together with the P1,000 additional benefit but not to exceed the maximum loan limit of P32,000. Interest rate is at 10% per annum until fully paid computed on a diminishing principal balance, which shall become part of the monthly amortization. As at December 31, 2018, availment reached to 18,424 approved loan applications amounting P403.955 million.

The Educational Assistance Loan Program amounted to P4.959 billion consisting of the 50:50 SSS and NG shares, has been expended/ extended as loans to member beneficiaries as at December 31, 2018. The loans for degree course shall be payable in five years to start 18 months for semestral courses, 15 months for trimestral courses, or 14 months and 15 days for quarter term courses from the scheduled last release date or from the date of last release for those who will not avail of the subsequent releases. For technical/vocational courses, the loan shall be payable in three years to start 18 months for semestral courses from the scheduled last release date or from the date of last release for those who will not avail of the subsequent release. Interest income and penalty on overdue amortization as at December 31, 2018 and 2017 are P41.326 million and P10.125 million, respectively.

Executive Order (EO) No. 90 mandated National Home Mortgage Finance Corporation (NHMFC) to be the major government home mortgage institution whose initial main function was to operate a viable home mortgage market, utilizing long-term funds principally provided by the SSS, the Government Service Insurance System (GSIS), and Home Development Mutual Fund (HDMF), to purchase mortgages originated by both the private and public institutions within the Unified Home Loan Program (UHLP) guidelines. In accordance with the mandates of EO No. 90, the SSC in its Resolution No. 509 dated August 4, 1988 approved the long-term loans to NHMFC for low-income SSS members. Total loan releases from 1988 to 1995 amounted to P30.075 billion with a total housing loan borrowers/beneficiaries of 135,229. In 1996, a substantial number of UHLP Portfolio borrowers defaulted in the payment of their loans to NHMFC, thereby causing NHMFC also to default in its payments to SSS. To address the deterioration of NHMFC's financial position, a Memorandum of Agreement dated June 5, 1996 was executed by the parties. On December 17, 2003, the SSC under Resolution No. 684 approved the restructuring of NHMFC's total obligations of P40.515 billion broken down into: Principal (Low, Moderate and High Delinquency) – P27.940 billion, Accrued Interest – P11.961 billion and Penalty – P614.105 million. The interest and penalty were not capitalized during the restructuring and are to be paid after full satisfaction of restructured principal obligation per Restructuring Agreement.

As at December 31, 2018, the total outstanding obligation of NHMFC is P22.655 billion (principal - P10.080 billion, interest - P11.961 billion and penalty - P614.105 million). On-going joint meetings are conducted and collection letters have been sent to NHMFC for the settlement of the latter's outstanding loan obligation. SSS in its letter dated November 21, 2018 to Treasurer Rosalia V. De Leon requested the endorsement of SSS letter to Department of Finance Secretary Carlos G. Dominguez III requesting that P22.655 billion be included in the 2020 budget of National Government for immediate settlement of NHMFC obligations to SSS.

Non-current interest receivable includes those originated from Home Guaranty Corporation (HGC) guaranteed corporate notes and loan to NHMFC amounting to P120.443 million and P12.575 billion, respectively.

The SSC approved SSS participation and invested in various HGC-guaranteed Asset Participation Certificates (APC) from 1995 to 2000. However, the Asset Pools failed to service the regular interest due on the APCs. In view of this, the SSS decided to call on the guaranty of HGC from November 2000 to July 2001. HGC was unable to pay in full guarantee obligations and partially settled it through the issuance of debenture bonds and transfer of 19 lots through *dacion en pago*. From year 2005 to 2013, correspondences and meetings were sent and conducted, respectively, between and among SSS, HGC, and DOF. Upon approval of the SSC under Resolution No. 899 dated November 27, 2013, SSS formally filed with Office of the Government Corporate Counsel (OGCC) the Petition for Arbitration and Adjudication versus HGC (Arbitration Case No. 2013-004). Amount subject of arbitration is P5.07 billion covering principal, HGC-guaranteed interest, and compound interest. The case is still with OGCC. Several negotiations were made on the settlement of obligation including proposal for condonation of HGC-guaranteed interest and compound interest for endorsement to the Office of the President of the Philippines. On October 25, 2018, SSS sent a Memorandum of Agreement to HGC for its consideration of the latter's request for the condonation of the compound interest portion. As of end of 2018, SSS is coordinating with the Office of the Treasurer of the Philippines on updates and next actions to be taken.

Movements during the year in accumulated impairment losses of non-current receivables are as follows:

	Balance, January 1	Additional Provision	Recovery/ Reversal	Balance, December 31
Loans and receivable	25,415,428,982	1,163,385,141	354,879,793	26,223,934,330
Lease receivable	13,880,439	471,492	314,150	14,037,781
Other receivable	483,582,054	61,463,571	1,291,518	543,754,107
	<b>25,912,891,475</b>	<b>1,225,320,204</b>	<b>356,485,461</b>	<b>26,781,726,218</b>

The net impairment provisions for December 2018 and 2017 amounted to P1.225 billion and P2.202 billion, respectively, and are recognized in the books using the Guidelines in Identifying and Monitoring of Financial Assets and Setting-up of Allowance for Impairment Losses which was approved by the SSC under Resolution No. 181-s. 2014.

## 6. INVENTORIES

This account is composed of the following:

	2018	2017
Office supplies inventory	152,711,290	121,700,964
Accountable forms inventory	7,370,318	51,486,804
Drugs and medicines	6,011,906	17,297,970
Medical, dental and laboratory supplies inventory	3,371,579	792,890
	<b>169,465,093</b>	<b>191,278,628</b>

Supplies and materials used or consumed as at December 31, 2018 and 2017 amounted to P212.186 million and P229.508 million, respectively (see Note 25). Out of the P212.186 million supplies and materials used as at December 31, 2018, P8.087 million was recorded as expense due to obsolescence.

## 7. NON-CURRENT ASSETS HELD FOR SALE

This account is composed of the following:

	Land	Building	Acquired assets/ Registered	Total
Carrying amount, January 1, 2018	190,100,192	629,886,600	597,414,724	1,417,401,516
Accumulated impairment loss	(1,075,262)	(33,157,271)	(14,281,859)	(48,514,392)
Net carrying amount, January 1, 2018	189,024,930	596,729,329	583,132,865	1,368,887,124
Additions	-	-	346,871,392	346,871,392
Transfer	(60,326,986)	(5,883,155)	-	(66,210,141)
Disposals	(245,700)	(82,271,610)	(268,313,505)	(350,830,815)
Impairment (loss)/recovery	1,075,263	25,823,911	(22,840,073)	4,059,101
<b>Net carrying value, December 31, 2018</b>	<b>129,527,507</b>	<b>534,398,475</b>	<b>638,850,679</b>	<b>1,302,776,661</b>

	Land	Building	Acquired assets/ Registered	Total
Carrying amount, January 1, 2017, before restatement	3,706,283,057	121,353,499	509,230,254	4,366,866,810
Reclassification from NCAHFS to IP/PPE	(693,086,029)	-	-	(693,086,029)
Restated carrying amount, January 1, 2017	3,013,197,028	121,353,499	509,230,254	3,643,780,781
Additions	-	-	311,975,395	311,975,395
Transfer	(2,782,127,278)	539,968,566	-	(2,242,158,712)
Disposals	(46,474,821)	(34,779,569)	(229,260,849)	(310,515,239)
Impairment (loss)/recovery	4,430,000	(29,813,186)	(8,811,932)	(34,195,100)
<b>Restated Net carrying value, December 31, 2017</b>	<b>189,024,929</b>	<b>596,729,328</b>	<b>583,132,868</b>	<b>1,368,887,125</b>
<b>Restated carrying amount, January 1, 2017</b>	<b>3,013,197,028</b>	<b>121,353,499</b>	<b>509,230,254</b>	<b>3,643,780,781</b>

The fair value of non-current asset held for sale (NCAHFS) is measured based on the assessment of internal/external expert, non-recurring and is level 3 based on the level of fair value hierarchy due to unobservable inputs. It is measured at the lower of carrying amount and fair value less cost to sell. As at December 31, 2018 the impairment loss of P22.885 million and recoveries/reversals of impairment of P26.993 million are recognized in profit or loss. (see Note 27)

Had there been no impairment, the carrying amount of the NCAHFS as at December 31, 2018 and 2017 are as follows:

	2018	2017
Land	128,452,244	184,594,929
Building	508,574,564	626,542,496
Acquired assets/Registered	661,690,752	591,944,800
<b>Total</b>	<b>1,298,717,560</b>	<b>1,403,082,225</b>

As for the internally appraised properties classified as NCAHFS, the value of land was established using the Market Data Approach. The initial value of the land is based on the sales and listings of comparable properties. Adjustments were then applied to the gathered value of land by comparing the physical and locational characteristics of the subject property and the comparable properties.

The value of the improvements was arrived at using the Cost Approach. The current reproduction cost of the improvement or structure is first established in accordance with the prevailing market prices of construction materials, labor, contractors' overhead, profits and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence.

NCAHFS are real and other properties acquired (ROPA) which are held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. As of December 31, 2018, SSS has sold 475 properties through cash and instalment bases generating gain on sale amounting P229.028 million.

ROPA can be leased out momentarily while waiting for its sale to maximize its potential income. As at December 31, 2018, 111 ROPA properties with a total book value of P647.350 million are being leased out under a cancellable lease contract that can be terminated anytime without any penalty imposed to SSS. Rental income recorded as at December 31, 2018 and 2017 amounted to P26.480 million and P63.763 million, respectively.

The SSC in its Resolution No. 403-s.2019 dated 18 June 2019 approved the recommendation of the Management to reclassify to other asset classification, certain properties which were found out unsold ranging from three to 25 years due to ongoing development plan or some were used as SSS office facilities and some with pending cases. Likewise, the restatement of the affected financial statements has been approved. Accordingly, all previous Commission resolutions which approved earlier classifications of properties inconsistent with the above SSC resolution were deemed amended/revoked.

The restatement/reclassification is shown as follows:

Properties	Financial Statements			Remarks
	2016	2017	2018	
Pasay City (Site 2 FCA 7)		IP	IP	BV; no revaluation
Greenmeadows		IP	IP	BV; no revaluation
Memorial Lots		IP	IP	BV; no revaluation
Bonifacio Land	IP	IP	IP	FMV; with revaluation from 2016
Manila Harbour Center	IP	IP	IP	FMV; with revaluation from 2016
SSS Sorsogon (Land & Bldg.)			PPE	BV; with depreciation on building
SSS Zamboanga (Land)			PPE	BV
Pryce Center Makati (portion only)		PPE/ NCAHFS	PPE/ NCAHFS	BV; with depreciation on building
Pryce Tower Davao (portion only)		PPE/ NCAHFS	PPE/ NCAHFS	BV; with depreciation on building
EGI (E. Ganson)	PPE	PPE	PPE	BV; with retroactive depreciation on building
Toledo City		IP	IP	FMV; with revaluation from 2017

The properties reclassified to other asset accounts from 2016 to 2018 are as follows:

### A. Transferred to Investment Property

- Pasay City (Site 2 FCA 7) and Bonifacio Land properties - these properties were among the five prime SSS-owned properties which management decided to develop rather than to sell. Consultative conferences and meetings with large property developers were held to solicit inputs on how best to develop said properties. Further, a portion of the Pasay City property has a pending expropriation case filed by the National Grid Corporation of the Philippines (NGCP).
- Greenmeadows Property - the property was foreclosed by the SSS from Waterfront Philippines, Inc. in September 2005. It is subject of Civil Case for Sum of Money with Damages pending with the Court of Appeals. The proposed rezoning of the property from residential to commercial has yet to be passed by the City Council of Quezon City.
- Memorial Lots - the property was the subject of two Civil Cases: 1) a petition for declaratory relief entitled SSS vs. Pryce Corporation (Pryce) Civil Case which was filed by SSS on September 24, 2008 against Pryce questioning the imposition of a one-time Maintenance Adjustment Charge (MAC) on the 14,349 Memorial Lots; 2) a Civil Case for the collection of Sum of Money was subsequently filed by Pryce against the SSS with the RTC Makati City to collect supposed MAC which the SSS has been vigorously contesting from the onset.
- Manila Harbour Center Property - 80.49% of the property are being leased out and earns substantial rental income of P62.260 million. Also, it continues to increase in value at 7.9% average annual growth rate.

- Toledo City Property – the property was acquired through *dacion en pago* from Atlas Mining Corporation in 1995. The SSS has only the Tax Declarations for the remaining lots in its possession. Atlas Mining Corp. is supposed to replace the untitled lots with titled ones. However, as of reporting period, the TCTs in the name of SSS have not yet been delivered hence immediate sale is highly unlikely.

#### B. Transferred to Property, Plant and Equipment

- Sorsogon Property and Zamboanga Property – these properties were published for sale in 2016 but nobody participated during the public bidding. Management has decided to use the properties instead as SSS branch offices.
- EGI (E. Ganzon) Property – the condominium units of this property are currently being used by the SSS Contribution Accounting Department as storage area.
- Pryce Center Makati Property – an 805.25 sq.m. portion of the property with individual CCTs will be allocated for SSS office use.
- Pryce Tower Davao Property – an 843.10 sq.m. portion of the property with individual CCTs will be allocated for SSS office use.

The effect of the reclassification in the Statement of Financial Position and Statement of Comprehensive Income are shown in Note 32.

### 8. OTHER CURRENT ASSETS

This account is composed of the following:

	2018	2017
Advances	-	1,539,394
Prepayments	13,884,559	10,732,857
	13,884,560	12,272,251

Advances account consists of advances to Special Disbursing Officer and Officers and Employees.

Prepayment includes advances to contractors/suppliers, office rental, insurance premiums, and withholding tax at source. Advances to contractors/suppliers represents cash deposit to Procurement Service (PS)-PhilGEPS intended for the Government Fares Agreement (GFA). The GFA is an initiative of the Department of Budget and Management and the PS-PhilGEPS that will ensure fast, efficient, flexible and savings in time, energy and money when processing the air transportation needs of all government officers and personnel of their domestic trips. Withholding tax at source is a creditable withholding tax deducted by an entity, which is designated by BIR as authorized agent, from rental or other services.

### 9. INVESTMENT PROPERTY

This account is composed of the following:

	Development			Total
	Land	Building	Cost	
Fair value, January 1, 2018	32,872,755,777	5,541,918,000	9,685,838	38,424,359,615
Additions	-	-	-	-
Disposals	-	-	-	-
Fair value gain (loss)	2,665,792,227	264,280,000	-	2,930,072,227
<b>Fair value, December 31, 2018</b>	<b>35,538,548,004</b>	<b>5,806,198,000</b>	<b>9,685,838</b>	<b>41,354,431,842</b>
	Development			Total
	Land	Building	Cost	
Fair value, January 1, 2017	18,997,008,718	3,987,563,645	9,685,838	22,994,258,201
Effect of reclassification to IP and PPE	2,664,454,776	(9,964,580)	-	2,654,490,196
<b>Restated Fair value, January 1, 2017</b>	<b>21,661,463,494</b>	<b>3,977,599,065</b>	<b>9,685,838</b>	<b>25,648,748,397</b>
Transfer	2,782,127,278	(614,696,246)	-	2,167,431,032
Disposals	-	(65,739,390)	-	(65,739,390)
Fair value gain (loss)	8,429,165,005	2,244,754,571	-	10,673,919,576
<b>Restated Fair Value, December 31, 2017</b>	<b>32,872,755,777</b>	<b>5,541,918,000</b>	<b>9,685,838</b>	<b>38,424,359,615</b>
<b>Restated Fair Value, December 31, 2016</b>	<b>21,661,463,494</b>	<b>3,977,599,065</b>	<b>9,685,838</b>	<b>25,648,748,397</b>

The costs of investment property as at December 31, 2018 and 2017 is P10.609 billion.

The fair value of investment property is determined based on the Cost and Market Approach methods performed by independent appraisers, non-recurring and is Level 3 based on the level of fair value hierarchy due to unobservable inputs. Market values were based on the evidence of reliable transactions like recent land sales and sales offerings of comparable properties within the vicinity and the application of land capitalization rate. Data gathered from interviews with brokers and other real estate practitioners who are conversant with the property market were also used as bases. Adjustment factors were likewise considered such as the date of appraisal, size, location, corner/road influence, and conditions of sale.

Upon recommendation of Management, SSC, in its Resolution No. 403-s. 2019 dated June 18, 2019, approved the reclassification of six properties previously classified as NCAHFS to IP to reflect their real condition. SSS management decided to develop two properties rather than to sell; two had pending cases; one with absence of title and one for continued lease which makes the sale highly unlikely. Three properties of which are measured using the cost model in the total amount of P2.861 billion. The fair value of the properties is not reliably determinable on a continuing basis due to their pending legal cases mentioned in Note 7.

In 2013, the share of the SSS to the property located at Bonifacio Global City (BGC), Taguig increased from 17.19% to 49.11% due to acquisition of Union Bank of the Philippines (UBP) and Coca-Cola Bottlers Philippines, Inc.-Retirement Plan (CCBPI-RP) property shares. The transfer certificate of title (TCT) has not yet been in the name of SSS due to refusal of the co-owner, Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI) to lend its title to SSS demanding SSS to reimburse its payment of the real property tax (RPT) corresponding to the shares of CCBPI-RP and UBP. SSS, on the other hand, is invoking its tax exemption status which is evidenced by letters dated October 29, 2018 and follow-ups on January 21, 2019 and June 20, 2019 to the Acting City Treasurer of TCTO.

The Financial Center Area 7 (FCA 7) property owned by SSS in the reclaimed area along the Manila Bay, Roxas Blvd., Pasay City was subjected for reconfiguration and re-subdivision of lots as evidenced by a Memorandum of Agreement (MOA). The MOA executed in September 14, 2012 by concerned FCA lot owners namely, GSIS, SSS and the Republic of the Philippines (RP) for Philippine National Construction Company (PNCC) have agreed to surrender their respective TCTs to the Bureau of the Treasury (BTr) to effect the consolidation and re-subdivision of the lots in accordance with their actual ownership. In a meeting with the representative of the BTr last January 31, 2019, it was explained that one of the lots owned by the RP has yet to be surrendered by the BTr which is presently encumbered in favor of the Privatization and Management Office due to unpaid obligations of PNCC to the government. Due to such on-going transactions on the reconfiguration and re-subdivision, the property has not been titled yet under the name of SSS. SSS has sent letters on February 18, 2019 and May 27, 2019 to the National Treasurer of the BTr seeking actions taken to enable the foregoing property owners to secure their respective titles.

The following amounts are recognized in the Statements of Comprehensive Income.

	2018	2017
		Restated
Gain on fair value adjustment	2,930,072,227	10,673,919,576
Rental income	702,943,572	496,574,624
Penalty on rentals	1,328,005	1,106,753
Gain (loss) on sale/disposal	-	10,492,053
Direct operating expenses	(65,653,288)	(138,245,426)
Impairment loss	-	(104,417)
	3,568,690,516	11,043,743,163

The proceeds arising from the sale of investment properties is subject to the restriction provided under Sections 25 and 26 of the Republic Act 8282 or the Social Security Law which states that three per cent of other revenues shall be used for administrative and operational expenses. All revenues that are not needed to meet the current administrative and operational expenses shall be accumulated in the Investment Reserve Fund. As at December 31, 2018, there are no investment properties sold.

Direct operating expenses incurred for investment properties generating revenue through lease as at December 31, 2018 and 2017 is P52.944 million and P118.581 million, respectively.

### 10. PROPERTY AND EQUIPMENT - NET

This account is composed of the following:

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	Total
<b>Gross carrying amount</b>						
January 1, 2018	3,317,260,000	10,752,881	1,456,831,047	2,830,266,743	64,410,254	7,679,520,925
Additions	-	-	-	252,992,948	19,060,758	272,053,706
Transfers	58,954,200	8,587,438	39,337,054	-	(32,209,377)	74,669,315
Net revaluation increase	1,167,154,445	-	-	-	-	1,167,154,445
Retirement/cancellations/ disposal/adjustments	-	-	(84,855)	(68,378,752)	(4,199,486)	(72,663,093)
<b>December 31, 2018</b>	<b>4,543,369,645</b>	<b>19,340,319</b>	<b>1,496,083,246</b>	<b>3,014,880,939</b>	<b>47,062,149</b>	<b>9,120,735,298</b>
<b>Accumulated depreciation</b>						
January 1, 2018	-	8,724,180	864,023,972	2,134,587,504	-	3,007,335,656
Charge for the period	-	814,804	42,911,840	166,714,130	-	210,440,774
Transfer	-	1,098,340	2,280,296	-	-	3,378,636
Retirement/cancellations/ disposal/adjustments	-	-	-	(64,759,021)	-	(64,759,021)
<b>December 31, 2018</b>	<b>-</b>	<b>10,637,324</b>	<b>909,216,108</b>	<b>2,236,542,613</b>	<b>-</b>	<b>3,156,396,045</b>
<b>Accumulated impairment loss</b>						
January 1, 2018	-	948,351	138,573,067	-	-	139,521,418
Transfer	-	-	6,009,435	-	-	6,009,435
Impairment loss	-	188,699	(35,648,383)	-	-	(35,459,684)
<b>December 31, 2018</b>	<b>-</b>	<b>1,137,050</b>	<b>108,934,119</b>	<b>-</b>	<b>-</b>	<b>110,071,169</b>
<b>Net book value,</b>						
<b>December 31, 2018</b>	<b>4,543,368,645</b>	<b>7,565,945</b>	<b>477,933,019</b>	<b>778,338,326</b>	<b>47,062,149</b>	<b>5,854,268,084</b>

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	Total
<b>Gross carrying amount</b>						
January 1, 2017, as published	3,317,260,000	10,752,881	1,372,138,787	2,991,412,591	47,558,703	7,739,122,962
Effect of reclassification from						
Non-current asset held for sale	-	-	9,964,580	-	-	9,964,580
Restated Gross carrying amount, January 1, 2017	3,317,260,000	10,752,881	1,382,103,367	2,991,412,591	47,558,703	7,749,087,542
Additions	-	-	-	148,714,856	17,059,629	165,774,485
Transfers	-	-	74,727,680	-	-	74,727,680
Retirement/cancellations/ disposal/adjustments	-	-	-	(309,860,704)	(208,078)	(310,068,782)
<b>Restated Gross carrying amount, Dec. 31, 2017</b>	<b>3,317,260,000</b>	<b>10,752,881</b>	<b>1,456,831,047</b>	<b>2,830,266,743</b>	<b>64,410,254</b>	<b>7,679,520,925</b>
<b>Accumulated depreciation</b>						
January 1, 2017, as published	-	8,376,401	832,049,680	2,228,553,631	-	3,068,979,712
Effect of reclassification from						
Non-current asset held for sale	-	-	111,794	-	-	111,794
Restated Accumulated depreciation, January 1, 2017	-	8,376,401	832,161,474	2,228,553,631	-	3,069,091,506
Charge for the period	-	347,780	30,213,139	134,711,649	-	165,272,568
Transfers	-	-	1,649,359	-	-	1,649,359
Retirement/cancellations/ disposal/adjustments	-	-	-	(228,677,776)	-	(228,677,776)
<b>Restated Accumulated depreciation, December 31, 2017</b>	<b>-</b>	<b>8,724,181</b>	<b>864,023,972</b>	<b>2,134,587,504</b>	<b>-</b>	<b>3,007,335,657</b>
<b>Accumulated impairment loss</b>						
January 1, 2017, as published	-	948,351	138,573,067	-	-	139,521,418
Impairment loss	-	-	-	-	-	-
<b>Restated Accumulated Impairment, December 31, 2017</b>	<b>-</b>	<b>948,351</b>	<b>138,573,067</b>	<b>-</b>	<b>-</b>	<b>139,521,418</b>
<b>Restated Net book value, December 31, 2017</b>	<b>3,317,260,000</b>	<b>1,080,349</b>	<b>454,234,008</b>	<b>695,679,239</b>	<b>64,410,254</b>	<b>4,532,663,850</b>

Among the property and equipment only land is subject to revaluation. Revaluation was made by an independent appraiser in December 2018.

If land were stated on the historical cost basis, the carrying amount as at December 31, 2018 and 2017 is P 534.062 million.

Any increase in the value of the land as a result of revaluation is recorded under property revaluation reserves while a decrease is recognized as an expense to the extent that it exceeds any amount previously credited to property valuation reserve. The balance of the property revaluation reserves as at December 31, 2018 and 2017 is P4.046 billion and P2.879 billion, respectively, and this is not subject to any appropriations as at end of the reporting period.

Five properties from NCAHFS were transferred to Property and Equipment as mentioned in Note 7. Sorsogon and Zamboanga properties are intended for SSS branch office use. Similarly, portion of Pryce Center Makati and Pryce Tower Davao properties are also being allocated for SSS office use. On the other hand, EGI (E. Ganzon) property is being utilized as SSS storage area.

Rental income from operating assets amounting P8.813 million and P6.596 million as at December 31, 2018 and 2017, respectively, from a portion of five property and equipment under a cancellable lease agreement were included in the Statements of Comprehensive Income. The portion under lease cannot be sold separately and insignificant, thus, remains as Property and Equipment.

As at December 31, 2018 and 2017, the total carrying amount of fully depreciated property and equipment that are still in use are P38.087 million and P25.577 million, respectively.

## 11. INTANGIBLE ASSETS - NET

This account is composed of the following:

	2018	2017
<b>Cost</b>		
Balance, January 1	733,191,548	718,833,852
Additions	90,586,599	14,382,445
Transfers/adjustments	(18,365,516)	-
Retirement/disposals/cancellation	-	(24,749)
Balance, December 31	805,412,631	733,191,548
<b>Accumulated amortization</b>		
Balance, January 1	454,267,971	405,752,983
Amortization charge for the period	39,994,329	48,539,737
Retirement/disposals/cancellation	-	(24,749)
Balance, December 31	494,262,300	454,267,971

	2018	2017
<b>Accumulated impairment loss</b>		
Balance, January 1	75,828,227	75,828,227
Retirement/disposals/cancellation	-	-
Balance, December 31	75,828,227	75,828,227
<b>Net book value, December 31</b>	<b>235,322,104</b>	<b>203,095,350</b>

Intangible assets with definite and indefinite life include both computer software and licenses. The carrying amount of intangible assets with indefinite life as at December 31, 2018 and 2017 is P60.699 million. All intangibles with definite lives are amortized either over a period of five years or with twenty per cent annual amortization rate.

## 12. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	2018	2017
Deposits	85,501,716	78,713,545
Other assets	279,149,683	269,309,513
Accumulated impairment - other assets	(304,764)	(274,315)
Net value - other assets	278,844,919	269,035,198
	364,346,635	347,748,743

Other assets account consists of fire insurance premium (FIP) and mortgage redemption insurance (MRI) advanced by SSS for properties mortgaged to the SSS. As at December 31, 2018, additional provision of impairment loss amounted to P30,449 and no recovery/reversal was recognized.

## 13. FINANCIAL LIABILITIES

This account is composed of the following:

	2018	2017
Current financial liabilities		
Accounts payable	6,186,290,167	5,816,701,502
Accrued expenses	2,017,238,788	2,299,131,469
	8,203,528,955	8,115,832,971
Non-current financial liabilities		
Rent payable	45,390,960	37,179,482
	8,248,919,915	8,153,012,453

Accounts payable and accrued expenses comprise of SSS' obligations payable to member-borrowers, suppliers, employees and officials.

Non-current financial liabilities represent rent payables for lease contracts entered by the SSS for the use of its various branches.

## 14. INTER-AGENCY PAYABLES

This account is composed of the following:

	2018	2017
Due to BIR	61,409,510	89,560,457
Due to GSIS	72,227,332	72,878,772
Due to Philhealth	6,397,490	5,631,792
Due to SSS	5,048,522	5,036,939
Due to Pag-IBIG	4,876,071	4,706,839
Due to LGUs	260	188,074
	149,959,185	178,002,873

This account includes withholding taxes, contributions to GSIS, PHIC, HDMF and loan amortization due to SSS which were deducted from the payroll of SSS employees.

Due to BIR includes among others, VAT payable, other taxes withheld for remittance and over remittance for offsetting in 2019. The VAT exemption of SSS was repealed by Section 86 of the R.A. 10963 also known as the Tax Reform for Acceleration and Inclusion (TRAIN) effective January 1, 2018.

## 15. TRUST LIABILITIES

This account is composed of the following:

	2018	2017
Trust liabilities	387,608,609	294,150,961
Guaranty/ security deposits payable	237,903,661	228,465,408
Customers' deposits payable	139,832,464	132,102,952
	765,344,734	654,719,321

Trust liabilities consists of the following:

	2018	2017
Funds held in trust -		
Officials and employees	352,382,314	258,326,656
Suppliers and creditors	4,462,820	2,093,824
Borrowers and other payors	3,717,714	7,319,098
Dividends - stock investment loan program	15,501,904	15,492,454
Flexi-fund	8,508,199	6,576,562
SSS Provident fund and Medical Insurance	3,035,658	2,542,751
Educational loan fund - DECS	-	1,799,616
	<b>387,608,609</b>	<b>294,150,961</b>

Funds held in trust from officials and employees includes among others amounts deducted from their separation/retirement claims for the benefits received but subsequently disallowed in audit as at December 31, 2018 and 2017 amounted to P315.400 million and P223.586 million, respectively. This is done to assure collection once the pending appeal in court or COA will result in an unfavorable decision and disallowances become final and executory. However, in the event that the decision will be in favor of SSS and its employees, all withholdings will be returned.

Guaranty/security deposits payable is composed of bidder's deposits, performance or cash bonds and retention money from winning bidders in the procurement of goods and services, infrastructure and consultancy services.

Customers' deposits payable are rental deposits made by tenants of SSS properties.

## 16. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2018	2017
Current deferred/earned income		
Deferred credits - Output tax	1,098,026	-
Unearned rental income	57,948,826	122,309,497
	<b>59,046,852</b>	<b>122,309,497</b>
Non-current unearned income		
Unearned income-Unrealized Gain-GBond	382,762,849	409,613,518
	<b>441,809,701</b>	<b>531,923,015</b>

The output tax is the value-added tax of SSS for its properties under lease while unearned rental income represents advance rental payments from tenants of SSS properties.

The non-current unearned income represents unrealized gain from SSS participation in the Republic of the Philippines Domestic Debt Consolidation Program (Bond Exchange) 2011 and 2014, and Liability Management Program (Bond Exchange) 2015.

## 17. PROVISIONS

The accrued retirement benefits of employees as at December 31, 2018 and 2017 are as follows:

	2018	2017
Leave benefits payable	564,916,238	727,694,711
Retirement gratuity payable	641,074,473	641,074,473
Other provisions	254,784,795	97,657,622
	<b>1,460,775,506</b>	<b>1,466,426,806</b>

Leave benefits payable represent the cash value of the accumulated vacation and sick leave credits of employees, 50 per cent of which can be monetized once a year and the balance payable upon resignation/retirement. As at December 31, 2018, there were 2,240 employees who availed of the monetization of leave credits with total amount of P98.067 million.

Retirement gratuity payable is available to qualified employees under any one of RA No. 1616, RA No. 660 and RA No. 8291. Under RA No. 1616, SSS, as the last employer of the qualified employees, pays the gratuity benefit of those who opt to retire under the said law. Benefits under RA No. 660 and RA No. 8291 are paid by GSIS. Thus, the liability only pertains to RA No. 1616.

Other provisions pertain to Retirement Incentive Award (RIA) given to employees with at least 20 years of creditable service and are entitled to P5,000 for every year of service upon retirement. As at December 31, 2018, 219 employees were given RIA in the total amount of P34.145 million.

## 18. OTHER PAYABLES

This account is composed of the following:

	2018	2017
Current other payables	1,990,631,097	1,743,958,037
Non-current other payables	50,000,000	50,000,000
	<b>2,040,631,097</b>	<b>1,793,958,037</b>

The current other payables account represents the undistributed collections, as follows:

	2018	2017
Member loans (ML) collection	1,762,462,284	1,418,480,291
Undistributed collection	73,568,465	169,486,072
OFW collections	89,131,581	89,213,365
Sales contract receivable	46,848,029	57,701,653
Real estate loans collection	18,620,738	9,055,712
Employees' housing loan program	-	20,944
	<b>1,990,631,097</b>	<b>1,743,958,037</b>

These are collections for loan amortizations and contributions that have not yet been posted to individual members or borrowers and other accounts pending receipt of collecting agencies'/employers' documents and actual distribution of collections and payments whose nature are not indicated by payors. Hence, undistributed collection accounts always carry respective balances at the end of any given period.

On member loans collection, the SSS has undertaken various efforts to address the posting issues and expedited the reconciliation process through (1) enhancing computer programs and systems, (2) continues sending of Lists of No Collection Reports to branches, and (3) regular clean up of unpostables and reconciliation.

On the other hand, the modules in the electronic Loan Management System (e-LMS) will aid in the management of the undistributed collections on member loans. Billing and collection module will hasten posting of payments and minimize unpostables through a simplified process in the issuance of billing and receipt of collection list. Loan Record Management module will facilitate availability of reports on employers payments without collection list and with collection list but underpaid. The posting of loan payments under the Payment Management module will be based only from Cash Collection System without manual encoding of loan payments.

The non-current portion of Other Payable represents the P50 million seed money to fund the initial investment activities of the PESO fund.

## 19. EQUITY

The SSS Reserves is composed of the following:

	2018	2017
		Restated
Reserve fund	523,865,881,162	500,362,518,604
Revaluation surplus	4,046,242,799	2,879,088,355
Members' equity	873,406,815	773,934,173
Cumulative changes in fair value	(30,427,023,610)	(8,161,549,950)
	<b>498,358,507,166</b>	<b>495,853,991,182</b>

The Reserve Fund as at December 2017 was restated to reflect the effect of the change in accounting policy set out in Note 2.11b, on the recognition of interest income on ML, HL, SCR and rental receivable from cash to accrual basis and on the reclassification of NCAHFS to IP and PPE accounts.

	2017
	Restated
Balance at December 31, 2017, as published	496,595,968,020
Impact of the change in accounting policy	
At the beginning of January 1, 2017	693,114,522
During the year of 2017	56,285,564
Impact of the classification of NCAHFS to IP and PPE	
At the beginning of January 1, 2017	1,972,162,194
During the year of 2017	1,044,988,304
<b>Restated balances at 31 December 2017</b>	<b>500,362,518,604</b>

### 19.1 Investment reserve fund (IRF)

All revenues of SSS that are not needed to meet the current administrative and operational expenses are accumulated in the reserve fund. Such portion of the reserve fund as are not needed to meet the current benefit obligations is known as the IRF which the SSC manages and invests with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would exercise in the conduct of an enterprise of a like character and with similar aims, subject to prescribed ceilings under Section 26 of the SS Law.

No portion of the IRF or income thereof shall accrue to the general fund of the National Government or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under the SS Law. It also provides that no portion of the IRF shall be invested for any purpose or in any instrument, institution or industry over and above the prescribed cumulative ceilings as follows: 40 per cent in private securities, 35 per cent in housing, 30 per cent in real estate related investments, 10 per cent in short and medium-term member loans, 30 per cent in government financial institutions and corporations, 30 per cent in infrastructure projects, 15 per cent in any particular industry and 7.5 per cent in foreign-currency denominated investments.

In its Resolution No. 402-s. 2007 dated September 5, 2007, the SSC adopted the use of acquisition cost as the basis in computing the 30 per cent exposure limit for shares of stocks in equity investments based on the opinion of the Legal and Adjudication Sector of COA dated June 25, 2007.

### 19.2 Actuarial valuation of the reserve fund of the SSS

The SS Law requires the Actuary of the System to submit a valuation report every four years, or more frequently as may be necessary, to determine the actuarial soundness of the reserve fund of the SSS and to recommend measures on how to improve its viability.

The reserve fund is affected by (a) changes in demographic factors (such as increased life expectancy, ageing of population, declining fertility level and delay in retirement) and (b) the economic conditions of the country. Economic factors on which assumptions are made include interest rates, inflation rates and salary wage increases. With these and other assumptions, and taking into account the uncertainty of future events, the life of the fund is projected.

In the 1999 Actuarial Valuation, the Social Security Fund (SSF) was projected to last only until 2015. Given such projections, the SSS, implemented measures (e.g. increases in the contribution rate from 8.4 per cent to 9.4 per cent in March 2003, increase in the maximum salary base for contributions from P12,000 to P15,000 and the redefinition of credited years of service) and operational developments (e.g. tellering system, more accounts officers, cost-saving measures, improved investment portfolio and management, etc.) to strengthen the SSF.

The System's concerted efforts have resulted in improved actuarial soundness. Results of the 2003 Actuarial Valuation indicate an extension on the life of the fund by 16 years, from 2015 to 2031.

In January 2007, the contribution rate was increased to 10.4 per cent. On the other hand, two sets of 10 per cent across-the-board increases were given in September 2006 and in August 2007. The effects of these developments were reflected in the 2007 Actuarial Valuation, which showed that the actuarial life will last until 2039.

The SSF life extended further to 2043 when the results of the 2011 Actuarial Valuation were published in 2014, which considered the Reform Agenda items implemented on January 1, 2014, particularly the increase in contribution rate to 11 per cent, and the increase in Monthly Salary Credit (MSC) ceiling to P16,000. The 2011 Actuarial Valuation was then updated to consider the 5 per cent across-the-board pension increase implemented in June 2014. This update showed a reduction of the fund life by one year to 2042.

The results of the 2015 Actuarial Valuation showed that the SSF was projected to last until 2042, similar to the projection of the updated 2011 Actuarial Valuation. The summary of results of the 2015 Valuation vis-à-vis the updated 2011 Valuation are presented in the table below.

**Actuarial Valuation  
Comparison of Key Projection Results  
2015 Valuation versus 2011 Valuation**

	Key Projection Results	2011 Valuation*	2015 Valuation**
No future across-the-board increase in pensions	Year fund will last	2042	2042
	Year net revenue becomes negative	2034	2034

\* Updated results upon considering the effect of 5% across-the-board pension increase effective June 2014

\*\* As published in the 2015 Actuarial Valuation report

Despite these improvements in the projected fund life throughout the past Actuarial Valuation, the SSS, like most defined-benefit social security schemes, is faced with the reality of a less-than-ideal actuarial fund life, and a considerable level of unfunded liabilities. There is unfunded liability when the liability (the difference between the present value of future benefits and operating expenses, and the present value of future contributions) is greater than the reserve fund.

The liability of the SSS in the updated 2011 Actuarial Valuation was computed using a discount rate of 8 per cent. With the low interest rate regime, the discount rate for the 2015 Actuarial Valuation was set to 6 per cent, reflecting yields of long term government bonds. The comparison of liability and unfunded liability in the updated 2011 Valuation and 2015 Valuation is presented in the following table.

**Comparison of Unfunded Liability  
2015 Valuation versus 2011 Valuation  
(Amounts in Trillion pesos)**

Key Projection Results	Computed as at 12/31/2013		Computed as at 12/31/2015	
	2011 Valuation at 8% Discount Rate (A)	2011 Valuation at 6% Discount Rate (B)	2011 Valuation at 6% Discount Rate (C)	2011 Valuation at 6% Discount Rate (D)
Liability	1.56	3.45	3.91	3.87
Reserve fund	0.34	0.34	0.44	0.40
Unfunded liability	1.22	3.11	3.47	3.47

Based on the updated 2011 Valuation results, the unfunded liability was valued at P1.22 trillion using a discount rate of 8 per cent (see column A). Meanwhile, the unfunded liability of P3.47 trillion in the 2015 Valuation was computed at a discount rate of 6 per cent (see column D). The increase in unfunded liability can be attributed to two sources: (1) change in discount rate from 8 per cent to 6 per cent and (2) change of reference date of present value computations from December 31, 2013 to December 31, 2015.

If a discount rate of 6 per cent was used instead in the 2011 Valuation, the unfunded liability would be at P3.11 trillion (see column B). Further, if the reference date was updated to December 31, 2015, the unfunded liability would increase to P3.47 trillion (see column C), which is almost equal to the unfunded liability for the 2015 Valuation. This supports the result that fund life is maintained at 2042 in the 2015 Actuarial Valuation.

On the other hand, the summary of results for the original 2015 Valuation and the updated 2015 Valuation, which took into consideration the P1,000 additional pension allowance in 2017, are compared in the table below.

**Comparison of Key Projection Results  
Original 2015 Valuation versus Updated 2015 Valuation  
(Amount in Trillion Pesos)**

Key Projection Results	2015 Valuation		
	Original (A)	Updated (B)	With P1,000 Additional Pension Benefit (C)
Year Fund Will Last	2042	2042	2032
Year Net Revenue Becomes Negative	2034	2034	2022
Unfunded Liability Computation (Discount rate = 6%)	(as at Dec. 31, 2015)	(as at Jan. 1, 2017)	(as at Jan. 1, 2017)
Liability	3.87	4.11	5.38
Reserve Fund	0.40	0.44	0.43
Unfunded Liability	3.47	3.67	4.95

The implementation of the P1,000 additional pension benefit in 2017 reduced the fund's life by 10 years, from 2042 to 2032, and caused the net revenue to become negative by 2022, way earlier than 2034 which was projected in the original 2015 Valuation.

The unfunded liability was computed at P4.95 trillion as of January 1, 2017 (see column C). For proper comparison, the reference date of present value computations for the original 2015 Valuation was updated from December 31, 2015 to January 1, 2017. Performing this update resulted in an unfunded liability of P3.67 trillion (see column B). Thus, the increase in pension benefit in 2017 effectively increased the unfunded liability by P1.28 trillion.

This current UL and fund life situation was caused in part by a structural imbalance, brought about by the mismatch of the increases in pension, monthly salary credit (MSC) ceiling and contribution rate. During the period from 1980 to 2016, pensions were increased through across-the-board pension increases of up to 20 per cent (22 times) and increases in minimum pension amount through Republic Act No. 8282; MSC ceiling also was increased 12 times. The contribution rate, on the other hand, was only increased four times during the same period, from 8 per cent to 8.4 per cent in 1980, 8.4 per cent to 9.4 per cent in 2003, then to 10.4 per cent in 2007, and finally to 11 per cent in 2014.

The effect of demographic change on the fund should also be recognized, as there may not be enough contributors remitting to pay all the expenses and benefits of the growing number of pensioners due to declining population growth rate and lengthening life spans.

To address these and other issues on the viability of the reserve fund, actuarial valuations and other studies are conducted regularly, the results of which serve as basis of recommendations for policy reforms. The recommendations mentioned in the valuations include raising the contribution rate, improving the contribution collection, increasing the minimum and maximum MSC, revisiting the pension formula, reviewing the qualifications for eligibility for long-term benefits, raising the retirement age, and exploring other means to improve the adequacy of benefits. Further reform packages and other measures shall be formulated, which simultaneously address the interest of the stakeholders of SSS: benefit adequacy for current pensioners, and financial sustainability for future pensioners, who are now active contributors of the SSS.

**19.3 Revaluation Surplus**

Revaluation surplus is the result of revaluation of assets. The balance represents the excess of revaluation/appraisal value over the book value of the revalued asset. As at December 31, 2018, P1.167 billion additional revaluation gain was recognized.

**19.4 Members' Equity**

Members' equity represents the contributions of Flexi Fund and PESO Fund members which earn interest based on guaranteed rates. Guaranteed earning shall be computed based on SSS' short term peso placement rate or 91-day Treasury Bill rate, whichever is higher for Flexi Fund, and for PESO Fund, it shall be based on the 5-year Treasury Bond rate and 364-day Treasury Bill rate.

**19.5 Cumulative Changes in Fair Value**

	2018	2017
Balance, January 1	(8,161,549,950)	(15,650,037,897)
Net gain (loss) arising on revaluation of financial assets at FVTOCI	(22,265,473,660)	7,663,808,305
Cumulative gain (loss) reclassified to profit or loss on sale/disposal of AFS financial assets	-	(175,320,358)
Balance, December 31	(30,427,023,610)	(8,161,549,950)

The cumulative changes in fair value represents the investments revaluation reserves arising on the revaluation of financial assets that have been recognized in other comprehensive income and net of amounts reclassified to profit or loss for assets sold/disposed on 2017.

## 20. SERVICE AND BUSINESS INCOME

This account is composed of the following:

	2018	2017 Restated
Members' contribution	180,343,916,577	158,359,431,047
Interest income	22,107,910,860	20,641,801,596
Dividend income	3,078,353,241	3,287,619,488
Fines and penalties- business income	3,046,720,616	2,682,336,974
Rent/lease income- investment property	702,943,572	484,182,681
Income from acquired/foreclosed assets	26,480,172	63,858,089
Management fees	7,029,433	6,014,775
Other business income	486,206,136	459,697,986
	<b>209,799,560,607</b>	<b>185,984,942,636</b>

As at December 31, 2018, members' contributions collections inclusive of related interests and penalties from employed sector registered the biggest amount of collection at P156.934 billion, followed by voluntary paying members at P18.616 billion and self-employed at P6.366 billion. The number of paying members as at December 31, 2018 and 2017 reached to 16.540 million and 15.287 million, respectively.

Interest income are derived from the following SSS investments:

	2018	2017 Restated
Bonds investments		
FAFVTPL	652,909,618	177,505,533
FVTOCI	3,201,488,141	-
FA at Amortized Cost	10,273,689,088	13,032,997,434
	<b>14,128,086,847</b>	<b>13,210,502,967</b>
Loans and receivables	7,179,565,775	6,926,971,175
Current/savings/term deposits	773,195,154	499,195,681
Time deposits	17,385,000	-
Others	9,678,084	5,131,773
	<b>22,107,910,860</b>	<b>20,641,801,596</b>

Interest income from loans and receivables as at December 2017 was restated from P6.871 billion to P6.927 billion or an increase of P56 million to reflect the effect of the accrual of interest income on ML, HL, SCR and rental of acquired assets.

Other business income includes among others service fees on salary loans granted, income from SSS ID replacement and rental income from operating assets amounting P358.400 million, P93.175 million and P10.253 million, respectively, as at December 31, 2018.

## 21. GAINS

	2018	2017
Gain from changes in fair value of investment Property	3,275,374,484	10,673,919,576
Gain from changes in fair value of financial Instruments	2,087,104,052	643,997,387
Gain on sale/redemption/transfer of Investment	892,599,507	5,341,245,650
Gain on foreign exchange (FOREX)	564,573	2,988,723
Gain on sale of property and equipment	485,874	369,122
Gain on sale of investment property	-	10,492,053
	<b>6,256,128,490</b>	<b>16,673,012,511</b>

Investment properties are remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in arm's length transaction. Gain or losses arising from changes in the fair value of the investment property must be included in net profit or loss for the period in which it arises. The fair value gain on investment properties as at December 31, 2018 is brought about by the continuous developments and economic growth in the country's Central Business Districts and the rising demand for space in the areas where SSS properties are located.

## 22. OTHER NON-OPERATING INCOME

	2018	2017
Other non-operating income		
Reversal of impairment loss	434,443,321	464,306,953
Miscellaneous income	573,657,598	369,677,214
	<b>1,008,100,919</b>	<b>833,984,167</b>

The SSS considers certain financial assets to have recovered from impairment losses amounting to P434.443 million due to the enhanced loan collection efforts and the implementation of loan restructuring. Majority of the recoveries came from member loans and housing loans amounting P124.883 million and P229.266 million, respectively.

## 23. BENEFIT PAYMENTS

This account represents payments to members and their beneficiaries in the event of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden. Total benefit payments for the year amounted to P180.079 billion with total number of claims of 30,665,451.

	2018	2017
Benefit Payments		
Retirement	104,822,602,023	98,857,310,480
Death	54,715,765,694	53,146,012,198
Disability	6,765,319,427	6,228,176,356
Maternity	7,066,033,389	6,111,415,659
Funeral grant	3,906,046,527	3,788,233,643
Sickness	2,790,957,883	2,538,444,318
Medical services	10,830,855	12,221,131
Rehabilitation services	958,702	1,763,604
	<b>180,078,514,500</b>	<b>170,683,577,389</b>

## 24. PERSONNEL SERVICES

This account is composed of the following:

	2018	2017
Salaries and wages	2,882,894,684	2,875,007,885
Other compensation	1,556,748,429	1,548,263,548
Personnel benefit contribution	1,546,222,995	1,536,614,733
Other personnel benefits	545,337,675	347,668,774
	<b>6,531,203,783</b>	<b>6,307,554,940</b>

Provident fund, which forms part of the personnel benefit contributions, is a defined contribution plan made by both the SSS and its officers and employees. The affairs and business of the fund are directed, managed and administered by a Board of Trustees. Upon retirement, death or resignation, the employee or his heirs will receive from the fund payments equivalent to his contributions, his proportionate share of the SSS' contributions and investment earnings thereon.

Other personnel benefits include the Program on Awards and Incentives for Service Excellence or the SSS PRAISE effective January 1, 2018. The Civil Service Commission (CSC) in its letter dated May 12, 2017 and the SSC under Resolution No. 274-s.2017 dated April 5, 2017 approved its implementation to encourage creativity, innovativeness, efficiency, integrity and productivity in the public service by recognizing and rewarding officials and employees, individually or in groups for their suggestions, innovative ideas, superior accomplishments and other personal efforts which contribute to the efficiency, economy or improvement in government operations which lead to organizational productivity. This caused the increase in other personnel benefits account in 2018 as compared in 2017 taking into account some of the increases in the employee's individual awards and incentives:

- Employee anniversary award from P1,000 to maximum of P8,000
- Masteral/Doctoral degree completion from P20,000 to P30,000
- Retirement incentive award from P2,000 to P5,000 per year of service

As at December 31, 2018, SSS has a total of 6,900 regular personnel of which 484 are new employees but net of 382 retired/separated employees.

## 25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following:

	2018	2017
Labor and wages	459,645,947	467,626,716
General services	301,112,117	321,510,234
Repairs and maintenance	262,428,075	278,108,490
Communication expense	247,701,305	263,169,988
Utility expenses	246,321,443	236,116,889
Supplies and materials expenses	212,185,975	229,507,600
Professional expenses	77,106,380	68,197,712
Traveling expenses	74,636,928	72,010,612
Training and scholarship expenses	51,260,537	62,653,428
Taxes, insurance premiums and other fees	24,670,208	18,135,596
Confidential, intelligence and extraordinary expenses	1,552,681	1,830,125
Awards/Rewards, prizes, and indemnities	1,242,363	-
Other maintenance and operating expenses	987,832,596	982,316,927
	<b>2,947,696,555</b>	<b>3,001,184,317</b>

Other maintenance and operating expenses consist of the following:

	2018	2017
Rent/lease expenses	304,507,045	284,033,513
Fees and commission expenses	255,187,752	236,338,515
Printing and publication expenses	205,801,777	217,589,131
Advertising, promotional and marketing expenses	75,078,189	95,596,137
Subscription expenses	53,636,205	42,571,530
Directors and committee members' fees	22,105,636	25,728,907
Transportation and delivery expenses	16,766,387	19,722,703
Membership dues and contributions to organizations	9,309,156	9,461,842
Donations	6,006,280	15,425,751
Other maintenance and operating expenses	39,434,169	35,848,898
	<b>987,832,596</b>	<b>982,316,927</b>



## 26. FINANCIAL EXPENSES

This account is composed of the following:

	2018	2017
Bank charges	885,955	3,344,543
Other financial charges	128,280,980	174,680,472
	<b>129,166,935</b>	178,025,015

Other financial charges represent investment related expenses incurred in connection with managing the investment properties, broker's commissions on trading financial assets and other depository maintenance and off-exchange trade fees.

## 27. NON-CASH EXPENSES

This account is composed of the following:

	2018	2017
Losses	3,361,248,235	12,745,642
Impairment loss	1,285,700,544	2,241,716,996
Depreciation	206,743,541	183,499,366
Amortization	43,764,140	48,539,737
	<b>4,897,456,460</b>	2,486,501,741

In 2018, the SSS incurred a decline in the collection of some loans and receivables, decrease in value on non-current assets held for sale, and non-submission of collection documents from collecting banks/agents, hence carried out a review of its recoverable amount. The review led to the recognition of impairment loss of P1.286 billion, of which P1.184 billion is for loans and receivables, P22.885 million for non-current assets held for sale and P15.506 million for building and improvements.

## 28. ASSISTANCE AND SUBSIDY

The Educational Assistance Loan Program is funded on a 50:50 basis from the National Government (NG) and SSS. The NG counterpart of P3.5 billion was released under Special Allotment Release Order No. BMB-F-12-0031251 dated December 14, 2012. The total cash allocations released to SSS from 2012 to December 31, 2018 amounted to P2.828 billion, of which P2.480 billion has been released as loans to member beneficiaries, as follows:

NCA No.	Date	Amount
BMB-F-12-0023901	December 14, 2012	45,279,995
<b>2012</b>		<b>45,279,995</b>
BMB-F-13-0017483	September 23, 2013	480,771,648
BMB-F-13-0020336	November 11, 2013	278,800,497
<b>2013</b>		<b>759,572,145</b>
BMB-F-14-0005474	May 2, 2014	260,637,040
BMB-F-14-0012071	August 27, 2014	178,052,884
BMB-F-14-0016332	November 10, 2014	332,923,150
<b>2014</b>		<b>771,613,074</b>
BMB-F-15-0005560	April 29, 2015	32,207,250
BMB-F-15-0016231	October 26, 2015	374,662,670
<b>2015</b>		<b>406,869,920</b>
BMB-C-16-0006531	April 28, 2016	64,198,930
BMB-C-16-0016736	September 15, 2016	54,212,150
<b>2016</b>		<b>118,411,080</b>
BMB-C-17-0000790	January 9, 2017	193,867,300
BMB-C-17-0007120	May 17, 2017	72,955,264
BMB-C-17-0015979	October 11, 2017	274,253,486
<b>2017</b>		<b>541,076,050</b>
BMB-C-18-0019433	September 17, 2018	185,357,643
<b>2018</b>		<b>185,357,643</b>
<b>Grand Total</b>		<b>2,828,179,907</b>

## 29. OPERATING LEASE COMMITMENTS

### 29.1 SSS as lessee

The SSS leases offices for its various branches under cancellable operating lease agreements. The leases have varying terms, escalation clauses, and renewal rights. In 2018, SSS opened three new branches and 13 new service offices nationwide to provide a conducive member-centric environment and entered into a cancellable operating lease agreement with various property owners. Out of the 305 local branches, 163 branch/service/representative offices located in various locations nationwide are rent-free. As at December 31, 2018 and 2017, total lease payment recognized as expense amounted to P304.579 million and P284.033 million, respectively (see Note 25). Further, no sublease agreements made and no occurrences of contingent rent.

### 29.2 SSS as lessor

The SSS leases out portion of its office space to various tenants under cancellable operating lease agreements and the minimum lease rental amounts to at least P3,342 per month. The leases have varying terms, escalation clauses, and renewal rights.

Total rental income earned as at December 31, 2018 and 2017 amounted to P739.678 million and P554.542 million, respectively, details as follows:

	2018	2017
Rental/lease income- investment property	702,943,572	496,574,624
Income from acquired/foreclosed assets	26,480,172	51,370,763
Other business income		
Operating assets	10,253,805	6,596,330
	<b>739,677,549</b>	554,541,717

## 30. RELATED PARTY DISCLOSURES

As at December 31, 2018, the composition of the Social Security Commission's board members is as follows:

Board Position	Name	Appointment
1. Chairperson	Aurora C. Ignacio	Representing the Employers' Group
2. Vice-Chairperson	Emmanuel F. Dooc	President & CEO, SSS
3. Ex-Officio Member	Silvestre H. Bello III	Secretary, DOLE
4. Member	Michael G. Regino	Representing the General Public Sector
5. Member	Ricardo L. Moldez	Representing the Employers' Group
6. Member	Diana Pardo-Aguilar	Representing the Employers' Group
7. Member	Anita Bumpus-Quitain	Representing the Workers' Group
8. Member	Gonzalo T. Duque	Representing the Workers' Group
9. Member	Arthur L. Amansec	Representing the Workers' Group

### Key Management Personnel Remuneration and Compensation

The management personnel of SSS are the President and CEO, Executive Vice President and Senior Vice Presidents of the operating and support groups. The remuneration of key management personnel during the year is as follows:

	2018	2017
Salaries	32,012,158	31,364,097
Other allowances and benefits	26,809,915	23,529,486
	<b>58,822,073</b>	54,893,583

Meanwhile, the total remuneration received by the Board of Commissioners is as follows:

	2018	2017
Remuneration	16,811,270	19,060,753

## 31. FINANCIAL RISK MANAGEMENT

SSS manages the existing and emerging risks across the entire organization. These risks can be divided into four principal risk categories: Financial Risks, Insurance & Demographic Risks, Strategic Risks, and Operational Risks. To provide systematic method of addressing these risks, SSS established and adopts an Enterprise Risk Management (ERM) approach. ERM is a continuous, proactive and integrated process used to identify, assess and manage risks across all areas and at all levels of the organization. This will ensure the alignment of strategic planning and risk management.

Under ERM, SSS implements a risk management process that is carried out in five sequential phases - strategic plan, risk assessment, risk reporting, risk treatment and risk monitoring. The process runs in an iterative loop to continuously improve the management system by incorporating the lessons learned and feedback of stakeholders. It is conducted across the entire organization throughout the year while making investment decisions and when conducting day-to-day operations.

The SSS ERM has seven key components, as follows:

1. Corporate Governance - to ensure that the SSC and the Management have established the appropriate organizational process and corporate controls to measure and manage risk across the organization.

SSS established a Risk Management Committee (RMC) responsible for the adoption and oversight of risk management program of the System, in accordance with the guidelines prescribed by the Governance Commission for GOCCs (GCG). It also created the Risk Management Division (RMD), under the Actuarial and Risk Management Group (ARMG) that is responsible for ensuring that risk policies are in place among SSS units.

2. Line management to integrate risk management into the investment as well as operational activities of the organization.

RMD conducts series of meetings and workshops to explain the concept of risk and describe the risk management process - ISO 9001:2015 Seminar/Workshop on Risk-based Thinking for all SSS Employees.

3. Portfolio management to aggregate risk exposures, incorporates diversification effects, and monitor risk concentrations against established risk limits.

RMD together with the Investments Sector (IS) implements certain limits for SSS investments, these are debt and equity limits, Value-at-Risk (VAR) limits, Market-to-Acquisition Ratio (MAR) limits, banking sector limits, real property and real estate related investment limits and other industry limits. Also, IS units have established their internal limits for each SSS investment asset (e.g. limit per broker, trading limit per day, allocation for each asset, limit per trader, etc).

- Risk transfer to mitigate risk exposures that are deemed too high, or are more cost-effective to transfer out to a third party than to hold in the organization's risk portfolio.

SSS transfer risk through acquisition of insurances to mitigate risk exposure that is deemed too high, which is consequently more cost effective than to hold in the System's risk portfolio. Insurance policies acquired by SSS include fire insurance for SSS properties, Directors' and Officers' Liability Insurance (DOLI) for SSC and the Management and Credit Group Life Insurance (CGLI) for SSS pensioners who availed of the Pension Loan Program.

- Risk analytics to provide risk measurement, analysis and reporting tools to quantify the organization's risk exposures as well as track external drivers.

SSS monitors various risk metrics using risk management tools that are developed for the analysis and assessment of risks, which help in the formulation of appropriate mitigating measures. Examples of risk management tools are VAR, MAR, Stop Loss/Cut Loss, etc.

- Data and technology resources to support the analytics and reporting processes.

Currently, RMD manually encodes in its internal database and processes through aggregation various risk-related data from different SSS units using Macro-embedded program in MS Excel. Risk metrics are programmed in MS Excel to generate risk reports.

- Stakeholder management to communicate and report the organization's risk information to key stakeholders.

RMD, as part of its risk reporting function, presents identified risks, both existing and emerging, and corresponding action plans during Management Review meetings. A document regarding how SSS manages its risks is published in the SSS website under the Transparency Seal.

The SSS RMD developed four risk manuals – Financial Risk Management Manual, Insurance and Demographic Risk Management Manual, Strategic Risk Management Manual and Operational Risk Management Manual – that will provide a common and systematic approach for managing risks. Each manual contains all risk management tools, policies and procedures that were approved by the SSC and proposed by the RMD. The risk management tools, policies and procedures currently utilized by SSS to manage the four principal risk categories, are discussed below:

### 3.1.1 Financial risk

This is the risk that results from unexpected changes in external markets, prices, rates and liquidity supply and demand.

The SSC and Management are active in the evaluation, scrutiny and credit approval process on all investments being undertaken by the SSS. The SSC has adopted adequate policies on investment procedures, risk assessment and measurement and risk monitoring by strict observance of the statutory limit provided under the SS Law and compliance to the investment guidelines. Internal controls are also in place and comprehensive audit is being done by Internal Audit Services.

#### a. Market risk

Market risk is the SSS' exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements or a specific asset on the balance sheet. This risk arises from (a) fluctuations in market prices of equities due to changes in demand and supply for the securities (*Equity Risk*), (b) volatility in the absolute level of interest rates (*Interest Rate Risk*), and (c) fluctuations in exchange rates due to changes in global and local economic conditions and political developments that affect the value of SSS' foreign-denominated investments (*Foreign Currency Risk*).

SSS strictly adheres to the provisions of Section 26 of the SS Law which states that the funds invested in various corporate notes/bonds, loan exposures and other financial instruments shall earn an annual income not less than the average rates of treasury bills or any acceptable market yield indicator. Also, SSS developed risk management tools to monitor and mitigate market risks, these are:

- Value-at-Risk (VAR) – a risk management tool used to measure the equity portfolio's maximum loss under normal market movements for a specified time interval and at a given confidence level. Alternatively, it measures the minimum loss of portfolio under extreme market movements. Daily VAR estimates are monitored daily and compared to its limits.

The VAR is designed to restrict potential loss to an amount tolerable by the Management, given the daily investment exposure on a trading portfolio. It is a general limit that incorporates a wide array of risks but encapsulates the quantification of these risks to a single number.

- Market-to-Acquisition Ratio (MAR) – a risk indicator that measures the percentage of the asset or portfolio's daily market value relative to its acquisition cost. The MAR values range from zero to positive infinity. MAR values lower than 100% indicate unrealized losses while values greater than 100% indicate unrealized gains.
- Stop Loss/Cut Loss Program – a disciplined/programmed divestment of losing stocks triggered by certain conditions (e.g. technical analysis/optimal portfolio recommendations, dividend yield, etc.) until all subject shares have been fully divested for the primary purpose of limiting losses to the equity portfolio.

#### b. Credit risk

This refers to the risk of loss arising from SSS' counterparty to perform contractual obligations in a timely manner. This includes risk due to (a) failure of a counterparty to make required payments on their obligations when due (*Default Risk*) and (b) default of a counterparty before any transfer of securities or funds or once final transfer of securities or funds has begun but not been completed (*Settlement Risk*).

SSS implements structured and standardized evaluation guidelines, credit ratings and approval processes. Investments undergo technical evaluation to determine their viability/acceptability. Due diligence process (i.e. credit analysis, evaluation of the financial performance of the issuer/borrower to determine financial capability to pay obligations when due, etc.) and information from third party (e.g. CIBI Information, Inc., banks and other institutions) are used to determine if counterparties are credit-worthy.

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, SSS investments are regularly monitored against prescribed cumulative ceilings specified in Section 26 of SS Law.

The table below shows the maximum credit risk exposure and aging analysis of the SSS financial assets with past due as at December 31, 2018 and 2017.

	Neither past due nor impaired	2018							Total	
		Past due but not impaired (Age in months)								
		1-12	13-36	37-48	49-60	Over 60	Expired	Impaired		
(In Millions)										
Financial assets at FVTPL	30,885	-	-	-	-	-	-	-	-	30,885
Financial assets at FVTOCI	129,582	-	-	-	-	-	1,380	1,292	-	132,254
HTM investments:										
Corporate notes and bonds	34,649	-	-	-	-	-	-	-	-	34,649
Government notes and bonds	149,959	-	-	-	-	-	-	-	-	149,959
Loans and receivables:										
NHMFC	-	-	-	-	-	-	5,038	5,038	-	10,076
Housing loans	397	175	75	29	35	2	-	1,291	-	2,004
Member loans	44,920	10,663	10,591	-	5,511	12,906	-	7,057	-	91,648
Pension loans	404	-	-	-	-	-	-	-	-	404
Sales contract receivable	121	695	131	30	19	47	40	55	-	1,138
Commercial and industrial loans	1	-	-	-	-	-	10	59	-	70
Program MADE	-	-	-	-	-	-	-	17	-	17
	<b>390,918</b>	<b>11,533</b>	<b>10,797</b>	<b>59</b>	<b>5,565</b>	<b>12,955</b>	<b>6,468</b>	<b>14,809</b>	<b>453,104</b>	

	Neither past due nor impaired	2017							Total	
		Past due but not impaired (Age in months)								
		1-12	13-36	37-48	49-60	Over 60	Expired	Impaired		
(In Millions)										
Financial assets at FVTPL	16,321	-	-	-	-	-	-	-	-	16,321
Financial assets at FVTOCI	102,065	-	-	-	-	-	1,380	1,292	-	104,737
HTM investments:										
Corporate notes and bonds	28,312	-	-	-	-	-	-	-	-	28,312
Government notes and bonds	175,983	-	-	-	-	-	-	-	-	175,983
Loans and receivables:										
NHMFC	-	-	-	1,624	-	-	3,919	4,711	-	10,254
Housing loans	479	131	68	32	-	-	1	1,519	-	2,230
Member loans	41,101	8,516	9,631	-	5,475	14,269	-	6,321	-	85,313
Sales contract receivable	448	296	86	24	16	49	33	41	-	993
Commercial and industrial loans	1	-	-	-	-	-	10	59	-	70
Program MADE	-	-	-	-	-	-	-	17	-	17
	<b>364,710</b>	<b>8,943</b>	<b>9,785</b>	<b>1,680</b>	<b>5,491</b>	<b>14,318</b>	<b>5,343</b>	<b>13,960</b>	<b>424,230</b>	

To further ensure compliance with Section 26 of SS Law, Policies and Guidelines in Determining and Managing Exposure Limits to Debt to Equity were established. The investment limits for Conglomerate/Group, Individual Corporation, Individual Corporation's Debt and Individual Corporation's Equity are determined based on two principles: IRF forecast-based principle and risk-based principle.

For the IRF forecast-based principle, the following are the limit ceilings as portion of IRF forecast, where the IRF forecast is computed from the previous year's IRF plus 90% of the current year's target net revenue:

- 10% for Conglomerate/Group
- 4% for Individual Corporation
- 3% for Individual Corporation's Debt
- 3% for Individual Corporation's Equity

The risk-based principle for computing investment limit is based on the company's value and its credit score.

Factors	Individual Corporation	
	Debt	Equity
Corporation's Value	Three times the Unimpaired Capital of the Corporation	10% of the Market Value of Total Issued and Outstanding Shares of the Corporation
Risk Measure	Merton Distance-to-Default	Altman Z-Score

With respect to stockbrokers, the SSS has adopted the following mitigating measures:

- Minimum requirements for stockbroker evaluation
  - Stockbroker must be registered with the Securities and Exchange Commission (SEC) and a member of good standing of the Philippine Stock Exchange (PSE) as defined under Section 28 of the Securities Regulation Code (SRC).
  - The stockbroker must belong to the top 30 in terms of cumulative value of transactions during the past three years.

- 1.3 The stockbroker must be in operation for at least five years and must be profitable for four years in these five years of operation. Provided that, the stockbroker must be profitable in the year prior to the application for accreditation.
- 1.4 The stockbroker must have a minimum of unimpaired paid-up-capital of P100 million or the minimum capitalization required by the SEC, whichever is higher.
- 1.5 The stockbroker shall have a positive track record of service to other institutional clients.

## 2. Stockbroker transactions, allocations and limits

- 2.1 Total daily transactions, excluding block transactions, per stockholder shall not exceed 50% of the stockholder's equity of stockbrokers.
- 2.2 Total transactions, excluding negotiated block transactions, for each of the accredited stockbrokers, during the accreditation period, shall not exceed the higher between one over the number of active accredited stockbrokers x 100% and 15% of total SSS transactions.
- 2.3 Transactions, excluding negotiated block transactions, with the SSS by the stockbroker within the year of accreditation, shall not exceed 40% of its total market transactions. This ensures that SSS is not its only client.

### c. Liquidity risk

This refers to the risk of loss, though solvent, due to insufficient financial resources to cover for liabilities as they fall due. It also involves the risk of excessive costs in securing such resources. This risk also refers to (a) unanticipated changes in liquidity supply and demand that may affect the organization through untimely sale of assets, inability to meet contractual obligations or default (*Funding Liquidity Risk*) and (b) asset illiquidity or the risk of loss arising from inability to realize the value of assets, without significant reduction in price, due to bad market conditions (Market Liquidity Risk).

SSS manages this risk through daily monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The SSS also maintains sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow.

To ensure that investments in Marketable Securities shall be compliant to the basic principles of safety, liquidity and yield shall benefit as many members of the System, SSS only invests in shares of stock and equity related-issues that satisfies its stock accreditation guidelines.

Also, RMD developed a Risk Dashboard to provide the Management with bird's-eye view of the financial risks that SSS is facing. This dashboard will help the Management in identifying the issues that may arise from the cumulative impact of risks over time. It consists of risk reports like VaR, MAR Heat Maps, Ageing Reports, and Limit Monitoring, which are presented in tabular and graphical form. RMD also conducts validation, backtesting and stress testing on risk models used by the Investment Sector to ensure effectiveness and reliability of models.

### 31.2 Insurance and demographic risk

This refers to the risk of loss arising from variation in pension fund claim experience and exposure to adverse persistency, and uncertainty in demographic assumptions when pension and other benefits were designed and valued.

#### a. Longevity risk

This risk is the loss of fund due to higher than expected payout ratio as a result of changes in life expectancy trends among pensioners.

#### b. Mortality risk

This risk is due to changes in actual mortality rates that adversely differ from assumptions.

#### c. Morbidity risk

This risk is due to deviations of actual disability and illness rates from what is expected or assumed..

#### d. Claims inflation risk

This risk is due to increase in the total amount of claims over time.

SSS manages these risks through regular conduct of actuarial valuation/studies and monitoring of experience. There are also mitigating measures to control SSS members' anti-selection practices, such as when a person who has better information on products and/or services, selectively uses it to gain personal advantage at the expense of the provider or another party. For example, SSS only allows self-employed members and voluntary members, including OFWs, aged 55 years old and above, to increase their monthly salary credit (MSC) brackets to only once in a given year but only one salary bracket from the last posted MSC. This is to control the practice of abruptly increasing one's monthly salary credit near retirement to increase expected pension.

### 31.3 Strategic risk

This is the risk arising from unanticipated changes in key elements of strategy formulation and/or execution leading to actual strategic outcomes that adversely differ from expectations.

#### a. Governance risk

This risk arises from governance not functioning as expected.

#### b. Political risk

This is the risk of loss in investment returns due to political changes or instability.

#### c. Strategic relationship risk

This risk is due to unexpected changes in strategic relationships such as joint ventures/partnerships.

#### d. External relations risk

This risk is due to unanticipated changes in relationship with external stakeholders such as the public, media, regulators, rating agencies and politicians.

#### e. Legislative/Regulatory risk

This risk is due to changes in laws/government regulations.

#### f. Economic risk

This risk arises from unanticipated changes in the economy such as changes in consumer disposable income affecting ability to pay contributions or loan balances.

SSS manages these risks by creating harmonious relationship with various stakeholders, monitoring new and pending bills, and conducting regular economic researches and studies to craft appropriate policies beneficial to the System and its members. SSS also implemented the No Gift Policy, No Noon Break Policy, Anti-Fixer Campaign and No Smoking Campaign which will enhance its image as a government institution.

### 31.4 Operational risk

Operational risk is the exposure to potential loss, whether direct or indirect, resulting from a range of operational weaknesses.

#### a. Internal fraud and External fraud

These are unexpected losses as a result of fraudulent action of persons internal to the firm or external to the firm.

#### b. Employment practices and workplace safety risk

These are unexpected losses as a result of employment practices followed by the System which may not meet applicable laws and standards of safety, health, and diversity.

#### c. Clients, products and business practices

These are unexpected losses arising from an unintentional or negligent failure to meet professional obligation to clients.

#### d. Physical Damage Risk and Business Disruptions/System Failures

These are unexpected losses as a result of physical damage to the asset or failure of its systems.

#### e. Execution, delivery and process management

These are the unexpected losses from failed transaction processing/process management and from relations with trade counterparties and vendors.

SSS monitors these risks by conducting regular Risk and Control Assessment (RCA) throughout the System. RCA provides insights on risks in each SSS unit, both existing or emerging. Identified operational risks through RCA are consolidated in a risk report, which is presented in Risk Management Committee meetings. Actual risk incidences are reported as well.

Through the RCA, SSS units become more aware of the risk present in their day-to-day operations. As such, they are able to identify gaps and ineffective controls and come up with sensible action plans to minimize possible loss and damage. The progress of the action plans is periodically monitored and reported.

Below are some of the risk management tools used to address operational risks:

- a. Privacy Impact Assessment – SSS conducts Privacy Impact Assessment (PIA) to evaluate privacy impacts in all processing systems – existing, new and enhancements. The PIA takes into account the nature of personal data to be protected, threshold analysis, personal data flow, stakeholder engagement and risks to privacy and security in each processing system.
- b. Directors' and Officers' Liability Insurance – SSS has been providing its Commissioners and Executives with an indemnity coverage to afford SSS, SSC and its Management the means to pursue their fiduciary duties and obligations to always act in the best interest of the System, with utmost good faith in all their dealings with the property and monies of SSS.
- c. Personal Equity Investment Policy – SSS promotes high standards of integrity and professional excellence among its officers and employees in the investment of the Reserve Funds as provided under its Charter through regular monitoring and regulation the official and personal transactions and activities related to equity investments of concerned SSS officers and employees and the establishment of a disclosure mechanism for their personal equity investments.
- d. Business Continuity Management Plan – Currently, the SSS trains its employees to be prepared against natural and manmade calamities through regular conduct of disaster preparedness programs, e.g. fire drill, earthquake drill, back-up and recovery of systems. For long term preparation, the SSS has created a Disaster Control Group that is responsible for planning strategies and mechanism to provide continuous delivery of services to the public amidst any disruption in operations caused by disaster.

### 32. RECLASSIFICATION AND RESTATEMENT

The following tables summarize the effect of the adjustments made on the change in accounting policy from cash basis to accrual of interest income on Member Loans (ML), Housing Loans (HL), Sales Contract Receivables (SCR) and Rental on Acquired Assets and on the reclassification of NCAHFS to IP and PPE.

The SSC under Resolution No. 403-s.2019 dated June 18, 2019 approved the restatement of financial statements due to misclassification in 11 properties between reporting periods 2016 and 2018 as presented under Note 7. This is in compliance to Audit Observation Memorandum No. 2019-03 (2018) issued by the Commission on Audit on January 9, 2019 as well as with respective applicable standards for properties held for sale, for own use or for investment purposes.

#### a. Effect on the Statement of Financial Position

	Current Asset		Non-Current Asset		Reserve Fund
	Receivable	NCAHFS	IP	PPE	
In Million Pesos					
Balance at January 1, 2017, as published	7,244	4,337	22,994	4,531	476,563
Impact of the change in accounting policy-cash to accrual of interest income	693	-	-	-	693
Impact of the reclassifications of NCAHFS	-	(692)	2,654	10	1,972
<b>Restated balances at January 1, 2017</b>	<b>7,937</b>	<b>3,645</b>	<b>25,648</b>	<b>4,541</b>	<b>479,228</b>

	Current Asset		Non-Current Asset		Reserve Fund
	Receivable	NCAHFS	IP	PPE	
In Million Pesos					
Balance at December 31, 2017, as previously reported	4,567	5,966	30,892	4,450	496,596
Impact of the change in accounting policy-cash to accrual of interest income					
At the beginning of January 1, 2017	693	-	-	-	693
During the year 2017	56	-	-	-	56
Sub-total	749	-	-	-	749
Impact of the reclassifications of NCAHFS					
At the beginning of January 1, 2017	-	(692)	2,654	10	1,972
During the year 2017	-	(3,905)	4,878	73	1,045
Sub-total	-	(4,597)	7,532	83	3,017
<b>Restated balance of December 31, 2017</b>	<b>5,316</b>	<b>1,369</b>	<b>38,424</b>	<b>4,533</b>	<b>500,362</b>

#### b. Effect on the Statement of Comprehensive Income

	2018		2017
	In Million Pesos		
Change in accounting policy – cash to accrual of interest			
Increase service and business income	76		56
Increase in profit for the year	76		56
Reclassification of NCAHFS			
Increase gains	173		1,045
Decrease other non-operating income	(2)		-
Increase non-cash expenses	250		0.4
Decrease in profit for the year	(79)		1,045
Increase OCI-revaluation surplus	81		-

### 33. EVENTS AFTER REPORTING PERIOD

As of reporting period, two properties donated to SSS by the Provincial Government of Isabela and the Provincial Government of Camarines Norte have not been transferred in the name of SSS. The same are not yet dropped from the books of the respective Provincial Government, hence not recognized in the SSS book.

The donation of a parcel of land measuring 4,000 square meters located within the Provincial Capitol of Ilagan, Isabela has an appraised value of P20 million at P5,000 per square meter and will be used to establish an SSS office in the City Ilagan, Isabela. On the other hand, the donated lot situated at Sitio Mat-I, Sto. Domingo, Vinzons, Camarines Norte with a 1,000 square meters has a fair market value of P428,570 at P428.57 per square meter and will be used to construct an SSS Provincial Field Office/Satellite Office and Processing Center.

On February 7, 2019, President Rodrigo R. Duterte signed into law the enactment of Republic Act No. 11199 otherwise known as the "Social Security Act of 2018". An Act rationalizing and expanding the powers and duties of the Social Security Commission to ensure the long-term viability of the Social Security System, Repealing RA No. 1161, as amended by RA No. 8282 or the Social Security Act of 1997.

Among the landmark provisions of the said law are the grant of unemployment or involuntary separation benefits, the mandatory coverage of Overseas Filipino Workers, the establishment of a Provident Fund exclusive to SSS members, the condonation of penalties on delinquent contributions, and the legislated adjustments in membership premium and monthly salary credits.

### 34. OTHER MATTERS

#### 34.1 Commitments

Amount authorized but not yet disbursed for capital expenditures as at December 31, 2018 is approximately P1.190 billion.

### 35. COMPLIANCE WITH TAX LAWS

Presented under the following table is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under the Revenue Regulations No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The SSS is withholding and remitting to the BIR applicable taxes withheld imposed under the National Internal Revenue Code and its implementing rules and regulations. Income taxes withheld on compensation and expanded withholding tax are remitted on or before the 15th day of the following month except those withheld for the month of December which are remitted on or before the 20th day of January of the following year. Value-added taxes and final income taxes withheld are remitted on or before the 10th day of the following month.

	Amount
Taxes paid as at December 2018	
On compensation	387,111,287
Expanded	63,709,754
VAT and other percentage tax	99,114,304
Final tax	331,179
Output tax (VAT)	63,476,304
Taxes withheld (to be paid in CY 2019)	
On compensation	16,508,184
Expanded	7,345,149
VAT and other percentage tax	13,225,566
Final tax	1,840
Output tax (VAT)	5,796,208
	<b>656,619,775</b>

The SSS is exempted from all kinds of taxes pursuant to Sec. 16 of RA No. 8282 which states that "All laws to the contrary notwithstanding, the SSS shall likewise be exempt from all kinds of taxes, fees or charge SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom, as well as all supplies, equipment, papers or documents shall be exempt from any tax assessment, fee, charge, or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt but the person or persons entitled thereto, except to pay any debt of the member to the SSS. No tax measure of whatever nature enacted shall apply to the SSS, unless it expressly revokes the declared policy of the State in Section 2 hereof granting Tax-exemption to the SSS. Any tax assessment imposed against the SSS shall be null and void."

However, the SSS exemption on VAT has been repealed under item q, Section 86 of the R.A. No. 10963 otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law effective January 1, 2018.

The amount of output tax on VAT paid by SSS as at December 31, 2018 amounted to P63.476 million.

### 36. STATUS OF LAWSUITS

The SSS is involved as a party in several legal proceedings pending for resolution that could materially affect its financial position. Among these lawsuits are the following:

Description	Amount	Status
Arbitration case filed against Home Guaranty Corp. (HGC)	P5.073 billion	The case is still pending with OGCC. HGC is disputing the inclusion of compounded interest.
Expropriation case filed by the National Grid Corporation of the Philippines on 60,872 square meters portion of SSS property at Pasay City (Site 2 FCA 7)	P2.625 billion	The case is still pending with the Supreme Court (SC)
Civil case for Sum of Money with Damages filed against Waterfront Philippines, Inc.	P1.366 billion	Mediation was set by the Court of Appeals (CA) on January 23 and February 27, 2017 respectively. On both occasions, WPI failed to appear. Case was referred back to the Division handling the case. SSS still awaiting the resolution of its appeal.
Quieting of title filed by Desiderio Dalisay Investment, Inc (DDII) - "Dacion en Pago" (Cabaguio Ave. cor. Del Pilar Brgy Agdao Proper, Agdao, Davao City)	P83.586 million	The SC denied DDII's Motion for Reconsideration with finality. SSS is awaiting the issuance of Entry of Judgement.
Civil case for Sum of Money filed by Pryce Corporation on One Time Maintenance Adjustment Charge (MAC) on SSS owned memorial lots	P29.198 million	The pre-trial is set on November 19, 2019.

## Internal Auditor's Report

The 2018 Audit Plan was anchored on the institution's Strategic Objectives namely: 1) *Achieve a Universal and Equitable Social Security Protection*; 2) *Be a Sound and Viable Institution*; and 3) *Attain Optimal Member Experience on Social Security Services Provided*. The Audit Plan consists of projects dealing with a wide gamut of the System's operations and crafted taking into consideration the biggest risks the organization faces as well as inputs coming from the members of the Audit Committee.

With its two Divisions and six Departments, the Internal Audit Service (IAS) was able to complete all audit projects for the year 2018 including a couple of special audit undertakings. Even as targets have been met for the given year, IAS is still concerned as to what will happen with the current year's recommendations or what has happened to previous years' audit findings. If Management is unable to address the root cause of the various audit findings as pointed out by audit, then recurring audit results year in, year out can be expected. Critical to the whole process is Management's acceptance of the results after the exit conference and the resolve to get to the bottom-line not only to correct the flaws in the system and weaknesses of processes but also to provide corrective action to prevent recurrence. Hence, the goal is for Management to introduce and sustain continual improvement through objective measurements and analysis, leading to real reforms over time.

At this juncture, it would be appropriate to underscore the fact that Management and Internal Audit exist by way of a symbiotic relationship. Under the Philippine Government Internal Audit Manual, it is imperative for IAS to maintain its independence in order to ensure unbiased and objective assessment of the effectiveness of the SSS Internal Control System and the performance of Management in the attainment of the overall program objectives. Hence, Management is responsible for installing the five components of internal controls in all core and non-core processes (Control Environment/tone from the top, Risk Assessment, Control Activities, Information and Communication and Monitoring). Therefore, it is the duty of the SSS President and Chief Executive Officer to set up and monitor compliance with internal controls as part of management review to address operational and financial risks and preclude re-emergence of operational ineffectiveness and inefficiency.

The National Guidelines on Internal Control System (NGICS) issued in 2008 provides guidance to Heads of Government Offices in strengthening the internal controls of their respective agencies. Moreover, the Philippine Government Internal Audit Manual (PGIAM), issued in 2011, provides guidelines for IAS in the proper conduct of internal auditing in the public sector. Last November 6, 2018, through the initiative of IAS, Deputy Executive Secretary Alberto Bernardo and Department of Budget and Management officials conducted a "Briefing on the NGICS" for members of the Social Security Commission and top management to raise awareness on the importance of integrating NGICS into our system.

Hereunder are the most significant observations for the preceding year as follows:

- The Follow-Up Audit in 29 Branches is one project performed in 2018 that dealt with the outcome of the 2014 Audit of Frontline Service Delivery and the 2012 Audit of the Issuance of Employer (ER) Clearances. Based on audit results, about 18 or 69% of the recommendations were fully complied. However, erstwhile recommendation to do something about the perennial problem on "Cut-Off" and complaints of members to reduce queuing to their preference has not been addressed. Therefore, this remains as an issue the branches must resolve.

- Since 2010, IAS has regularly addressed the Branches' extent of compliance in the following: reconciliation with delinquent employers to determine the actual amount of delinquency; sending of billing and demand letters; and the filing of delinquency cases with Cluster Legal Department. The result of the 2018 audit in 17 Large Branches showed that the compliance rate is 8.21%. The effectiveness in enabling delinquent employers to settle in full/avail the installment program is a very low 0.87%. Although these figures showed a remarkable improvement, there is a long way to go in improving the collection effort. Therefore, strict compliance to Office Order 2009-041 and 2018-019 and review of the appropriateness in using collection target as basis for Branches' deliverables/performance measure on delinquent accounts is a must to ensure that it does not hinder compliance with internal controls.
- Any public relations or advertising campaign should have clear objectives and procedural guidelines - with its target market defined and concrete guidelines outlined. In communicating the various services and programs of the institution, there must be ways to measure whether or not the message is getting across a target audience. It is not only important to create the envisioned awareness; the manner to achieve such should be both effective and efficient and in accordance with regulatory requirements. The recent issuance of a policy on the implementation of advertising placements in the various media is a step in the right direction as the same institutionalizes guidelines to be observed in order to enforce compliance, pinpoint accountability and responsibility, and prevent fraud and future Commission on Audit disallowances.
- The IAS has performed the Internal Quality Audit (IQA) for Management ISO 9001 QMS Program on Registration and Coverage, Medical and Non-Medical processes and all core processes in Diliman Branch since the program starting 2011. The role of IAS as IQA auditors was reaffirmed by the Social Security Commission in 2018 hence, IQA has been incorporated as a regular function of IASD I. In 2018, a total of 33 Branches and 69 Departments were audited to assess their respective conformity with ISO 9001:2015 QMS standard. The most significant observation is the auditee's inability to immediately close all 174 previously issued non-conformities. About 65% remains unclosed mostly due to lack of understanding on the QMS requirements and inability to provide appropriate correction and corrective action by the auditees, some dating back to 2015.

In 2019, IAS has lined up projects supporting the strategic objectives of the institution. We reaffirm our vow to support the achievement of corporate goals.



ROSANO L. DELMO  
Acting Senior Vice President

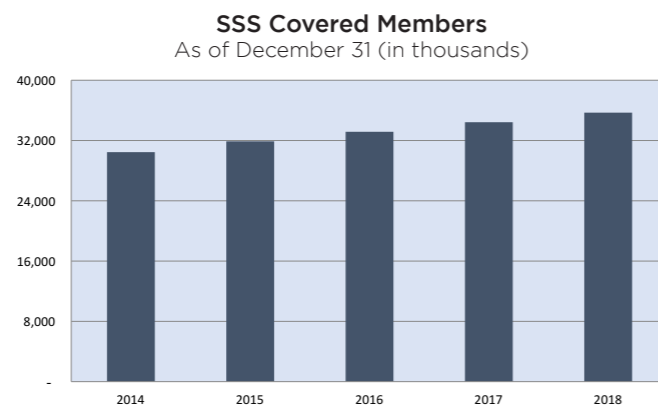
# Historical Data

## SSS COVERED MEMBERS, ACTIVE EMPLOYERS AND PERSONNEL WORKFORCE

**SSS Covered Members, Active Employers, and Personnel Workforce**  
As of December 31 (in thousands)

Year	Covered Members* (M)	Active Employers** (ER)	Personnel Workforce*** (P)	Ratio of Members to Personnel (M/P)
2018	36,736.8	932.1	6.9	5.3
2017	34,979.0	903.6	6.8	5.1
2016	33,237.0	935.0	6.4	5.2
2015	31,520.7	914.0	5.8	5.4
2014	29,886.1	921.1	5.5	5.4

\* Members who are eligible for at least one benefit  
\*\* Registered establishment that are operational, and household employers  
\*\*\* Regular SSS employees only

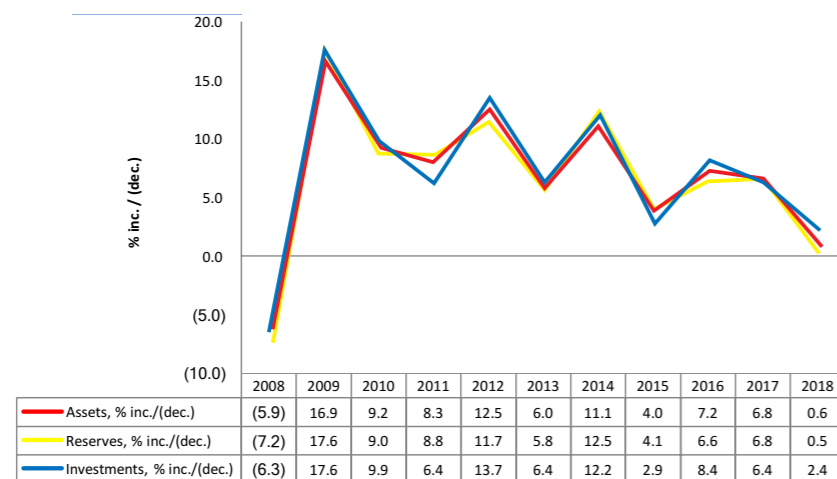


## CONSOLIDATED GROWTH OF ASSETS, RESERVES, AND INVESTMENTS

**Consolidated Assets, Reserves, and Investments**  
(in Billion Pesos)

Year	Assets	Reserves	Investments
2018	511.47	498.36	479.65
2017	508.63	495.85	468.34
2016	476.40	464.42	440.08
2015	444.40	435.52	406.16
2014	427.16	418.32	394.55

**Growth of Consolidated Assets, Reserves, and Investments**

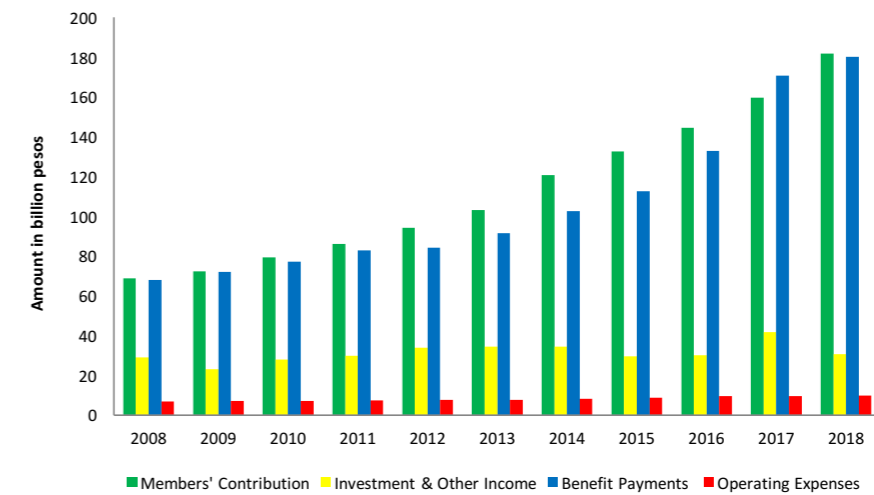


## CONSOLIDATED PROGRESS OF OPERATIONS

**Consolidated Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses**  
(in Billion Pesos)

Year	Members' Contribution	Investment & Other Income	Benefit Payments	Operating Expenses
2018	181.92	30.63	180.08	9.81
2017	159.72	41.88	170.68	9.55
2016	144.36	30.10	132.98	9.48
2015	132.62	29.49	112.56	8.85
2014	120.65	34.53	102.60	8.11

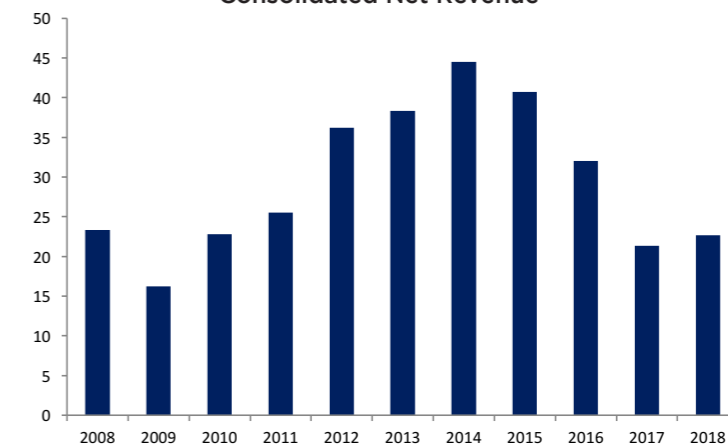
**Consolidated Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses**



**Consolidated Net Revenue**  
(in Billion Pesos)

Year	Amount	% inc./ (dec.)
2018	22.67	6.0
2017	21.38	(33.2)
2016	32.00	(21.4)
2015	40.69	(8.5)
2014	44.47	15.9

**Consolidated Net Revenue**



The decrease in the trend of net revenue from 2014 to 2017 is attributed to the following reasons:

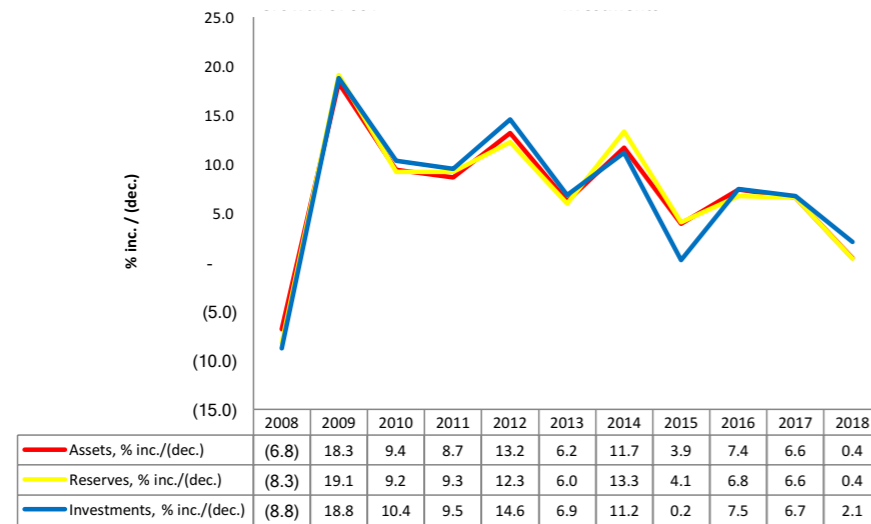
- Decrease in income from equities in 2015; and
- Increase in benefit payments due to pension adjustments as a result of posting 1985-1989 contributions in 2016 and grant of P1,000 additional benefit in 2017.

**SOCIAL SECURITY FUND \***

**SS Assets, Reserves, and Investments**  
(in Billion Pesos)

Year	Assets	Reserves	Investments
2018	473.05	459.95	442.82
2017	471.02	458.24	433.78
2016	441.83	429.87	406.40
2015	411.28	402.61	378.06
2014	395.75	386.90	377.18

**Growth of SS Assets, Reserves, and Investments**



\* Includes Mortgagors' Insurance Account, Flexi and PESO Funds

**SS Net Revenue**  
(in Billion Pesos)

Year	Amount	% inc./ (dec.)
2018	20.47	11.4
2017	18.38	(38.1)
2016	29.69	(23.9)
2015	38.99	(9.7)
2014	43.19	16.3

**SS Net Revenue**

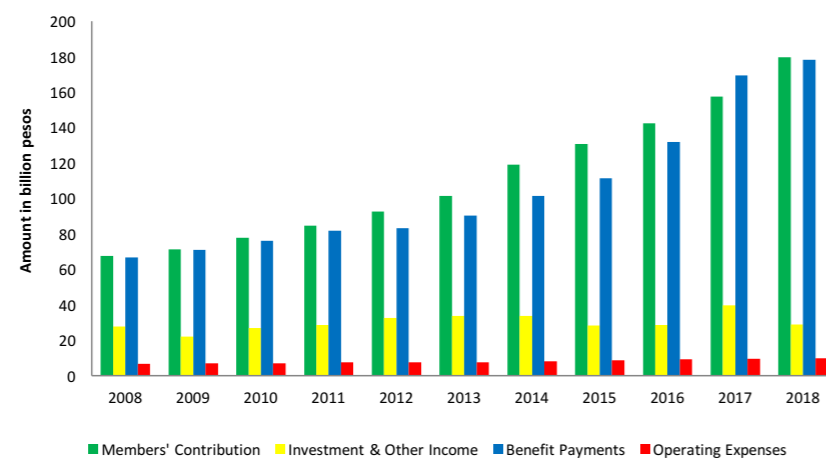


**SOCIAL SECURITY FUND PROGRESS OF OPERATIONS**

**SS Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses**  
(in Billion Pesos)

Year	Members' Contribution	Investment & Other Income	Benefit Payments	Operating Expenses
2018	179.67	28.87	178.36	9.71
2017	157.62	39.77	169.53	9.48
2016	142.45	28.52	131.88	9.40
2015	130.79	28.46	111.49	8.76
2014	118.94	33.78	101.50	8.03

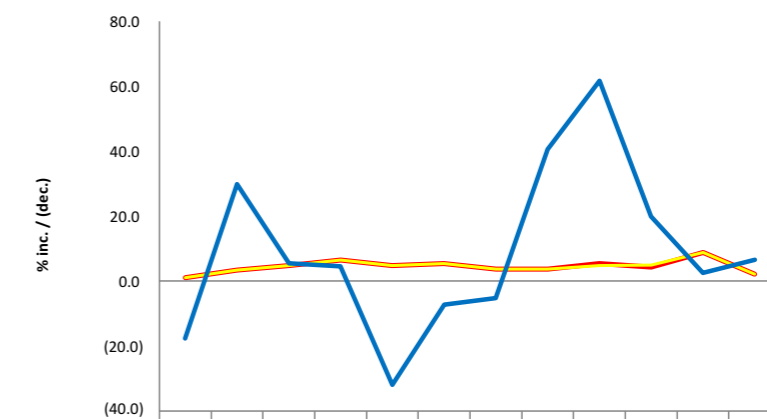
**SS Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses**



**EMPLOYEES' COMPENSATION & STATE INSURANCE FUND**

**Growth of EC Assets, Reserves, and Investments**  
(in Billion Pesos)

Year	Assets	Reserves	Investments
2018	38.42	38.41	36.83
2017	37.62	37.62	34.56
2016	34.56	34.55	33.68
2015	33.12	32.91	28.09
2014	31.41	31.41	17.38



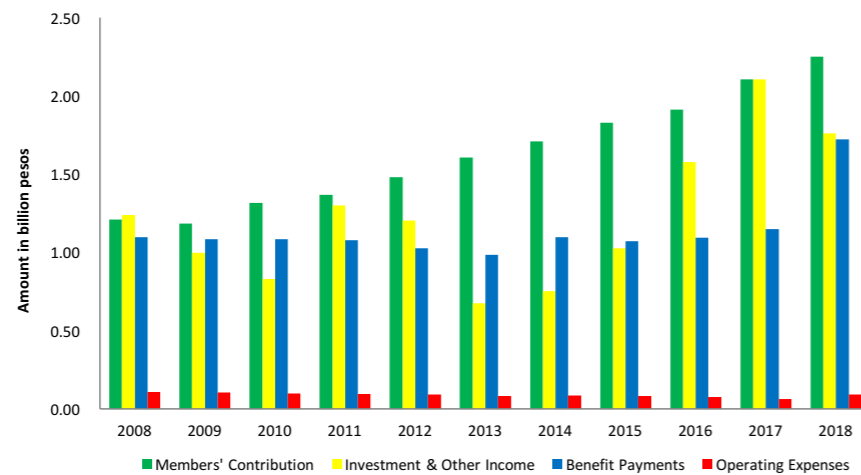
Assets, % inc./ (dec.)	1.1	3.4	4.8	6.5	4.8	5.4	3.7	3.6	5.4	4.3	8.8	2.1
Reserves, % inc./ (dec.)	1.1	3.4	4.8	6.5	4.8	5.4	3.7	3.6	4.8	5.0	8.9	2.1
Investments, % inc./ (dec.)	(17.6)	29.8	5.5	4.6	(31.9)	(7.3)	(5.3)	40.6	61.7	19.9	2.6	6.6

## EMPLOYEES' COMPENSATION & STATE INSURANCE FUND PROGRESS OF OPERATIONS

### EC Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses (in Billion Pesos)

Year	Members' Contribution	Investment & Other Income	Benefit Payments	Operating Expenses
2018	2.25	1.76	1.72	0.09
2017	2.11	2.11	1.15	0.06
2016	1.91	1.58	1.09	0.08
2015	1.83	1.03	1.07	0.08
2014	1.71	0.75	1.10	0.09

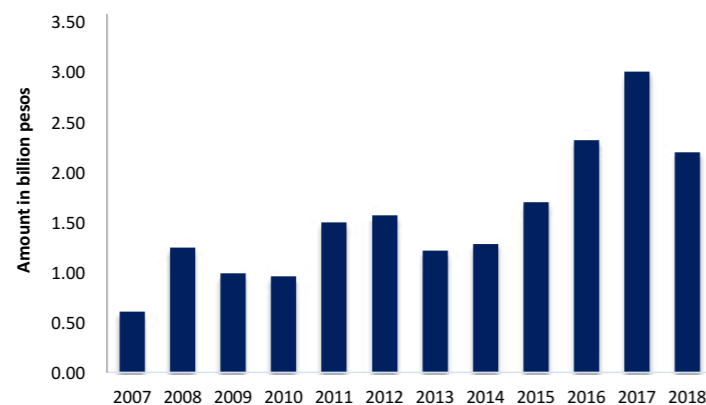
### EC Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses



### EC Net Revenue (in Billion Pesos)

Year	Amount	% inc./ (dec.)
2018	2.20	(26.8)
2017	3.00	29.4
2016	2.32	36.4
2015	1.70	32.6
2014	1.28	5.4

### EC Net Revenue



## CORPORATE GOVERNANCE MATTERS

### 2018 Full Compliance with the Code of Corporate Governance

The Social Security System (SSS) strictly adheres to the principles of good governance and is compliant with the Governance Commission for Government Owned or Controlled Corporations (GCG) Memorandum Circular No. 2012-07, or the Code of Corporate Governance for GOCCs, and has so far accomplished the following mandates:

Requirement	Complied (✓) Not Complied (x) Not Applicable (NA)	Remarks
No Gift Policy	✓	SSS No Gift Policy as approved by the Social Security Commission (SSC) in its Resolution No.133 dated 6 February 2014, as amended by SSC Resolution No. 598 dated 2 July 2014.
Directors and Officers Liability Insurance (DOLI)	✓	Renewal of the DOLI as approved by the SSC in its Resolution Nos. 421-s. 2017 dated 7 June 2017, 440-s.2018 dated 23 May 2018, and 485-s.2018 dated 11 June 2018.
Manual of Corporate Governance	✓	Manual of Corporate Governance for the SSS as approved by the SSC in its Resolution No. 898-s.2013 dated 27 November 2013
Board Committees	✓	The SSC has seven Board Committees in 2017, as follows: 1. Investments Oversight Committee 2. Audit Committee 3. IT Committee 4. Risk Management Committee 5. Governance, Organization and Appointments Committee 6. Committee on Coverage, Collection, and Other Related Matters 7. Media and Communications Committee
Staff Support to Directors	✓	The members of the SSC have reasonable support staff and office facilities stationed at SSS Main Office, East Ave., Quezon City and at SSS Bldg., Ayala Ave. corner Rufino St., Makati City
Civil Service Commission (CSC) Principles	✓	Statement of Corporate Social Responsibility and Relations with Stakeholders is provided under the Manual of Corporate Governance for the SSS as approved by the SSC in its Resolution No. 898-s.2013 dated 27 November 2013
Disclosure and Transparency Requirements	✓	In the SSS website ( <i>see the Transparency Seal icon</i> ), all disclosures are available for viewing by the public, such as the following:  On Institutional Matters: 1. The latest version of SSS Charter 2. Government Corporate Information Sheet  On the Board and Officers: 1. List of SSC Board Members and SSS Senior Officials with their complete compensation package 2. SSC Board Committees and their activities 3. Attendance record of SSC members in Board and Committee meetings  On Financial and Operational Matters: 1. Latest annual Audited Financial and Performance Report 2. Audited Financial Statements in the past three years 3. Quarterly and Annual reports and Trial Balance 4. Information on material risk factors and measures taken to manage such risk 5. Performance Evaluation System  On Governance Matters: 1. Charter Statement/Mission-Vision Statements 2. Performance Scorecards and Strategy Map 3. Organizational Chart 4. Manual of Corporate Governance 5. Corporate Social Responsibility Statement 6. Balance Scorecard

### 2018 GOCCs LEADERSHIP MANAGEMENT SYSTEM (GLMS) COMPLIANCE STATUS

Based on the 2018 GLMS Compliance Status issued by the GCG, SSS was listed as a compliant GOCC during the GLMS Open Season Period from 01 July to 31 October 2018.

The GLMS is a component of the Integrated Corporate Reporting System of the GCG as stated in its Memorandum Circular No. 2014-02.



## 2018 Board Meetings

The SSC schedules the meetings of the Board at the end of the preceding year or at the beginning of the year in accordance with SSC Resolution No. 698-s.2004, which provides that the schedule of SSC meetings will be every other Wednesday of the month.

For 2018, Commission Secretary Santiago D.R. Agdeppa submitted a proposed schedule of 2018 SSC meetings, which was approved by the SSC in its Resolution No. 876-s.2017.

A total of 31 meetings were conducted for CY 2018, seven of which were special meetings called by the Board. Out of the 24 scheduled meetings for said year, 22 were conducted as scheduled and the other two meetings were rescheduled due to unforeseen circumstances.

There was one meeting on 4 July 2018 whereby in effect the SSC Board members met without the President and CEO (PCEO). This was when the PCEO stepped out of the boardroom for other SSC members to freely discuss a matter endorsed by the SSC Governance, Organization and Appointments Committee.

## Annual Board and Committee Assessment

In accordance to Sections 17 and 18 of the Manual of Corporate Governance for the SSS, the SSC members conduct an annual performance evaluation of the Board and its Committees, which is a tool in developing effective and appropriate induction and training programs for new and existing members of the SSC, as well as in determining whether there is a need to add, combine, or reorganize the different Committees to best serve the interest of SSS.

The performance evaluation covers SSC members who served at least three months within the calendar year and has attended at least three duly called for Board and/or Committee meetings.

### BOARD ASSESSMENT

The process to be followed in conducting said assessment is as follows: 1) submission of the fully accomplished Monitoring Report of SSS Performance Evaluation System (PES); 2) accomplishment of the Director Performance Review Forms which consist of Self-Appraisal Rating, Peer Appraisal Rating, and Chairman's Appraisal Rating for each Member; and 3) submission of the SSC Member's attendance which shall also be given corresponding rates.

The following are the criteria used for said assessment:

- 1) SSS Performance based on the submitted PES - 60%
- 2) Director Performance Review - 25%
- 3) Attendance - 15%

For 2018, SSC Vice Chairperson Emmanuel F. Dooc, Commissioners Diana V. Pardo-Aguilar, Anita Bumpus-Quitain, Michael G. Regino, Arthur L. Amansec, and Gonzalo T. Duque will be covered by the said board assessment including ex-officio member Secretary Silvestre H. Bello III and his authorized representative. Similarly, the newly appointed Chairperson Aurora C. Ignacio shall also submit the required performance assessment considering her assumption to office on 12 September 2018 and attendance to a total of 25 meetings, inclusive of regular/special Board meetings and Committee meetings.

### COMMITTEE ASSESSMENT

The SSC has approved in its Resolution No. 257-s. 2018 dated 21 March 2018 the SSC Board Committee Assessment System with the following features:

1. Criteria for Performance Evaluation

The rating of the members of a Board Committee shall be measured based on the following:

a. Board Committee Attendance	=	40%
b. Self-Appraisal	=	12%
c. Peer Appraisal	=	24%
d. Chairperson's Appraisal Rating for each Member	=	24%

While the rating for the Board Committee Chairperson shall be measured based on the following:

a. Board Committee Attendance	=	40%
b. Self-Appraisal	=	20%
c. Peer Appraisal	=	40%

2. Board Committee Attendance Score: 40%

A duly designated Committee Chairperson and members thereof must have attended at least 75% of all authorized and duly called for Committee meetings. The total percentage of meetings attended shall determine the score for the attendance.

*Example: Out of 24 Committee meetings, a member attended a total of 20 meetings only, which is equivalent to 83.33%. Thus, 83.33% of 40 (attendance score) = 33.33*

## SSS Risk Oversight

The SSC, in its Resolution No. 1067 dated 19 December 2018, approved the Risk Oversight Report as endorsed by the Risk Management Committee consisting of:

**Current risk management systems (RMS) in place.** Per SSS Enterprise Risk Management (ERM) Policy approved by the Commission in 2016, the RMS and the status of their implementation are as follows:

- 1) Corporate governance - Fully implemented
- 2) Line management - Fully implemented on the financial side but not on the operations side
- 3) Portfolio management - Fully implemented
- 4) Risk transfer - Partially implemented, existing DOLI covers Commissioners and officers, DOLI coverage of Legal Enforcement Officers and frontliners still under study
- 5) Risk analytics - Partially implemented, some tools have yet to be developed
- 6) Data and technology resources - Not yet implemented
- 7) Stakeholders management - Partially implemented, not all policies have been communicated to stakeholders.

**How are key risks being managed?** Risk management involves the Risk Management Committee which is responsible for the adoption and oversight of the risk management program of the SSS in accordance with the guidelines prescribed by GCG, and on the management side, the Risk Management Division under the Actuarial and Risk Management Group. SSS also has risk management tools.

**Adequacy of risk management systems in SSS.** Most systems are in place, with the only RMS lacking is the Data and Technology Resources. The approved ERM Policy will be disseminated to all SSS employees.

## SSS Internal Controls

In the SSC meeting of 12 December 2018, the results of the evaluation of the Baseline Assessment of the SSS Internal Control System were presented, covering the five internal control components (control environment, risk assessment, control activities, information, and communication, and monitoring). The SSC expressed concern on the need for improvement in risk management, monitoring and control activities, and the re-study of the recommendations of the Internal Audit Services Group on the SSS internal control system to make them more specific and not mere mother/general statements, and to present these specific recommendations to the Audit Committee.

## SSS Whistleblowing Policy

The SSC, in its Resolution No. 193-s.2017 dated 15 March, 2017, has approved the SSS Whistleblowing Policy, which provides a formal mechanism that encourages and empowers all persons, whether SSS employees or not, to report and provide information that would involve actions or omissions of officials, including the members of the SSC, and employees of the SSS, that are illegal, unethical, violative of good governance principles, against public policy and morals, promote unsound and unhealthy business practices, or are grossly disadvantaged to the SSS.

### SCOPE AND COVERAGE

Whistleblowers may report information or allegations of suspected acts such as, but not limited to:

- |  |  |
|--|--|
| a. Abuse of Authority                  | j. Misconduct  |
| b. Bribery                             | k. Money Laundering                                    |
| c. Conflict of Interest                | l. Negligence of Duty                                  |
| d. Destruction/Manipulation of Records | m. Nepotism  |
| e. Fixing                              | n. Plunder   |
| f. Inefficiency                        | o. Receiving a Commission in SSS Official Transactions |
| g. Making False Written Statements     | p. Solicitation of Gifts                               |
| h. Malversation                        | q. Taking Advantage of Corporate Opportunities         |
| i. Misappropriation of SSS Assets      | r. Violation of Procurement Laws                       |

Whistleblowers may also report other acts or omissions that involve any violation of the following laws, rules and regulations:

- a. Code of Ethical Standards for SSS Officials and Employees;
- b. SSS Circulars, Orders and applicable laws and regulations;
- c. Republic Act (R.A.) No. 6713, "Code of Conduct and Ethical Standards for Public Officials and Employees";
- d. R.A. No. 3019, "Anti-Graft and Corrupt Practices Act";
- e. R.A. No. 7080, as amended, "The Plunder Law";
- f. Book II, Title VII, Crimes Committed By Public Officers, The Revised Penal Code;
- g. Executive Order No. 292, "Administrative Code of 1987";
- h. R.A. No. 10149, the "GOCC Governance Act of 2011";
- i. GCG Memorandum Circular (M.C.) No. 2012-05, "Fit and Proper Rule";
- j. GCG M.C. No. 2012-06, "Ownership and Operations Manual Governing the GOCC Sector";
- k. GCG M.C. No. 2012-07, "Code of Corporate Governance for GOCCs";
- l. Violations of R.A. No. 8282, "Social Security Act of 1997"; and
- m. Other GCG Circulars and Orders, and applicable laws and regulations.

#### FORM OF REPORT AND REPORTING CHANNELS

A Whistleblowing Report (WR) may be in any form, whether verbal or written. An anonymous WR or one which does not disclose the identity of the complainant will be acted upon only if it merits appropriate consideration, or contains sufficient leads or particulars to enable the taking of further action.

WRs may be made or submitted through the following reporting channels:

- a. Face-to-Face Meeting : with the Compliance Officer if person subject of report is below the rank of President; with the SSC Chairperson if the person subject of the report is the Compliance Officer; and with the Governance Commission for Government Owned or Controlled Corporations (GCG), if the person subject of the report is any member of the SSC
- b. E-Mail : whistleblowing@sss.gov.ph
- c. Mail : To the Compliance Officer, or the SSC Chair  
12 Floor SSS Bldg., Makati Ave. corner Rufino St. Makati City  
or To the Governance Commission for GOCCs  
3F, Citibank Center, 8741 Paseo de Roxas, Makati City 1226
- d. Web : www.sss.gov.ph  
: www.whistleblowing.gcg.gov.ph
- e. SMS : (to be assigned)
- f. Viber : (to be assigned)
- g. Telephone : (to be assigned)
- h. Fax : (to be assigned)

#### CONFIDENTIALITY

SSS shall ensure the confidentiality of all information arising from WR. All WRs, including the identity of the whistleblower and the person/s complained of, shall be handled in a confidential manner, unless disclosure is compelled by law or the Courts or the whistleblower consents to reveal his/her identity.

#### PROTECTION FROM RETALIATION

SSS shall not tolerate retaliatory acts against SSS employee-whistleblowers and witnesses who submitted WRs or testify thereon in good faith. All possible assistance under applicable laws and rules given the circumstances shall be extended to them. Such retaliatory acts may include:

- a. Discrimination or harassment in the workplace
- b. Demotion in rank, status or salary
- c. Reduction in salary or benefits
- d. Termination of contract
- e. Evident bias in performance evaluation
- f. Any acts of threats that adversely affect the rights and interests of the whistleblower

#### MALICIOUS ALLEGATIONS

In case where after investigation, it was determined that the whistleblower and/or witness has made baseless, untruthful, fabricated, malicious or vexatious allegations, and/or persists in making them, SSS will extend assistance to the official/employee subject of the WRs, should he/she decide to initiate a disciplinary or legal action against the whistleblower.

#### PROCEDURE

##### A. Handling Whistleblowing Reports

The whistleblower may file a WR with the Compliance Officer, regardless of the rank of the person complained of. But, in case a WR is against the Compliance Officer himself/herself, the same shall be submitted/filed directly with the Chairperson of the SSC.

If the WR is against any member of the SSC, the same should be filed with the GCG.

WRs may also be reported and filed directly with the GCG as provided under GCG M.C. No. 2016-02 through their website: [www.whistleblowing.gcg.gov.ph](http://www.whistleblowing.gcg.gov.ph).

A proper WR shall include the following requirements:

- Full name and position of the person complained of
- Specification of charge/s
- Statement of the relevant and material facts, including the approximate time and place of commission of act being reported
- All supporting evidence including affidavits of witnesses, if any
- Contact details of the whistleblower (email address, mobile number, etc.)
- Certificate of non-forum shopping, which should be dispensed for an anonymous whistleblower

A whistleblower shall have the option to disclose or withhold his/her identity. However, to aid further investigation, he/she can be contacted without compromising anonymity (e.g., email address, telephone, or mobile number).

If the WR is made through a face-to-face meeting, a phone call, or any of the mobile messaging schemes, a written report thereon shall be made by the Compliance Officer within three working days from receipt of such non-written report. If the same is against the Compliance Officer, the Chairperson may designate any of his/her staff to make such written report.

##### B. Evaluation of the WR

All WRs shall be personally evaluated by the Compliance Officer or the Chairperson, as may be applicable, within 15 calendar days from receipt thereof, to determine whether it falls within the scope of this Policy and if in the affirmative, determine likewise if the same is sufficient in substance.

The Compliance Officer may conduct his/her own investigation for a proper evaluation of the WR. He/She may gather relevant evidence by:

- a) calling the person/s complaint of and/or witnesses to appear for a discussion;
- b) requiring the complainant, if identified, to a discussion and/or submit added information relevant to the WR;
- c) requiring the person/s complained of to submit a comment;
- d) directing the proper office/department to submit papers or documents relevant to the matter subject of the WR;
- e) conducting the inspection at the workplace of the person/s complained of; and
- f) conducting such other acts in aid of the proper evaluation of the WR.

The 15-day period is correspondingly extended for such time that the papers or documents required from the office/department are not submitted.

Upon determination that the reports does not fall within the ambit of a WR under this Policy or found to be vague, ambiguous, patently or without merit, the Compliance Officer or the Chairperson, as may be applicable shall recommend to the SSC that the same shall be considered closed and terminated and the complainant, if identified, shall be informed accordingly.

Should the Compliance Officer or the Chairperson, as may be applicable, determine that the WR falls within the Policy, he/she shall pursue the following alternative courses of action:

- a) Recommend to the SSC for the indorsement of the WR to the proper government agency, such as the Office of the Ombudsman and the Civil Service Commission.
- b) Submit a report to the SSC recommending the creation of a Fact-Finding Committee or Investigating Committee that will investigate and deliberate the case.

The composition of the Fact-Finding Committee or Investigating Committee as may be formed by the SSC, depends upon who is the subject of the whistleblowing complaint/report.

If the WR is determined to be sufficient in substance, a Formal Charge shall be issued by the disciplining authority, as recommended by the Investigating Committee. But if the person complained of falls within the disciplining authority of the PCEO, the Formal Charge shall be issued by the PCEO. In both cases, the Formal Charge shall direct the respondent to file his/her answer to the Formal Charge. Thereafter a formal investigation shall ensue. It shall be terminated within 30 days from date of issuance of the formal charge. In case of a whistleblower who wish to remain anonymous, the Investigating Committee shall devise appropriate means to safeguard him/her without violating the right of the respondent to face his/her accuser.

It is understood that the proper disciplining authority refers to the PCEO for officials and employees below the rank of Vice President (VP) and the SSC for those occupying the positions of VP and above.

**C. Investigation, Recommendation, and Conclusion**

1. The Investigating Committee, sitting as a panel, shall conduct an investigation pursuant to the Revised Rules on Administrative Cases in the Civil Service (RRACCS). In case of a whistleblower who wishes to remain anonymous, care and caution must be exercised to respect the option of the whistleblower to secure his/her identity.
2. The result of the investigation and the recommendation of the Investigating Committee shall be submitted to the disciplining authority for approval, within 15 days after the formal investigation has been terminated. The disciplining authority shall render a decision within 30 days from receipt thereof. The whistleblower, if identified, and the respondent shall be informed in writing of the actions on the WR.
3. If the whistleblower decides to withdraw the WR or desist, the investigation shall continue if the evidence on hand is sufficient to warrant the continuation of the proceedings.
4. In the event that the employee under investigation resigns from the service pending the completion of the investigation or the final resolution of the case, benefits due, if any, shall be withheld pending final resolution of the case.

**D. Handling Anonymous Complaints**

An anonymous WR or one which does not disclose the identity of the complainant shall be made in writing form and will be acted upon only if it merits appropriate consideration, or contains sufficient leads and pieces of evidence to enable the taking of further action.

In cases of complaints reported verbally, the Compliance Officer/duly designated staff of the Chairperson shall log the complaint. The whistleblower who opts to keep his/her identity anonymous shall be required to submit sufficient evidence. The complainant has the option to disclose or withhold identity and/or sources of information. However, the WR shall clearly identify the person complained of by his/her full name and position. To aid further investigation, he/she should provide means by which he/she can be contacted without compromising anonymity (e.g. email address, mobile number).

An anonymous WR shall be evaluated personally by the Compliance Officer or the Chairperson, as may be applicable, within 15 days from receipt thereof and shall follow the same requirements and procedure for a WR with an identified complainant.

**E. Handling Complaints Against Retaliation (CAR)**

1. Submission of Complaint against Retaliation

Any whistleblower and/or witness who believes that he/she has been retaliated upon for filing a WR or for participating or cooperating in an investigation under this Policy may file a written CAR with the Compliance Officer/Chairperson within three days from the occurrence of the alleged act or incident on retaliation.

2. The CAR should indicate the following details:

- Name, position, work address, and contact number of complainant;
- Name and position of officials/employees alleged to have retaliated or involved in the retaliation against the complainant;
- Brief description and date of the WR to which the alleged retaliation relates;
- Brief description and details of the alleged retaliation (date/time, place, and manner);
- Relevant evidence to prove the retaliation; and
- Certificate of Non-forum shopping.

3. Preliminary Evaluation, Investigation, and Reporting

The procedure for the preliminary evaluation, investigation, and reporting of the WR as provided herein shall also be followed.

**F. Motion for Reconsideration (MR)**

An MR of the decision may be filed by the party adversely affected thereby within 15 days from receipt of a copy thereof. The MR shall be based on any of the following:

- a) Newly-discovered evidence;
- b) The decision is not supported by evidence; or
- c) Errors of law or irregularities have been committed prejudicial to the interest of the movant.

In resolving the MR, the disciplining authority should require the comment of the other party and within 30 days from receipt of said comment, resolve the same.

**G. Appeal**

The party adversely affected by the decision on the MR may file within 15 days from receipt of a copy thereof to the proper appellate bodies.

REPORT MONITORING

All WRs and CARs received shall be assigned a control number for monitoring purposes.

A monthly progress report shall be submitted by the Compliance Officer to the SSC of all pending WR and CAR cases, respectively, with the corresponding status and action/s taken thereon.

If the WR is against the Compliance Officer, the Chairperson may designate any of his/her staff to assign a separate control number and prepare a monthly progress report to be submitted to the SSC.

APPLICATION OF THE RRACCS

In all matters not provided in this Policy, the RRACCS shall apply in suppletory character.

## SSC Trainings in 2018

SSC Member	Subject and Date of Training
Aurora C. Ignacio	<i>Corporate Governance Orientation Program for GOCC</i> 18 October 2018 *Sponsor: Institute of Corporate Directors (ICD)
	<i>Introduction to Finance for Directors</i> 15 November 2018 *Sponsor: ICD
	<i>Professional Directors Program</i> 28 to 29 November 2018 *Sponsor: ICD
Emmanuel F. Dooc	<i>Finance for Directors</i> 20 August 2018 *Sponsor: ICD
	<i>16th MAP International CEO Conference 2018</i> 4 September 2018 *Sponsor: Management Association of the Philippines (MAP)
	<i>Corporate Governance</i> 18 December 2018 *Sponsor: SGV & Co.
Diana V. Pardo-Aguilar	<i>Advance Corporate Governance Training Program</i> 24 April 2018 *Sponsor: ICD
	<i>16th MAP International CEO Conference 2018</i> 4 September 2018 *Sponsor: MAP
Anita Bumpus-Quitain	<i>Seminar on Corporate Governance: Professionalizing your Management and Board of Directors</i> 10 May 2018 *Sponsor: Philippine Chamber of Commerce and Industry (PCCI)
	<i>16th MAP International CEO Conference 2018</i> 4 September 2018 *Sponsor: MAP
	<i>Corporate Governance Enhancement Session on Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues</i> 16 November 2018 *Sponsor: Philex Mining Corporation
Arthur L. Amansec	<i>Seminar on Corporate Governance: Professionalizing your Management and Board of Directors</i> 10 May 2018 *Sponsor: PCCI

SSC Member	Subject and Date of Training
Michael G. Regino	<i>Seminar on Corporate Governance: Professionalizing your Management and Board of Directors</i> 10 May 2018 *Sponsor: PCCI
	<i>Corporate Governance Orientation Program</i> 13 June 2018 *Sponsor: ICD
	<i>16th MAP International CEO Conference 2018</i> 4 September 2018 *Sponsor: MAP
	<i>Corporate Governance Enhancement Session on Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues</i> 16 November 2018 *Sponsor: Philex Mining Corporation
Gonzalo T. Duque	<i>Seminar on Corporate Governance: Professionalizing your Management and Board of Directors</i> 10 May 2018 *Sponsor: PCCI
	<i>Finance for Directors</i> 20 August 2018 *Sponsor: Institute of Corporate Governance
	<i>Corporate Governance Enhancement Session on Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues</i> 16 November 2018 *Sponsor: Philex Mining Corporation
Santiago Dionisio R. Agdeppa (Board Secretary)	<i>Seminar on Corporate Governance: Professionalizing your Management and Board of Directors</i> 10 May 2018 *Sponsor: PCCI
	<i>16th MAP International CEO Conference 2018</i> 4 September 2018 *Sponsor: MAP
	<i>Orientation/Refresher on Performance Management in the GOCC Sector</i> 19 September 2018 *Sponsor: Governance Commission for GOCCs
	<i>Professional Directors Programs</i> 19 December 2017 / 23 and 24 August 2018 / 18 October 2018 / 29 November 2018 *Sponsor: ICD

#### Orientation Program for the New SSC Members

As the new head and member of the SSC, Chairperson Aurora C. Ignacio and Commissioner Ricardo L. Moldez, respectively, were given the following orientation sessions in 2018:

- Office of the Commission Secretary and Executive Clerk of the Commission - *Briefing for New Members of the SSC, including the Rules of Procedure of the SSC;*
- Administration Group - *Personnel and Related Matters;*
- Investments Sector - *Investments;*
- Management Services and Planning Division - *2018 and 2019 Performance Scorecards;*
- Actuarial Group - *Funding Requirement; and*
- Legal and Enforcement Group - *Legal Matters.*

## Board Seat Representation in SSS Investee Corporations in 2018

Investee Corporation	SSC Members/SSS Officers
• Philippine Long Distance Telephone, Inc.	Chairperson Aurora C. Ignacio
• Philex Mining Corporation	Commissioner Anita Bumpus-Quitain Commissioner Michael G. Regino Commissioner Gonzalo T. Duque
• PXP Energy Corporation	Commissioner Diana V. Pardo-Aguilar
• Union Bank of the Philippines	Vice Chairperson / PCEO Emmanuel F. Dooc Commissioner Michael G. Regino
• First Philippine Holdings Corporation	Commissioner Anita Bumpus-Quitain
• Ionics, Inc.	Commissioner Diana V. Pardo-Aguilar
• Belle Corporation	Commissioner Arthur L. Amansec
• City Savings Bank	Commissioner Arthur L. Amansec
• Philamlife Tower Management Corporation	Commissioner Gonzalo T. Duque EVP Rizaldy T. Capulong SVP Santiago D.R. Agdeppa SVP Pedro T. Baoy
• Philamlife Tower Condominium Corporation	SVP Santiago D.R. Agdeppa
• Philippine Dealing System	EVP Rizaldy T. Capulong
• Capital Consortium, Inc.	SVP Pedro T. Baoy

## SSS Mission and Vision/Strategy

In 2018, the SSC approved the 2019 Plans and Programs of the SSS based on the three strategic objectives: (a) achieve a universal and equitable social security protection, (b) be a sound and viable institution, and (c) attain optimal member experience on social security services be provided, the highlights of which were categorized as (i) Contributions Collection; (ii) Investment Income; (iii) Branch Expansion and Other Related Expansions; (iv) Service Improvements; and (v) Communications.

After reviewing the SSS vision and mission and performance for the prior year and the full year Monitoring Report of Targets, the SSC approved, under its Resolution No. 789-s.2018, the 2019 Strategy Map and Performance Scorecard.

Moreover, the SSC approved the following strategic directions for 2019:

- Increase the Fund life of up to at least 2042.* Reviewing the present programs and then finding ways to improve them by focusing resources to return-generating programs and maximizing the value of investments, continuing management of resources creatively, and accelerating the development of collection programs.
- Establish accountability.* Setting performance measures and placing check and balance to meet targets and timelines and imposing sanctions for non-adherence to established policies and guidelines.
- Improve service quality.* Improving the current processes and upholding the primacy of SSS members in the delivery of highest quality and prompt service; this direction is connected with the implementation of the law entitled "Ease of Doing Business and Efficient Government Service Delivery Act of 2018."
- Improve corporate culture.* Improving the current processes, doing prompt and quality service, and establishing accountability will result in improving the corporate culture. Everybody has a share in the responsibility in improving the way things must be done and that all officers and personnel must feel and work as a team.

# Social Security Commission

**AURORA C. IGNACIO**  
SSC Chairperson

Date of Birth: July 17, 1956  
Age: 62  
Sex: Female  
Date of Appointment: 10 September 2018  
SSC Committees: Investments Oversight Committee (IOC); Governance, Organization and Appointments Committee (GOAC); Media and Communications (MediaCom); Committee of Coverage, Collection and Other Related Matters (CCCORM); Risk Management; Information Technology (IT); and Audit Committee



**SILVESTRE H. BELLO III**  
Ex-Officio Member

Date of Birth: June 23, 1944  
Age: 74  
Sex: Male  
Date of Appointment: 30 June 2016 as Secretary of Labor and Employment; Ex-Officio Member of the SSC by virtue of RA No. 8282



**MICHAEL G. REGINO**  
Commissioner

Date of Birth: August 14, 1961  
Age: 57  
Sex: Male  
Date of Appointment: 24 October 2016  
SSC Committees: Chairperson, Risk Management; Vice Chairperson, IOC; Member: CCCORM, GOAC, and MediaCom



**EMMANUEL F. DOOC**  
SSC Vice Chairperson and  
SSS President & CEO

Date of Birth: December 24, 1949  
Age: 69  
Sex: Male  
Date of Appointment: 15 November 2016  
SSC Committees: IOC; GOAC; MediaCom; IT; and CCCORM



**ARTHUR L. AMANSEC<sup>†</sup>**  
Commissioner

Date of Birth: November 28, 1946  
Age: 72  
Sex: Male  
Date of Appointment: 6 October 2016  
SSC Committees: Chairperson, GOAC; Member: CCCORM, IT, MediaCom, and IOC



**GONZALO T. DUQUE**  
Commissioner

Date of Birth: January 16, 1952  
Age: 66  
Sex: Male  
Date of Appointment: 28 November 2016  
SSC Committees: Chairperson, CCCORM; Member: IOC, Risk Management, Audit, IT, MediaCom, and GOAC

**DIANA V. PARDO-AGUILAR**  
Commissioner

Date of Birth: October 27, 1963  
Age: 55  
Sex: Female  
Date of Appointment: 17 August 2010 (First Appointment)  
SSC Committees: Chairperson, IOC Chairperson, IT; Member: Risk Management, Audit, and CCCORM  
Other Designation: Vice-Chairperson, SSS Provident Fund



**ANITA BUMPUS-QUITAIN**  
Commissioner

Date of Birth: November 1, 1946  
Age: 72  
Sex: Female  
Date of Appointment: 6 October 2016  
SSC Committees: Chairperson, Audit; Member: GOAC, CCCORM, Risk Management, and MediaCom



**RICARDO L. MOLDEZ**  
Commissioner

Date of Birth: July 30, 1947  
Age: 71  
Sex: Male  
Date of Appointment: 4 October 2018  
SSC Committees: CCCORM; GOAC; IOC; IT; Risk Management, Audit, and MediaCom

## Office of the Corporate Secretary to the Commission

**SANTIAGO DIONISIO R. AGDEPPA**  
SVP, Commission Secretary,  
Compliance Officer and Executive  
Commission Clerk



## Internal Audit Service Group

**ROSANO L. DELMO**  
Acting SVP, Internal Audit Service Group

## SSS Management

**PRESIDENT & CEO,  
EXECUTIVE VICE PRESIDENT &  
SENIOR VICE PRESIDENTS**



**EMMANUEL F. DOOC**  
President and  
Chief Executive Officer

**RIZALDY T. CAPULONG**  
EVP, Investments Sector

**VOLTAIRE P. AGAS**  
SVP, Legal and  
Enforcement Group

**ELVIRA G. ALCANTARA-RESARE**  
SVP, Controllership Group

**ANTONIO S. ARGABIOSO**  
Acting SVP, Account Management  
Group, Vice President, Large  
Accounts Division and  
Concurrent Acting Department  
Manager III, NCR Large Accounts  
Department

**PEDRO T. BAORY**  
SVP, Lending and Asset Management  
Group and Concurrent Acting SVP,  
Capital Markets Group

**JOSE B. BAUTISTA**  
SVP, NCR Operations Group

**SSS Management**  
SENIOR VICE PRESIDENTS



**MAY CATHERINE C. CIRIACO**  
SVP, Administration Group and  
Concurrent Acting SVP,  
Human Resource Management Group

**ERNESTO D. FRANCISCO JR.**  
SVP, Fund Management Group

**JOSIE G. MAGANA**  
SVP, Luzon Operations Group

**EMMANUEL R. PALMA**  
Acting SVP, Mindanao Operations Group

**JUDY FRANCES A. SEE**  
SVP, International Operations Group

**HELEN C. SOLITO**  
SVP, Visayas Operations Group

**JOSEFINA O. FORNILOS**  
SVP, Central Processing Group

**JOEL A. LAYSON**  
SVP, Office of the President and CEO

**GWEN MARIE JUDY D. SAMONTINA**  
Acting SVP, Information Technology  
Management Group and  
Vice President, Program Services Division

**MARIO R. SIBUCAO**  
SVP, Member Services and Support Group

# SSC and SSS Management Directory

As of December 2018

## SOCIAL SECURITY COMMISSION

AURORA C. IGNACIO  
Chairperson

EMMANUEL F. DOOC  
Vice Chairperson

ARTHUR L. AMANSEC<sup>†</sup>  
SILVESTRE H. BELLO III  
ANITA BUMPUS-QUITAIN  
GONZALO T. DUQUE  
RICARDO L. MOLDEZ  
DIANA V. PARDO-AGUILAR  
MICHAEL G. REGINO  
Members

## COMMISSION SECRETARY, COMPLIANCE OFFICER AND EXECUTIVE COMMISSION CLERK

## SENIOR VICE PRESIDENT

SANTIAGO DIONISIO R. AGDEPPA  
Commission Secretary,  
Compliance Officer and  
Executive Commission Clerk

## DEPARTMENT MANAGER III AND \*ACTING DEPARTMENT MANAGER III

NAOMI A. ANTAZO  
National Capital Region  
Commission Legal Department

TINNA MARIE R. LUZURIAGA\*  
Mindanao Commission  
Legal Department

MARISSA C. MAPALO\*  
Policy Research and  
Governance Department

JOCELYN B. PARAISO\*  
Commission Secretariat Department

JOSE B. SALGADO JR.\*  
Luzon Commission  
Legal Department

GLORIA S. TIRADO\*  
Visayas Commission  
Legal Department

## INTERNAL AUDIT SERVICE GROUP

ROSANO L. DELMO\*  
Internal Audit Service Group

BLESILA V. LIM\*  
Internal Audit Service Division I

GERONIMO T. VALEZA\*  
Internal Audit Service Division II

## SSS MANAGEMENT

### OFFICE OF THE PRESIDENT AND CEO

EMMANUEL F. DOOC  
President and CEO

### EXECUTIVE VICE PRESIDENT

RIZALDY T. CAPULONG  
Investments Sector and Concurrent  
Acting Senior Vice President,  
Actuarial and Risk Management Group

### SENIOR VICE PRESIDENT AND EQUIVALENT RANK AND \*ACTING SENIOR VICE PRESIDENT

VOLTAIRE P. AGAS  
Legal and Enforcement Group

ELVIRA G. ALCANTARA-RESARE  
Controllership Group

ANTONIO S. ARGABIOSO\*  
Account Management Group,  
Vice President, Large Accounts  
Division and Concurrent Acting  
Department Manager III,  
NCR Large Accounts Department

PEDRO T. BAOY  
Lending and Asset Management  
Group and Concurrent Acting  
Senior Vice President,  
Capital Markets Group

JOSE B. BAUTISTA  
NCR Operations Group

MAY CATHERINE C. CIRIACO  
Administration Group and  
Concurrent Acting Senior Vice  
President, Human Resource  
Management Group

JOSEFINA O. FORNILOS  
Central Processing Group

ERNESTO D. FRANCISCO JR.  
Fund Management Group

JOEL A. LAYSON  
Office of the President and CEO  
(Temporary reassignment  
with special function)

JOSIE G. MAGANA  
Luzon Operations Group

EMMANUEL R. PALMA\*  
Mindanao Operations Group

GWEN MARIE JUDY D. SAMONTINA\*  
Information Technology  
Management Group and  
Vice President,  
Program Services Division

JUDY FRANCES A. SEE  
International Operations Group

MARIO R. SIBUCAO  
Member Services and Support Group

HELEN C. SOLITO  
Visayas Operations Group

### VICE PRESIDENT AND EQUIVALENT RANK AND \*ACTING VICE PRESIDENT

HELEN L. ABOLENCIA  
NCR North Division

VILMA P. AGAPITO  
Luzon Central 1 Division

EDWIN M. ALO  
Mindanao North Division

GLORIA CORAZON M. ANDRADA  
Luzon Central 2 Division

CRISTINA A. BACALLA  
Luzon Regional Processing Division

PORFIRIO M. BALATICO  
Luzon North 2 Division

NICHOLAS C. BALBUENA  
IT Operations Division

LILANI B. BENEDIAN  
Visayas West 1 Division

RAUL A. CASIANO\*  
Visayas West 2 Division

HIDELZA B. CASTILLO  
ICT Support Services Division

ELEONORA Y. CINCO  
Management Services and  
Planning Division and  
Concurrent Acting Vice President,  
Risk Management Division

JOVE L. COLASITO\*  
Mindanao South 2 Division

MARIO V. CORRO  
Visayas Central 2 Division

VIRGINIA S. CRUZ  
Luzon South 1 Division

RENATO JACINTO S. CUISIA\*  
Operations Legal Services Division I  
& Concurrent Acting Vice President,  
Operations Legal Services Division II

DOREnda M. DASMARIÑAS-PAN\*  
Procurement Management Division

FILOMENA S. DAVID\*  
Human Resource Services Division  
and Department Manager III,  
Learning and Development  
Department

RIZALITO ALBERTO C. DE LEON\*  
Mindanao South 1 Division

NILO D. DESPUIG  
Luzon South 2 Division

EDWIN B. DINCOG JR.\*  
Equities Investments Division

NORMITA M. DOCTOR  
Benefits Administration Division

RODRIGO B. FILOTEO  
Mindanao West Division

CRISTINE GRACE B. FRANCISCO\*  
NCR South Division and  
Branch Head III, Makati-Ayala Branch

RENTONY C. GIBE\*  
Actuarial Services Division,  
Department Manager III  
(Senior Associate Actuary),  
Program Development and  
Pricing Department and Concurrent  
Acting Department Manager III,  
Actuarial Research Department

NELSON P. IBARRA  
NCR East Division

JEAN V. LAGRADA  
Financial and Budget Division

LUZVIMINDA J. LIMCAUCO\*  
NCR West Division and  
Branch Head III, Binondo Branch

JOHNSY L. MANGUNDAYAO  
Operations Accounting Division

GILDA VICTORIA G. MENDOZA  
Investments Support Division

ALBERTO L. MONTALBO\*  
Visayas Central 1 Division

LEONORA D. NUQUE  
NCR Regional Processing Division

BOOBIE ANGELA A. OCAY  
Fixed Income Investments Division,  
Concurrent Acting Vice President,  
Alternative Investments Division  
and Concurrent Acting  
Department Manager III,  
Member Loans Department

ALAN GENE O. PADILLA  
IT Solutions Division

NESTOR R. SACAYAN  
General Services Division

CEASAR P. SALUDO  
Luzon North 1 Division

ELENITA S. SAMBLERO\*  
Luzon Bicol Division

MA. LUISA P. SEBASTIAN  
Public Affairs and  
Special Events Division

SYLVETTE C. SYBICO\*  
Middle East and  
Europe Operations Division

GUILLERMO M. URBANO JR.  
Treasury Division

JOY A. VILLACORTA\*  
Asia, Americas and  
Pacific Operations Division and  
Department Manager III,  
Overseas Filipino Workers  
Management Department

MIRIAM A. VILLALBA  
Visayas and Mindanao  
Regional Processing Division

BRENDA P. VIOLA  
Medical Services Division  
and Concurrent Acting  
Department Manager III,  
Medical Program Department

JOSELITO A. VIVIT\*  
Corporate Legal Services Division

### DEPARTMENT MANAGER III AND EQUIVALENT RANK AND \*ACTING DEPARTMENT MANAGER III

AL MAYO C. ABAD\*  
Governance and Administrative  
Adjudication Department

MA. GRACIA D. ABAS  
Business and Development  
Loans Department and Concurrent  
Acting Department Manager III,  
Accreditation Department

LEO CALIXTO C. ABAYON  
Network and Communications  
Department

MAY O. ABERIN  
Financial and Investments  
Audit Department and Concurrent  
Acting Department Manager III,  
Corporate Service Audit Department

NICOLAS L. ARAC\*  
NCR West Legal Department

RICHARD C. ARESTA\*  
Performance Management and  
Employee Relations Department

MELANIE O. BARCELONA  
Luzon Large Accounts Department

ELISA B. BAROQUE  
Medical Operations Department

ROBERTO B. BAUTISTA  
Bilateral Agreements Department

AUREA G. BAY  
Branch Systems and  
Procedures Department

RENIER JOY NONITO B. BORNAS\*  
Opinion and Research Department

FELIPE R. CABANERO  
IT Resource Management  
Department

ARCELI G. CARLOS\*  
Member Electronic  
Services Department

JOSEPH LAMBERTO P. CARLOS  
Valuation Services Department

JOMAR C. CATABAY\*  
Luzon South 2 Legal Department

RAUL P. CINCO  
Mindanao North Legal Department

ROBERT B. CLEMENTE  
Information Systems Department IV

LILIBETH E. CORTEZ\*  
Employer Delinquency  
Monitoring Department

ROSA T. CRISOSTOMO  
Information Systems Department II

VICENTE SOL C. CUENCA\*  
Luzon North 2 Legal Department

GLORIA Y. CUISIA  
Branch Expansion and  
Management Services Department

CELSO C. CUNANAN  
Data Center Operations Department  
and Concurrent Acting  
Department Manager III,  
IT Operations Analysis Department

ELPIDIO S. DE CHAVEZ  
Branch Support Services Department

NICODEMUS L. DE GUZMAN\*  
Security Department

JOSELITO B. DE LOS REYES  
Employee Services Department

MARIE ADA ANGELIQUE T. DE SILVA  
Housing and Acquired Assets  
Management Department

MARITES C. DELA TORRE  
Luzon Bicol Legal Department

MARIA CELINA M. DELAPO  
Organizational Planning and  
Staffing Department

JOSEPH C. DESUNIA  
Legislative Affairs Department

ALEJANDRE T. DIAZ\*  
Luzon South 1 Legal Department

NIXON D. DIMAPASOC  
Office Services Department

MA. DOROTHEA R. DIMLA  
Liquidity Management and  
Bank Deposits Department  
and Concurrent Acting  
Department Manager III,  
Securities Settlement and  
Custody Department

BERNARDO B. DOFITAS JR.\*  
Visayas West 2 Legal Department

GLENITO D. DOMABOC  
Visayas Central Legal Department

BELINDA B. ELLA  
General Accounting Department

JOCELYN M. EVANGELISTA  
Sickness, Maternity and  
Disability Benefits  
Administration Department

OLIVIA B. FARINAS\*  
Records Archiving and  
Servicing Department

VIC BYRON T. FERNANDEZ\*  
Luzon Central Legal Department

MAY ROSE DL. FRANCISCO\*  
Media Affairs Department

MARIA NIMFA V. FRANCO  
Management Support  
Services Department

ROGELIO A. FUNTELAR  
Technical Support Department

ALLAN MARTIN M. GAYONDATO  
Statistics and Data  
Analysis Department

MA. VIANNEY O. GO  
Investments Accounting Department

SONIA P. GUINTO  
Corporate Communications  
Department

DANIEL E. GUTIERREZ\*  
NCR North Legal Department

NEIL F. HERNAEZ  
Visayas and Mindanao  
Large Accounts Department

STELLA C. JOSEF  
IT Governance and  
Standards Department

\* Officer-in-Charge

\* Officer-in-Charge



YOLANDA C. LADONGA  
Cash Management Department

TERESITA D. LANDICHO\*  
NCR and Foreign Audit Department

ROGELIO V. LANUZA  
Hosting Services Department

MARIA EMILY C. LIM  
Information Systems Department III

RUSSEL L. MA-AO\*  
Luzon North 1 Legal Department

ELOISA A. MAGLAYA\*  
Health Care Department

EDWIN B. MALIWAT  
Engineering and Facilities  
Management Department

ROSALINA C. MANANSALA  
Collection Data Processing and  
Reconciliation Department

MA. ELA R. MANZON  
Visayas West 1 Legal Department

RAUL F. MATAN\*  
Professional Sector Department

FROILAN M. MISA  
Procurement and Special  
Audit Department

PATRICIA B. NAZARENO\*  
Mindanao South Legal Department

FERNANDO F. NICOLAS  
Member Education Department  
and Concurrent Acting  
Department Manager III,  
Member Communications and  
Assistance Department

ANDRILINE A. OBEDOZA\*  
Documentation and  
Conveyancing Department

OLIVER D. OCANG\*  
Strategic Decision and  
Technical Support Department

GILBY G. ORIBELLO  
Valuation Department

VAN RENE M. ORPILLA  
Information Systems Department I

HENRY C. PABLO  
Litigation Department

VICTORINA B. PARDO-PAJARILLO\*  
NCR East Legal Department

VENUS D. PASCUAL  
Branch Accounting Department

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Services Department

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Project Management Office

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Cooperatives and Informal  
Sector Department

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Procurement Planning and  
Management Department

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Budget Department

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Benefits Oversight and  
Review Department and  
Department Manager II,  
Voluntary Provident  
Fund Department

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Contributions Accounting  
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Information Systems  
Security Department

JOSE ANTONIO L. SALAZAR  
Identity Management Department

AMADO GREGORIO P. SOPOCO  
Investment Property Department

CARMEN O. SORIANO  
Pensions Administration  
Department

CYRENE C. TINAE  
Mindanao West Legal Department

ARNOLD A. TOLENTINO  
Quality Management Department

MARIANO PABLO S. TOLENTINO  
ROPA and Acquired  
Assets Department

IKE A. TUBIO  
Special Investigation Department

LILIA A. TUBONGBANUA\*  
Information Systems  
Audit Department

STELLA BERNA LO BLESILDA D.  
VALENTONA-INACAY  
NCR South Legal Department

RENE T. VICENTE\*  
Luzon, Visayas and Mindanao  
Audit Department

MARIVIC S. VILLARAMA  
Data and Information  
Services Department

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Diliman Processing Center

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Pasig Processing Center

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Cebu Processing Center

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\*ACTING BRANCH HEAD**

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Recto Branch

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Alabang-Zapote Branch

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Laoag Branch

AMOR P. ERPELO\*  
Candon Branch

FRANCISCO F. PENTECOSTES\*  
La Union Branch

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Vigan Branch

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Bangued Branch

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Cauayan, Isabela Branch

JEANNIE D. MESA\*  
Santiago, Isabela Branch

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Solano Branch

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Cabanatuan Branch

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Balanga Branch

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Angeles Branch

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Baliuag Branch

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Pampanga Branch

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LESCANO  
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Dasmariñas Branch

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Biñan Branch

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Bacoor Branch

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San Pablo Branch

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Rosario (EPZA) Branch

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Santa Rosa Branch

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Lemery Branch

ROSARIO B. BIEN\*  
Boac Branch

JOSEPH PEDLEY V. BRITANICO  
Lipa Branch

IMELDA G. FAMILARAN  
Calapan Branch

EDWIN S. IGHARAS  
Batangas Branch

ESMERALDA S. MADRIAGA\*  
San Jose, Occidental Mindoro Branch

CHRISTINE R. RIANO\*  
Odiangan Branch

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Virac Branch

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Legazpi Branch

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Goa Branch

ROLANDO G. GOMEZ  
Sorsogon Branch

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Tabaco Branch

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Iriga Branch

ERMINA MARIA P. ROBREDO  
Masbate Branch

VIRGILIO A. SANTIAGO\*  
Naga Branch

PRISCO S. SORSONA  
Daet Branch

\* Officer-in-Charge

\* Officer-in-Charge

**VISAYAS OPERATIONS GROUP**

ELISA M. LLAVAN  
Dumaguete Branch

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Toledo Branch

EMELIA B. SOLINAP  
Bago Branch

ALIETA I. BASUBAS  
Tagbilaran Branch

VINCENT O. TRANI  
San Carlos, Negros Occidental  
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Roxas Branch

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Cebu-North Reclamation Area  
Branch

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Antique Branch

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Cebu Branch

**MINDANAO OPERATIONS GROUP****VISAYAS CENTRAL 2 DIVISION**

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Maasin Branch

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Oroquieta Branch

LILIBETH A. CAJUCOM  
Tacloban Branch

VALENTINE V. AUNZO  
CDO-Lapasan Branch

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PERKINS B. CALIXTRO  
Gingog Branch

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Cattbalogan Branch

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Tandag Branch

PORFERIO A. SALIDAGA JR.  
Ormoc Branch

ANTONIO G. FABIA  
Butuan Branch

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Bais Branch

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Victorias Branch

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Kabankalan Branch

CHERYL V. JARIOL  
Iligan Branch

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Sagay Branch

ARNOLD O. PEPINO  
San Francisco, Agusan Branch

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Bacolod East Branch

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Camiguin Branch

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Bacolod Branch

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Valencia Branch

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Davao-Ilustre Branch

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Mati Branch

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Panabo Branch

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BASTARECHE\*  
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Tacurong Branch

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Cotabato Branch

SUZETTE H. PURIFICACION  
Koronadal Branch

REDENTOR S. VIOLA\*  
General Santos City Branch

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MA. SALVACION F. ALAM  
Basilan Branch

AKILI N. AMBUTONG  
Jolo Branch

JAMES B. BUCKLY  
Pagadian Branch

ELIZABETH G. CABATINGAN  
Zamboanga Branch

ENRICO C. FLORES JR.\*  
Dipolog Branch

RUDY M. LACANDALO  
Ipil Branch

**FOREIGN REPRESENTATIVE OFFICES AND POEA**

FLOCERFIDA R. PALMERO  
POEA Branch

**FOREIGN REPRESENTATIVE OFFICES****ASIA**

JOY-ANN E. CABADING  
Brunei Representative Office

JONNAH A. CRUZADA  
Taipei Representative Office

KATHRYN QUINN E. EUSUYA &  
LESTER PAUL S. MATA  
Hongkong Representative Office &  
Macau Representative Office

JOSEFINA A. MADURO  
Kuala Lumpur Representative Office

LUCILLE BLESILDA L. SIMBOL  
Singapore Representative Office

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Bahrain Representative Office

LYDIA E. CABAGNOT  
Abu Dhabi Representative Office

DANILO Q. CALAPE  
Riyadh Representative Office

LESLIE P. DE LEON  
Doha Representative Office

MICHAEL D. INGAL  
Jeddah Representative Office

MARK ROUE N. OLIVA  
Dubai Representative Office

JEREMY M. REDULLA  
Kuwait Representative Office

JOHN L. SIBBALUCA  
Al-Khobar Representative Office

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Milan Representative Office

RUEL A. VELASCO  
Rome Representative Office

THELMA V. VENTURANZA  
London Representative Office

**NORTH AMERICA**

RHEA S. BALICAS  
Calgary Representative Office

MARITES C. MARIN  
San Francisco, USA  
Representative Office

ROBERTO V. ROLDAN  
Toronto Representative Office



## 2018 ANNUAL REPORT TEAM

**Seated, from left:**

Justina B. Hugo (CEO III); Sonia P. Guinto (DM III, Corporate Communications Department); Ma. Luisa P. Sebastian (Vice President, Public Affairs and Special Events Division); May Rose DL. Francisco (OIC, Media Affairs Department).

**Standing, from left:**

Iris Joy P. Abarquez; Josephine Anne E. Mines; Virgilio M. Macapagal; Jhoanna Lyn H. Garcia; Marie Grace V. Antiga.

**AR Contributors:**

Commission Secretariat Department; Corporate Communications Department; Corporate Policy and Planning Department; Management Services and Planning Division; Media Affairs Department; Financial and Budget Division; General Accounting Department; Internal Audit Service Group; Legal and Enforcement Group; Operations Legal Services Division; Organizational Planning and Staffing Department.

\* Officer-in-Charge



**SOCIAL SECURITY SYSTEM**

For comments, concerns, and inquiries, please contact:

Hotline: 1455

Call Center: (63-2) 7917-7777

E-mail: [member\\_relations@sss.gov.ph](mailto:member_relations@sss.gov.ph)

Facebook: <http://www.facebook.com/SSSPH>